

## Integration approach to managing food industry in modern situation

*In connection with the economic crisis the problem of creating an efficient algorithm for managing the food industry has recently become more urgent. In this paper we consider integration as an opportunity to improve efficiency and competitiveness of domestic enterprises. During the analysis of economic activity the given food industry, it has been concluded that under the current conditions the integration approach allows us to obtain competitive advantages, take leading positions in the market.*

*Integration, co-competition, cooperation, partnership, association*



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Managing in modern conditions causes a great problem to domestic enterprises of food industry, namely introduction of an effective algorithm of managing their activities as an administrative basis of maintaining stability of functioning in crisis [4].

New economic conditions in which rather new Russian business has to develop are characterized by high dynamism of environment, growing requirements from consumers, intensifying of competitive struggle. Revolutionary changes in technologies, organization and leadership have generated new requirements to a modern effective and, hence, competitive enterprise which is a dynamical, active participant of the economic life of the country and the world as a whole if we take globalization into account, which has flexible internal structure, freely adapts to quickly changing environmental conditions and has general communication relations.

Adaptation of the Russian enterprises of food industry to new conditions means, first of all, carrying out some changes inside the organization. It is necessary because the existing control system acts as a brake while the organisation tries to survive. Reconsideration of the company's activities, complex reforms, perfection of the corporate management of the organization [4] are going to be the main factors of success.

There is a great number of theoretical and practical knowledge abroad to decide the problems of organization management in conditions of forming market relations. As the domestic organizations have faced similar problems it is obvious that their management perfection should be carried out on the basis of introduction of the methods and receptions approved. At the same time due to the special features of the Russian mentality, the necessity of the further understanding and development

of the national model of management in organizations and recent trends in the sphere under consideration, there is a possibility to use new approaches, concepts, tools and technologies of management or to transform them according to the situation in the Russian business environment.

In the article it is offered to consider integration approach to management of organization activities as an alternative to the decision of the problems listed above. The integration concept proceeds from the fact that the basis of existence, development and prosperity of any organization is the main principle of economic relations which means interaction with other social and economic subjects.

Since interaction of managing subjects becomes more important in modern market, it is quite reasonable that enterprises of food industry use the concept of integration as a guideline for their activities.

The integration tendency represents a higher level of interaction between subjects when participants entering economic relations alienate part of their sovereignty in behalf of each other. At the same time formation of new globalized world is accompanied not only by integration processes but also creates conditions for exception, neglect of everything that is not capable to join in the networks of similar interrelation.

A vivid example of disintegration is the present financial crisis. "Crisis is a disaster for the weak, but a possibility for the strong. If there are no changes the mediocrity triumphs. To become stronger, to learn to cope with changes quicker and better than competitors we need integration" [1].

It is also necessary to notice that today integration determines basic positive tendencies in the economy:

- integration of internal subsystems in the organization increases the efficiency of its activities;

- integration of the personnel and the client base promotes the development of the client-oriented approach;

- economic integration provides a long-term convergence of the general goals both of the integrating and integrated enterprises;

- integration into business communities creates strong partner relations with other independent economic subjects.

We are going to substantiate and prove the objectivity of the given point of view while analyzing economic activities of one of the key players in the market of fish and seafood – public corporation "Group of Companies "Russian Sea".

The choice of the given company as a platform for research is not random.

1. "Group of companies "Russian Sea" is one of the leading companies in Russian food market. It produces and delivers integrated fish products, cooled and fresh frozen fish and seafood. [6].

According to marketing research of the fish market in 2009 published by Global Reach Consulting the shares of CJSC "Russian Fish Company" and CJSC "Russian Sea" which are the members of the Group are 12% and 10,4% of the market accordingly (*fig. 1 and 2*).

Apart from OJSC "Group of Companies "Russian Sea" the companies "Rok-1", "Baltic Shore", "Meridian", "Santa Bremor", "Atlant Pacific" and DEFA Group have the leading positions in Russian fish market according to the data of 2009 (*tabl. 1*).

For the last five years the Group of Companies has appeared practically in all large segments both in the market of cooled and fresh frozen fish and seafood and in the market of finished brand products (redfish, red caviar, caviar of other fishes, preserved herring, seafood, spiced sprats, sea kale, etc.).

