Theoretical basis of formation and development of economic potential of agri-food enterprises

Yekaterina Volkova * A

A Belarusian State University of Food and Chemical Technologies, 3, Shmidt a str., Mogilev, 1973, Belarus

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Abstract

The article substantiates the theoretical basis of the formation of the economic potential of processing enterprises of the agri-food sector, including the clarification of the “economic potential of processing enterprises of the agri-food sector” concept as a set of maximum capabilities of enterprises, due to their available resources for the efficient production of products, goods, works, services in order to meet the market needs taking into account the internal and external environment factors. Unlike the existing ones, this definition includes not only capabilities and resources, but also a specific result, which requires a systematic approach to its assessment. The scientific novelty of theoretical developments lies in a systematic approach to the analysis of the formation of the economic potential of processing enterprises of the agro-industrial complex from the perspective of “resources, maximum capabilities, result, assessment”.

Keywords: economic potential, agri-food sector, environment factors, capabilities, resources, systematic approach, processing enterprises.

Introduction

At the present stage, the rational use of the economic potential of business entities in various branches of the economy, including the processing industry companies, is the basis for ensuring sustainable social and economic development of the Republic of Belarus. The current situation requires a change in economic relations in the agri-food sector in order to increase the competitiveness and potential of the national food system of the Republic of Belarus. The accomplishment of these objectives requires the use of more advanced methods of managing the economic potential of processing enterprises in the agri-food sector.

The main areas of the structural change of the manufacturing industry production should be developed based on external demand for domestic products and the domestic market needs, taking into account the possibilities of providing the necessary raw materials with a decrease in their imports, assessing production performance indicators and expanding the industry’s contribution to solving social and economic problems/challenges and accomplishment of the set objectives. Accomplishing these objectives and increasing production performance is directly related to the formation, use and development of the economic potential of processing industry companies.

Material and methods

The capacity (potential) is associated with a specific level (entity) of the economic system (enterprise, industry, national economy, world economy) and thus, it can be studied at the

* Corresponding author:
Ph.D. in Economics, Associate Professor, Belarusian State University of Food and Chemical Technologies, e-mail: kate_ag@mail.ru., ORCID: 0000-0003-0735-5018
micro-, meso- and macro levels. Understanding the essential nature of potential is a mandatory requirement for its reliable assessment and the basis for scientific management of its rational and effective use at the appropriate level. Exploring the economic potential at various levels, the scientific literature pays attention to its structural elements, as this allows you to more clearly define the capabilities of organizations and develop promising areas for its effective use.

In the scientific literature, the term “potential” means the aggregate capabilities at the level of organizations to ensure their effective performance. When describing and assessing the potential of an organization, the concepts of “resource potential”, “production capabilities” and “economic potential” are used, but analysis of literature sources indicates that, despite some differences in definitions, they can be considered as synonyms. The economic potential of organizations can be studied as “... the level of opportunities to ensure the production efficiency and sales of products, due to the available resources and the company’s ability to efficiently use and reproduce them” (Duvanova Y., 2009).

The economic potential of organizations is also considered as “... the set of an economic entity capabilities to carry out production operation based on the synergetic unity of its constituent potentials (production, labour, market, financial, innovation, informational, organizational potential), which determine the achievement of strategic development goals and increasing enterprise competitiveness in modern economic management conditions” (Gnatyuk S., 2016).

The main features of the economic potential of organizations:

- it is characterized by a certain set of resources that must be involved in production and prepared for use as much as possible;
- potential is realized only in the process of its use, it is a dynamic characteristic and the use of potential should be accompanied by its build-up;
- the processes of using, building-up and developing capacity (potential) are continuous and intercomplementary;
- the economic potential is greatly influenced by industry affiliation (restrictions and conditions of a particular industry);
- economic potential is a category that characterizes the ability, capabilities of the enterprise, which are associated with the features and nature of social and economic relations and cooperation of organizations and people. There is a need for the development of enterprises and the need for adaptation to constantly changing economic conditions (Gunina I., 2004; Kerzhentsev F., 2010; Marushkov R., 2000; Polyakova G., 2013).

