SOCIAL CAPITAL IN SYSTEM OF TERRITORIAL DEVELOPMENT
INNOVATIVE STRATEGIES ACTIVATION

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According to leading financial institutions, the development of competencies and the human factor is the core of global development strategy. The processes of protecting and investing in people are closely integrated with the efforts of world community to promote sustainable, inclusive growth and resilience in developing countries [1].

Taking into account the historical discourse, the main resource of economic development in the days of industrialization was capital, over time, in terms of service economy, people and their competencies began to play a significant role. Current trends show that it is people and communities (as a consequence of the organized process of competence development) that come to the fore. As noted in the World Development Report (WDR) 2019 [2], there is growing evidence that if countries do not strengthen their human capital, they will not be able to achieve sustainable, inclusive economic growth, will not have a workforce prepared for more highly skilled jobs of the future, and will not compete effectively in the global economy. The price of action absence on human development is rising, and community building is identified as a major factor of innovation and competitiveness.

Analysis of recent research and publications

Significant scientific contributions to the study of innovation development, features of community formation, formation of models of community development aspects were made by Green P. (Green, 2002), Haines A. (Haines, 2002), Mattessich P. (Mattessich, 2004), Monsey M. (Monsey, 2004), Hunady J. (Hunady, 2017), Destatte A. (Destatte, 2017), Wassel K. (Wassel, 2017), Weber J. (Weber, 2017), etc. However, among the unresolved issues remain aspects of strategic focus and adaptation of innovative development strategies to local conditions.
The main part

Changing the paradigm of attitudes to human skills from considering them as categories (capital) to their definition as a central subject of economic development raises to the fore the issue of building trust between social groups, improving communication and information openness. Community-oriented approaches exacerbate the problem of forming structures and institutions that provide models for implementing interactions with people. This process often leads to real growth and competitiveness of communities, due to organic strategies of community development, increasing their involvement and building communications. Community is defined by the characteristics of a close location (local communities) or a group of people with common interests or connections. Among the essential definitions of "community" can be distinguished such as: people who live within a geographically defined area and who have socio-psychological ties with each other and with the place where they live [3] or a group of people who live nearby and united by common interests and mutual assistance [4]. These definitions primarily are applied to people and relationships. In this context, community development can be equated with the development of stronger ‘communities’ of people and their better social and shared psychological ties.

In recent years, there has been a paradigm shift from individualistic market models of community development to more sustainable and human-centered approaches that emphasize inclusion and participation. After analyzing 17 UN Sustainable Development Goals and decomposing them [5], it should be noted that the main common elements of the strategic focus include environment, business and people. In turn, in more than 50% of the goals of sustainable development, the main elements of strategic orientation are people and communities. In other words, it can be noted that the strategic focus is on the process of community building.

The human factor should be the basis for innovation collaborations to promote innovation. To mobilize the human factor, destructive differentiation must be reduced and emphasis must be placed on the fact that collaborations should provide behavioral patterns. The formation of innovative development culture behavior on the basis of trust is a consequence of inclusion and promotes the formation of innovative cooperation. Thus, the environment shapes behavior, model can be implemented on the example of sustainable development goals (which reduce differentiation). In Figure 1, the authors propose a model for the formation of strategic changes in terms of territorial development.

If we turn to the experience of the EU, socio-centric aspects are reflected in the development strategies of many European cities. For example, according to the Global Liveability Index [6], all European cities in the top 10 have a focus on development of sociocentric aspects in their development strategies.

For example, in Zurich Development Strategy until 2035 (7th place in the Global Liveability Index 2021), 4of the 8 main development priorities are focused on people (sustainable growth, solidarity, cooperative representation, internal organization, etc.) [7]. The vision of Geneva's development strategy until 2025 (8th place in the Global Liveability Index 2021) has a sociocentric focus: "In 2025, Geneva is a target community with an economy that reflects, preserves and enhances the unique culture and historical character of the city. The strategy of economic development of the city leads to increased economic viability, diversification of the tax base and improving the quality of life of residents" [8].

