

Consultation of Agricultural Organizations Concerning Conceptual Approach to the Competitiveness Assessment

O.V. Mishulina, D.K. Damdaulova, N.S. Gorelova, A.N. Gorelov and R.A. Pritula
Kostanay State University Named after A. Baytursynov,
Kostanay Engineering and Economic University Named after M. Dulatov, Kostanay, Kazakhstan

Abstract: The existing scientific approaches of information and consulting service to the assessment of the competitiveness of agrarian producers were discussed in the given study. The main functions of information and consulting service are assistance to rural producers in identification and formulation of their problems, analysis of options and reasonable choice of decisions, provision of the objective information and consultation on various aspects of production, conversion and sales of products. It's clarified and summarized the methods of assessment of the competitiveness of agricultural products. It's analyzed the approach to the assessment of the competitiveness of the agricultural organizations according to the method of market positions - structural and functional.

Key words: Information and consulting service, consulting, competitiveness, level of competitiveness, agriculture organization, agricultural products, internal competitiveness, external competitiveness

INTRODUCTION

Agro-industrial complex is one of the biggest sectors of the economy of Kazakhstan and has real potential to provide leadership in the production and processing of agricultural products. All this can not attract attention to the study of issues of competitiveness of information and consulting service in order to stabilize their competitive position in the domestic and foreign market. In order to effectively manage the system of competitiveness of agricultural organization, it's necessary to have an objective tool to obtain its numerical evaluation which determines the need for research in this area.

MATERIALS AND METHODS

Analysis of recent researches and publications: The Information and Consulting Service (ICS) is the organization rendering various types of the help to all rural producers and helping to participate in determination of the way of development of an industry. Today, single methods of calculation of competitiveness of the organization aren't developed and it is one of the problematic issues in the course of rendering consulting services. Organizations that have used to calculate the level of competitiveness use different techniques. The composition of the indicators which subjected to analytical evaluation as well as methods for integrated or summative evaluation of competitiveness organizations

are significantly different. Moreover, the used methods are unknown to others. Therefore, the final results of calculations on them usually do not coincide. It's not also possible to establish the accuracy of the calculations carried out in various organizations of competitive groups using different valuation methods. In this situation, the organization-competitors can make wrong management decisions which are often associated with the occurrence of irreversible negative consequences of their implementation.

Highlighting of the unsolved aspects of the problem: In Kazakhstan, there is no single universally accepted methodology for assessing the level of competitiveness. A large number of methods are presented in the foreign and domestic scientific literature by which it is recommended to determine the level of competitiveness of the organization in the industry. In the agricultural sector, these questions are largely under-researched and controversial and in the case of small farms-(peasant) farms are practically absent. The purpose of the study the systematization of the conceptual approaches to assessing the competitiveness of the agricultural organization.

RESULTS AND DISCUSSION

The main results of the study: All methods of assessing the competitiveness of the agricultural organizations can be combined into two groups. In accordance with the first

Table 1: Advantages and disadvantages of methods to assess the competitiveness of agricultural products, the author's theoretical systematization sources

| Methods' characteristics and grouping | Advantages | Disadvantages |
|---|---|---|
| Direct methods based on criteria nomenclature including the quality of the integral index, the ratio quality/price. In criteria nomenclature including the quality of the integral index, the ratio quality/price. The objects are ranked by assigning the first analog with the best attitude depending on the value of this ratio | The ratio quality/price-the main criteria which is quite often used in practice | Subjectivity continued |
| Indirect methods based on the nomenclature, include only the characteristics of quality | - | Application of the method is justified in the case where the valued goods (services) have similar values of the selling price; Unilateralism |
| The methods used in the stages of production, sale and consumption of products (a comparison of "critical points" at each stage of the analyzed products with the "best" analog-based integrated indicator) | Simplicity-does not require a preliminary evaluation of a special data collection | One version of the "best" combination-the "ideal" product does not exist in reality and obtained as a result of does not exist in reality and collecting the best performance |
| Combined methods (cash-matrix) | It allows to hold a comprehensive assessment of competitiveness of the group using a set of criteria-product, sales, marketing and production | It shows a gradation only on three-four groups |
| Presentation of the complex index of competitiveness through the use of the arithmetic average of individual indicators of competitiveness indicators | It's taken into account the importance of single indicators of competitiveness which gives confidence that the complex index of competitiveness of the goods will more accurately reflect the measured property | The subjectivity of determining the weights for a single product competitiveness indicators |
| Presentation of the complex index of competitiveness of agricultural products through the use of the geometric weighted average index of single indicators of competitiveness: | A more accurate estimate of the complex index of competitiveness than the method based on the determination of the weighted average of the arithmetic index | Does not take into account the importance of (the significance of the individual indicators) |
| Determination of the complex index of competitiveness of products based on the beneficial effects of consumption and consumer prices | To a large extent, focused on consumers and takes into account their needs. Taken into account the weight of quality and prices of consumption | The difficulty of defining the base of the sample. The subjectivity of determining the weights on a single indicator of competitiveness of production |

