

**Development trends of diversified agro-industrial enterprises in the context of international integration of economic relations**

*Tendencias de desarrollo de empresas agroindustriales diversificadas en el contexto de la integración internacional de las relaciones económicas*

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**Abstract**

Globalization and growing competition have exacerbated the problems of analysis and diagnosing the level of economic development sustainability and the possibilities of economic entity market potential use at the global level. The development of a complete, reliable and up-to-date information base on the current financial, economic and technical level of an industrial enterprise development, its strategic development opportunities, making informed effective decisions on the directions of diversification or agro-industrial production restructuring is extremely important today from the standpoint of state policy development regarding the support for the key sectors of the Russian agro-industrial complex. In modern conditions, characterized by the intensification of economic relation integration in international markets, it is very important for the state to support precisely the economy sectors, and, first of all, industrial production, because national industries and not specific enterprises come to the fore in global competitive confrontations. It is clear that any business entity operating in an economically developed industry has a much greater market potential than an enterprise operating in an industry that is unable to compete in international markets. Hence, it can be argued that a reasonable analysis and diagnosis of economic development level of any economic entity implies, without fail, the study of such an important external factor as the level of development and market potential of the industry, and in other cases, the level of development and capabilities of the national economy. All this undoubtedly indicates a high degree of our study topic relevance from the point of view of theoretical and methodological provision development for the sustainability of processing enterprise development of the RF agro-industrial complex in the context of economic relation integration at the global level.

**Keywords:** globalization, economic crisis, competition, integration of economic relations, agro-industrial complex, processing enterprises, sustainable development, factors.



## Resumen

La globalización y la competencia creciente han exacerbado los problemas de análisis y diagnóstico del nivel de sostenibilidad del desarrollo económico y las posibilidades de uso potencial del mercado de entidades económicas a nivel global. El desarrollo de una base de información completa, confiable y actualizada sobre el nivel financiero, económico y técnico actual del desarrollo de una empresa industrial, sus oportunidades estratégicas de desarrollo, la toma de decisiones informadas y efectivas sobre las direcciones de diversificación o reestructuración de la producción agroindustrial. Es extremadamente importante hoy desde el punto de vista del desarrollo de la política estatal con respecto al apoyo a los sectores clave del complejo agroindustrial ruso. En las condiciones modernas, caracterizadas por la intensificación de la integración de las relaciones económicas en los mercados internacionales, es muy importante que el Estado apoye precisamente a los sectores de la economía y, en primer lugar, a la producción industrial, porque las industrias nacionales y no empresas específicas pasan a primer plano en enfrentamientos competitivos globales. Está claro que cualquier entidad comercial que opere en una industria económicamente desarrollada tiene un potencial de mercado mucho mayor que una empresa que opera en una industria que no puede competir en los mercados internacionales. De ahí que se pueda argumentar que un análisis y diagnóstico razonable del nivel de desarrollo económico de cualquier entidad económica implica, sin falta, el estudio de un factor externo tan importante como el nivel de desarrollo y potencial de mercado de la industria, y en otros casos, el nivel de desarrollo y las capacidades de la economía nacional. Todo esto, sin duda, indica un alto grado de relevancia del tema de nuestro estudio desde el punto de vista del desarrollo de la oferta teórica y metodológica para la sustentabilidad del desarrollo empresarial de procesamiento del complejo agroindustrial de RF en el contexto de integración de relaciones económicas a nivel global.

**Palabras clave:** globalización, crisis económica, competencia, integración de relaciones económicas, complejo agroindustrial, empresas procesadoras, desarrollo sustentable, factores.

## Introduction

In conditions of market relations, competition acts as the main driving force of scientific and technological progress, because any entrepreneur is extremely busy with the problems of production cost reduction while improving the quality of his products.

The classics of economic theory saw competition as a key element of the market mechanism, which allows to balance supply and demand. For example, Adam Smith defined competition as a behavioral category that implies competition between buyers and sellers in the market to provide themselves with more favorable terms of sale and purchase, respectively (Smith, 1962). The thing is about the "invisible hand of the market", which automatically coordinates the actions of all its participants.