As for Copenhagen (9th place in the Global Liveability Index 2019), the municipality has special office responsible for promoting city life, where human dimension and social conditions are its main priorities. Since 1960, public strategies and policies related to people's well-being and quality of life began to be integrated into local governments and institutionalized at various levels. It was a movement promoted by the famous architect and professor Jan Gel, who sought to save the basic human needs for interaction, inclusion and closeness that were forgotten during the urbanization process that led to the creation of high-rise buildings, industrial zones and flyovers. This theory proved important in the evolution of Copenhagen as a city for people and with the help of the methodology proposed by Gel. The city is constantly in the process of measuring, evaluating and setting new goals, seeking to evaluate its activities to clarify and adjust them, taking into account the values and views of people at all levels. This process has made Copenhagen an inclusive city that engages all citizens in policy-making, striving to respond smartly and openly to their needs, and fostering a culture of participation in which everyone is involved in the growth of the city [9].

The Vienna Development Strategy 2019-2050 (1st place in the Global Liveability Index 2018) [10], based on the analysis of the UN Sustainable Development Goals until 2030, focuses on three thematic areas: quality of life, resources and innovation. All thematic fields of the Strategy share three main goals, i.e. radical conservation of resources, promotion of quality of life and social integration (as a basis), as well as emphasis on innovation and digitalization as key tools for sustainable sustainability. At the same time, governments are constantly looking for strategies to promote innovation development of the territories. As for the regions, in some cases governments do so by adapting the rules, trying to allow all regions to participate in research activities, for example by changing the co-financing criteria and eligibility of grants for different regions in order to overcome the lack of public funds. For example, European Union (EU) funds have co-financing rates that depend on the level of income of countries and regions.

Some countries allow deviations from the criteria beyond the minimum quality requirements for applicants for programs from less developed regions, etc. [11].
Community development should be described as the involvement in the process of achieving improvement in some aspects of life, where such action usually leads to the strengthening of human social standards and institutional relations. All these concepts of community development focus on teaching people how to work together and solve common problems. Community development could be showed as a process and as a result [12]. Process: development and empowerment of collective action, and the result: (1) the adoption of collective action and (2) the result of this action to improve the community in any or all areas: environmental, cultural, social, political, economic, etc.

The main components of the process of community development, capacity building, activation of social capital is presented in Figure 2, which illustrates the phased process of community development. Solid lines show the primary flow of causality. However, there is a feedback loop shown by dotted lines. Progress in community development (positive actions that lead to physical and social improvement in the community) contributes to capacity building (community development process) and social capital. For example, better infrastructure (eg public transport, Internet access) facilitates interaction with the public, communications and group meetings. After all, according to the hierarchical theory of needs ("Maslow's pyramid") [13], only if the first two levels are met (physiological needs, security needs), it is possible to move to the next levels (meeting social needs, needs of respect and self-expression). Success breeds success in community development. When locals see positive results (results), they tend to get excited and put more energy into the process because they see feedback.

Let's focus on the question that contributes to and leads to community development. Community development research is generally called social capital or social potential, which describes the ability of residents to organize and the ability to mobilize their resources to achieve goals defined by consensus [14] or resources embedded in social relations among individuals and organizations that promote cooperation. Simply it puts social capital or potential provides additional development effects that community members can achieve together by developing and maintaining strong relationships; solving problems and effectively cooperating to plan, set goals and achieve them. There are four forms of "community capital" in the literature [15], including:

- human capital: labor supply, skills, abilities and experience, etc.;
- physical capital: buildings, streets, infrastructure, etc.;
- financial capital: community financial institution, microloan funds, etc.;
- ecological capital: natural resources, opportunities for recreation, etc.

An important issue is the creation or increase of community capital. This process is usually called capacity building: a constant comprehensive effort to strengthen norms, maintain resources to solve community problems. The process of community capacity building is closely linked to how and what they are focused on.

