

CREATING COMPETITIVE INTEGRATED ECONOMIC STRUCTURE

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Keywords: integrated economic structure, integration, problems of organization, evaluation of enterprises, the process of creating, a treaty on the establishment, the central element.

The article deals with the complexity and problems of the joint operation of enterprises. It describes the current procedure for creating an integrated economic structure and proposes its own approach to the consideration of a phased process of creating an integrated economic structure. This approach is based on the evolution of relations within the structure of the participants as they progress and on increased competitiveness.

Educational integrated economic structures (IES) involves some difficulties, so you should consider the creation of an integrated economic structure in terms of its competitive advantages and further improvement of the position of the enterprises within the structure.

The study of the process of creating integrated economic structures shows that there is no universal scheme for forming an IES. It is possible to note some general patterns of their formation. These include:

- ◆ Extensive development of trust relations within the structure;
- ◆ Purposeful concentration of ownership, including cross-shareholding;
- ◆ Long-term investment and ownership prospects on the basis of high-level assessment of projects;
- ◆ High degree of managerial autonomy and inter-firm competition between the team members in project implementation;
- ◆ Selective interference with the key shareholders concerning major problems;
- ◆ Joint organization of marketing products in the face of fierce competition of vertically-integrated groups.

Practical implementation of the integration process from the standpoint of achieving competitiveness of the organizations is shown in figure.

IES have some peculiar features, like the lack of any kind of formally defined organizational structure, as well as the absence of any law on the integrated economic structures, while the structures are already functioning.

As a rule, the Board of Governors is the supreme body of management structure. It provides control over the participants of the joint activity and the utilization of the allocated re-

sources. Each participant will send a representative to the Board of Governors. For such IES the Treaty of establishing the structure is a kind of incorporation of general partnership, with one central company. This agreement defines the scope, the procedure and conditions for the consolidation of assets, as well as the order of formation, the amount of staff and other conditions of the Board of Governors.

At the same time during the process of integration there is a range of problems typical for mergers.

Doholyan S. and B. Petrosyants emphasize that the problem of organizing joint activities in grouped enterprises is a very complex one. Among the most serious and complex issues the authors mention:

1. Significant distance between the concepts and their practical realization.
2. The central company's lack of real levers of influence on the members of an IES.
3. The lack of elaboration on IES finance.
4. The lack of strategy of joint activities.
5. The lack of reliable and timely information on the work of enterprises, etc.

The State responsibility is to preserve and maintain the environment through the regulatory framework through the creation of the infrastructure. Plus a huge responsibility of the State is to ensure and support the successful IESs.

It is important to take into account the nature and the characteristics of concentration in the development of integrated economic structures. There are four types of concentration: total concentration (based on the proportion of such groups in the GDP), complex concentration (based on the degree of diversification), market concentration (the share of monopoly or oligopoly group companies in the relevant mar-

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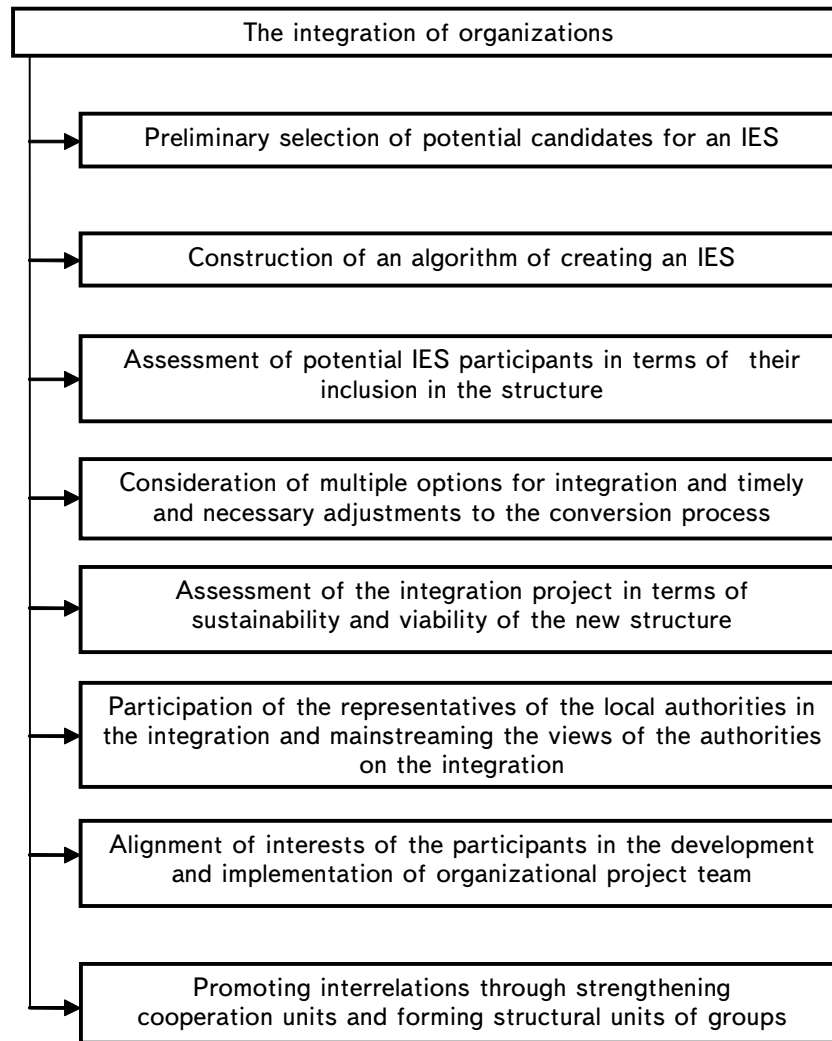


Fig. Practical implementation of the integration process from the position of achieving competitiveness of the organizations

ket), the concentration of ownership (the distribution of voting shares among owners).

In the developed countries, where the process of companies' diversification went the evolutionary way, the measures of state regulation were focused on market concentration (regulation of monopolies and oligopolies). In the countries with the model of the so-called «compressed economic development» (eg, South Korea), where the formation of the IES provided direct support from the state, there was common and complex concentration.

Obviously, in Russia, where the IESs are formed on the basis of already existing large industrial complexes, the measures of state regulation should be directed to support a comprehensive and total concentration. First of all, for each IES it is advisable to stimulate the process of defining its «core» business, limiting the scope of their activities to three - four basic sectors, around which the IES will evolve.

To improve the efficiency of the process of forming an IES it must be implemented within the framework of joint decisions of the representatives of state and economic structures that in other countries were called a 'top-level talks'.

Given the above mentioned difficulties and problems of the organization of joint activities, we propose the following step-wise process of creating an integrated business structure.

Combining the companies in the first stage of their possible interaction as partners in the market where they establish a mutually beneficial exchange of results.

In the second stage experiences, technologies, personnel in joint projects can be exchanged.

In the third stage common units for the production of certain products based on the successful exchange of experiences and technologies can be formed.

The fourth step is the formation of joint ownership of the combined companies on the basis of long-term intra-group relations.

Thus, the above difficulties and problems of joint operation enterprises allow us to offer a phased process of creating an integrated economic structure, which includes: the first phase - the interaction of firms as partners in the market, the second phase - the exchange of experiences and technologies, and finally the third stage - formation of joint ownership.

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