

THEORETICAL AND METHODOLOGICAL ASPECTS OF REGIONAL ECONOMIC DEVELOPMENT STRATEGIC PLANNING

Recently, the role of regions in national economies has changed significantly because of globalization and structural adjustment. Understanding these processes of change is crucial for carrying out strategic planning of regional economic development.

In developed economies the regions often tended to be highly specialized and protected through the operation of tariffs and other government policies that shielded them from international competition. Many regions tended to be characterized by large scale, energy intensive and low labour skill.

A focus on regions and their economies is critically important for understanding the competitiveness of nations in the new era of globalization and structural adjustment [3; 7]. Methods and tools of regional strategic planning are vital both for researchers and local policy makers in assessing the performance of a region and to formulate strategic planning frameworks to build and maintain region's competitive advantage. In addition, regional economic development has taken place in the context of increasing concerns with sustainability.

As we see, a problem of regional economic development is very wide and universal. Its comprehensive research is possible only under condition of system understanding of theoretical-methodological aspects of a problem. So, the article purpose is to research the theory of regional economic development and to define new approaches to the solving a problem of making a strategic plan for regional economic development. For this purpose it is necessary to solve the following problems:

- to give term definition "regional economic development";
- to consider the differences between strategic and long-range planning;
- to make a draft context of strategic plan for regional economic development.

Making strategic plan for regional economic development it is necessary, first of all, to define the term "regional economic development".

Edward J. Blakely defines regional economic development as "... a process in which local governments or community based organizations are engaged to stimulate or maintain business activity and/or employment. The principal goal of local economic development is to stimulate employment opportunities in sectors that improve the community, using existing human, natural and institutional resources" [2, p. 35].

This definition introduces a dimension to economic development that makes it concerned with more than labour, capital, prices and production. It is concerned with mobilizing social capital. In context of contemporary growth theory, economic development refers to increases in the

quality of life associated with changes but not necessarily increases in the size and composition of population, in the quantity and nature of local jobs, and in the quantity of prices of goods and services produced locally.

Edward J. Malecki's definition of regional economic development tries to unite these concepts. He defines it as "... a combination of qualitative and quantitative features of a region's economy, which the qualitative or structural fare the most meaningful...The qualitative attributes include the types of jobs-not only their number-and long-term and structural characteristics, such as the ability to bring about new economic activity and the capacity to maximize the benefits which remains within the region" [5, p. 28].

Summarising the literature on this topic, it is surprising to find how diversely authors define the term. Regional economic development has been seen as both a product and a process:

— Regional economic development is the products with which people live, work and invest in regions tend to be most concerned in measured jobs, wealth, investment, standard of living and working conditions. Generally increases or improvements in these measures are equated with economic development.

— Regional economic development is the process with which economists and economic planners tend to be most concerned in industry support, infrastructure, labour force and market development.

Unfortunately, it is often difficult to match the desired outcomes of economic development with the processes used to achieve them. This can be a challenge for those responsible for managing regional economic development and for those responsible for developing strategies and plans. This challenge may be complicated further by the unstable and changing nature of economic environments, where "externalities" (exchange rates, new technologies, and foreign competition) are playing a great role in the decision-making process which influences economic policy and strategy in regions. Often economists are concerned with maximizing income, rather than looking for new approaches to achieve sustainable development, to generate benefits for communities and business in region and to reduce the long-term impacts of excessive environmental consumption.

Thus economic development needs to be seen as having both a quantitative and a qualitative dimension. It is quantitative with respect to the measured benefits it creates through increasing wealth and income levels, the availability of goods and services, improving financial security, and so-on. And it is also qualitative in creating greater social/financial equity, in achieving sustainable development, and in creating a spread in the range of employment and gaining improvements in the quality of life in a region. Economic development also has a

REGIONAL ECONOMIC DEVELOPMENT MATRIX	Qualitative input/output	Quantitative input/output
Regional Economic Process •Policy •Planning •Analysis •Strategy •Resource application etc.		
Regional Economic Product •Employment •Wealth •Investment •Infrastructure •Quality of life etc.		

