### Social and cultural policy and region competitiveness (case of St.-Petersburg)

Vadim Yu. Pashkus<sup>1</sup>, Natalie A. Pashkus<sup>2</sup> and Alla A. Kirillovskaya<sup>1</sup>

<sup>1</sup>Department of Economic Theory and Economic Policy, St.-Petersburg State University, St.-Petersburg, Russia <sup>2</sup>Department of Applied Economics, Herzen State Pedagogical University, St.-Petersburg, Russia

**Abstract.** The article gives the analysis of the sociocultural sphere influence on the region competitiveness and the ability to analyze and choose competitive sectors and objects of socio-cultural sphere The author explores the reasons why sociocultural organizations become competitors and reveals the influence of "strong" organizations with a developed brand on the region brand. Also, the author gives the differentiation of sociocultural organizations of St.-Petersburg and proposes the ways of the given sector competitiveness increase.

[Pashkus V.Y., Pashkus N.A., Kirillovskaya A.A. **Social and cultural policy and region competitiveness (case of ST.-Petersburg).** *Life Sci J* 2014;11(12s):433-437] (ISSN:1097-8135). http://www.lifesciencesite.com. 93

Keywords: Socio-cultural sphere, region competitiveness, public sector, brand, McKinsey matrix

#### Introduction

In modern conditions, the balanced development of Russian regions and its investment attractiveness requires a comprehensive strategy that takes into account not only the economic and natural features of the region, but also characteristic of its human resources. At the regional level, human resources determine the potential of enterprises in the region and, therefore, their strategic capabilities, and characteristics of the consumer market. Thus, the economic potential of particular the region depends on quality of human resources in it. [1]

It can be clearly seen that the quality of human resources is provided by the public sector of the economy. Establishments in this sector perform formation of human resources at the expense of education, health care, cultural and personal development. Quality of human resources is dependent on the quality of public sector institutions and their services to the people of the region. [2]

Development of social and cultural sphere has a positive impact on the investment attractiveness of the region as well as creates an environment conducive to harmonious economic relations among all market participants. Thus, the competitiveness of the regional socio-cultural institutions, and the strength of their brands directly affects the competitiveness of the region itself. [3]

At the same time, and the changes in the internal structure of national economies, the development of new functional connections and changes in the quality of interaction among the elements of these systems contributes to qualitatively new relations in the economy. Classical structure of the public sector and classical approaches to the competitiveness of this sector do not apply in the new economy. [4] The public sector can not cope with the assigned duties and does not correspond to the functional the requirements of the new economic environment of very high uncertainty and risk impact. What is necessary to change in the management of social and cultural sphere in order to make it fully comply with the new realities?

# Management of social and cultural sphere in the new economy

New economic conditions can be characterized as conditions with highly dynamic environment that requires innovations, customeroriented and adaptive organizations shifting towards services and also the increasing importance of intangible assets of organizations. Therefore, in the new economy will require the development of competitiveness:

Resource potential and, above all, human branding and its components;

Effective mechanisms for the formation and development of human capital, development of image and brand of the organization;

High adaptability of organizations, both due to mobility and flexibility in the labor functionality and adaptability of the structure and functional relationships in the organization from the point of achieving the strategic priorities;

Effective strategic management, which allows to identify and implement innovative competitive strategies of the organization down to the breakthrough positioning strategy;

High innovative activity on staff level and the growing influence of innovation processes in the organization of all activities implemented;

Effective mechanism of flexible strategic management of organizations and relations with its partners;

Effective financial mechanisms for cost and additional resource management and, even more importantly, the redistribution of resources in order to ensure the strategic development; Effective mechanisms for managing uncertainty and risk in the organization;

Effective information support of the organization and its interaction with partners;

Enabling consumers of all types in the value chains.

Thus, for the highly competitive public sector organizations in the new economy should be given special attention to:

New tools for development of resource potential, Identification of key areas of competence of the public sector and policy-making based on these competencies;

New tools of image formation for public sector institutions, building and strengthening their brand;

Modern analytical tools and uncertainty and risk management tools;

New tools of human resource management;

New tools in information support of the organization and the formation of a common information space with partners and consumers of public services;

New financial mechanisms in functioning of the institutions and providing access to public services;

New tools in the form of integrable systems of the public sector.