When modern researchers study this category, they initially point to the adversarial nature of "competition" essence, which implies mutual rivalry between the subjects of market relations to exercise their sovereign right successfully and fully utilize their own economic potential.

One of the founders of competitiveness concept, M. Porter advocated the replacement of Ricardo D.'s theory of comparative efforts of companies to retain their market shares (Porter, 2004). It is obvious that the system considered by M. Porter has key reference points, suggesting the construction of a

mechanism for the sustainable development of industries, complexes, enterprises, etc.

With a great sense of humor, Lawrence R. proposed to distinguish between the compared concepts of "competitiveness" and "sustainable development" as different people have different understanding of such terms as "love" and "democracy" (Lawrence, 1988).

Building a competitive advantage typically depends on the effectiveness of specialized and productive sources of competitive advantage leveraging. The very same quality of the sources under consideration depends on the formation and maturity of universities, research institutes, development institutions, etc. In other words, it can be argued that the state has many levers to influence the vector of forming effective sources of competitive advantages in the country significantly, creating a favorable national environment.

## Study Methodology

The theoretical and methodological basis of our research was some works of the classics of economic theory, the theory of national and regional development, the scientific works of modern Russian and foreign scholars on the problems of globalization strengthening, economic relation integration, competitive development, and the competitiveness of the agro-industrial complex increase.



In the course of the study, we used general scientific and special methods of cognition, such as the historical and logical approach, analysis and synthesis, comparison, grouping, and generalization.

The validity of the results obtained is ensured by the use (as the theoretical and methodological basis of our research) of the fundamental generally recognized scientific works of domestic and foreign scholars, the consistency of the proposed conclusions and recommendations with the basic provisions of modern economic theory.

### Study Results

The 21st century has intensified the change of technological structures - there is an active search and development of new sources of competitive advantages through the systematic training of relevant personnel, the use of breakthrough technologies, and innovative solutions to technological problems. And this is natural, because additional competitive advantages will be gained only by those countries that will enter a new technological structure, into new (integrated) economic relations faster than others.

A feature of recent years is the active formation of regional and interregional associations of countries, transnational companies, customs unions and other institutions. The integration of economic relations also provides free access to the sources of competitive advantages of other countries.

The modern theory of market morphology interprets the concept under consideration as a criterion for industry market type determination.

There are also many other approaches and their modifications, a feature of which is the mandatory preservation of the key concept of economic entity "rivalry".

Indeed, the concept of "rivalry" has a basic character in the formulation of all sorts of other interpretations, one way or another connected with different types of possible competition.

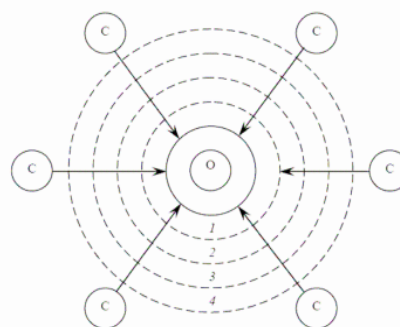
The growing competition in modern realities has become an impetus for the intensification of economic relation internationalization, contributing to the emancipation of the state monopoly in the national economy.

Under these conditions, the state is objectively forced to reduce the presence of state-monopoly entity significantly and shift all its efforts and resources to the formation of reliable competitive positions of the economy in world markets. In other words, we are talking about creating a modern

mechanism for sustainable development of the national economy.

In accordance with the set task of our study, we also need to consider the problems of forming the potential of an economic entity of the agro-industrial complex, its ability to have the property of sustainable market development.

In (Danilov, 2007), competition in the product market is presented in the form of a ray model. (Fig. 1.)