With respect to organizations, it is necessary to study the economic potential as “... the capabilities of the internal and external environment for the production and sale of products, characterized by the availability, composition, quality of agroindustry resources which are balanced in a consistent manner on a techno-logical, innovative, investment, informational and organizational basis, allowing the most efficient implementation of certain internal goals and meet the requirements of the external social and economic environment...” (Romanov A., Serebrennikov G. a. o., 2012).

The study of scientific literature on the essential nature of the “economic potential of the organization” category made it possible to identify the main conceptual approaches to its analysis, which are resource, efficient and complex approaches.

Studying the structure of the economic potential of organizations, scientists distinguish its various elements: managerial, material and technical, financial, property, resource, production, environmental, information technology, labour, information, natural resource, foreign economic, personnel, vocational and qualification, intellectual, economic, strategic, export, marketing, innovative, investment, scientific and technical elements, etc.

The following elements are distinguished in the structure of the economic potential of organizations: spatial (territory, location,
communications, etc.); technical (production facilities, equipment, materials, etc.); technological (technologies, scientific developments, etc.); personnel (quantitative and qualitative composition of employees, human capital assets); informational (information about the internal and external environment, dissemination channels, the opportunities of its expansion, etc.); financial (availability of own and borrowed assets, liquidity, etc.); organizational (nature, mobility, management system flexibility, etc.) (Shaidaeva D., 2012).

Not only blocks and elements are distinguished when assessing the structure of economic potential, but also a “two-level system, including structural components, grouped taking into account the degree of influence on the industrial enterprise operation: the first level: resource, market and innovation potential; the second level: personnel, production and technological, marketing, competitive, financial, investment, environmental, information and scientific potential” (Tishchenko A., Kizim N., Kubakh A. & Davyskiba E., 2005).

The sources of the “points of development” of the regional economy can be the competitive advantages of the territories; innovations; effect of scale of production; involvement of unique or specific resources and factors; creation of infrastructural conditions for the entrepreneurship development; expansion of demand for goods and services in domestic and foreign markets; new management mechanisms; attracting investments; entrepreneurial activity; organizational and institutional innovations (Vinogradova V. & Sidorov T., 2003).

Based on the conducted study of literary sources, it can be stated that the “economic potential of organizations” is a complex, dynamic and multi-level denomination that takes into account the resources, goals and outcomes of the development of organizations. It is reasonable to study the “economic potential of organizations” concept from the perspective of a systematic approach: “resources → maximum → capabilities → result → assessment”.

Results and discussion

The economic potential of processing enterprises in the agri-food sector is a complex, dynamic and multi-level denomination and it is studied as a set of maximum capabilities of enterprises, due to available resources for the efficient production of products, goods, works, services in order to meet the market needs taking into account the internal and external environment factors.

The processing of agricultural products is the most important element in the agro-industrial sector. Features and specifics of the operating of processing enterprises are determined by the economic purpose of the manufactured products and their consumer value on the one hand, and by the origin of the raw materials consumed and the organizational and technological features of the production of products on the other hand.

The value of the resource potential of processing enterprises in the agri-food sector is important both for internal (management, personnel) and external (shareholders, investors, banks, etc.) concerned parties, as it allows characterizing the capabilities of enterprises, their maximum ability to achieve their tactical and strategic goals. It is obvious that with the availability of sufficient resources, their rational structure, processing enterprises have the necessary conditions for conducting production and commercial activities, achieving the planned development parameters, generating economic benefits. The resource potential is characterized primarily by the volume of manufactured products, the size, composition and structure of fixed and floating assets, their qualitative characteristics, which are owned and managed by processing enterprises to achieve their goals.

