Innovative Changes in the Russian Economy under the Influence of Internet Economy Formation and Development

Tatiana Vladimirovna Maksiyanova

Federal State Educational Institution of Higher Vocational Education "The Russian Academy of National Economy and Public Administration under the President of the Russian Federation", North-West Management Institute, St. Petersburg, Russia

Abstract: The article provides the analysis of Internet economy influence on the economic development of Russia. We study the nature of Internet economy, the peculiarities of its influence on the traditional branches of Russian economy, retail trade as well as small and medium business modernization, tourism industry and public services sector. Special attention is given to innovative changes in the Russian labor market under the influence of Internet economy resulting into the formation of new labor markets, new forms of population employment, new methods of job opportunities search and CV publication, new forms of HR motivation as well as the development of new forms of education and training in the Internet business environment.

Key words: Russian economy • Internet economy • Business modernization

INTRODUCTION

As soon as Internet appeared an economic turn started in the world. It was as fundamental as a Neolithic or industrial revolution: labor productivity became so big that the minority could feed the majority for the first time in the world history. As the result of onrushing development of new technologies including the online ones, Internet economy formation started that resulted into innovative changes in the national economy and creating the new forms of population employment, new occupations as well as principal changes in retail trade, small and medium business development and public services sector.

With the advent of Internet online economy appears. It is a system-organized layered structure based on online-relationships between commercial agents. The beginning of Internet economy development dates back to 1983 when separate local networks integration finished and the data transmission network called Internet appeared. The name of the data transfer protocol was used for it [1, p. 178].

In the broad sense of the word, Internet economy is the step of production forces development characterized with the growing role of Internet in the social life, the growing share of online products and services in the GDP, the creating of global Internet-space securing effective people’s interaction and access to the world Internet-resources, satisfying social and personal needs in online products and services.

The basic Internet economy entities are medium and small business companies, the government and population influencing the whole Internet economy system development with their activity.

Internet Economy Influence on Traditional Branches of Russian Economy: The beginning of Internet influenced both the work of separate companies in Russia and the development of some branches and economy of the whole: both companies and industries change under the influence of Internet. Separate branches of Russian economy such as retail trade, public services sector, online-tourism and e-banking gain some Internet-advantages including new channels appearance and development, introduction of modern innovative and efficient business-models and operating process structure changing.

Internet economy appeared due to both online-companies and numerous large, medium and small companies from different industries. These companies
create infrastructure, provide access, offer online-services, products and content. Internet has potential for influencing every industry due to market pressure on traditional economic branches [2, p. 272]:

- Access and greater customers’ coverage as well as efficient contact with the customers that does not require immediate presence;
- Greater transparence and less possibilities for using information advantages by the agents and brokers in their own benefits;
- New business-models based on more efficient contact with the agents, customers and partners;
- Efficiency and productivuty gains due to automation of some business processes and online information sharing with different suppliers and distributors;
- Long tail sales optimization due to target customers availability and low expenses.

The companies of some special type work in Internet economy: these are so-called e-companies that are different from traditional companies due to their special form of marketable products and services, innovative character of processes, specific company’s expenses and assets structure as well as specific stages of commercial activity organization.

Online-companies should be considered as innovation companies with the commercial activity realized on the Internet and based on their own website [3, p. 279].

Internet companies exist in the specific online environment so the main products and services the companies sell can be channeled through the telecommunication path (digital products) or paid for via special e-payment systems.

The strategic role of IT technology preconditions the innovative character of the processes at the online companies. In this case innovations are new (network) unique products, new ways of these products manufacturing, searching for new market segments and the development of unique selling propositions, i.e. the skills and abilities to present the new product (service) to the potential customer.

Presently, there is no common definition of e-commerce so, as a branch of knowledge, it is at the stage of information collection and analysis. E-commerce is a specific form of information economy development and one of the Internet business branches for commercial operations via Internet [4, p. 261].

Competitive advantages of e-commerce for the sellers include bigger geographic representation as well as the possibility for the marketing target approach and harmonizing relations with the customers.

