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**INSTITUTIONAL TRANSFORMATIONS IN THE FIELD OF
SERVICES IN DIGITAL ECONOMY**

V.Ya. Vishnever (a)*, R.A. Burganov (b), I.V. Nusratullin (c)

*Corresponding author

(a) Samara State Economic University, Samara, Russia, ab3535@mail.ru, +79171148303

(b) Kazan State Power Engineering University, 51 Krasnoselskaya Str., 420066, Kazan, Russia, burganov-r@mail.ru,
+7 (843) 519-42-89

(c) Bashkir State University, 32 Validy Str., 450076, Ufa, Russia, nusratullin.iv@gmail.com, +7 917 77-26-539

Abstract

The development of digital technologies resulted in a significant change in the economy and society. Digitalization transformed the production field and the field of services, made the relationship between the producer and the consumer more individual and closer. Digital technologies especially changed the scope of services, even such format as the E-services appeared. In Russia, this process is somewhat behind the developed countries, mainly due to the weak development of the relevant institutions. In this regard, the purpose of the study is to research the processes of creation of the institutional field and to identify new phenomena and trends in the development of institutions in the field of services under the conditions of digitalization of the economy. The historical, economic and system-logical methods constitute the methodological basis of the study. Results: the need for institutional changes in the services market is determined; the components of the creation of the institutional field are defined and new institutional units of the services market are systematized. The results of the work can be applied in the determination of the strategic and institutional development of the country's economy. The solution of the problems of transformation of the field of services involves taking institutional measures to improve the country's economic climate, in particular, the external environment for managing the institutions and organizations in the field of services.

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Keywords: Institutions, institutional field, transformation of the economy, digitalization, property.



1. Introduction

The role and importance of institutional transformations in the field of services can be seen by the example of changes in Russia's competitiveness indicators in recent years. In the Global Competitiveness Index 2017-2018, Russia ranks 38th (Center for Humanitarian Technologies, 2018). For comparison, in 2010-2011, it ranked 63rd (World Economic Forum, 2011). The solution of a number of problems in the formation and development of the institutions of society can be pointed out among the factors of such a change. Russia's competitiveness has increased due to the institutional changes in the field of education and science, infrastructure and market environment (Peskova & Staruhina, 2017). In a similar way, the accelerated development of the field of services in the conditions of digitalization of the economy can be achieved through infrastructural transformations.

The solution of the problems of transformation of the field of services involves taking institutional measures to improve the country's economic climate, in particular, the external environment for managing the institutions and organizations in the field of services. The experimentally implemented Smith-Marshallian economy, based on the marginal utility theory, showed the presence of systemic problems in its development (inconsistency between the real and theoretical economics, non-working economic models, recurring crises as a sign of the impossibility to manage the economy using the existing tools (Davar, 2015). The field of services as an integral part of this economy is mainly focused on the use of market principles of business and competition. However, the modern level of civilization requires an analysis of the new mechanism of functioning and self-development of the field of services. The improvement of the quality of Russian institutions of the services market is a prerequisite for the modernization of the Russian economy and requires a comprehensive change in the entire institutional environment.

1.1. The impact of digital technology on the economy

Digital technologies have begun not only to increase the efficiency of traditional sectors of the economy but also to create their own individual sphere – the digital economy (the Internet, video games, social networks, etc.). The countries that first entered upon the path of digitalization of the economy, felt among first the changes not only in the economy but also in the society. Today, due to digital technologies, the daily living of people (communication through social networks and messengers, the sphere of Internet things, online education), the relationship between society and the state (e-government, obtaining public services via the Internet), the relationship between society and business changed dramatically (e-commerce, new business models) (Mossberger, Tolbert, & McNeal, 2008; Weill & Woerner, 2013).

Both previous and recent research shows that in the past decades the digitization has become the basis for the growth of the economies of the developed countries (Brynjolfsson and McAfee, 2011; Zhao, Wallis, & Singh, 2015). Moreover, the countries, actively supporting the development of modern technologies in their territory, show greater results than other ones (for example, the USA, Israel, China). Most of the research in the field of digitalization of the field of services is devoted to the digitalization of public services and e-government activities (Nograšek & Vintar, 2014; Bekkers & Homburg, 2007; Andersen et al., 2010).