The total income of fish and seafood processing, in thousands of rubles, in comparison with the companies-leaders

Figure 1. Structure of distribution in Russian fish market, %

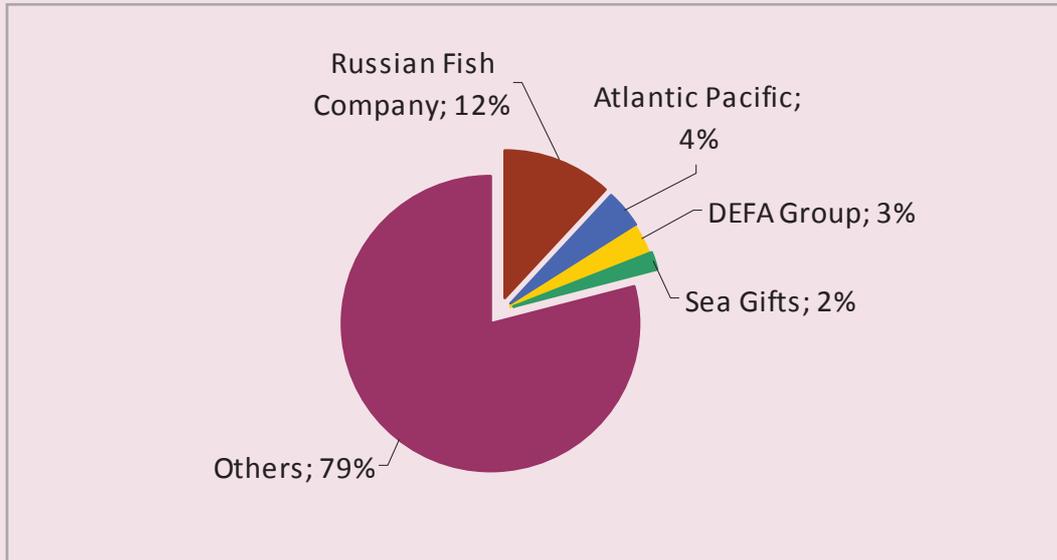
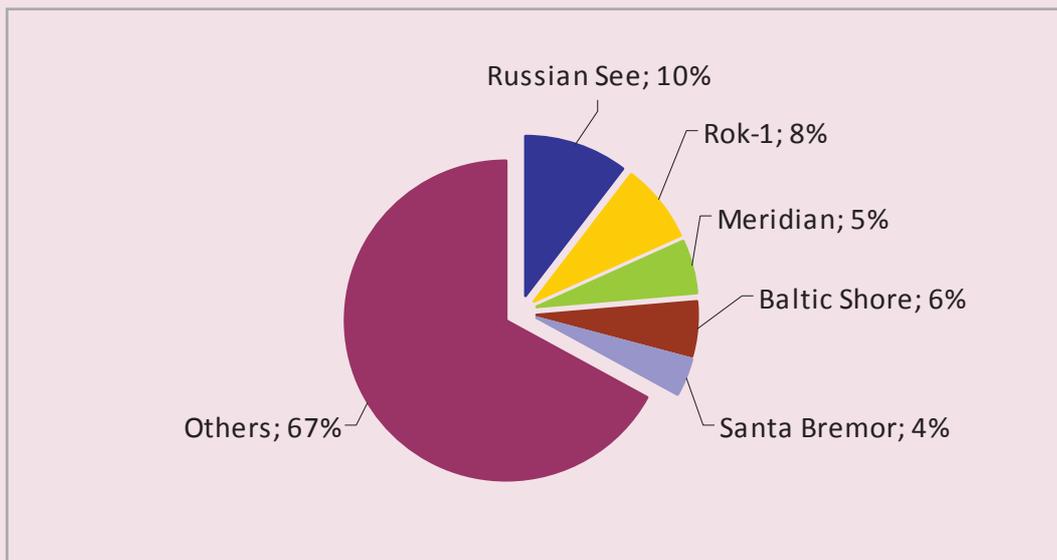


Figure 2. Companies' shares in the structure of the fish market according to value terms, %



(according to the data of the quarterly reports of the issuers of emissive securities) has made *table 2*.

The income growth of the company in 2006 – 2008 is connected with the increase of the sales and the rise of the gate prices of the produce that has become possible due to the proper positioning of the produce in the market.

During the period under consideration the range of the produce has formed and altered. There was both a transition from putting on the market and selling goods with low added cost and weak brand to putting on the market and selling goods with high added cost and simultaneous development of the brand “Russian Sea” and separate trade marks within the brand (for example, preserved filleted herring “Islandka”).

Table 1. Distribution of the volume of the fish market among the processing companies in 2009, mill. rubles

	Mill. rubles
Russian Sea	5230
Rok-1	3969
Meridian	2640
Baltic Shore	2800
Santa Bremor (export from Belorussia to Russia)	1954
Others	33851
Volume of the market of processed produce according to value terms	50444

Table 2. Total income of fish and seafood processing, thousands rubles

Company name	2006	2007	2008	2009	2010
Close Corporation "Russian Sea"	2338154	3972895	5222117	4183589	4344196
Public Corporation "Rok-1"	3357050	3671026	3966284	3860364	4508458
Public Corporation "Meridian"	647386	1043021	1967404	2163727	-

In turn a considerable decrease of receipts in 2009 in comparison with the same period in 2008 (by 19.9%) is connected with the changes in the economic situation in the country (decrease in purchasing capacity, trade turnover reduction in trading networks). In 2010 the economic situation in the country was stabilized that in turn has entailed increase of receipts by 3.8% in comparison with 2009.