**Fig. 1** Ray model of competition. C1-C6 - subjects (manufacturers of goods), O - the Competition Zone object: 1 - total, 2 - strong, 3 - medium, 4 - weak

The objects here are the needs of consumer groups, and the subjects are manufacturers and service providers. Positioning of competition in the ray model format makes it possible to see clearly that the activities of all subjects of the commodity market are aimed at the same object. The consequence of such sonorism is that, passing through all the zones of competition (from weak to total), only those entities remain and continue to function on the market whose products meet the requirements of consumers to the greatest extent. It is clear that only these objects have the greatest potential for sustainable development.

A characteristic feature of the ray model under consideration is its "demand orientation", i.e. it is focused on the specific needs of consumers exclusively. Hence, it can be argued that it is the commodity market that manifests and positions the level of development and market potential of a particular economic entity.

It is clear that the effectiveness of a sustainable development mechanism formation depends on the influence of many multidirectional factors and criteria, which can be conditionally divided into two groups - quantitative and qualitative.

In the context of the economy globalization and the active integration of economic relations, the state, research institutes of the Russian Academy of



Sciences and transnational corporations act as key institutions that pay significant attention to the level of the national economy development at the macroeconomic level.

In the context of another economic crisis, extremely aggravated by a global pandemic, we assume that the post-crisis recovery of agro-industrial production will begin in October-November 2020. Apparently, during a certain period (2-3 quarters of 2020), we will not have slow growth or even fixation at the current level. Obviously, it is impossible to bring the domestic agro-industrial complex to the trajectory of sustainable development in such cases without the prompt creation of new points of its further growth, which form competitive agricultural producers.

Improvement of sustainable development mechanism and the justified use of its factors is of increasing importance in the context of international integration, especially if this is accompanied by the entry of transnational corporations and simply large international players into the domestic competitive market, capable of suppressing domestic agricultural producers in some cases (Vasiliev, 2006; Misakov & Betzov, 2012; <http://consulting.ibs.ru>).

In these conditions, regarding the modernization and development of an economic entity management system, it is necessary:

- to develop the range of manufactured products that have an increased market demand;
- to stimulate a more efficient organization of business processes;
- to transform (optimize) the existing business model, improve the structure of an enterprise.

This approach also allows to identify the bottlenecks in the management system effectively.

To assess the quality of management, they developed a lot of scientific, methodological and practical developments. So, for example, you can point to the "growth pyramid" (Smith, 1962). In accordance with its concept, it is necessary to ensure its balanced development to achieve sustainable progressive development of the management system. Four functional blocks are used as evaluation criteria for management development level, covering the operations of business processes; finance; strategy and marketing; technology and innovation.

The approach proposed by the English researcher S. Estrin is also of some interest (Estrin & Geeb, 1995). He proposed to assess the quality of the enterprise management system based on the results of analysis and diagnostics of production modernization effectiveness.

Other approaches can also be cited. In general, in all the approaches we have considered, the common thing is the need to study the quality of management (of an analyzed enterprise) as one of the key factors in the sustainability of its development.

Another, no less significant factor in the sustainable development of an enterprise is the availability of an adequate (modern) marketing policy. Such positioning is beyond doubt - if we consider competitiveness in the form of a real possibility of an economic entity to carry out its activities in a given market format, then an adequate marketing policy is a set of tools used in these conditions to ensure sustainable development.

Modern marketing tools allow you:

- to analyze the market situation effectively and choose a method for an economic entity positioning in relation to competitors;
- to determine the conditions of the current market demand, to identify the priority areas of certain markets;
- to build a well-grounded pricing policy;
- to determine the rational structure of the sales network;
- to use the methods of the company product advertising and promotion actively;
- to form a positive image of an economic entity.

As can be seen from the above, any of the listed activities actively influences the level of an enterprise sustainability development.

To assess the level of sustainable development of an enterprise, it is also necessary to consider its ability to use innovation. Indeed, in everyday activities there are many cases when sufficient funds are invested in an enterprise, but, nevertheless, innovative technologies remain not implemented. A comprehensive analysis is needed here, starting with the organization of personnel policy up to the reality of the state support being carried out.

We are talking about the need for a detailed study of structural, resource, technical, managerial, market and other factors.