The application of these tools can only be possible through systematic and comprehensive analysis of the internal and external environment of the organization, research of its dynamic characteristics of the competitive environment, as well as the research in the dynamics of institutional and social priorities that have an indirect effect on the operations and competitiveness of public sector organizations. External analysis should consider the impact of the competitiveness of country, industry, region and social cluster as a whole, [5] which have impact on the typical characteristics of the competitiveness of the particular segment of the cluster, as well as feedback in ensuring of competitiveness. [6] The higher a country's, industry or regional competitiveness is, the higher the partial indicators of the competitiveness of the organizations and their services are. [7; 8]

At the same time, even in a highly competitive economy, the public sector is always less successful than commercial, as its activity is controlled by the conflicting requirements of government and public priorities, financial and organizational priorities. Often these priorities come into considerable controversy. Public priorities must focus on the actual quality of service, and financial and organizational priorities - on perceived qualities. State requirements in the public sector also contain controversy since formed strategic priorities not only contain no real mechanisms for implementation, but also in law may prevent the implementation of mechanisms to achieve these priorities. According to the individual characteristics of the institutions and present competitiveness, these organizations are, to a greater or lesser extent, independent and, therefore, more or less ignore the existing contradictions. IT is much more complicated to gain a high level of competitiveness in the public sector than in the commercial, but leading position in one's cluster is much more stable, even in the new economic environment.

Institutions competitively strong in the public sector have a significant weight in the implementation and feedback, as their competitive potential has more significant impact on the competitiveness of the entire cluster, and the competitiveness of the region and the country. It should be noted that the influence of the individual strengths of the public sector institutions stronger in the region and the country, but not on the public sector organizations cluster. It can be clearly seen in assessing the impact of strong institutions of social cultural facilities (museums. and theaters. universities) to develop the economy of the region and the national economic system, based on their competitiveness. The presence of strong regional cultural institutions actually creates around them unique sources of competitive advantage in the region, for example, a consortium of research and production, integrating innovation in the region, [9], or a unique tourist complex [2] - all this ultimately contributes to the competitiveness of the region as a whole. It turns out that the socio-cultural sphere must be one of the focal points of regional economic policy and the introduction of new tools and development of new opportunities in the economy of the city. So what is the basis of differentiation of social and cultural facilities in St. Petersburg?

### Differentiation of cultural organizations in St. Petersburg

Socio-cultural sphere of St. Petersburg has a long and fascinating history, but one of the main trends in this sphere is its strong differentiation. It is naturally that cultural institutions have always had a different status, differed in popularity, demand and funding's, but at the beginning of the XXI century, these processes have intensified, and the state is trying to take an active part in financing but only those organizations of social and cultural spheres, which have a strong brand and actively use different models to raise funds.

This trend applies to the culture of the workers themselves. Over the past 20 years among

artists there was a sharp differentiation, division of the group for a privileged elite and the impoverished mass, which actually are the rest of cultural workers. Therefore, the analysis of statistical data often does not show the real situation, but only "average temperature in the hospital." How, then, to analyze the cultural sector in Russia? As one of the approaches can be proposed division of cultural industries on the presence and development of the asset as a brand.

The brand has become one of the most important "soft" assets in the modern economy. Moreover, the creation and development of brands leads to a strong differentiation of cultural organizations (by the way, this also applies to the personal brand - specific workers of culture).

So, we can say that all cultural organizations, depending on the extent of known and possible to raise funds, can be divided into the following groups depending on the strength of their brands.

