



Development of Inter-Firm Cooperation in the Russian Agro-industrial Complex: Theory and Practice

Desarrollo de la cooperación entre firmas en el Complejo Agroindustrial Ruso: Teoría y Práctica

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ABSTRACT:

The article considers theoretical basics and pre-requisites of developing the inter-firm cooperation, and peculiarities of the system related to corporate relations in the agro-industrial complex. It analyzes various approaches and theories that improve knowledge in this area. It pays attention to adapting theoretical provisions of the historical experience of Russian agricultural cooperatives becoming. The authors have revealed basic tendencies of the agricultural cooperation development in the modern Russia. Basic types of cooperatives have been singled out, and the factors that restrain transformational processes in the Russian agro-industrial complex have been defined.

Keywords: inter-firm cooperation, agro-industrial complex, agricultural cooperatives, small forms of economic activity, non-formal institutes.

RESUMEN:

El artículo considera los fundamentos teóricos y los requisitos previos para el desarrollo de la cooperación entre empresas y las peculiaridades del sistema relacionado con las relaciones corporativas en el complejo agroindustrial. Analiza diversos enfoques y teorías que mejoran el conocimiento en esta área. Presta atención a la adaptación de las disposiciones teóricas de la experiencia histórica de convertirse en las cooperativas agrícolas rusas. Los autores han revelado las tendencias básicas del desarrollo de la cooperación agrícola en la Rusia moderna. Se han señalado tipos básicos de cooperativas y se han definido los factores que restringen los procesos de transformación en el complejo agroindustrial ruso.

Palabras clave: cooperación entre empresas, complejo agroindustrial, cooperativas agrícolas, pequeñas formas de actividad económica, institutos no formales.

1. Introduction

In the modern context the issues related to improving and developing the inter-firm cooperation as one of the forms of integration interrelations are becoming extremely important, taking into account the general global tendencies of the production aggravation, and as a consequence additional obstacles for various forms of small and medium-sized business in the tough competitive struggle of the existing realities.

It is entirely obvious that the emergence of various types of interrelations between economic subjects has a historical nature as a response to internal and external challenges of evolutionary and transformational processes of economic systems themselves. This was in the late XVIII century when one of the fundamental discoveries in this area of economy was related to the fact that the people involved in production could produce more if they had cooperated with one another and specialized in various types of economic activity and used the advantages of the labor division. Thus, A. Smith described how various stages of production at the pins factory were performed by various employees, each being responsible for carrying out one operation. As the result, the production volume many times surpassed the one that would have been possible if every employee had performed all stages of the process individually (Bondarenko, 2016).

Nevertheless, this is now when the development of economic processes is characterized by the increasing effect of the de-stabilizing factors both on the macro and micro-levels. It makes companies search for the most efficient forms of adapting to the existing realities (Ustyuzhanina, 2016). Views on mechanisms of cooperative interrelations are also transformed. Soft rather than tough forms of integration attract more and more attention of companies. They enable the members to maintain their independence. Thus, the role of the inter-firm cooperation undergoes certain transformation when the chain inter-firm cooperation becomes an imminent characteristic. Due to it, there is an objective need in a more detailed theoretical and practical study of the inter-firm cooperative relations as a phenomenon of the modern economy, including peculiarities of the agricultural cooperation in the Russian economy.

2. Method

When preparing this research article, the methodological basis was made up by the dialectic, system, and logical methods of studying peculiarities of the interrelation of economic subjects, methods of generalization and systematization of data. The methods of scientific abstraction, induction and deduction, monograph analysis and synthesis, historical and logic approach allowed to reveal institutional pre-requisites of the genesis of integrational processes in the Russian agro-industrial complex.

The informational basis of the research includes official data of the Federal Service of State Statistics of the Russian Federation, Ministry of Agriculture of the Russian Federation, data of the first and second all-Russian agricultural censuses (ARAC), expert estimates, and empiric researches of foreign and Russian authors. When writing the article, official foreign and Russian informational resources, data from official websites of the research agencies, institutes and other organizations were used.

