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**THE FORMATION AND DEVELOPMENT OF THE CLUSTER**  
**SYSTEM OF THE REGIONAL ECONOMY**

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**Abstract**

The article examines the role and importance of the cluster in regional development. It analyzes the advantages and disadvantages of the creation and functioning of clusters in the regions. At present, economists are faced with rather acute issues of ensuring high rates of sustainable growth and increasing competitiveness at all levels. The answer to these questions can be the creation and development of clusters, which, performing the functions of intersectoral complexes, are "points of growth" of the regional and national economy. Clusters contribute to overcoming structural constraints and a diversified structure of production. The authors of the article revealed the problem of using clusters as an important factor in the strategic development of domestic enterprises and territorial entities, outlined the theoretical foundations of the existence of territorial entities, showed their relationship with clusters. The article describes the process of emerging connections between cluster members within the territorial entity, it improves the classification of clusters based on innovativeness, and proposes recommendations regarding the regulatory support for the functioning of cluster entities. The main advantage of the cluster approach is the ability to identify missing links in the potential structure of a cluster, the replenishment of which will make it possible to form a full-fledged cluster scheme. It should be noted that a cluster can be created only with the participation of state authorities. The article concludes that cluster is a tool for the formation of sustainable development of the regional economy and increasing the competitiveness of regions.

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## 1. Introduction

Successful economic and social development of our huge country is not possible without accelerating the pace of socio-economic development of the regions. Practice shows that the formation of clusters contributes to the active development of regions, the deepening of interregional integration, the placement of enterprises and infrastructure facilities that contribute to the development of the cluster. The cluster is tied to a specific region and relies on its resource potential. The image of a cluster of the same name in one region will differ from the image of a cluster in another region. From this point of view, clusters are unique economic entities. Strategy (ChR Government, 2011). In this regard, the primary tasks of the authorities are to increase the level of competitiveness of the regions, which in the context of international competition is ensuring relatively high incomes and employment levels in the regions. It is not difficult to solve them due to the effective implementation of the technological, production, resource and raw materials, labor, the innovation potential of the regions, which determine the level of competitiveness of the economy of each region.

It is known that the level of competitiveness of a region is determined by the presence of competitive industries and the ability of regional authorities to create conditions for local enterprises to achieve and retain competitive advantages (Nikolaev, 2014).

In the realities of today, the cluster concept is becoming increasingly important, according to which the competitiveness of a region depends on the existence of clusters of interconnected industries of the industrial complex on its territory. A cluster is understood as a group of geographically adjacent interconnected companies and organizations, which are characterized by common activities and complementarities. As a rule, the cluster approach to the management of the development of the region makes it possible to achieve competitive success in the selected industries. Therefore, one of the tasks of strategic management of the economic and social development of the region is to identify the potential of its clustering.

Currently, the cluster approach is used in almost every constituent entity of the Russian Federation. Cluster development forms the basis of strategies for socio-economic development, programs for the development of industries in the region, and other strategic documents. However, using this approach does not always mean its effective implementation (Mikheev & Khasaev, 2016). It is often wrong, leading to a misunderstanding of clusters as enterprises in promising areas of industry. Unfortunately, in this case, a detailed study of cluster structures and the prospects for their development is not carried out. The substitution of concepts often occurs in the regions: the cluster approach often represents the mechanisms of industrial policy that were previously used.

The indisputable advantages of the cluster approach in managing the development of the territory and cluster initiatives consider the territorial planning documents that play an important role in the strategic development of the country as a whole and each of its regions.

## 2. Problem Statement

The main problem of considering the strategic priorities of the cluster development of the territory is the inability to establish clear boundaries of the cluster, to allocate a separate industrial site for it. This

is since, in spatial terms, a cluster is not a specific territory with strict boundaries, but a network structure, the scheme of which is like a spider web (Migranyan, 2017). To solve the problems of defining the boundaries of an industrial cluster, it is necessary to understand how and with what level of detail it is necessary to consider cluster development in the development of various documents for strategic planning of the territorial development of the region, such as:

- strategies for the socio-economic development of the region, cluster development is laid in the basis for the development of various industries and spheres of the industry as an effective mechanism for solving issues of increasing the competitiveness of the territory. At the same time, the strategy only indicates the main directions and development tasks that must be addressed by the executive authorities during the period of its implementation;
- strategies for the development of sectors of the regional economy, specific areas of work of structural divisions of executive authorities are indicated and clear goals and objectives of the stage-by-stage development of clusters are set; the chains of interconnected enterprises are determined; an analysis is carried out that identifies the missing links in the potential structure of the cluster;

Today, the process of globalization of the world economy puts forward more and more requirements for increasing the competitiveness of territories. One of the most important criteria for competitiveness is an increase in labor productivity, which predetermines the need to implement effective solutions that ensure its increase, based on the introduction of innovative strategies at all levels of management.

But it should be noted that the successful implementation of programs for the formation and special stimulation of cluster structures is possible only if there is a general regional development strategy. As world experience shows, the formation of an international cluster in isolation from the general regional development is generally ineffective, and often impossible.