Group I (global brands). These include cultural institutions with stable profit, level of which is global and clearly associated with Russia in the mass consciousness. It could be argued that, according to the fame and power of brands, in St. Petersburg, there are the following five: State State Museum-Preserve Hermitage Museum. "Tsarskove Selo" State Museum-Preserve Peterhof, Mariinsky Theatre, and St. Petersburg State University. There are also two globally known cultural events - the White Nights Festival and "Alye Parusa" (Scarlet Sails). Prospects of development of these cultural organizations are clear: they gain active financial flows from the government (often - financed separately in the budget) and donors. Organizations with a strong brand at the global level collect enough substantial funds from their own sources of funding and can afford to pursue an active strategy.

Group II (national brands). This includes quite successful (by the standards of Russia) organizations of culture, not deprived of any attention from the state or society. This group includes the State Russian Museum, the Museum-Reserve Pavlovsk Alexandrinsky Theatre (Russian State Academic Drama Theatre named after A.S. Pushkin), Mikhailovskiy Theatre, National Library of Russia, St. Petersburg State Polytechnic University, Russian State Pedagogical University named after A.I. Herzen, St. Petersburg State University of Economics and Finance (FINEC). The State Museum Monument "St. Isaac's Cathedral," Historical and Cultural Reserve "Peter and Paul Fortress", and several other. State support for such organizations is very high, but with a few exceptions, the volume of funds does not allow active development as this would require them to be in unique position. Note that only improving methods of promotion will change the strategic position and move into global brands (similar was made in the 80s-90s in Peterhof Museum Complex).

Group III (regional brands). Organizations in "regional brand" group are rather actively supported by the regional authorities. Sometimes they conduct their own relatively successful fundraising projects. Some of these organizations have a rather stable regional brands, such as State Museum-Preserve Gatchina, Theatre for Young Audiences, the Hermitage Theatre, or St. Petersburg State Conservatory named after Rimsky-Korsakov. Organizations like these have earned the attention of visitors and have great potential for development.

Group IV (No brand). These include museums, theaters, libraries, children's art houses, clubs, lectures whiteout a brand and with a low reputation. Arguably, the development trends of the group of cultural institutions is mostly negative. Financing is a residual, rooms that occupy these organizations are the "lure" for a variety of entrepreneurs and investors. If some of these organizations can exist on their own or through an intensive business, the prospects for the majority are very sad. They are often disposed to "create a public creative spaces throughout the city - free zones for the production and presentation of the cultural creative product." [10]

Unfortunately, these institutions do not have sufficient funding to develop brand that can attract funding because of its low starting opportunities and financial weakness. The correct regional policies should provide opportunities to strengthen the internal capacity of these organizations and the formation of their brands. Direct financial support for the weak in the competitive cultural institutions is not appropriate.

Necessary to recognize, that national economy and its clusters are developed at random to a certain extent and such a development depends on a number of current parameters of the economic and social development of the country. Thus, one should approach the economic policies in the socio-cultural sphere strategically, that will allow to develop those clusters of culture area (if such a possibility is available) that can give the country the maximum competitive benefits at the present moment. Application of the modified GE/McKinsey matrix allows to determine the acceptability of a potential strategy of economy cluster development that can bring comparative competitive advantaged to the country's socio-cultural sphere.

The McKinsey matrix is a  $3\times 3$  matrix allowing to represent and carry out a comparative analysis of strategic standpoints of a company's

business processes (products). The axes of the matrix are built as integral multifactorial estimates: horizontal axis represents a competitive status of a certain business process and the vertical axis represents the attractiveness of the market. So, X axis rests upon factors that depend on a company (internal environment factors) and Y axis – on the parameters that are almost beyond its control (i.e. external environment factors). [11] Let's try to use this matrix for carrying out a strategic analysis of competitiveness of branches on the global market.

