

The Prerequisites for the Formation and Development of the Regional Market of Consulting Services in the Oil-Producing Regions of Russia

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Abstract

The economy of modern oil-producing regions is characterized by the accelerated growth of industrial production volumes, the number of created and established industrial companies, relatively high activity of small business, high level of investment attractiveness of the region, infrastructure, rapidly evolving social sphere. The most dynamic sector of the regional economy is the sector of oil-producing industries of the economy, historically developed in the region on the basis of the proven oil fields. It is obvious that the increased competition on the market of oil production with an objective necessity requires activation of such factor of its minimization as consulting. In addition, the need to improve business efficiency makes small oil companies seek the assistance of a consulting firm to search for qualified specialists, to optimize tax payments, develop marketing and advertising campaigns. In other words, the increase in the number of enterprises, their distribution on the territory of the region directly affects the development of the consulting services field. Consequently, big consulting companies are concentrated in oil-producing regions. The article describes the main economic and organizational/managerial prerequisites for activating the market of consulting services in the oil-extracting sector of the economy of the region, including the intensification of the regional production clusters, the formation and development of small upstream companies focused on oil extraction in inefficient and poorly established fields with the use of modern technologies, a high level of scientific-technical and educational potential of large urban agglomerations and several others. The article is intended for students studying methods of conducting marketing research on the market of consulting services, teachers of the "Marketing in services sector", "Consulting" disciplines, as well as for marketing experts and managers of consulting companies working out strategies for their development in the oil-producing regions of Russia.

Keywords: *consulting services, prerequisites for intensification, innovative component, competition in the market of oil production, small oil-producing companies*

1. Introduction

1.1 The relevance of the problem

Activation of service industries and the enhancement of their role in the formation of GDP is the hallmark of the transformational stage of the development, and the level of development of the sphere of services is a criterial feature of the society development. The growing importance of the services sector is associated not only with the rapid growth of the services sector, but with the dominance of this sector in the economic structure. In this sector the key factors of the economic growth are formed, including intangible assets, and information technology. Here the degree of development of the services sector becomes one of the main criteria for assessing the competitiveness of various countries' economies (Voskolovich, 2007).

With the development of market institutions of the economy, the share of services for business is constantly increasing, which include, above all, consulting services, the value and the volume of which increase significantly as far

as the specialization of business, when the recruitment of consulting firms begins to significantly affect the growth of company revenues (Tslaph, 2011).

In the modern economy of the services sector the consulting services are able to actively influence the most important areas of the economic growth of small companies (Bavina, 2008), including the changes in the structure of their production due to a growing sector of consulting activity in terms of the complicity of the combinatorial satisfaction of their needs in complex highly professional services related to solving the financial, managerial, tax (Kirin, 2006), sales, marketing nature problems (Zilberman, 2006). Besides, consulting promotes active growth of the influence of the managerial, organizational and economic innovations on the formation of competitive strategies for their development, when consulting services are becoming the tools to strengthen their competitiveness, sustainable economic development of the region as a whole (Gerasimov, 2008).

Therefore, the prerequisites for the formation and development of the regional market of the consulting services in oil-producing regions, as one of the important revenue-generating sectors of the regional economy, seem quite appropriate.

2. Methodological Framework

2.1 The research objectives

The research objectives were to elaborate the theoretical and methodological approaches to the formation and development of the regional market of consulting services in the oil-producing regions of Russia, the study of the theoretical and methodological basis of the consulting services classification, the analysis of factors and conditions that form the prerequisites for the development of the regional market of consulting services in the oil sector of the economy of the Republic of Tatarstan, the study of the patterns and trends in the formation and development of the regional markets of consulting services.

2.2 The theoretical and methodological framework

The theoretical and methodological basis of the research were the fundamental provisions of the economic theory, the theory of the services sector, scientific works of domestic and foreign scientists on the problems of evaluating the effectiveness of consulting services and their types, policy documents and the provisions of the state authorities, federal and regional laws and regulations, official statistical data and the primary data from the reporting of the economic entities, published in the official press.

The methodological basis of the conducted research was the integrated use of a wide range of various situational, dynamic, comparative, structurally-functional, economic-statistical analysis methods, the tabular and graphical interpretation of the actual data.