Approaches to the inter-firm cooperation in the economic research were developed under the impact of the region development theory of J. Thunen, W. Lounghardt, A. Weber, and A. Lesh, regional specialization theory of A. Smith, D. Riccardo, E. Heckscher and B. Ohlin, and study about the direct production of large spaces of F. List, etc. Depending on the geographic agglomeration, economy from the production volume, specialization of the territory, these areas stipulated the agglomeration of specific sectors of economy and in certain areas of the economic activity (Bondarenko, Maksimova, Zhdanova, 2016). The contribution of A. Marshall to the creation of the theoretical basis of the inter-firm cooperation theory is generally acknowledged. He researched specific peculiarities of the geographical regionalism and focus of production (Marshall A., 1983). Analyzing the processes related to the inter-firm cooperation, it is necessary to mention the research of K. Marx. He defines the production cooperation as "the form of labor when individuals systematically work together and cooperate with one

another in the same process of production or in different production processes that are related to one another" (Marx K., Engels F., 1955-1974).

D. Bieber, M. Granowetter, G. Gearillo, R. Kamani, S. Klein, W. Powell, G. Pfeffer, G. Salancik, S. Snow, D. Ties, O. Williamson, S. Freeman, G. Hamell and other foreign researchers made a considerable contribution to the analysis of the inter-firm cooperation phenomenon. It is possible to refer the theory of transactional expenses of O. Williamson (Williamson, 1985), the theory of resourceful dependence of G. Pfeffer and G. Salancik (Pfeffer, Salancik, 1978) to the fundamental theories that contribute to the researches in the area of inter-firm cooperation. According to the theory of transactional expenses, the cooperation is a result of the company's intention to decrease expenses and reduce risks in its activity. If we consider the inter-firm cooperation in terms of the resourceful theory, it is possible to speak about the way of uniting the company's existing resources that can result in expanding the resourceful profile of the cooperation members and emergency of additional effect from the volume. In this context the resourceful theory resonates with the approach in the firm theory based on the knowledge and opportunities to study. The knowledge exchange that takes place as a result of the inter-firm cooperation allows to make up for an initial deficiency in the company resources and abilities.

In the national economic literature the interest in this problem occurred in the late XX century. The works of S. Avdasheva, V. Dementiev, T. Dolgopyatova, G. Kleiner, V. Markov, V. Tambovtsev, A. Shastiko and A. Yakovlev are devoted to various aspects of the cooperative interrelations of Russian companies. Changes of the institutional environment conditions that have a dominating impact on the nature of inter-firm transactions and peculiarities of contractual interrelations are considered by R. Nureev, A. Oleinik and I. Diskin.

The researchers involved in studying the issues related to the inter-firm cooperation have a common point of view about the reasons of the occurring organizational changes. They single out the following reasons: business globalization, enhancement of the international competition, strengthening of the processes related to updating technologies, growth in the external environment indefiniteness, etc. However, some issues still remain the subject of robust discussions in the scientific community. It is necessary to single out the following issues: stipulation of the development of the inter-firm cooperation under the modern conditions, sectorial peculiarities and advantages of the cooperation development, possibilities to combine the relations of cooperation with other forms of interrelations, choice of an optimal form of cooperation, etc.

3. Theoretical Aspects of the Agricultural Cooperation System in the Russian Economy

When researching issues on the inter-firm cooperation in the Russian economy, studying the experience, peculiarities and perspectives of developing the system of cooperative relations in the agriculture is of special importance. It is entirely obvious that at the present time the system of cooperative relations is a respond to the needs in this form of interrelations, firstly, on the level of small forms of the economic activity. This system of integration interrelations is formed similarly to other economic systems on the basis of historical experience, traditions, and studying successful practices of the previous existing experience in other countries as explicit and implicit knowledge.

Traditionally the study of theoretical basics of the cooperative relations within the system of agrarian relations is associated with the researcher of fundamental principles of cooperation A.V. Chayanov. His works are important not only theoretically but they also have an applied value. For example, his statement "while nowadays they speak about the future of the village, most often they put hopes upon the cooperation" still sounds modern. It is important to note that A.V. Chayanov focused his attention on the historical nature of the emergence and stability of cooperative relations in the global practice and wrote that they had been a specific form of

“small producers’ adjustment to the conditions of the capitalistic society” and a specific form of “weapon in the struggle for survival” (Chayanov A., 1993). At the same time he thought that the cooperatives functions in the agrarian production were much broader and more diversified as compared to industrial cooperatives.