In terms of the “business-business/population” format of the field of services in the context of introduction of digital technologies, the previous research focuses on the general concepts of the field of services in digitalization conditions (Chesbrough & Spohrer, 2006); the other ones are concerned with the transformation of the essence of services and conceptual apparatus (Barua, Konana, Whinston, & Yin, 2001; Kalakota & Whinston, 1996; Scupola, Henten, & Nicolajsen, 2009), and the rest of them are dealing with the transformation of the field of services itself in the digital economy, when the production of certain goods is transformed into the provision of services (Tiwana & Balasubramaniam, 2001; Penttinen, Saarinen, & Sinervo, 2008). In this regard, the question is how to divide the production field, the field of service rendering and the field of rendering digital services, the line between which is increasingly blurred. In this regard, Hofacker, Goldsmith, Bridges, & Swilley (2007) defined the features of the production of goods, the digital service delivery, the traditional service delivery as follows (Table 01).

Table 01. Features of the fields of production, service delivery and digital service delivery

Goods	E-services	Services
Tangible	Intangible, but need tangible media	Intangible
Can be inventoried	Can be inventoried	Cannot be inventoried
Separable consumption	Separable consumption	Inseparable consumption
Can be patented	Can be copyrighted, patented	Cannot be patented
Homogeneous	Homogeneous	Heterogeneous
Easy to price	Hard to price	Hard to price
Can't be copied	Can be copied	Can't be copied
Can be shared	Can be shared	Can't be shared
Use equals consumption	Use does not equal consumption	Use equals consumption
Based on atoms	Based on bits	Based on atoms

Note: Source: Hofacker et al. (2007)

The problem of definition of the E-services in the scientific literature is also polemic. In the paper of Scupola et al. (2009). various interpretations of the concept of E-services are systematized (Table 02).

Table 02. A summary of e-services definitions

Delivery and infrastructure view	Production, delivery and outcome view
Those services that can be delivered electronically (Javalgi, Martin and Todd, 2004)	Any asset that is made available via the Internet to drive revenue streams or create new efficiencies (Piccinelli and Stammers, 2001)
Provision of services over electronic networks (Rust and Kannan, 2003)	An act or performance that creates and provides benefits for customers through a process that is stored as an algorithm and typically implemented by networked software (Hofacker et al., 2007)
Interactive services that are delivered on the Internet using advanced telecommunications, information, and multimedia technologies (Boyer,	E-services as Internet-based applications that fulfill service needs by seamlessly bringing together distributed, specialized resources to enable complex (often real-time) transactions (Tiwana and Balasubramaniam, 2001)

Hallowell & Roth, 2001)	
E-service is deeds, efforts or performance whose delivery is mediated by information technology (including Web, information kiosks and mobile devices). Such e-service includes the service element of e-tailing, customer support and service, and service delivery (Rowley, 2006)	E-services are defined as services that are produced, provided and/or consumed through the use of ICT-networks such as Internet-based systems and mobile solutions (Scupola et al., 2009)

Note: Source: Scupola, Henten, and Nicolajsen (2009).

In turn, Scupola interprets the E-services as the services that are produced, delivered and/or consumed through the use of the ICT networks, such as the Internet systems and mobile solutions (Scupola et al., 2009).

1.2. Transformation of the institutions during the digitalization of the Russian economy

The economic importance of the institution is multi-semantic. It includes everything that is beyond the essence of economic and financial definitions, from people's habits to formal organizational structures. According to North, institutions are the “structural forms of human interaction” (North, 1990). They include formal restrictions in the form of rules and regulations; procedures for detection and suppression of the behavior that deviates from the established rules; the informal (unwritten) codes of conduct, customs, habits, limiting the scope of the formal rules and procedure. Customs and traditions can serve as an effective substitute for the formal institutions, thus providing a significant saving of the resources. Oliver Williamson defines a situation related to the presence of different approaches within the institutional economic theory as pluralism (Williamson, 2000). The study of the internal diversity of the modern institutional field, the understanding of the relations with other fields of economic research and interdisciplinary relations is the objective for the establishment of a new economic community.

As a result of privatization and denationalization of the state property, the share of organizations and enterprises with private ownership engaged in all types of economic activity has increased. Villalonga lists over 150 papers that compare the performance of public and private enterprises and evaluation of the results of privatization in different countries based on different examples (Villalonga, 2000). Among them, about 2/3 contain the conclusion that private enterprises are more efficient, and 1/3 argues that there is no basis for such a conclusion, and the authors of more than a dozen works have to give their preference to the state ownership.

However, the social and economic efficiency of the transformation of property relations in Russia is low. The consideration of the interests and rights of the majority of the population and the principle of equality of citizens in the implementation of mass privatization was not observed. Therefore, certain institutional conditions were necessary for the success of privatization for the benefit of society.