To solve the tasks set by us to study the impact of international integration by the degree of diversified agribusiness enterprise development sustainability, it is advisable to adapt the system of sustainable development factors as full as possible for their use in the context of global competition increase and obtaining objective information about competitors (Azmina, 2012; Filatov & Zharikov, 2006; Turova et al., 2019).

Since 2012, the Russian Federation has been a member of the WTO (World Trade Organization),



which regulates more than 90% of the total world turnover of goods and services.

The WTO is guided by three main principles in its activities:

- the principle of most favored nation;
- the principle of national treatment;
- the principle of transparency.

In our opinion, the accession of the Russian Federation to the WTO is incorrect to assess unambiguously as negative or positive consequences for the Russian economy. In each case, when they diagnose the consequences of this entry (whether it be an industry or a separate enterprise), a detailed consideration of the existing level of international and domestic competitiveness is required, because the conditions of their activities are quite specific, which requires their comprehensive assessment.

Experts note that Russian agricultural producers will be forced to reduce the prices for exported products significantly in the near future. At the same time, it is necessary to look for opportunities for such a reduction, because their current financial and economic situation, in many respects, deprives them of such an objective opportunity. It must also be admitted that the national economy of the Russian Federation today is still not institutionally ready for effective functioning in the context of international competition intensification. They still observe an unstable economic situation and chronic unpredictability of state regulation, aggravated by corruption and bureaucratic factors.

We must also add the fact that the WTO rules prohibit direct subsidies for domestic agricultural producers. In such conditions, lending in Russia should become the main method of financial support for farmers. It seems to us expedient to form an effective financial and credit system, capable of forming appropriate conditions for lending to the economic entities of the agro-industrial complex without interference from government agencies, which will significantly increase their international competitiveness. At the same time, we do not exclude indirect government support for domestic agricultural producers in the form of their provision with loans on certain preferential terms (Babkin & Kuznetsov, 2012; Gauzhaev et al., 2013; Filatov & Zharikov, 2006).

It should be noted that agricultural raw materials still prevail in the structure of Russian agricultural exports, the share of the processing industry in the agro-industrial complex makes no more than 14%. It is necessary to use the deep processing of agricultural raw materials in the domestic agro-industrial complex on a large scale in order to change the existing structure of the agrarian economy and thereby avoid the real threat of final

consolidation of the Russian agro-industrial complex as a raw material producer. It is also necessary to use modern management techniques everywhere, which will allow to increase the competitive advantages of diversified agribusiness enterprises in the context of sanctions. This applies, inter alia, to the widespread use of technical regulations, safety standards, ISO international standards, etc.

Experts, speaking about negative forecasts, emphasize that they are conditioned by the uniqueness of the Russian agro-industrial economy. Among the factors that form such a forecast, they should note the large areas of risky farming, the high level of transport costs in the cost of domestic agro-industrial products (up to 35%, for comparison, such costs make about 7% in the EU countries), and the energy intensity of manufactured products - it is more than 2.5 times higher than the world average (Azmina, 2012; Babkin & Kuznetsov, 2012).

Undoubtedly, it is also necessary to recognize the immaturity of market relations, the backwardness and depreciation of fixed assets and the presence of a corruption-bureaucratic factor.

The competitiveness of the processing industry enterprises of the agro-industrial complex is associated, inter alia, with a rather significant capacity of the Russian market, a significant share of cost reduction when they locate processing facilities close to consumers. All this makes it possible to form (additionally) a competitive potential for agricultural producers and at the same time to stimulate foreign investors, including foreign competitors, to locate their production within the Russian Federation.

Agricultural production, although it has a significant market share, is forced to compensate for the low quality with a low price, which, naturally, negatively affects the final financial results of agricultural producers.

The analysis of special literature on the development of the agro-industrial complex of the North Caucasus republics indicates the presence of stagnating markets, a high share of the shadow sector and a low level of law enforcement. All this scares away investors and has a rather negative effect on the prospects for further growth in agro-industrial production.