The unity and coherence of focus processes in the European Union is determined by standards and directives (the EU Legislation Summary platform is a short, clear explanation of key EU legislation for a broad, non-specialized audience, including key EU legislation: directives), regulations and decisions. The summary is grouped into 32 policy fields, each referring to the full official version of the law [9]. It should be noted that the success of reforms is often correlated with the availability of standards and directives.

![Figure 1. Model of strategic changes formation in terms of territorial development](image)
As this aspect is not regulated in this way in Ukraine, the harmonization process can be estimated using the value of the focus index.

Determining the focus of the community can be the basis for focusing on geographical, economic, social and managerial characteristics, while accurately presenting the profile of the community in order to choose specialization and invest in the development of territories.

The focus index is closely related to the following components:
- level of trust in government;
- level of communication in the community;
- percentage of information openness of communities, etc.

As in other Central and Eastern European countries, the paradigm of decentralization reform in Ukraine and increased local autonomy, community processes have been the part of response to forced consolidation. Due to limited finances, some of the local communities (hereinafter – LC) do not even have enough resources to carry out their tasks, and they have little prospects for their sustainable development. It also limits the innovation potential of public services, as LCs do not have the resources to attract a wider range of innovations, which increases inequality [16]. Researchers [17] argue that the fragmentation of LC among other factors influences the use of certain sustainability-related policy tools. This makes it impossible to use these tools in such a way as to achieve sustainable development in the provision of public services and processes, as LCs may not be able to implement, for example, tools for green building and social inclusion.

In terms of the focus index, the focus should be made on trust. The topic of trust is extremely important for Ukraine. Ukraine has a very low level of trust, for example, no national politician has even 20% of level of trust. But if you take politicians of regional scale, such as the governors of Lviv, Dnipro or Kharkiv, their level of trust is more than 50%, and some 70-80%.

That is the need for decentralization reform. That is one of the options to build trust. Power is more controllable, it can be checked, it is easier to start re-election process.

Therefore, certain elements of decentralization should be implemented in order to achieve positive change and sustainable development, it is necessary to create inclusive institutions [18].

If we analyze the willingness to participate in the local communities’ life as an indicator of communication level, according to a survey conducted by the Razumkov Center in 2021 [19], among the most common forms of citizen participation in community life (Fig. 3), respondents are most willing to accept participation in elections as a voter (53%) or candidate (12%), in public works on landscaping (18%), participation in population self-organization (11%) and as a volunteer in various types of public assistance (10%), other types of participation were noted by less than 10%. However, it is important that 26% of respondents are not ready to take part in any of these activities.

That is, every fourth respondent is not ready to take part in the life of the local community, which indicates an insufficient level of collaborative culture and lack of public consent as a side factor in the lack of understanding of development guidelines.
Regarding business participation in local community development (Figure 4), opinions were equally divided: 36% said the importance of business participation in community life on the basis of relevant laws, and the same number of respondents believe that business should participate in community development on a voluntary basis, 17% believe that participating in community development is the exclusive prerogative of the state. Regarding the results of the previous year’s survey, the share of respondents who believe that business should be involved in community development increased by 5.5%, the share of those who believe that business is obliged to do so increased (by 4%) and decreased the share of those who believe that business should join this process through the adoption of relevant laws (8%).

As for the local communities information openness aspect, according to the research of the Analytical Center “Observatory of Democracy” [20] on the example of Kharkiv region local communities, it could be noted that there is an insufficient level of information openness of local communities. Information on local programs and their financing on the official websites of 56 communities of Kharkiv region was researched. It is noted that 5 local communities in the Kharkiv region do not have their
own websites (8.9% of the total number of communities in the region), 19 local communities (about 34%) have a low level of information openness, namely the community does not have a website or no information on approved local programs and the current budget, or information is provided in part). 32 local communities (about 57%) have a medium level and only 5 local communities (about 9%) have high level (separate sections with current content for 2021). That is, this example shows that the high level of information openness of local communities are estimated less than 10%.

Even if government agencies are the main authority in determining the region's readiness for economic transformation, there are aspects that can either reduce or contribute to the success of such intentions, among which are the level of focus and adequacy of choice. In our opinion, it could be offered an approach that takes into account the balance between focus and the ability to choose community specializations. The authors proposed a standard model of local community development (Figure 5).