Manufacturing of products requires not only
capital, but also labour. Therefore, manpower resources are included in the resource potential of organizations. In present-day conditions, the leading role in production is transferred from capital to the worker. Considering the manpower resources of enterprises, it should be noted that at this stage the importance of human capital assets is increasing, including specific human capital assets, associated with knowledge of the features of a particular production and enterprise. Therefore, enterprises make significant investments in employees: they pay for various advanced training courses and training sessions, stimulate the self-education of employees, etc. Therefore, manpower resources are an important element of economic potential in terms of not only quantitative, but also qualitative composition (professionalism, competence, ability to embrace new technologies, etc.). Not only the outcomes of economic activity, the achieved competitive advantages in the production sector, organization and management, but also the capabilities of ensuring the constant and competitive development of processing enterprises largely depend on the quantitative and qualitative balance and the level of use of manpower resources. The effective use of manpower resources has a significant impact on the achievement of the enterprise’s goal, which must be taken into account when building a model for the formation and development of the economic potential of organizations and making management decisions.

A conceptual diagram for the formation and development of the economic potential of processing enterprises in the agri-food sector is shown in the figure.
When forming the economic potential of processing enterprises, one should take into account the peculiarities of various types of activity, which are shown in the following aspects:

– the nature of the manufactured products – food, which belongs to a special group of products characterized by widespread consumption, regardless of the market characteristics; lack of analogues and substitute products; a change in the pattern of consumption of goods depending on the income level (transition to higher quality and more expensive food products with an increase in income); inelastic demand for food, depending on prices and household income flows;

– features of the technological process. Technology is an important factor influencing the formation and effective use of the economic potential of enterprises. At the present stage, the production of food products will develop on the basis of technical re-equipment and an increase in the depth of processing of agricultural raw materials. In this regard, the study and improvement of technological processes at enterprises helps to make clear their significance for increasing production performance and to form the resource element of the economic potential of processing enterprises;

– industry-specific nature of calculating prices for products. There is a significant differentiation of technological processes at processing enterprises, which has an effect on the formation of prices for finished products;

– availability of appropriate infrastructure. Both perishable and transportable products are produced at enterprises of the processing industry; these products have various shelf life periods, which has an effect on the requirements for its transportation and sale. This necessitates the location of the enterprise, depending on the transportability of raw materials and products and the development of market infrastructure (warehousing facilities, logistics, wholesale and specialized markets, etc.), corresponding to the level of development of the agri-food sector, which affects the composition, structure and level of the economic potential of processing enterprises.

The influence of external factors along with internal ones is taken into account in the proposed model of formation and development of the economic potential of organizations. External factors are associated with the patterns of development of the national social and economic system, trends in the development of domestic and foreign sales markets, the population behaviour. These should include:

– regulatory provisions governing the conduct of activities (consumer protection, antimonopoly regulation, product standardization and certification); legislative framework aimed at stimulating exports (tax incentives, customs “shield” in the form of excise taxes and quotas on imported products); implementation of state programs for the development of the processing industry; international agreements of leading suppliers of material resources on the priority right to meet the needs of specific markets. Regulatory provisions influence the formation and use of the economic potential of enterprises;

– economic: taxes, inflation rates, national currency stability, loan interest rates, household income, etc. When forming economic potential, it is necessary to take into account the governmental actions to ensure price stability, attract foreign investment, improve the banking system, maintain the Belarusian ruble exchange rate, transform management methods to form adaptation mechanisms taking into account dynamic changes in the world economy, improve the balance of payments;

– competitive environment (type of market, market capacity, industry barriers, competitive intensity, price, market situation, etc.). When forming the economic potential of enterprises, it is necessary to take into account the competitive environment, with allowances made for the influence of the above factors;

– scientific and technical (a set of accumulated knowledge, scientific and technical personnel, etc.), ensuring the development and
mastering new technologies, materials, products, forms of management of technological process and labour, methods of promoting goods on the market aimed to increase product competitiveness;

– social (income level, number and rate of population increase, population makeup according to sex and age, consumption level, social protection system, etc.). More than thirty branches of the processing industry produce a wide range of food products, including socially significant ones – bread, milk, etc. – in everyday demand. The consumption of more expensive and high-quality products (meat products, oil, fish, fruits, etc.), semi-finished products, finished products increases with an increase in income, which creates additional opportunities for processing enterprises.