Fig. 1. Regional economic development as a matrix of qualitative, quantitative, process and product outcomes [9, p. 7]

product and process dimension. Product is concerned with meeting stated outputs, which might be both qualitative and quantitative. Process is concerned with the policies, strategies, means and resources used to achieve desired outputs including institutional arrangements.

Economic development may be viewed as a matrix of expressed achievable product or service outcomes for a region resulting from acceptable development processes determined by both qualitative and quantitative variables (Fig. 1) [9, p. 7]. This definition suggests we should no longer view regional economic development as something that is concerned primarily with the manipulation of capital, labour and technology to maximize production in response to prices and markets; rather, there are fundamentally new value systems and factors that are beginning to underpin economic systems, many of which we do not yet fully understand.

This multi-dimensional aspect of economic development leads the author to propose the following definition of regional economic development:

Regional economic development is the combination of economic processes and resources available to a region that results in the comprehensive development and desired economic outcomes for a region and meets the expectations of business, of residents and of visitors.

While this definition is far from perfect, it does reflect a shift in economic product and process thinking. A balance between the qualitative and quantitative goals of economic development presents a challenge to traditional neoclassical economists and to the emerging breed of economists who recognize that regional economic development can occur on a more comprehensive basis.

Many different economic paradigms, thought, continue to shape the way communities and people think and plan for the future, but unfortunately much of our thinking on economic development is still embedded in the paradigms of the 1970s, because of an inherent reluctance by many communities to embrace change actively. Subsequently, many regions are not re-equipping themselves fast enough to compete effectively. To compete successfully in the global economy, regional government needs to understand the implications of the occurring paradigm shifts in economic policy and strategy, and to build the flexible strategic infrastructure to do so.

The contemporary global economy is being driven increasingly by financial and information markets that support production processes that are networked to each other in different parts of the world. Multi-national corporations are playing an increasingly dominant role in orchestrating synchronized production systems spanning multiple regions of the world and that have competitive advantage in the production and distribution of goods and services [6]. Information technology continues its rapid penetration into every sphere of national and local economies helping to create new products and integrate markets. At the same time new skills and strategies to cope with dramatically accelerating change motivated by globalization are requiring. Thus the new challenge for a region in pursuing strategy for economic development is to “think global” while “acting local” [8].

These changes to the nature of production, trade, information and employment that are impacting regions represent great challenges of their competitiveness improvement. Economic competitiveness has an increasingly significant impact on investment, location decisions. The current phase of global economic restructuring and competitiveness has changed important dimensions of regional economic development.

Traditionally local government jurisdictions have been the geographic scale at which economic development strategy has focused. However, today the focus is shifting more towards city regions that encompass multiple jurisdictions, and on understanding how industries located throughout a region operate with respect to their inter-sectorial and inter-firm linkages spanning not only the entire region, but also their linkages outside the region.

The types and location of input factors crucial to the formation, expansion and attraction of industry to a region are changing. Historically material costs, labour, land and taxes were recognized as factors contributing to comparative advantage, but now the focus is on competitive advantage which places a stronger emphasis on value adding factors related to efficiency, technology applications, skills placement and leadership. And as discussed earlier, there is now an emphasis as well on collaborative advantage through strategic alliances and networks.

Regional economic performance is no longer being viewed in purely economic outcomes. There is little value

to communities if economic development does not improve the quality of life, maintain safe and pleasant living environments, or resolve social disparities within communities. Globalization is bringing about major changes to the flow of information and to governance systems, and the paradigm of comprehensive development—the integrating of concerns for economic viability, social equity and cohesion, and ecologically comprehensive development—increasingly is being adopted as an underlying principle of regional development strategies and for planning practices.

A consideration of the above represents considerable challenges for governance in regional development. We are witnessing the emergence of a borderless society with nearly unrestricted movement of information, travel and currency between countries.

