

**Assessment of the  
performance of  
territories with special  
entrepreneurial  
treatment**



## ASSESSMENT OF THE PERFORMANCE OF TERRITORIES WITH SPECIAL ENTREPRENEURIAL TREATMENT

## EVALUACIÓN DEL DESEMPEÑO DE LOS TERRITORIOS CON TRATAMIENTO EMPRESARIAL ESPECIAL

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### Abstract

The article discusses the reasons for the low efficiency of territories activity with a special regime of doing business. One of the main reasons is the lack of a formalized desired image of the future of a special territory in the form of a system of key indicators. This situation leads to distortions in the implementation of management decisions. Currently, the needs of potential resident investors are put at the forefront, which leads to a conflict of interests of interested parties, depletion of resources and other negative consequences. Based on the proposed system of indicators, a method has been developed for assessing the effectiveness of the development of a particular territory, in which effectiveness is assessed as a system of private, key, integral and generalized (synergistic) indicators that reflect quantitative and qualitative changes in the development of the territory. From the perspective of the institutional- synergistic approach, the system of key performance indicators is presented in the form of two subsystems. The subsystem of performance indicators will describe the objective picture of the past and the present, and the subsystem of performance indicators will warn about future events (signals about risks and their consequences). The proposed subsystems of performance indicators for specific territories are formed using two types of feedback channels. The proposed models will allow us to move from fragmented control actions, aimed primarily at quantitative indicators to the synergistic development of the territory with a special regime of doing business.

**Keywords:** territory with a special regime of doing business, synergistic effectiveness, institutional-synergistic approach, desired image of the future, proactive management.

El artículo discute las razones de la baja eficiencia de la actividad de los territorios con un régimen especial de hacer negocios. Una de las razones principales es la falta de una imagen deseada formalizada del futuro de un territorio especial en forma de un sistema de indicadores clave. Esta situación conduce a distorsiones en la implementación de las decisiones de gestión. Actualmente, las necesidades de los posibles inversores residentes se ponen a la vanguardia, lo que conduce a un conflicto de intereses de las partes interesadas, el agotamiento de los recursos y otras consecuencias negativas. Basado en el sistema de indicadores propuesto, se ha desarrollado un método para evaluar la efectividad del desarrollo de un territorio en particular, en el que la efectividad se evalúa como un sistema de indicadores privados, clave, integral y generalizado (sinérgico) que reflejan los valores cuantitativos y cualitativos. cambios en el desarrollo del territorio. Desde la perspectiva del enfoque institucional-sinérgico, el sistema de indicadores clave de desempeño se presenta en forma de dos subsistemas. El subsistema de indicadores de desempeño describirá la imagen objetiva del pasado y el presente, y el subsistema de indicadores de desempeño alertará sobre eventos futuros (señales sobre riesgos y sus consecuencias). Los subsistemas propuestos de indicadores de desempeño para territorios específicos se forman utilizando dos tipos de canales de retroalimentación. Los modelos propuestos nos permitirán pasar de acciones de control fragmentadas, dirigidas principalmente a indicadores cuantitativos al desarrollo sinérgico del territorio con un régimen especial de hacer negocios.

**Palabras clave:** territorio con un régimen especial de negocios, efectividad sinérgica, enfoque institucional-sinérgico, imagen deseada del futuro, gestión proactiva.



## Introduction

In the current documents on the development of territories with a special regime of doing business (hereinafter referred to as special territories), the main instrument of state administration is the provision of preferential terms to residents. Officials suggest that investing in technology, creating jobs, investors will improve the socio-economic situation of the territory. Russian special territories are focused on the creation of zones of growth locomotives and directly appeal to the Chinese experience in the revival of problem areas (Turgel, 2017; Agara, 2017). The results of the functioning of these territories show that this is not enough to achieve the goals.