It is necessary to develop measures for the development of rational nutrition, the production of therapeutic food products and dietary products for different age groups of the population in order to improve the demographics and health of the population, which will affect the formation and use of the economic potential of processing enterprises.

– climatic and environmental, affecting the volume and regularity of the supply of raw materials to processing enterprises;

– environmental. In the context of the transition of the Republic to the sustainable economic development, the requirements for the environmental aspects of production are increasing sharply; the task is to form a “green” economy based on energy conservation, implementation of environmental (“green”) technologies, renewable and alternative energy sources, efficient waste treatment technologies. This poses certain tasks for the management of the enterprise in relation to forming the economic potential of the enterprise by choosing the optimal manufacturing technology, equipment, and range of products.

In a market economy, the management potential of an enterprise gains in importance, since the formation and use of the economic potential of processing enterprises, ensuring sustainable development in conditions of uncertainty and risk, which are specific for the market, depend on the skills and abilities of the top management. Management potential is a set of knowledge, experience, organizational capabilities of management personnel aimed at the formation, development and use of the economic potential of an enterprise operating in a competitive environment. A comprehensive assessment of the available economic potential, formed as a result of the use of various resources, is a tool for making management decisions to increase it.

The management process is distinguished by the complexity of functions and elements. Management functions can be implemented if the enterprise has the necessary potential to make management decisions that must be timely and reasonable. It is necessary to develop the Enterprise Potential (Capacity) Management System (EPMS) in order to achieve the main goal of managing the potential of organizations, which ensures their functioning and development in conditions of constant information uncertainty, market conditions, risk and constant intensive influence of external and internal factors. Therefore, it is important to use the opportunities and techniques that contribute to the achievement of the chosen strategy and the set tasks of developing the economic potential of processing enterprises.

The organization of sales of manufactured products is one of the elements of management activity. Marketing departments were established at processing enterprises. Therefore, it is advisable to distinguish the marketing potential as an independent element of the servicing level of economic potential; marketing potential is understood as the maximum ability of the marketing system to ensure the constant competitiveness of the enterprise. Features of the marketing potential of an enterprise are manifested in the ability to respond flexibly to changing tastes and preferences of consumers. Constant monitoring of the market situation allows us to timely organize the manufacturing of products that are
in demand, competitive, and safe for human health. The following medium and long-term goals were identified as the main market benchmarks for the marketing department of processing enterprises: gaining a profit by meeting the needs of consumers in high-quality products; increasing production volumes, expanding the range of products, increasing sales and expanding new sales markets by improving product quality.

It is necessary to timely receive, process and analyse information on the state and trends of the domestic and foreign markets, to own state-of-the-art e-business technologies in order to improve the efficiency of management at processing enterprises. We defined the set of the maximum capabilities of organizations, due to the available information resources, automated information systems, technologies that improve production performance and competitiveness in the market, as information technology potential. It is actively developing at processing enterprises and is one of the essential factors in the formation of the economic potential of organizations. The automation of production processes as well as the introduction of computer and microprocessor technology are one of the priority areas of technical development. Significant work was accomplished in recent years on the computerization of functions of management of organizations, accounting, control, analysis. Software for managing the sale of finished products, bookkeeping and accounting, planning and analysis, calculating the cost price, wages, accounting and movement of fixed assets, production operations scheduling and other technologies are widely used.

Development, modernization, expansion of activities of processing organizations of agro-industrial complex requires the implementation of investments. In this regard, the investment potential of processing organizations of the agro-industrial complex should be distinguished as a separate element in the structure of economic potential, by which we mean a set of capabilities of enterprises to use investments in order to ensure the process of modernization and development of production.