Lafay and Balassa indexes are used to analyze the competitiveness of the productive sectors of the country. Let's take Lafay index as an X axis value. It shows the presence of absence of competitive advantages of products of a certain branch of a country. Lafay index represents multiplication of 100 by the difference between the ratio of net export of products j to the foreign trade commodity turnover j in a certain year and the ratio of aggregate net export to the foreign trade turnover as well as the share of the latter of j products in a gross foreign trade turnover of a certain country.

$$LFI_{j}^{i} = 100 \left( \frac{x_{j}^{i} - m_{j}^{i}}{x_{j}^{i} + m_{j}^{i}} - \frac{\sum_{j=1}^{N} (x_{j}^{i} - m_{j}^{i})}{\sum_{j=1}^{N} (x_{j}^{i} + m_{j}^{i})} \right) \frac{x_{j}^{i} + m_{j}^{i}}{\sum_{j=1}^{N} (x_{j}^{i} + m_{j}^{i})}$$

Where  $x_i$  and  $m_i$  - export and import of products j in country i. N - number of products. Positive values of Lafay index highlight the existence of competitive advantages. The more the coefficient value is, the higher is the level of competitiveness. And negative values give evidence of products in competitiveness. [12]

Let's take the value of the revealed comparative advantage index of B. Balassa as an Y axis value. The revealed comparative advantage index (RCAI) shows the intensity degree of export orientation of a certain branch in a certain country in relation to the global economy. Balassa index for branch j in country i and during a period of time t can be presented in the following way:

$$RSAI_{i,t}^{j} = \frac{x_{i,t}^{j}}{x_{w,t}^{j}}$$

$$\mathbf{x}_{\mathbf{w},t}^{j} = \frac{\sum_{i} \mathbf{x}_{i,t}^{j}}{\sum_{i} \sum_{j} \mathbf{x}_{i,t}^{j}}$$
 - share of industry *j* in total

exports of all countries of the world;

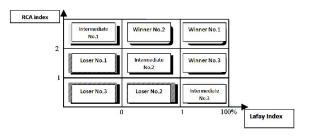
$$\mathbf{x}_{i,t}^{j} = \frac{\mathbf{x}_{i,t}^{j}}{\sum_{j} \mathbf{x}_{i,t}^{j}}$$
 - the share of industry *j* in total

exports;

Let's take  $X_{i,\underline{r}}^{j}$  as the export of sector *j* of the country *i* at time *t*.

It is assumed: if RCAij coefficient value exceeds 1, the country is competitive in production of this product; if it is less than 1, the country has no competitive advantages. [13] Thus, Balassa index is an external factor of country products competitiveness on the global market.

Lafay and Balassa indexes are used to analyze the competitiveness of the productive sectors of the country. We can calculate indexes Lafay and Balassa according to sectors of socio-cultural sphere.



Using a modified McKinsey matrix we can identify objects and branch socio-cultural sphere, which will be competitive in both domestic and foreign markets (for foreigners).

## Conclusion

Thus, analyzing the socio-cultural sphere of St. Petersburg to the following conclusions.

First, only subjects of culture with strong brands can actively attract financial flows from the areas of business organizations, enabling them to reduce their dependence on public funding. At the moment, one of the most effective mechanisms for funding in the nonprofit sector is corporate social investment, which allows companies to carry them out, significantly reducing the funds that go to the promotion of its products. But this requires investment in sufficiently promoted socio-cultural brand.

Second, the transfer pricing is a promising tool in spurring domestic resources of the organization of social and cultural sphere. This tool can be used as a competitive strength by rather strong institutions and as a source of good competitive strategy for slightly weaker institutions. Thus, to encourage institutions of socio-cultural sphere through measures of regional policy to the use of advanced financial instruments will have a positive impact on the development of human resources in the region and its investment appeal.

Third, the implementation of measures aimed at strengthening the capacity of the sociocultural sphere, creating conditions to increase their competitiveness and enhance their brand can promote the formation of a regional brand, the creation of which is inseparable from the brand of social and cultural institutions in the region.

Socio-cultural sphere is one of the potentially strong focal points of regional economic policy. Its introduction of new tools and new opportunities will actively develop leading role in the economy of the city. Thus region is able to shape and strengthen its brand through the implementation of measures to support the institutions of the sociocultural sphere, to create conditions for attracting additional resources from the business and strengthening its internal financial resources. And this brand will be able to determine an alternative choice in the region investments.

## **Corresponding Author:**

Dr. Pashkus Vadim Yu.

Department of Economic Theory and Economic Policy, St.-Petersburg State University, St.-Petersburg, Russia

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