3. The Results

3.1 The general economic prerequisites for the diversification and development of the service industries in oil-producing regions of Russia have been proved, including the outrunning growth of volumetric measures of oil producing industries, their profitability, and the industrial infrastructure development.

The economy of the Republic of Tatarstan for many years has been a donor region in the structure of the Volga Federal District. This is reflected in the rapid growth of industrial production volumes, the number of created and established industrial companies, relatively high activity of small business, a high level of investment attractiveness of the region, well-developed infrastructure, rapidly evolving social sphere.

The fastest growing sector of the regional economy is the energy sector, including the primary development of oil-producing and oil-refining industries, historically developed in the region on the basis of the proven oil fields. This sector is represented, on the one hand, by the Russia's largest oil-extracting companies, such as JSC "Tatneft", and, on the other hand, a group of small oil companies, specializing in the extraction of hard-to-reach and low-margin deposits.

It is quite obvious that the increased competition on the market of oil production with an objective necessity requires activation of such a factor of its minimization as consulting. In addition, the need to improve business efficiency makes small businesses in the industry seek the assistance of a consulting firm to search for qualified specialists, to optimize tax payments, to develop marketing and advertising campaigns. In other words, the increase in the number of

enterprises, their distribution on the territory of the region directly affects the development of consulting services (Bache, 2007). As a result, the major big consulting companies are concentrated in oil-producing regions of the Republic of Tatarstan and in its capital, Kazan.

According to the official statistics, the region's economy develops at a fairly steady pace, able to ensure the competitiveness of the regional economy. So, over the last ten years, despite the peak years of the global financial crisis which had a negative impact on the major budget revenue generating branches of the economy of the region, the growth rate of GDP and other key economic indicators remained positive.

The volumetric indices of mineral production, among which oil has a dominant value for the period from 2005 to 2013, were continuously growing. These tendencies continued in the growth rate of the added value in the sector of extractive industries, the highest values of those were recorded in 2011 – 7.7%.

However, the extractive industry of the economy was developing at a higher rate compared to other industries in the region. Thus, the industrial production index in the group of the extractive industries sector, despite the fact that it was characterized for the period from 2005 to 2013 by lower growth rates, remained stable even in the crisis year of 2009, when the index of the industrial production in the whole industry in the region fell to 95.6%. All of this testifies to the stability of the functioning of this sector of the economy, the availability of the competitive compensation mechanisms to stabilize the economic growth, making it the most attractive for investors.

Moreover, in the 2009 crisis year among the profit of 88.6 billion rubles earned by the entire industry of the region, 81.6 billion rubles or 92% was obtained in the extractive industries sector, the dominant value in which belongs to the industry of oil production (Tatarstanstat, 2014).

The level of profitability of the mining industries throughout the entire analyzed period was almost twice the average level of profitability of the Republic of Tatarstan industry. So, if the industry average level of profitability in 2013 was 16.5%, then in the industries of mining – to 37.9%, which is more than twice as much. The mining industry and, above all, the oil-mining sector is characterized by a high level of the investment attractiveness, as every fourth ruble of the total investments in the industry of the Republic of Tatarstan accounts for the oil-producing companies.

At the same time, of great importance in the rapid development of the industry is the pricing factor. So, if in the crisis year of 2009, the price index in the whole industry in the region was only 128.5%, in the mining sector it reached 220%. Even in the relatively stable 2011 the oil prices were growing twice faster than the prices of the industry-wide products. If the overall industry price index in 2011 was 116.5%, in the industry of mining it was twice higher and amounted to 132.2% (Tatarstanstat, 2014).

3.2 The organizational factors of the accelerated growth in oil-producing industries have been justified in the economy of the regions, including the dominance of the private ownership in their structure

The organizational factors in the production of fossil fuels developed at a rapid pace. So, as for the whole industry in the region for the period from 2005 to 2013, the number of newly established companies increased from 5676 up to 7966 units or by 40%, but in the production of fossil fuels their number increased over the same period to more than 2.5 times. At the same time, the share of the production of fossil fuels industry somewhat decreased in the total output of the industrial production of the Republic of Tatarstan from 39.4% in 2005 to 27.6% in 2013. This tendency is explained by the construction of a number of Europe's largest refineries, which in the statistical records are not included in the production of the fossil fuels (Tatarstanstat, 2014).