In our opinion, the use of the potential capabilities of agro-industrial complex processing enterprises, first of all, depends on the following factors:

- provision of population real income growth;
- technological modernization of production;



- formation of investment attractiveness of the region, and regional agro-industrial complex;
- pursuing a sound regional agro-industrial policy.

It is also necessary to note the factors that negatively affect the territorial agro-industrial complex:

- the lack of real opportunities for sustainable development of competitive potential in the agricultural sector;
- deterioration of working conditions for local agricultural producers associated with pressure from competitors from other regions;
- insufficient state support for the agricultural sector;
- unattractiveness of the industry for any specialists.

In the course of our study, we found that most of the heads of economic entities of the regional agro-industrial complex of the North Caucasus republics understand the competitive strategy of an enterprise rather simply, considering it only as a kind of plan to fight their competitors. In our opinion, the market confrontation, undoubtedly, is a more complex process, where a special program of events is built on the basis of the characteristics of the upcoming struggle and the economic relations emerging between its participants.

It is necessary to take into account the entire range of factors affecting the economic situation of an enterprise, starting with the conditions of interaction between supply and demand, the diversity of international economic cooperation up to the factors of the state policy influence.

The level of sustainable development of any business entity is influenced by many multidirectional factors (internal and external, general and special, objective and subjective). The analysis of the given system of sustainable development factors makes it possible to diagnose an enterprise competitiveness level in the direction of a quantitative assessment of the weighted average growth rate by objective indicators (based on statistical data) and subjective indicators - expert judgment.

Any enterprise seeks to increase its market share by implementing its own competitive strategy. However, based on the current situation, a company may adhere to a strategy aimed at maintaining the existing market share, and even at its reduction, etc. We are talking about survival strategies that are effective in anti-crisis management, which, however, cannot be recognized as promising areas in the context of dynamic market development.

Determination of the developed strategy vector for the competitive development of an enterprise, taking into account its potential, occurs after the SWOT analysis. Let us recall that it is SWOT analysis that makes it possible to form optimal

combinations of internal and external factors, the skillful use of which can potentially strengthen the competitive capabilities of an economic entity.

There are many options for strategies, but in practice, as a rule, from this set of standard same type strategies the managers of processing industrial enterprises of the agro-industrial complex choose one focused:

- to reduce the price level through the use of state support in the form of grants and subsidies;
- to increase the level of production capacity utilization;
- to use innovation actively;
- to expand the range of products through the development of deep processing of agricultural raw materials.

In the course of our research, we came to the conclusion that it is necessary to use aggressive marketing strategies as the basis for the mechanism of sustainable development of diversified agribusiness enterprises.

### Conclusions and offers

Our research allows us to make a number of well-grounded conclusions and proposals.

- In the context of globalization and active integration of economic relations, the task of a mechanism development for the sustainable development of diversified enterprises of the agro-industrial complex on the basis of the formation of their competitive strategies is becoming more urgent.

- The level of sustainable development of any business entity is influenced by many multidirectional factors (internal and external, general and special, objective and subjective). The analysis of the given system of sustainable development factors makes it possible to diagnose the level of competitiveness of an enterprise in the direction of a quantitative assessment of the weighted average growth rate by objective indicators (based on statistical data) and subjective indicators - expert judgment.

- As the part of our research, we have developed methodological approaches to build a mechanism for sustainable development of an economic entity based on the materials of diverse enterprises of the regional agro-industrial complex of the North Caucasian agrarian-oriented republics.

- We have substantiated that the effective use of sustainable development mechanism of an enterprise in practice within the system of strategic and operational management and aggressive marketing allows for a synergistic effect.

Among the main measures for the successful integration of Russian agribusiness enterprises into the international economic system, we have



proposed a number of urgent initiatives. It is necessary to:

- stimulate the growth of industry competition by neutralizing administrative and bureaucratic barriers;
- pursue an active policy of technological modernization and diversification of production;
- use widely a systematic approach for the development of rural areas, especially mountainous areas.

#### Conflict of interests

The authors declare that they have no conflicts of interests.

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