Thus it is important for regional economic development strategy to be cognizant of the global context of a region and to develop local actions that will facilitate integration with the global economy.

The term “strategic planning” has become very popular in recent years. Yet the difference between strategic planning and long-range planning is neither obvious nor universally agreed upon. Following are typical definitions and explanations of the two terms:

Long-range planning: The process by which the leaders of a region determine what the territory wants to look like at the end of a specified period of time — usually three to five years — then use that vision to establish multi-year goals and objectives which describe what the area wishes to accomplish, and develop programs, tasks, and timelines for achieving them. Long-range planning predicts future conditions and realities, internal and external, and plans how the organization can function effectively within them. It cannot be as specific as short-term or operational planning, because of multi-year projections. However, it tends to be more focused on specific objectives and timelines than strategic planning.

Strategic planning: The process by which leaders of a region determine what it intends to be in the future and how it will get there. To put it another way, they develop a vision for the area’s future and determine the necessary priorities, procedures, and operations (strategies) to achieve that vision. Included are measurable goals which are realistic and attainable, but also challenging; emphasis is on long-term goals and strategies, rather than short-term (such as annual) objectives. Strategic planning assumes that certain aspects of the future can be created or influenced. Strategic planning is on-going; it is “the process of self-examination, the confrontation of difficult choices, and the establishment of priorities” [6]. Strategic planning involves “charting a course that you believe is wise, then adjusting that course as you gain more information and experience” [1].

Differences between strategic and long-range planning: While closely related to long-range planning, strategic planning is generally considered placing a greater emphasis on strategies — on how the organization will achieve its vision — while long-range planning places greater emphasis on determining the vision. Long-range planning deals with situations in a controlled environment. Strategic planning deals with competitive situation in an uncontrolled

environment. There are a variety of perspectives, models and approaches used in strategic planning.

The way that a strategic plan is developed depends on the nature of the organization’s leadership, culture of the organization, complexity of the organization’s environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more of a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization’s mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues and action plans. Organic strategic planning might start by articulating the organization’s vision and values, and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning, e.g., appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer.

Quite often, an area’s strategic planners already know much of what will go into a strategic plan. However, development of the strategic plan greatly helps to clarify the region’s plans and ensure that key leaders are all “on the same script”. Far more important than the strategic plan document, is the strategic planning process itself.

Much of the following information is in regard to goals-based strategic planning; probably the most common form of strategic planning.

For economic development to be successful, it has to be based on effective strategic planning. Collaboration and outreach are central to good planning.

A comprehensive regional economic development strategy emerges from a continuous, broad based planning process for tackling the economic problems of a territory. The strategy should promote economic development and opportunity, foster effective transportation access, enhance and protect the environment, and balance resources through sound management of development.

For the purposes of this article, the term “region” refers to areas that have been defined economically, environmentally, or geographically as appropriate units for addressing economic development and related challenges.

The strategy document should be as short and easily accessible as possible. The general public, government decision makers, and business investors should be able to use it as a guide to understanding the regional economy and to taking action to improve it. The strategy should take into account, and where appropriate, incorporate, other planning efforts in the community. Its quality should be judged by its usefulness as a guide to local decision making. There should be a continuing program of communications and outreach, using a variety of techniques that encourage broad-based public engagement and commitment of partners.

The strategy should be a clear, thoughtful, and feasible strategic plan for regional economic development. Although every strategy will be different, reflecting the particular challenges and opportunities of the area, each should include four main elements: analysis, vision, action plan, and evaluation.

The analysis should assess the state of the regional economy, the opportunities and threats posed by external trends and forces and the availability of partners and resources for economic development. The community's vision and goals, together with an appraisal of the region's competitive advantage, should set the strategic direction for the action plan. The action plan should present priority programs and projects for implementation. Finally, the strategy should describe the process for evaluation and periodic update.

Further there is a draft context of strategic plan for regional economic development.