The organizational factors of the accelerated growth of the production of fossil fuels industry were also reflected in the dominance of the private legal form among the enterprises (Buleev, 2009). According to the official statistics, in 2011, almost 9 out of 10 enterprises of the industry of the fossil fuels production were in private ownership, which can be seen as one of the most important prerequisites for the development of consulting services in this sector, which are one of the most effective tools to increase their competitiveness.

Almost 100% of the production output of the industry of fossil fuels production accounts for non-state enterprises, including 30% of this amount accounts for private and 70% for the enterprises of mixed ownership. Interesting enough are the tendencies in the formation of the average number of employees of this industry and the facilities of its fixed assets. So, almost 56% of employees of the fossil fuels production industry work in private enterprises and 44% – in mixed. But the main funds of the industry, predominantly (72%) belong to the enterprises of mixed ownership, which is quite natural, and only 28% of the fixed assets of the industry are privately owned. This trend is explained by the participation of the state in the ownership of the fixed assets of the enterprises in the production of fossil fuels, as the representative of the society interests in respect of minerals underlying in the territory of its resident population.

Table 1. The structure of the main indicators of the fossil fuels production and manufacturing sector of the Republic of Tatarstan as a whole according to the forms of ownership in 2013 (in percentage)

	A number of organizations, and territorially-autonomous subdivisions	The volume of shipped goods (works, services)	The average number of employees	The gross book value of the fixed assets at the end of the year
The industry total: including the forms of ownership:	100	100	100	100
state	5.1	1.5	5.7	1.6
municipal	1.1	0.4	1.8	1.1
public organizations	0.5	0.1	0.4	0.0
private	86.6	45.4	55.4	41.9
mixed and other	6.7	52.6	36.7	44.6
The extraction of fossil fuels:	100	100	100	100
including the forms of ownership:				
private	88.6	30.4	55.7	28.2
mixed and other forms	11.4	69.6	44.3	71.8

The source: (Tatarstanstat, 2014).

Thus, it is possible to assert with relative certainty, that proportionally to the increase in the number of enterprises in the industry of fossil fuels extraction the capacity of the market of consulting services increases, which, in turn, contributes to the emergence of new consulting companies. In other words, demand creates supply (Kurbatova, 2005).

3.3 *The prerequisites for the accelerated development of the consulting market in the Republic of Tatarstan have been identified in comparison with other regions of the Volga Federal District*

Due to the fact that small enterprises in the industry of fossil fuels extraction operate mainly in high-cost and low-margin deposits, generating relatively low profit, the funds for payment of consulting services they have, as a rule, are formed at the expense of own and borrowed sources. While the borrowed funds cover a significant portion of these costs, as the creditworthiness of these companies is quite high and their activities are attractive to banks (Logvinenko, 2009).

The most significant regional prerequisites for developing the consulting services market in the Republic of Tatarstan in comparison with the territorial subjects of the Volga Federal District, which can be expressed by the generally accepted statistical indicators, are presented in tab. 2.

Table 2. Comparative indicators characterizing the prerequisites for developing the consulting services in the regions of the Volga Federal District for 2013 year

	The index of industrial production (%)	The volume of investments in the basic capital (million rubles)	The share of overdue indebtedness under corporate loans (%)	The growth rate of the remunerative enterprises' profit (%)	The share of profitable enterprises (%)	The growth rate of loans granted to legal entities (%)	Gross regional product per capita (rubles)	The number of the enterprises and organizations
The Republic of Chuvashia	104.5	41571.5	13.6	73.3	59.5	98.4	109068	23904
Kirov region	120.9	30552.2	6.6	153.0	56.1	99.1	103851	40839
The Nizhny Novgorod region	121.1	172320.1	8.7	111.9	59.8	98.9	163841	91533
Orenburg region	109.5	88756.2	3.8	49.1	61.0	100.4	196257	40941
Penza region	113.1	46273.1	8.80	75.4	56.8	100.5	109587	27185
Perm Krai	133.9	129943.3	6.4	12.3	55.2	100.7	201324	75714
The Republic of Bashkortostan	124.2	139570.2	9.8	121.0	79.2	100.6	158932	81383
The Republic of Mari El	129.0	15877.7	2.9	93.2	65.2	101.1	98360	15522
The Republic of Mordovia	134.6	32582.9	4.0	81.6	65.5	101.1	111904	16295
The Republic of Tatarstan	109.6	267990.0	6.4	49.4	68.2	99.1	234324	104469
The Republic of Udmurtia	103.9	41308.7	19.4	95.0	55.9	100.4	150170	37188
Samara region	115.1	132568.6	10.5	135.1	54.4	99.4	182612	102705
Saratov region	112.3	78073.4	7.0	112.3	56.3	98.1	127365	54009
Ulyanovsk region	125.9	44848.1	4.4	84.9	63.6	101.2	117245	28767