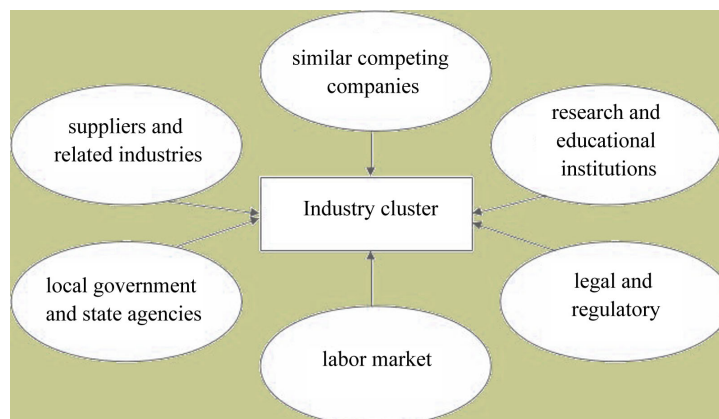
The advantages received by regional authorities in the implementation of the cluster approach are that the cluster allows you to focus on the problems and advantages of the economy. Cluster management bodies, which may include representatives of government agencies, have access to diverse and concentrated information about the activities of enterprises, the state of this sector of the economy, the labor market, which significantly reduces the amount of analytical work performed by government bodies, increasing the level of its reliability.

The advantages received by business structures are associated with a significant reduction in barriers to entry into the markets for products and supplies of raw materials and materials, labor, and a reduction in costs due to economies of scale, which manifests itself in cooperation between producers and consumers (Idigova et. al., 2017). The cluster provides entrepreneurs with new opportunities for systematizing emerging problems, choosing ways to overcome them. Interaction with regional and municipal authorities allows you to find methods and means of resolving that part of them that lie within the competence of the region. Using the influence and authority of the cluster, business and regional authorities can jointly look for ways to most effectively promote their initiatives through federal structures, including the preparation of draft laws and lobbying at the federal level for regional and sectoral initiatives.

The policy aimed at creating clusters begins with determining the prerequisites for their formation already existing in the region, the main of which is the following:

- presence of owners and enterprises that are fundamental for the development of the cluster, potentially interested in cooperation within the cluster;
- presence of cooperation and other ties, well-tested mechanisms of interaction, a high level of mutual trust;
- high innovation and technological level of enterprises and organizations;
- high competitiveness of the products of enterprises and organizations, potential participants of the cluster in the world market, determined by the high volumes of export of products and, possibly, the import of high technologies;
- desire for further innovative development;
- interest of the authorities in the cluster variant of the development of the regional economy and the expansion of cooperation and cooperation;
- experience of the authorities in successful interaction with business, including in the sector of the economy in which the formation of the cluster is supposed;
- presence in the region of ongoing work to develop and improve the existing infrastructure for business support;
- readiness of the leaders of the region to dialogue with a business based on partnership, the presence of positive experience in working with business and government in the face of growing cooperation and competition;
- availability of a highly qualified vocational education system with experience in training personnel for the relevant sectors of the economy.

As an example, consider an industrial cluster scheme - a geographically limited group of similar, interrelated or complementary organizations with active connections and channels for business transactions and contacts. They share specialized infrastructure, labor markets, services, and face similar opportunities and challenges in carrying out their activities. An industrial cluster can include both commercial companies and government agencies, as well as educational institutions and government bodies associated (regulating) with the activities of these companies. Additionally, a group of legal and normative acts is singled out that directly or indirectly regulate the activities of this cluster (Figure 01).



**Figure 1.** Industrial cluster diagram

The cluster approach to the analysis of the economy of the territory differs significantly from the classical one (industry, sector) since it includes the geographical boundaries of the cluster, the general use of resources, trade within the cluster, communications and interaction between companies, sources of replenishment of human resources, organizations that regulate activities within the cluster, and obstacles to normal functioning. In such conditions, the components of the cluster act as a single autonomous system.

### **3. Research Questions**

The subject of the research is management relations aimed at implementing a cluster approach to stimulating the investment climate in the region.

### **4. Purpose of the Study**

The purpose of this study is to develop theoretical and methodological foundations and practical proposals to improve the efficiency of the functioning and development of the cluster approach as an important factor in the strategic development of domestic enterprises and territorial entities.

### **5. Research Methods**

To achieve the goal, the work uses the methods of structural and functional analysis, - statistical, traditional methods of economic analysis - grouping, comparison, generalization.

### **6. Findings**

The most important elements of clusters are active ties between organizations; the deeper, stronger, more diverse ties between companies, the higher the competitiveness of the cluster.

The selection and development of clusters is the most important task of the economy since this process contributes to improving the quality of products (due to increased competition and easier access to new technologies), increasing employment, improving the quality of the workforce, and increasing the competitiveness of the region (city).

The advantages of clustering the regional economy:

- concentration of companies in one region (city) gives them an advantage over more isolated competitors;
- companies, having studied the structure of the cluster and have determined their place in it, can get access to cheaper and more qualified labor resources, new suppliers, educational institutions, business technologies (at the same time, the exchange of knowledge between the components of the cluster is necessarily practiced);
- access to new technologies, labor resources and the exchange of knowledge inevitably leads to increased competition in the cluster, and, consequently, to an increase in the productivity of companies, an increase in product quality, and a decrease in prices;

- government bodies and officials do not have detailed information on the development and structure of the regional industry; therefore, clustering makes it possible for government bodies to build economic policy more clearly and progressively (specialized programs, investment projects, etc.).
- policy based on a cluster understanding of the region's economy increases the efficiency of the government. In a real changing market environment, successful companies need to continually evolve to survive, so they need an understanding of these conditions and the assistance of local authorities.

## 7. Conclusion

The most important components of the process of strategizing industrial clusters are identifying with the participation of interested municipalities and coordinated within the territories the choice of basic enterprises, identifying key partners and priority sales markets for products, identifying regional opportunities, including internal and external factors of production, competitive advantages, demand conditions and for strategic development, the presence of functionally related or supporting industries.

In general, the strategic organization of integrated structures based on the cluster approach will significantly improve the investment climate in the region, increase the tax potential of local and regional budgets, stimulate innovation processes, and increase the competitiveness of products of various industries in the domestic and foreign markets.

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