One can highlight a number of medium and small business companies in Russia that came into the market due to the Internet. They are Nevosoft.ru, Gameguru.ru, MoneyMatika.ru, Gorodigr.ru. These companies develop special propositions for the Internet users as well as work with the Internet solutions. But we should take into consideration that every business entity activity in e-commerce deals with different risks at every stage of its development. One should have exhaustive information about the target market, competitors, business partners and products suppliers at any moment and at any planning and business activity stage. We can specify four groups of risk in e-commerce: Internet project developer’s risk, Internet company’s website promotion risk, online shop seller’s risk and online-buyer’s risk [5, p. 274]. One should take these groups of risk into consideration when planning the business activity in Internet economy. The main objective of risk management in Internet economy is to find, analyze and control risks that can threaten financial position of any online-business.

The main advantages of Internet tools and technologies application for medium and small business entities are as follows: a great number of customers’ opinions and more active and effective cooperation with the buyers; bigger marketing efficiency (through targeting); easier staff recruitment process; access to bigger database of potential employers; marketing expenses reduction; greater geographic representation; possibility of business process optimization through online-services.

The major impediment for more intensive Internet use in business processes are as follows: insufficient funds for Internet applications development; lack of time for the company’s website support; Internet fraud risk; no hope for additional income from the company’s online-office organization; no specialized website promotion department; no computer access for the company staff; low Internet connection speed (no broadband access).

Internet Economy Influence on Retail Sales as Well as Small and Medium Business Modernization: Internet economy development results into minor changes in retail trade that acquires the form of e-commerce with the new sales channels, new marketing tools, changes in operation and logistics processes and new business models appearing.
Nevertheless, despite all the abovementioned impediments, Internet as a global decentralized information environment with the communication basis is an ideal tool for economic and business activity with the use of new IT technologies.

**Internet Economy Influence on Tourism Industry:** Internet tourism industry in Russia is quite young and differs essentially from the other countries:

- Most Russians prefer to buy ready-made tour instead of planning their trip by themselves as they lack tourism experience, their foreign languages skills are quite poor and the offer of independent tours is quite limited;
- Internet tourism market is fragmented and nontransparent as for the sales segment: there are over 11 thousand agencies in Russia and most of them are just dealers with the same range of products and services; their activity is not efficient.
- an average tourism agency office in Russia brings about 4 thousand USD a day that is half as much as in Denmark or in Finland and a quarter as much as in Great Britain. Due to their small size, these agencies hardly ever know a lot about Internet tourism and its potential.

Thus, business processes of tickets and hotels booking and tours choice are changing and going into online sector under the influence of Internet. It changes the tourism industry principles reducing the importance of traditional offline agent for a tourist and providing a possibility for a person to make his or her own independent choice after studying the Internet-users’ opinion on their tours and tourist agencies and plan the future tour.

But the Russian Internet tourism market is not well-developed due to its weak infrastructure, low participants involvement into the online-offers formation and the population’s distrust to big purchases on the Internet. These impediments overcoming will favor the Russian Internet-tourism development in the future.

**Internet Economy Influence on the Public Service Sector:**

As far as the public service sector is concerned, Internet provides a possibility to change and simplify the interaction between the population and the companies with the governmental authorities allowing to reorganize the internal processes at the public offices, save governmental funds and resources as well as to organize transparent cooperation with the governmental structures.

“Online-government” formation has been taking place in Russia since 2002 but this program realization is far from the level of the well-developed countries. One of the program objectives is to create an integrated online-platform for providing services for the population, create an information system to simplify the medium and small business interaction with the governmental authorities as well as to provide free access to the information about the governmental authorities’ activity.

**Formation of New Labor Markets Under the Influence of Internet Technologies of the 20*-21* Centuries:** In the context of Internet economy, each of its branches is developing and expands in the e-market that results into the formation of new labor market. The high school curriculum lags behind the development of new Internet economy trends. The Russian e-market specialists pay attention that there is no well-run system of training such specialists for the Internet economy market as needed. Employers don’t have any idea about the competency of such candidates either. To solve the problem the industry specific standards should be developed for the employers’ assessment using the complex approach in solving the problem of online-specialists training including: developing the scale of specialties and jobs, developing and introduction of the assessment system for these specialties, developing the curriculum and courses for different specialties, organizing long-term educational courses for professional training in different majors for Internet economy sphere.