The source: (Rosstat, 2014)

According to the official data, among the regions of the Volga Federal District, the Republic of Tatarstan is highlighted for a variety of parameters directly related to the intensification of the processes of the consulting services market formation and development. So, the Republic of Tatarstan is in the lead in 2013 among the regions in terms of the investment amount in the fixed assets, the value of which has approached to 270 billion rubles in the region that is far ahead of the nearest competitor, the Nizhny Novgorod region, where the value of this indicator is lower by almost 100 billion rubles.

The second position after the Republic of Bashkortostan (79.2%) belongs to the Republic of Tatarstan in the share of profitable enterprises in the total number of the enterprises and organizations of the region, the value of which reached in 2013 to 68.2%. This prerequisite can be seen as a regional financial aspect of the development of the consulting services market in the Republic of Tatarstan (Tatarstanstat, 2014).

The advanced positions are held by the economy of the Republic of Tatarstan also on such vital structural indicators as GDP per capita value and the total number of the economic entities in the region. So, in 2013, the GDP per capita in the region was 234324 rubles, which is by 16% higher than the nearest competitor represented by the Perm region (Rosstat, 2014).

As the essential prerequisite for developing the regional market of consulting services is the growing entrepreneurial activity in the region, which is expressed, in particular, in the growth of indebtedness under the loans granted to legal entities by credit institutions. So, the Republic of Tatarstan takes the lead in the volume of indebtedness on loans granted by credit institutions to legal entities, the value of which in 2013 reached 328.6 billion rubles. This value of the entrepreneurial activity is indicative of the investment attractiveness of the industries of the regional economy, the solvency of the banking system, as well as the relatively high efficiency of business-projects, the development and the implementation of which are the potential for the development of the market of consulting services in the region (Pesotskaya, 2006).

Moreover, even in the crisis year of 2009 the amount of debt on loans granted by banks to legal entities in the Republic of Tatarstan was the highest among the territorial subjects of the Volga Federal District and exceeded 283 billion rubles, which was significantly higher than that of the nearest competitor of the Samara region, where the value of this indicator amounted to 231 billion rubles (Rosstat, 2014).

An important part of the entire set of the prerequisites for developing the regional market of consulting services is the data on the penetration of information and communication technologies into the business-processes. If we analyze these data in the context of the territorial subjects of the Volga Federal District, the Republic of Tatarstan has the chances to fully use the potential of information and communication technologies as an incentive for developing the regional market of consulting services. So, in 2013, the computerization processes coverage of the Republic organizations amounted to 98.6%, with 80.6% of all the organizations using the local area networks, which is higher than in other regions of the Volga Federal District. At the same time, 95.6% of the organizations used email in their work, which is higher than the average for the Volga Federal District, where this rate accounted for 85.6% (Rosstat, 2014).

Significantly higher in the Republic of Tatarstan, compared to the average indicators for the Volga Federal District, is the global information network coverage of the organizations in the region. In 2013 this figure in the Republic of Tatarstan stood at 95.6%, while in general for the Federal District it was equal to 86.9 per cent, nonetheless every one organization in three in the region had their own web-site.

The analysis of the factors limiting the investment activity of the enterprise structures shows that, over the past 10 years the entrepreneurs' attitude to investment risks and legislation in the sphere of investment activity has significantly changed. So, if in 2000 one in three of the organizations as factors impeding the investment activity called the imperfection of the legislative and regulatory framework governing the investment processes, in 2013 – only one organization in ten makes this factor as the denoted reasons. All this shows a real progress in the field of the legal support of the business activity, which is also a potential for the successful development of the consulting services in the regions of the country (Deeva, 2010).