2. "Group of Companies "Russian Sea" is a balanced vertically integrated company which works in three basic directions (*fig. 3*): ready fish production ("Russian Sea" company), delivery of cooled and fresh frozen fish and seafood ("Russian Fish Company") and an aquaculture ("Russian Sea – Aquaculture").

3. The group of companies has 30 offices and branches on the territory of the Russian Federation. OJSC "Group of Companies "Russian Sea" delivers its produce in more than 85% of regions of Russia [6].

4. The group of companies actively cooperates with the largest foreign and Russian suppliers of fish and seafood. Today the import share of fish produce in the company makes 60% and domestic one – 40% (5).

It is necessary to notice that the organization has reached high competitive advantages of realized production and key positions in the

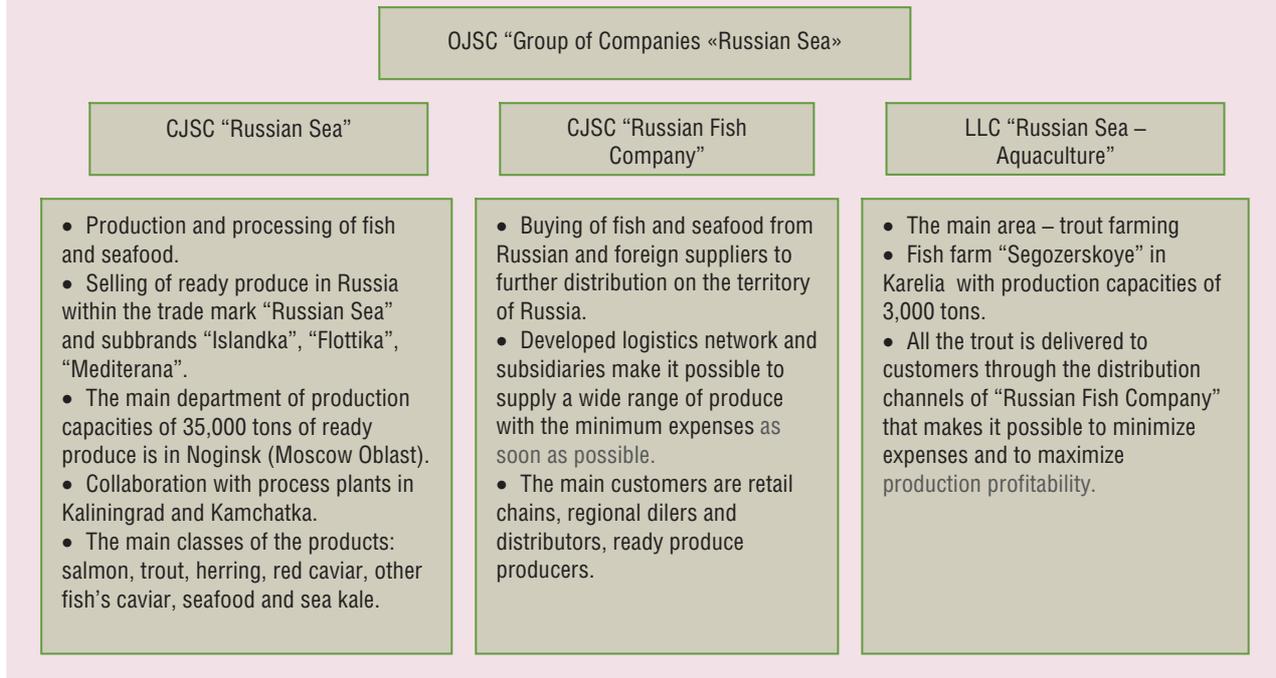
market of fish and seafood by means of the efficient control based on the integration approach of the business policy.

Integration approach is directed on both internal business processes of the company and relations in the external business environment.

Thus, the holding structure of the organization has made it possible to get the following competitive advantages:

- a scale effect (the main suppliers of the primary product have the most favourable prices and terms of payment);
- a vertically integrated business model (regular deliveries of the primary product for finished goods production, while delivering ready cooled and frozen produce at the same time, the company is protected from demand fluctuations between the given categories of the goods);
- a wide retail network (30 offices and branches on the territory of the Russian Federation);
- a wide range of the produce (almost in all large segments of the market);
- modern modes and high quality standards of production (in 2008 the factory was modernized and its floor spaces were enlarged that made it possible to increase productivity and optimize costs);
- effective production technologies.

Figure 3. Organization Structure of OJSC “Group of Companies “Russian Sea”



In an external business environment the company acts to consolidate partner relations that leads to mutual benefit, helps to form and realize the programs and strategies which result in commercial success of all the participants of the market.