**New Forms of Population Employment amid Internet Economy Formation:** Nowadays different non-traditional forms of employment are introduces including temporary, seasonal, part-time and illegal jobs as well as “unpaid employment” for unemployed. In the process of information community formation the interest to such non-standard employment forms like freelance is growing. Let’s mark some specific characteristics of freelance as a new employment form in the forming Internet economy:

- Freelance is a kind of self-employment: freelancers have no fixed income and depend on financial success of their activity as they organize their working hours all by themselves;
- Freelancers are notable for their high level of independence and self-regulation in their business activity;
- Freelancers are mainly mental workers having a significant human capital assets; their work relates to information production and processing.
While working with teleworkers, companies get a number of economic benefits: there is no need to pay for the working place, the employee’s vacation, sick leave or employment benefits. According to free-lance.ru project, the Russian freelance market made about 250 million USD in 2010. Free-lance.ru embraces about 70% of telework market [6, p. 82]. As any new market, telework market is becoming legal instead of being unregulated. According to the survey of freelance.ru, 36% of Russian freelancers have never tried to get a job in the office of this or that company. But most freelancers (64%) had a chance to compare the pros and cons of telework.

Thus, freelancers are independent workers that are not on the company’s staff. We can say that freelance is becoming both an employment form and a lifestyle. In addition to the advantages of such employment form, negative personal qualities also develop making the work in a team more complicated and developing personal irresponsibility such as laziness, disorderliness, lack of organization and labor culture, lack of cooperation, corporate culture, low readiness to cooperation and teamwork.

Internet Economy Influence on Professional Individual Development: Internet economy generates new jobs and occupations. With the beginning of the 21st century and information-communication technologies development, many specialties disappear or become obsolete. Quick Internet development and related IT technologies expect that new occupations appear and find their place in the labor market much earlier than they are registered in different classifiers and catalogues. The Russian labor market lacked lawyers, economists, psychologists and other office workers about 20 years ago. In 2012, most Russian high school graduates that didn’t manage to find any job were lawyers with higher and specialized secondary education (about 8 thousand people) [7, p. 5]. Accountants (7.1 thousand people) and finance managers (1.1 thousand people) took the second place. Thus, significant deficit of technical specialists was observed by 2012-2013. Nowadays, specialties in-demand are uniformly distributed in all the spheres but special attention is given to rapidly developing IT sphere.

New Methods of Job Search and CV Publication in the Labor Market in the Context of Internet Economy: Internet is becoming our right hand in many cases. Employers of new type appear: these are specialized online-services and online marketplaces allowing any user to become an employer. TaskRabbit and Zaarly in the USA and YouDo.com in Russia can serve good examples [8, p. 118-119]. Online marketplaces have already proved to be very important and in demand overseas. For example, TaskRabbit (NewYork) where thousands of tasks and small jobs are outsources every day attracted about 27 million of investments very quickly. The first year of YouDo.com work proved that this job search and CV publication model is in demand in Runet as well. Three months after the local task platform was launched, every tenth customer publishes up to five tasks and job offers a week. The customer service market volume for Moscow and Moscow area can make about 420 billion RUR in 2012. But there are significant impediments in the development of such job search and offers publication forms: the population’s mistrust and primitive wages system.

Thus, organization and management culture of online marketplaces including the customer’s services outsourcing as new methods of job search and CV publication in Internet economy is just beginning to develop in Russia.

Formation of New Types of Labor Relations: Nowadays, hierarchic structures are gradually turning into network structure. Horizontal cooperation expands the employee’s productive autonomy, independence and responsibility as well as strengthens interpersonal relations making the teamwork more important. New employment forms are growing rapidly including target contract work, outwork, etc. The growing number of employees working at home the most part of the week forms a new type of labor relations and efficient employment conditions. Internet economy is characterized with a growing number of new occupations anticipating flexible working hours such as programmers, system analysts, innovation managers, etc.