Where are we now? (Analysis of the Region)

— the state of the regional economy (its strengths and weaknesses);

— external trends and forces (its opportunities and threats);

— partners for economic development; and

— resources for economic development.

Where do we want to be? (A Statement of Change or vision)

— a vision (a practical and positive future image of the area in ten to twenty years); and

— competitive advantages (opportunities for the area to excel in five to ten years).

How do we get there? (Strategies, Activities, action plan)

— strategies (carefully selected approaches that propose responsibility for implementation);

— activities (actions proposed in the strategies); and

How are we doing? (Evaluation)

— evaluation (evaluating progress and outcomes against stated goals).

So, making comprehensive regional economic development strategic plan requires the analysis of the region's economic, social, and environmental information. The objective of the analysis is to collect, interpret, and present data that outlines the key characteristics of the area. Moreover, this analysis is the tool for identifying problems, opportunities, partners, and resources. Further there should be produced a practical and positive future image of the area in ten to twenty years and presented carefully selected action plan. And, the last, but not the least, should be made progress evaluating system.

References

1. **Barry B.W.** (1997) "Strategic Planning Workbook for Non-profit Organizations 1997 publication", Amherst H Wilder Foundation, 254 p.
2. **Blakely E. J., Green Leigh N.** (2009) "Planning Local Economic Development: Theory And Practice", Sage Publications, 446 p.
3. **Dicken, P., Kelly, P.F., Olds, K. and Yeung, H.W.** (2001) "Chains and networks, territories and scales: towards a relational framework for analysing the global economy", *Global Networks*, p. 99 — 123.
4. **Korten D. C.** (2009) "Agenda for a

- New Economy: From Phantom Wealth to Real Wealth, Why Wall Street Can't Be Fixed and How to Replace It", Berrett-Koehler Publishers Inc., 194 p.
5. **Malecki E. J.** (1997) "Technology and Economic Development: The Dynamics of Local, Regional and National Competitiveness", Addison Wesley Longman, 460p.
 6. **Pfeiffer J. W., Goodstein L. D., Nolan T. M.** (1985) "Understanding Applied Strategic Planning: A Manager's Guide", Publisher: Pfeiffer & Co, 52 p.
 7. **Porter, M. E. & Kramer, M. R.** (2006) "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review*, p. 78-92.
 8. **Beaman K.** (2008) "Think Local, Act Global: Building an Effective Global Organization", *Jeitosa Group International*, 12 p.
 9. **Stimson R. J., Stough R. R., Roberts B. H.** (2010) "Regional Economic Development: Analysis and Planning Strategy", Springer, 452 p.

Tishchenko A. P. Theoretical and Methodological Aspects of Regional Economic Development Strategic Planning

In the article theoretical and methodological bases of regional economic development strategic planning are generalized. The differences between strategic and long-range planning are defined. Factors which influence process of working out the strategy are considered. The draft context of strategic plan for regional economic development is developed.

Key words: region, regional economic development, strategic planning, strategy.

Тищенко А. П. Теоретичні та методологічні аспекти стратегічного планування регіонального економічного розвитку

У статті узагальнено теоретико-методологічні засади стратегічного планування розвитку регіону. Визначено різницю між поняттями довгострокове та стратегічне планування. Розглянуто фактори, які впливають на процес розробки стратегії. Розроблено зразок змісту стратегічного плану розвитку регіону.

Ключові слова: регіон, регіональний економічний розвиток, стратегічне планування, стратегія.

Тищенко А. П. Теоретические и методологические аспекты стратегического планирования регионального экономического развития

В статье обобщены теоретические и методологические основы стратегического планирования экономического развития региона. Определены различия между стратегическим и долгосрочным планированием. Рассмотрены факторы, которые влияют на процесс разработки стратегии. Разработан проект содержания стратегического плана регионального экономического развития.

Ключевые слова: регион, региональное экономическое развитие, стратегическое планирование, стратегия.

Received by the editors: 14.07.2011
and final form in 25.11.2011