So, after 10 years of functioning of special economic zones, 8 of them were closed due to extremely inefficient activities. There is no active zone of territorial development in the country (a federal government decree on their creation was issued back in 2011). 19 residents of territories of priority social and economic development created in single-discipline municipalities have canceled agreements due to non-fulfillment by companies of their obligations. Residents of special territories are guided, first of all, by obtaining maximum relief from the state in the development of businesses and a greater amount of federal funds and preferences. The lack of business strategies against the background of the possibility and desire to obtain preferential conditions for doing business is the basis for the loss of resident status (Isandarov, 2018; Oveisi et al., 2018a). The given examples illustrate the presence of system errors in the management of special territories.

In our research opinion, the main reasons for the unsuccessful functioning of territories with a special business regime are inconsistent actions between investors and authorities, problems with managing, transparency and determining sources of financing, underdeveloped infrastructure, and often special territories are created artificially without studying investor needs and profitability possible projects. The lack of a long-term vision of the future image of these territories reduces the quality of managerial decisions. In recent years, potential and current investors have faced a new challenge - the lack of highly qualified specialists in the profile of the opened production (Galiullina, 2016; Pakdel & Talebbeydokhti, 2018). In many special territories, there is a negative migration balance, as well as a natural population decline (Galiullina et al., 2016; Oveisi et al., 2018b).

Special territories with tasks only to achieve payback are not in demand by the course of technological and socio-economic development. Often, the status of residents and, accordingly, benefits receive projects for the production of 2 and 3 technological structures at a time when the world creates production 6 way. The projects of residents of special territories on key success factors should be linked to the development of dominant enterprises and territories, as well as being coherent with priorities of a higher level, which means they should be oriented towards synergetic efficiency, i.e. effectiveness of interaction, not competition. So, the industrial assembly of cars in the chain of creating added value of the production facility is only 10-15%. The remaining 85% comes from components, components, parts, devices, infrastructure, logistics, etc. The use of the mechanism of cooperation of existing enterprises and residents gives a wide field of activity and chances of obtaining a synergistic effect in the process of developing a special territory (Galiullina et al., 2018a). The solution of the identified problems in the creation and functioning of territories with a special regime of doing business is possible through the implementation of a territorial industrial policy. Its mission is to focus on solving



fundamental issues of the development of the territory, and, above all, on developing an agreed system of actions by interested parties (government, business, the scientific community, the population of the territory) to launch the accelerated development of territories. Moreover, the industrial policy of each particular territory will be unique, based on available resources, the level of interaction of stakeholders, and the ambitiousness of Leaders (Galiullina et al., 2018b; Santana et al., 2017).

Also, in the framework of strategic management at the initial stage, it is important to formulate performance indicators of the control object — to create its desired image through a series of key indicators.

Currently, such strategic indicators for territories with a special business regime are not defined. The performance of special territories, the return on investment of public funds and the provision of state preferences are estimated on the basis of the number of residents and indicators of their business projects: the minimum amount of capital investment, the minimum number of new permanent jobs (Galiullina et al., 2018c).

The absence of a system of approved indicators that formalize the image of the future of each territory does not allow the management process to quickly identify, analyze and evaluate key gaps in strategic development.

The proposed system of indicators for the image of the desired future of special territories should include, first of all, the following indicators:

- quality of life of the population;
- knowledge-intensive production of residents;
- Labor effectiveness;
- wages;
- energy intensity of production;
- environmental parameters of ongoing projects.

By designing the desired image of the future territory, it is possible to evaluate the qualitative and quantitative characteristics of the existing potential, start generating potential resources of accelerated development and, in the process of the functioning of the special territory, through proactive system of key performance indicators (performance and activity) take proactive management actions in order to achieve the goals.

## **Methods**

S.N. Leonov identifies at least four different approaches to assessing the effectiveness of control tools (Leonov, 2017):

- balancing costs and benefits;
- comparing the actual results of the application of management tools with possible consequences without their application;
- assessment of individual indicators allocated for analysis;
- assessment of the degree of achievement of goals.



A.S. Puryaev offers the concept of "Compramultifactor", which allows you to take into account non-monetary, quantitative and qualitative parameters of the project, aimed at changing the quality of activity of the control object and life in general (Puryaev, 2017).