New Forms of the Staff Motivation in Internet Economy: The major source of motivation in the Internet economy is the human mental world, personal need of self-expression and universal individual development. The new generation of employees working at prestigious branches of Internet economy is notable for another kind of labor ethics as compared to the industrial production ethics. Their main reason for labor activity is craving for realization of personal potential, personal recognition, inner need for prestigious creative work and a good psychological climate in the team. At the same time, control over valuable information and the ability to produce new knowledge become the major preconditions of the public recognition. In terms of Internet economy the internal company management system has to be
developed by passing from an administrative-hierarchical principal to the flexible partnership based on the partnership relations between the employees.

New Forms of the Staff Training as the Precondition for Efficient Employment: The level of contemporary social development is measured by its intellectual potential, the ability to produce, adopt and use new knowledge in practice as well as new technologies that together result into new forms and methods of labor and educational process organization [9, p. 4].

As soon as new educational forms and teaching techniques appear (that is predetermined by penetration of online-technologies that serve the technical basis for distant learning into the higher education sphere) the system of free education is beginning its development and formation. Online technologies comprehensive application does not necessarily imply creating classical practice positions. It is essential that computer classrooms should be organized for all kinds of classes, routine knowledge evaluation and interim assessment.

Internet allows to achieve the maximum learning effect by providing more freedom in choosing the distant courses time and class hours depending on the learner’s wish, etc. Internet allows to make the staff training process more learners-oriented and take into account all the individual characteristics of every student [10, p. 220].

Thus, a student conceives Internet like both the way of information materials and methodological guidelines delivery and the virtual world allowing to discover his or her abilities and talents due to the network international character as well as impartial judgment, freedom of speech and ideas that have a positive influence over personality formation and individual information independence.

At present, Russia occupies the first place in Europe in the number of Internet-users (67.98 million people) after Germany (67.48 million people) [11]. The opportunities of online-audience growth in Russia are attributed to the high level of population’s education and expansion of computers. But according to the estimates we should expect the rapid Internet economy growth in the nearest future and its share in GDP of Russia can make up to 3.7% (or 5% of GDP oil and gas component excluded) by 2015 that can be compared to the current level of Internet economy in the well-developed countries. The possibilities for the growth stimulation can be seen for all the major Internet economy entities including the customers, private investors, government and net export as well as the branches that are difficult to reflect in GDP of Russia for a number of reasons.

The basic Internet economy trends in Russia are [1, p. 184]:

- Broader Internet-access in Russian regions;
- Internet infrastructure development especially in respect of omnidirectional e-commerce expansion;
- Increase of governmental and private business investments into information-communication technologies;
- Timely legislative framework development and update that favors more active use of Internet by the population and private companies.

Further reduction of the gap between Russia and the leading world Internet economies requires active actions from all the entities and the development of the targeted governmental strategy to provide potential active development of the basic Internet economy trends in Russia.

The pace of change and technological evolution has accelerated greatly over the last decades, with unequivocally positive transformations for societies, companies and individuals. It is remarkable not only how dramatically the technologies in everyday use have changed, but also how easily society as a whole has adopted these innovations [12, p. 11]. The world is only beginning to come to grips with the complex consequences of the exploding growth of the Internet economy [13, p. 5]. The Internet has created a new economy consisting of Internet Protocol (IP) based networks, applications, interconnected electronic markets, producers, consumers and intermediaries. Rapid advances in Internet technologies and applications and the subsequent proliferation of economic activity on the Internet have ushered in the information or digital age where virtually every organization in the industrialized world is trying to leverage this massive and ubiquitous public technology infrastructure to create new value for its stakeholders [14]. The Internet is helping companies to lower costs dramatically across their supply and demand chains, take their customer service into a different league, enter new markets, create additional revenue streams and redefine their business relationships [15]. The Internet economy is here, it’s huge and it affects our lives more and more each day [16, p. 1]. Nowadays-commerce is fundamentally changing the economy and the way business is conducted [17, p. 590]. According to the estimation of The Boston Consulting Group [18], Russian Internet economy will grow by 22% a year that is much faster than the expected growth of traditional economy sectors. With the favorable development of some factors...
including Internet expansion in Russia, e-commerce development and others, Internet economy has the potential for 30% growth a year and can make 3.7% of GDP in Russia by 2015 (with the oil and gas component excluded that can make 5% and approach the current level of Denmark (5.8% GDP) that is one of the leaders of the world Internet economy markets).

REFERENCES