The most important component of the modern regional consulting services market is its innovative component (Biswas, Twitchell 2004). The Republic of Tatarstan is now the leader in costs and development of innovative types of products among the subjects of the Volga Federal District, which is a huge potential for the development of the consulting services as an important factor in the effective commercialization of innovations. So, in 2013 in the Republic of Tatarstan 169 organizations functioned, which were engaged in innovative activities, that represents over 18% of their total number in the region. These parameters significantly exceed those of other subjects of the Volga Federal district, such as the Republic of Bashkortostan (13.5%), Nizhny Novgorod (17.7%), Samara region (9.8%), and Perm region (13.6%), Udmurtia (15.1%). The major part of the innovative activity of the entrepreneurs of the Republic of Tatarstan accounted for technological innovations as the most complex and effective types of innovative activities (Tatarstanstat, 2014).

Even more pronounced dominance of the Republic of Tatarstan is evident when comparing the capital and the

operating costs of innovations with similar indicators for the district subjects. So, in 2013 in the Republic of Tatarstan the total capital and current expenditures on innovations accounted for 44.4 billion rubles, while in the Nizhny Novgorod region this indicator amounted to 30.4 billion rubles, in the Samara region – 17.6 billion rubles, the Republic of Mordovia – 16.1 billion rubles, Perm – 17.3 billion rubles, the Ulyanovsk region – 1.8 billion rubles (Tatarstanstat, 2014).

4. Discussions

The works of Bavina P. (2008), Bache E. (2007), Biswas S. and Twitchell D. (2004), Voskolovich N. (2007), Gerasimova V. (2008), Deeva E. (2010), Zilberman M. (2006), and other researchers are dedicated to the analysis of the prerequisites for the formation and development of the regional market of consulting.

The works of Buleev A. (2009), Kirina L. (2006), Kurbatova O. (2004), Logvinenko M. (2009), Pesotskaya B. (2006), Tslaph V. (2011) and others are dedicated to the efficiency analysis of the consulting services market's functioning.

However, a number of issues relating to the classification, structuring of the prerequisites for the formation and the development trajectory of the regional consulting markets remain poorly studied, as evidenced by the development dynamics of the consulting market in the regions of the country.

5. Conclusion

Thus, as prerequisites for the development of the regional market of consulting services in the oil industry of the Republic of Tatarstan, the following can be specified:

- development of regional industrial clusters, focusing on high-tech methods of oil production, with a concentration of such clusters in the urban cities of the Republic;
- formation and development of small oil-producing companies focused on oil production in inefficient and poorly established fields with the use of modern technologies (mechanical, resource-saving and environmentally adapted);
- development of large transportation-logistic and manufacturing sites within the development of the oil-producing industry in the region having the necessary capacity of the bandwidth and providing a holistic relationship of the centers of the economic growth, with its gradual integration into the emerging global transport systems;
- significant reduction in intra-regional differentiation in the level and quality of the social environment and the population's income, the convergence of the living standards between the metropolitan regions and the province, large and small cities in the oil-producing regions of the Republic;
- a high level of scientific-technical and educational potential of large urban agglomerations with a high quality habitat and human potential, the dynamic innovative and educational infrastructure;
- formation and development due to the high share in the budget of the region of the oil-producing industries, and of the relatively large financial centers in the capital of the region with the corresponding financial infrastructure;
- formation of the fastest growing cities in the oil-producing regions of the Republic, characterized by the influx of population, investment and the related social and industrial infrastructure;
- creation of a regional component of the human potential in the oil-producing regions of the Republic, based on the high level of the educational and professional potential historically developed in higher educational institutions of the Republic.

6. Recommendations

The obtained results allow to evaluate and classify the main prerequisites for the formation and development of the regional market of consulting services in the oil producing regions of the country, as well as to improve the scientific and methodological framework to assess the impact of the socio-economic development level of the regional economy on the formation of the consulting services market and to estimate its effectiveness. In addition, the obtained results can be useful to the government authorities in the improvement of national industrial policy in regulation of the processes of forming and developing the market of consulting services in the oil-producing regions of Russia.

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