In accordance with the institutional- synergistic approach to the creation and functioning of special territories, it is proposed that management efficiency and effectiveness be carried out according to a specific algorithm (Figure 1).



**Figure 1.** Assessment of the performance of territories with special entrepreneurial treatment

- At the first stage (the "Goal Setting" block), a concept, strategy, mission, a system of goals and target indicators, and a system of the most important (key) tasks are formulated.

- At the second stage (block "Territory development strategy with a special regime of doing business"), the most important (key) directions of development are determined.

- At the third stage (block "Organizational and economic mechanism for implementing the territory development strategy with a special regime of doing business"), the implementation of key areas of development is detailed.

- At the fourth stage (block "Private performance indicators"), a set of private performance indicators is calculated for the selected key areas of territorial development (additive method).

- At the fifth stage (block "Key performance indicators"), indicators of the second level are highlighted - key values in each direction (cascade method)

- At the sixth stage (block "Integral (generalizing) performance indicators"), the coefficients of synergistic efficiency of the territory development are calculated.



Based on the proposed system of indicators, a method has been developed for assessing the effectiveness of the development of a particular territory, in which effectiveness is assessed as a system of private, key, integral and generalized (synergistic) indicators that reflect quantitative and qualitative changes in the development of the territory.

## **Results And Discussion**

In the context of managing the effectiveness of special territories, we propose implementing proactive (active, proactive) management, in which proactive management decisions are made (before risk situations occur) based on the timely receipt (via feedback channels) of signals about changes in the system-forming factors of the external and internal environment of the object management. The purpose of developing and monitoring key performance indicators is to identify systemically important deviations in the functioning of special territories that could potentially lead to negative consequences or transfer the system to a new development trend.

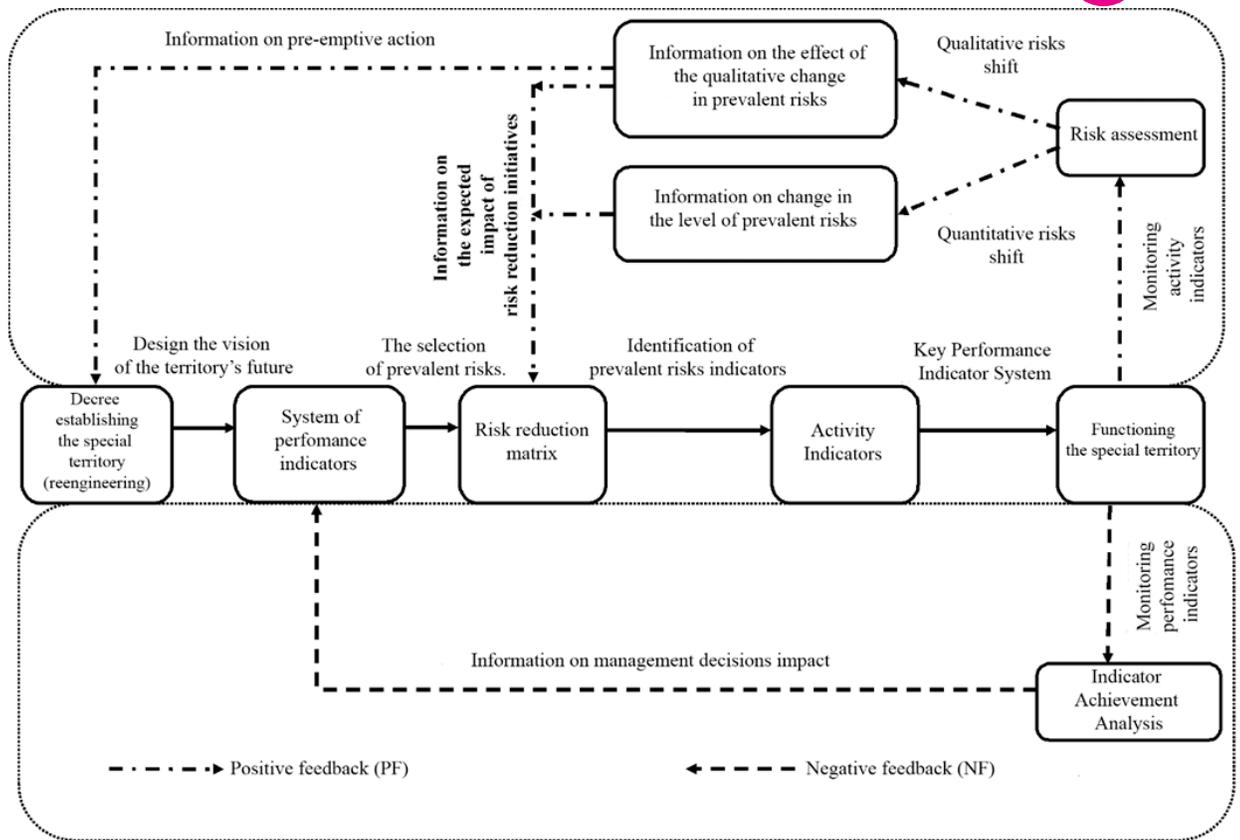
The subsystem of performance indicators will describe the objective picture of the past and the present, and the subsystem of performance indicators will warn about future events (signals about risks and their consequences).