The Group of Companies cooperates with the largest foreign suppliers of fish and seafood for a long time: Shetland Catch, Marine Harvest, Norway Pelagic, Atlantic Pelagic. For some suppliers, such as Shetland Catch, Marine Harvest, the Group was and is a unique importer of their production to Russia.

The relations with all the clients are oriented to the development of long cooperation and strengthening of relations. The production of the Group of Companies is presented in the largest Russian retail networks such as: Magnit, ASHAN, Copeika, Lenta, Metro, X5 Retail Group.

The company uses integration approach focused on cooperation not only when constructing its internal structure, interacting with suppliers and clients, but also with the main competitors.

Being one of the largest participants of the market, having a strong brand and adjusted connections with foreign partners OJSC "Group of Companies "Russian Sea" seeks to interact with other companies of the branch. The Group of Companies is an active member of the Association of the industrial and trade enterprises of the fish market in which the leading players of the branch work in close contact to the state structures on the development and establishment of civilized branch regulation and functioning.

The share of the produce of the members of the Association it is about 80% of fish production imported to Russia.

The members of the Association distribute about 90% of fishes of pelagic breeds, and 80% of salmon ones in the home market. The developed trading networks of the companies of the Association make it possible to realize the produce in all the regions of the Russian Federation.

The Association of the industrial and trade enterprises of the fish market is the open non-commercial organization which unites the

companies that have key positions in the field of import, processing and realization of fish and seafood. Such integrated organization helps all the members-organizations to get essential competitive advantages in the market.

For example, this integration community gives its members a possibility to work in close connection with the state structures on the development and establishment of branch regulation and functioning. The Association takes an active part in the legislative activity directed on the perfection of the normative basis which regulates the questions connected with customs and veterinary control and registration of fish production.

Its partnership with the Commercial and Industrial Chamber makes it possible to attend to the construction of the close meaningful dialogue between business and the state which leads to the state's efficient control and management of the fish branch and also to the creation of equal competitive conditions in the given segment of the market. The Association takes an active part in the legislative activity directed on the perfection of the normative basis which regulates the questions connected with customs and veterinary control and registration of fish production.

Within the bounds of the aquaculture they carry out the development actions for the introduction of progressive technologies of cultivation of fishes in order to meet the requirements of the national market in qualitative produce, to increase the volumes of the internal production.

In addition, the Association assists the participants in searching potential partners and commodity markets, gives the advisory help. Favour the distribution of professional knowledge and experience, the Association organizes and takes various actions devoted to fish subjects.

At the international level the Association develops relations with the companies which are the world leaders in catching, processing, cultivating fish and seafood.

The Association mission: the Association of the industrial and trade enterprises of the fish market is created by the largest Russian companies in order to consolidate their enterprise activity, to assist the efficient state control in the fish branch, to increase its investment appeal, to protect the legal rights and interests of its members.

The development of the domestic fish market is its participants' direct business, but it is ineffective if only this or that company's interests are taken into consideration.

Therefore, the Association sets the following task – to unite the efforts of the industrial and trade enterprises which are interested in the branch development and formation of the civilized market relations.

The goals of the Association are:

- formation and realization of the target programs of the Association directed on the development of the fish market;
- organization of the interaction with public authorities and local governments;
- representation and protection of the general interests of the members of the Association in legislative, executive and judicial organizations, noncommercial and commercial organizations;
- increase of investment appeal of the branch on the whole;
- representation activity on Russian and foreign markets;
- support and organizing the actions of cultural and other socially useful subjects connected with charity that proves social responsibility of the branch community;
- accumulation of means for realization of the projects connected with the purposes and problems of the Association on a voluntary basis.

The creation of the Association is caused by the objective necessity to overcome the factors constraining the development of the fish branch on the basis of the coordinated and concentrated efforts of the active participants of the fish market.

The priority of the Association is to assist in formation of civilized relations and equal competitive conditions in the internal fish market. The realization of this problem makes a reliable basis for the food security of the country, promotes efficiency of the state control in the field of the production quality, dynamic development and increase of investment appeal of the branch.

The Association realizes the basic areas of activity:

- develops and promotes the realization of economic and social programs;
- represents and protects general interests of the members of the Association in legislative, executive and judicial organizations, noncommercial and commercial organizations;

- gives advisory help to the members of the Association;
- organizes various forms of information interchange between the members of the Association;
- develops relations with foreign organizations, takes an active part in international thematic exhibitions and conferences extending cooperation of the Russian and foreign enterprises [2].

Thus, while analyzing economic activities of OJSC “Group of Companies “Russian Sea” we come to the conclusion that its concept of integration as the basis of the organization management makes it possible to increase the efficiency of its activity, to strengthen its positions in the market and competitiveness of the production.

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