Researching peculiarities of the agricultural cooperation, Chayanov focuses his attention on the fact that “it turns from a technical tool of the social group or even class into one of the basics of the economic mode”. The peculiarities of agricultural modes still remain to be the subject of researches made by Russian researchers (Fadeeva O., 2015). A.V. Chayanov also thought that even having become land owners and thereby obtained the basic condition for the independence and economic individualism, small individual agricultural producers continue “entirely remain in the power of the financial and trading capital he (peasant) owned to a great degree and missing it, he can neither sell the result of his work nor acquire the required means of production” (Chayanov A., 1989). In this case it goes about the stipulation of the role and meaning of the credit cooperation that firstly was to supply the existing deficiency in material and investment resources on the micro-level of separate small forms of the economic activity. Secondly, in terms of the modern institutional theory, cooperatives contain elements of stable non-formal institutes whose role is expressed in the fact that since the initial stage of its formation, the credit agricultural cooperation “spontaneously or gradually has developed its *beginnings and traditions* (the authors’ italics) beyond the realized construction plan practically transferring from one certain solving a particular issue to another” (Chayanov A., 1993). At the present time the Russian economy is renewing this type of cooperation. In 2016 the official statistics of the Russian Federation specified 1,578 credit agricultural cooperatives. A.V. Chayanov has singled out one more key peculiarity of agricultural cooperatives in terms of the theory related to motivating subjects of the economic activity and stated that “the formation of the cooperative itself, defining the profitability and non-printability of its operation is also measured not by the strive to earn the maximum profit on the capital invested in the enterprise and not interests of the cooperative establishment as such, but labor income of the members earned by them via the cooperative and interests of their households” (Chayanov A., 1993). This statement is very important for understanding transformational market processes in the agro-industrial area of the modern Russian economy. Decades later, since the 1970-1980s, Nikonov A.A. has been considered as an active follower of the A.V. Chayanov’s ideas in terms of developing various forms of cooperation in the Russian agriculture. He gave estimation to the A.V. Chayanov for his contribution in the development of the cooperation theory. He specified that “A.V. Chayanov stipulated a special role of the vertical cooperation in enhancing the production, and use of its advantages. He developed specific issues related to the organization and functioning of various forms of cooperation. These developments are urgent nowadays, too” (Nikonov A., 1988). Thus, it is possible to state that A.V. Chayanov created and stipulated a firm theoretical base on stipulating the role and specificity of the agricultural cooperation in the Russian economy.

4. Basic Tendencies of Developing Agricultural Cooperation under the Modern Conditions

In the modern context of the Russian economy three basic areas of the agricultural cooperation development are advanced: consumer, production and sales. Processing (16%), servicing (11%), supply and sales (24%), credit (25%), and other cooperatives (24%) are singled out in the structure of various types of cooperatives. The structure of modern cooperatives is rather dynamic. According to the data of the first All-Russian agricultural census (ARAC) that took place in 2016, members of consumer cooperatives included 1,214 agricultural organizations (AO), 3,133 peasants’ (farmers’) households and individual entrepreneurs, and 113,946 private subsidiary and other individual households of citizens. They were members of processing, sales, supply, servicing, credit, insurance and other types of cooperative unions. According to the preliminary data of the second ARAC that took place in 2016, agricultural consumer

cooperatives (ACC) include 10% of AO (about 3.6 thous. units), 2% of PH (peasant households) (about 3.5 thous. units), and 1% of HF (household farms) (about 1.8 mln. persons) (See Table 1)

Table 1. Structure of Agricultural Consumer Cooperatives in Russia

	AO (in thous. units)			PH (in thous. units)			HF and other individual households (in mln. units)		
	In total	United in cooperatives	% of cooperatives members	In total	United in cooperatives	% of cooperatives members	In total	United in cooperatives	% of cooperatives members
First ARAC (2006)	59.2	1.2	2	285.1	3.1	1	22.8	1.1	0.4
Second ARAC (2016)	36.2	3.6	10	174.6	3.5	2	18.2	1.8	1

Source: compiled by the authors on the basis of data of the first and second ARAC

Herewith, 2.8 mln. out of 18 mln. of HF are households related to sales. They can be considered as potential members of various types of cooperation with other small forms of the activity. However, as for the percent correlation, the share of HF united over the recent decade in cooperatives remains very low (a bit higher than 1%). The share of PH members united in cooperatives also remains very low. Along with this, the official statistics says about the decrease in the production and sales cooperatives by more than by 30% over five years (See Table 2). Besides, as on 2016 only half (3,239 units) out of the total number of registered agricultural consumer cooperatives being 6,293 actually operated.