The feature of the services market institutions is the availability, sometimes the predominance of chaotic movements associated with the behavior and request of a particular buyer and seller. The influence of altruism on economic behavior is not fully studied. The theory of herd behavior (“bandwagon”) is still relevant. The subjective psychological and evaluative side of the behavior of a particular person begins to play a leading role in shaping the institutions of the services market. It is also

necessary to take into account the fact that the services market is located at the junction of the public and private sectors of the national economy, and this predetermines the effectiveness and inconsistency of the decisions and recommendations made in the field of economic policy. In the digital economy, there has been an increase in the share of infrastructure services represented by the private sector of the economy. Moreover, a number of sectors of the economy have a more advanced level of digitalization, in particular, the power economy (Burganov, 2015; Burganov & Yudina, 2018).

In the transformation of the services market in a post-crisis economy, the role of the institution of law and the institution of ownership is not reduced. At the same time, according to Hayek, "... the institutions ... are formed as an integral part of the process of unconscious self-organization of a certain structure or model" (Hayek, 1992, p.18).

The concept of "transformation" is used as a fundamental change in the organization and management of the field of services. The goal of transformation is the creation of a market for services that adequately responds to the level of development of digital society. The institutional changes in the field of services constitute one of the necessary trends of digitalization of the Russian economy.

2. Problem Statement

Despite the abundance of research regarding the development of the field of services in terms of digitalization, insufficient attention is paid to research in the field of institutional transformations in the development of the E-services. Among them are the works of Kochetkov and Kochetkova (2010) and Francois and Hoekman (2010). The aim of this study is to fill this gap.

All well-functioning market economies are "embedded" in the system of non-market institutions, without which no market can function adequately. The primary types of the institutions that the market relies on are: the institutions that regulate property rights, macroeconomic stabilization, social insurance, and conflict resolution. Various institutional rules that would promote economic activity are also important.

The methodological approach to the analysis of the institutional environment of the field of services has been successfully applied in the works by Coase and North (Coase, 1937; North, 1981) and their followers, who viewed the concept of institutional development through a system of such concepts as property rights, transaction costs, contractual relationships and group interests.

Through the development of the methodology and the tools of institutional theory, the key coordinates of the institutional system of the services sector can be defined. The institutional structure of the field of services can be represented through the institutions that regulate and limit its development. The regulatory institutions of the field of services are: competition and property rights, coordination, distribution, social insurance, coercion, development, economic security. The institutions that limit the development of the field of services are: trade, budget, resource, technology, a set of rules and lifestyle standards.

The availability of well-known rules of behavior in the sphere of economic activity reduces the level of uncertainty in the system of market relations of the partners, increases the degree of awareness of the likely changes in the external environment caused by the behavior of other subjects, i.e. a clearer base is formed for planning its interaction with the "surrounding world".

The relevance of the study in this field is also due to the insufficient elaboration of the criteria for identification of the institutional subsystems for their coherent classification.

3. Research Questions

The objectives of the study:

- 1) to determine the need for institutional changes in the services market;
- 2) to identify the component parts of the creation of the institutional field and to systematize the new institutional units of the services market;
- 3) to characterize the heterogeneous institutional structure of the field of services.

4. Purpose of the Study

The purpose of the study is to review the processes of creation of the institutional field and to identify new phenomena and trends in the development of the institutions in the field of services under the conditions of digitalization of the economy.

5. Research Methods

The historical-economic and system-logical methods are used as the methodological basis of the study.

6. Findings

The following results are obtained within the framework of the study.

6.1. The need for institutional changes in the services market is identified, the constituent parts of the creation of the institutional field are determined, and the new institutional units of the services are systematized

Over the past decades, profound and ambiguous changes have occurred in all manifestations of the services market. In particular, the trade in the Russian Federation before the beginning of the reforms had the form of a bistructural system and was characterized by the presence of state and cooperative trade, the absolute monopoly of the state in the market for final products, goods and services. The ongoing market reforms in Russia have resulted in the fundamental changes in the consumer goods trade. The category of goods included not only tangible but also intangible benefits. The refusal of the centralized planning and resource allocation, the antitrust policy, the development of free enterprise, the economic freedom of the enterprises contributed to the creation of a certain competitive environment in the market for final goods and services.

As a socio-economic phenomenon, the field of services has its own laws and mechanism of self-movement. The self-movement of the services market is based on the integration of organizational and economic, organizational and managerial, organizational and technological, organizational-institutional components (institutions). Thus, the state and further development of tourism in Russia largely depend on the level of organizational and technological institutions. In particular, the development of information and communication technologies changes the entire tourist business. The role of the organizational and

institutional transformation of the field of services will increase gradually and over time it can serve as a catalyst for the economic growth.