The system of key performance indicators helps to identify the most significant risks and link them with the most important indicators of achieving the desired image of the territory.

The system of performance indicators for special territories at one stage of evolution (industrial territory, agglomeration, smart territory, innovative territory, cyber territory) will be typical. The performance indicators will be largely individual for each territory, based on the risk matrix, the potential of residents, the potential of catching up innovative development, the conditions of the internal environment and constantly changing environmental challenges (Galiullina, 2019).

In the framework of the institutional- synergistic approach, a system of key performance indicators in the form of two subsystems is formed through the construction of two types of feedback channels.

To the question "what happened?" the indicator subsystem will answer. They are developed both as a whole for the project (the result of achieving the desired image of a special territory), and for the stages of the implementation of project activities. These are quantitative indicators of the degree of achievement of goals and the number of resources spent on obtaining a result. These indicators can be considered as lagging indicators, indicators of negative feedback (Figure 2).



**Figure 2.** Assessment of the performance of territories with special entrepreneurial treatment

Leading indicators, indicators of positive feedback are activity indicators - a system of proactive indicators that signal the sources and factors of dominant risks. The development of such indicators is aimed at identifying the bifurcation state of a special territory - an extremely unstable state when a small impact on the system allows it to bring it to a new development trend. These trends can be either positive or negative synergistic. The art of management in an ever-changing environment is to timely identify the risks of not achieving the desired image of the territory and choose corrective actions aimed at reducing them.

Positive feedback indicators serve as the basis for predicting situations in which there are opportunities for priority (synergistic) development and potential threats to the implementation of the project. The lagging indicators state the results of the implemented actions, including intermediate results.

### Summary

Within the framework of the proposed system for evaluating effectiveness, residents, authorities responsible for the implementation of a state project, based on performance indicators, develop a risk reduction matrix, on the basis of which activity indicators (proactive indicators) are formed. As a result, we obtain a system of key indicators of the development effectiveness of a particular territory.

The system-forming factors of the functioning of territories with special regime for doing business in an ever-changing internal and external environment are described by activity indicators that provide information for the timely adaptation of management



decisions to changes. The main purpose of proactive management is to develop and carry out proactive actions before a particular risk is realized (including minimizing risk damage) or not to miss the chance of a transition to a more successful development trend.

### **Conclusions**

Assessing the effectiveness of special territories on the basis of an institutional-synergistic approach will allow us to switch to a synergistic development of the territory and abandon fragmented control actions, aimed primarily at quantitative indicators and therefore lead to the depletion of the territory's resources and to a conflict of interests of stakeholders (existing enterprises and residents, the population of the territory and residents, etc.).

Ultimately, the management of special territories should move from responding to emerging problems to proactive management, when management decisions, receiving proactive signals through feedback channels about possible damage, are made before risk situations occur.

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