The dynamic development of market relations and increased competition require a constant search and implementation of innovations in production. The maximum capabilities of processing organizations of the agro-industrial complex to master innovations in order to increase the products competitiveness can be defined as innovation potential and considered as an independent element.

At the present stage, the development of new markets for products is one of the priorities for increasing the sustainability and efficiency of the processing enterprises operation. Some of the products are sold in foreign markets considering that the volume of production of products of processing organizations of the country and the region exceeds the needs of the domestic market Expansion of foreign economic activity requires specific knowledge, experience, skills, organizational and other activities. Therefore, it is advisable to distinguish the export potential as an independent element of the servicing level of economic potential; export potential is a set of maximum opportunities and resources for the production and sale of competitive products in foreign markets. The opportunities of increasing the export potential of processing enterprises are studied from the perspective of a complex of both internal and external factors. The situation on the world market, conditions for access to foreign markets and the presence of competitors are those external factors that determine the opportunity of developing the export potential of processing enterprises. This present time a number of measures are taken to increase the volume of export of products: technical and technological modernization of processing industries is carried out, an active policy is pursued at enterprises in order to introduce a quality and food safety management system.
Conclusions

Considering knowledge-based capital for the future as a determining factor in the development of the economic potential of processing enterprises, the following features are distinguished: the formation and development of knowledge-based capital is of paramount importance for the sustainable development of organizations; knowledge-based capital is increased through knowledge, skills, experience; the process of forming and using knowledge-based capital requires high costs; the use of knowledge-based capital is characterized by a high degree of uncertainty and risk on the one hand, and high profits on the other hand; knowledge-based capital is treated as an intangible asset. Currently, there are a large number of methods for assessing knowledge-based capital, which are grouped into the following approaches: a) methods of direct measurement, which are based on the determination and assessment of individual assets or components of knowledge-based capital, after which an integral assessment has to be performed. The advantage of this method is the availability of statistical information, however, factors that influence the value of the firm’s market capitalization are not taken into account; b) methods of market capitalization, which imply the determination of the difference between the company’s market capitalization and the equity capital of its shareholders, and the resulting value is considered as the value of its knowledge-based capital or intangible assets; c) methods of return on assets – in this case the ratio of the company’s average income before taxes for a certain period to the tangible assets of the company is compared with a similar indicator for the industry as a whole. The organization brand value is established using this method, however, it is impossible to use it in the absence of analogous organizations in the industry; d) scoring methods. When applied, various components of intangible assets or knowledge-based capital are identified, indicators and indices are generated and reported in the form of scoring. The main advantage of this assessment is that the model assesses the state of knowledge-based capital on the basis of a system of indices, differences, and can characterize the main contributions of the knowledge-based capital parameters to the total cost. In terms of benefits, this method is applicable to any organization and it reflects the financial value of intangible assets more accurately. However, the above methods for assessing the knowledge-based capital of organizations are not versatile and unambiguously understandable for owners, investors, employees and others, which requires improving their methodological approaches. Therefore, both methods of measuring knowledge-based capital as a whole and methods that allow assessing each type of knowledge-based capital separately are important. The complex application of these methods will provide an objective result of the level of development of knowledge-based capital, determine its contribution to the formation of the value of organizations.

The features of the formation of the economic potential of processing enterprises of the agri-food sector as a whole and its structural elements are identified: resource, as a set of resources directly used for the manufacturing of products (fixed and floating assets, manpower resources), and serving – factors, conditions that ensure the effective use of resources of organizations used for the production of final products. Structural elements were identified in the study and assessment of the economic potential of processing enterprises, in accordance with their functions in production: resource and service. Definitions are given for each of the proposed structural elements of the economic potential of processing enterprises of the agro-industrial complex. The proposed structure of elements of economic potential most fully characterizes the maximum capabilities of processing enterprises and creates conditions for assessing the actual and prospective level of their development, which predetermines the significance of the results obtained for application in practice.
References