Table 2. Dynamics of Establishing Agricultural Cooperatives in Russia in 2011-2015

Agricultural Cooperatives in Russia (ACC) (in thous. units)					
	2011	2012	2013	2014	2015
Production	12,190	10,319	9,076	8,151	8,313
Distributing	9,379	7,349	6,820	- (data unavailable)	6,293
In total	21,569	17,668	15,896	- (data unavailable)	14,606
Including operating	4,827	4,616	4,047	3,796	3,491

Source: compiled by the authors based on the data of the Ministry of Agriculture of Russia

Thus, in spite of the important theoretical base on stipulating the inter-firm and agricultural cooperation, over the recent years the Russian agrarian area has not displayed any increase in

5. Discussion

The analysis of the existing practices of developing the system of cooperative relations in the Russian economy “allows to single out factors of the first and second levels (according to the degree of impact) of transformation processes in the agro-industrial area of the Russian economy” (Maksimova T., Milyaev K., 2016). It makes sense to single out the following factors of the first level. They restrain the process of becoming:

- Exogenic factors, including the change of the geo-political situation and general macro-economic financial instability of the Russian economy. As a whole, they reduce financial possibilities of the state related to supporting agricultural cooperatives,
 - The lack of a system nature of the state support for agricultural cooperatives that would ensure stability of developing small forms of economic activity,
 - Imperfection of the statutory and legal base in relation to agricultural producers as a whole, and in relation to cooperatives in particular, including under-development of institutes related to financial support,
 - Differentiation in the maturity of regional institutes dealing with the state support for the cooperation system: there are more actually operating cooperatives where there are regional target programs on supporting the becoming and development of cooperative relation system. It is possible to refer the following to the second level factors:
 - Inhomogeneity of the infrastructure development and specialization of small forms of economic activity on similar (according to the geographical criterion) rural territories which enhances the differentiation of potential members of cooperatives and weakens the opportunities of their equal cooperation,
 - Specificity of the meaning and role of the human factor on rural territories. It is expressed in general tendencies related to the reduction and ageing of the rural population, the decrease in the general motivation to perform agricultural activity, and in the loss of qualified personnel who have experience of economic activity and historical traditions of collective interrelations when performing economic activity on the land,
 - Imperfection of the non-formal institute of trust on the micro-level of separate agricultural producers that often have a skeptical and suspicious attitude to association processes and do not understand the existing rules of the play. Besides, cooperatives members, as a rule, do not have practical skills of forming mutually profitable non-formal regulations of conduct within the local system of separate cooperatives,
 - Transformation of the consciousness of economic entities focused on earning a profit during the short period while the specificity of the agricultural activity assumes stability of development under focusing on the long-term development. Moreover, it is possible to observe obvious transformation of the motivation of the young generation aiming at maximizing the profit by any means which contradicts to those theoretical principles of performing economic activity in the agricultural area that were described by A.V. Chayanov at the proper time.
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6. Conclusion

Thus, summarizing, the authors find it reasonable to make the following conclusions:

Firstly, the improvement of an inter-firm cooperation (or among various forms of the economic activity in the system of the agro-industrial complex) as a form of cooperation and interrelation of economic entities can be considered in the modern context as one of the optimal methods of the stable system of interrelations that has a synergetic effect. In the context of the dialectic development of the system of integration relations in the agro-industrial area of the Russian economy, it is obvious to use various models and types of cooperatives by using both the adapted potential of the institutional theory and historical experience of the Russian theory of cooperation and successful practices of using cooperatives on the micro-level of modern rural territories (Maksimova T., Milyaev K., 2016).

Secondly, basic theoretical principles stipulated by A.V. Chayanov and his followers coincide

with the basic general theoretical approaches on the inter-firm cooperation theory. Along with this, the system of cooperative relations in the agrarian area of the Russian economy has its own specific features that can be explained on the basis of synthesis of classical political economy and institutional theory, particularly when using a specificity of the impact of the non-formal institutes system on the transformation processes in the agro-industrial area of the Russian economy.

Thirdly, general tendencies related to the reduction of the general number of both registered and functioning cooperatives. The analysis of basic restraining factors allows to single out the most considerable of them: immaturity of formal institutes of the statutory and legal regulation and state support, as well as non-formal institute of trust both to the carried out transformations and to the structure of inter-personal relations in local systems of cooperatives. However, it is entirely obvious that the system of inter-firm cooperation has a large spare capacity and is a long-term factor of stability for small forms of the economic activity in the context of general processes of enlarging the production when creating the required institutional conditions by state institutes.

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