The institutions of the field of services adapt to work in the market economic system and effectively manifest themselves in a competitive environment (consider the example of some of the institutions given in Table 03).

Table 03. Institutional units of the services market in Russia

Institutional units	up to 1990	2010s	01.01.2018
Commercial banks	for public service – Sberbank of the USSR	about 1000	561
Insurance companies	1- Gosstrakh	about 590	231 (as of June 2018)
Pension Funds	1 – State Pension Fund	about 150	92
Mutual Investment Funds (MIF)	0	established	operate
Marketing services	0	established	operate
Advertising agencies	0	established	operate
Institution of bankruptcy	0	established	operates
Institution of trust	high	mean	mean

Note: Source: compiled by the authors based on Rosstat data

As can be seen from the figure, many necessary institutions of the field of services have been created and are actively developing, a self-regulation mechanism operates by the example of the insurance and pension market.

The emergence of new factors related to the place of Russia in the world economy objectively requires studying the process of transformation of the institutions of the services market. At the same time, a part of the institutions has a regressive nature of manifestation, and some institutions do not manifest themselves as participants in the development of the field of services. Accordingly, new research is required to identify non-performing and inefficient institutions in the field of trade and services. In order to update the Russian economy, a complex change of the institutional environment is rather necessary.

The trade reform often involves the importation of the service institutions from other countries. Sometimes this is the result of a deliberate policy to “harmonize” the economic and social institutions of a given country with the institutions of its trading partners. So, the WTO membership required a certain set of institutional norms from the country. New service standards were in conflict with the traditional forms of interaction. Accordingly, the problem arises of the creation of the services market institutions that are adequate to digitalization. The solutions of the problems of institutional risk in the conditions of transformation of the services market will allow minimizing the social and production costs.

Today, the increasing role in the services market in the conditions of digitalization of the economy is played by the “new” institutional units of the services market, the emergence of which is connected with the need to meet the needs of people. These include:

- the institution of servicization of the economy; a service is a special kind of human activity aimed at meeting the needs of individuals, social groups, organizations by providing the services, moreover, the service is emotionalized;
 - the institution of the fitness industry; the Russian fitness industry market has the potential to grow;
 - the institution of hospitality;
 - the institution of mass customization – provision of a greater variety of services to the individual requirements of the consumers at a price level comparable to mass goods and services, the personification of the offers;
 - the institution of new values (ecological values, good physical shape, etc.);
 - the institution of luxury;
 - the institution of vending trade. Vending trade in Russia lags significantly behind the similar trade in the most developed countries of the world;
 - the institution of “new tourism”; thus, foreign tourism only at the end of the 2000s became part of the life of a number of social groups in Russia;
 - the institution of network trading, mainly of imported nature;
 - the institution of services clustering; purposeful design of various education institutions, in many regions of the country the clusters of scientific and educational services have been created
- These institutions determine the need to change the existing institutional field in Russia.

6.2. The characteristic of the heterogeneous institutional structure of the field of services is given

The scientific papers of neoinstitutionalists draw the attention to the heterogeneity of the institutional system, which is fundamentally important in the evaluation of its functioning and development. The insufficient elaboration of the criteria for the allocation of institutional subsystems does not allow for the creation of a coherent classification. Within the framework of the study, the authors present the heterogeneity of the institutional structure of the field of services in the form of three components: sectors, elements of structure, types of institutions.

The sectors are: trade, transport, communications; building; science, education, culture, business services; investment, labor migration; banks, insurance, advertising companies; healthcare, leisure, domestic services, tourism (personal services).

The elements of the structure are: organization; social norms; formal rules and laws; informal rules; stereotypes of human behavior; stereotypes of the behavior of the organizations.

The types of institutions are: market and non-market; formal and informal; effective and ineffective; borrowed (imported).

This classification of a heterogeneous institutional system makes it possible to create a new institutional field for the field of services in Russia.

7. Conclusion

Based on the analysis of various processes in the country's economy, the need for institutional changes in the services market is stated; the components of the creation of the institutional field are defined, the attention is paid to the existence of the problems in the institutional provision of the services market with Russia's participation in the world economy, and the new institutional units of the services market are systematized.

In general, in the authors' opinion, the development of the institutions of the tertiary sector of the economy should be the basis for a balanced growth of the indicators for all sectors of the national economy. For a deep analysis of the institutional approach, it is required to combine the efforts of the scientific organizations, universities, and large-scale research on various aspects of the socio-economic transformation of institutions in the services market. The results of the work can be applied in the determination of the strategic and institutional development of the country's economy in the context of the increasing role of the external factor in the life of Russian society.

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