![Level of focusing diagram](image)

**Figure 5. Standard model of territories development in coordinate systems of the level of focus and adequacy of choice**

*Source: authors' own development*

Based on the standard model of local community development, it should be noted that according to the authors, the focus index in terms of strategic choice of the community can be formed on the basis of the following components:
- geographical indicators;
- economic indicators;
- management indicators;
- social indicators (behavioral component), etc.

As it was shown in Figure 2, the creation of new activities as well as the development of trade in goods and services are seen as the results of community development. We will consider the structure of exports and imports as guidelines for the current focus in terms of the country's development. Data from the study of the structure of exports and imports of goods of Ukraine in the first half of 2021 points out that among the main products are: agricultural products and food industry (exports: $10811.9 million; imports: $3633.2 million); products of the metallurgical complex (exports: $7037.7 million; imports: $1787.0 million); mineral products (exports: $4603.5 million; imports: $5310.4 million); mechanical engineering products (exports: $3016.5 million; imports: $10505.3 million); products of the chemical industry (exports: $1644.6 million; imports: $6382.6 million) [21-22].

Significant raw material orientation of Ukrainian exports, low number of available technologies and, as a result, participation in international value chains as a supplier of components for other products, on the one hand, affects the competitiveness of exports, but on the other hand, can be a pushing aspect in terms of providing increased focus. That is, this analysis indicates that in terms of exports, domains are associated with primary raw materials (low value added), while in terms of research on the structure of imports, domains are associated with high added value. That is, the search for and separation of local community specialization as a result of focus and adequacy of choice should be carried out in the segment of high added value. New policy instruments that go beyond traditional innovation policy are needed. That is, innovation policy and relevant indicators need to be expanded to adapt to the factors that influence the framework conditions for the dissemination of innovation.

**Conclusions**

Therefore, this study focuses on highlighting the features of the model of strategic changes in innovation development formation. In terms of highlighting the gradual process of community development, the importance of unity and coordination of focusing
processes was noted. A study was conducted on the peculiarities of building trust, openness and involvement in the context of Ukrainian realities.

A standard model of local community development in the coordinate systems of the level of orientation and adequacy of choice has been formed. On the basis of the conducted researches the key aspects of strategic changes of innovative development formation are covered.

**Abstract**

Governments are constantly looking for strategies to promote innovation that are effective for all regions. Nowadays major changes in the institutional environment at regional and local levels, accompanied by the transformation of structures, institutions, roles, competencies, boundaries and scales management could be noted as important aspects of innovation development. The chance for success in this complex landscape is the creation of cross-sectoral flexible governance mechanisms that emerge as a product of joint action of local actors.

The article is focused on researching gradual process of community development taking into account the peculiarities, considers the forms of community capital. The importance of unity and coordination of focusing processes was noted and the importance of focus index in developing community development strategies was highlighted. Emphasis is placed on the fact that determining the focus of the community can be the basis for focusing on geographical, economic, social and managerial characteristics, while accurately representing the profile of the community in order to choose specialization and invest in development. The close connection of the level of focus with such components as: the level of trust in the government; level of communication in the community; percentage of information openness of communities, etc. was noted. Research on the peculiarities of building trust, openness and involvement in the context of Ukrainian realities was conducted.

A study of the structure of exports and imports of goods of Ukraine in the first half of 2021 was held. It was noted that the initial raw material orientation of Ukrainian exports and participation in international value chains as a supplier of components for the production of other products, on the one hand, affects the competitiveness of exports, but on the other hand, can be an impetus to focus level in local communities.

The reference model of community development in the coordinate systems of the level of focus and adequacy of choice was formed. It was mentioned that according to the EU experience, socio-centric aspects are reflected in the development strategies of many European cities. On the basis of the conducted researches the model of formation of strategic changes of innovative development with focus on change strategies (based on changing human behavior) was noted.

**Список литератури:**