group of methods the competitiveness of agricultural organization reduces to determine its competitiveness of grown products. In this regard, it is advisable to consider the applied evaluation methods of competitiveness of agricultural products. The strengths and weaknesses of methods to assess the competitiveness of agricultural products highlighted in the literature (Gorelovo, 2010; Iliina and Mirochitskaya, 2001; Ismailov, 2000; Klimov, 2005; Marahim, 2007) which was given in a systematized form in Table 1.

It should be noted that many of the approaches which determine the competitive performance of complex agrarian products coincide because of their orientation on the use of expert methods. Most of the proposed methods to calculate comprehensive competitiveness indicators based on the summation of individual performance with their weights or without its account. Different methods of assessing the level of competitiveness of agricultural products were developed and offered on the basis of the methods of foreign and domestic scientists for the practical use. Each of them has advantages and disadvantages, as well as a scope of application. The development of the universal technique involves great difficulties. At present, there are no accepted generalized methodology by the world community for evaluating the competitiveness of goods and services.

In accordance with the second group of methods the assessment of the competitiveness of agricultural organization is to choose a system of indicators (economic, financial, investment, social, etc.) to establish their numerical evaluations based on the obtained integral or summative assessment. It is generally accepted that the competitiveness of the agricultural production has a significant impact on the competitiveness of its various products industries.

The specifics of production in agriculture and the availability of independent sub-sectors within the sector lead to a blurring of the boundaries of intra and inter industry competition in its classical sense that introduced the concept of "Foreign competition" the struggle between enterprises-producers and "inner" competition of activities, potential goods relative used in the production of agricultural resources. Therefore, it's necessary to analyze all of its components to draw a conclusion about the state of the competitiveness of agricultural organization.

Assessment of the competitiveness of agricultural units is carried out by the method of market positions, in which there are two approaches to determine competitiveness: a structural and functional (Dambaulora, 2010; Zhumagulova, 2009). A structural approach to assessing competitiveness determine the impact of

competition in the agricultural organization, its position on a given product market, the intensity of competition. The factors showing the market share, sales growth and profitability of the market are calculated to do this. The second focus is to determine the competitiveness of a functional approach where the main role played by the economic performance of the organization.

Analysis of competitiveness in agricultural organizations by type of agricultural produce in the dynamics offer to lead on relative terms: crop and animal productivity, cost recovery, cost-effectiveness, the share of profits in the volume of sales, labor, land capacity. And, the rate of return should be determined by production costs since, a long period of production in agriculture allows the use of the means of production acquired in earlier phases which result in reducing business costs compared to production costs in a period of inflation and instability of economic relations.

It is believed that a competitive production is based on a combination of competitive industries with high organizational and technological structure, the maximum and leverages resources yielding commodity producer profit sufficient for expanded reproduction. Absolute indicators of competitiveness in the agricultural sector are gross and net profit, gross profit (net production) and relative indicators-profit per unit of resources used (for 1 ha, 1 head, for 1 person-hour, 100 tenge invested capital), the level of profitability, the profit share of the sales volume, complexity and land capacity.

The indicators used to assess the competitiveness of products and industry having a common approach to their definition with an assessment of economic efficiency of agricultural production are distinguished by the methods of calculation. Not all products in agriculture, especially in plant growing takes the form of goods, some of it (food, seeds, young calves for their own reproduction) is used for on-farm consumption. Therefore, it is offered to assess competitiveness in terms of total commodity production, that is, to take into account all the manufactured products as a commodity.

In the system of inter-industry competition in relation to agriculture introduced earnings per 1 ha of arable land, although its definition of livestock due to the additional calculations. Feeding area is used as an arable land in the industry. Income figure per 1 ha of arable land is characterized by a relatively cost-effective land occupied for the production of various types of products. Characterizing the agricultural production in general, all kinds of products are reduced to a single meter-conventional products and the level of competitiveness is assessed in terms of resource consumption (land capacity, complexity and power

consumption of 1 ton of conventional products), cost-effectiveness as well as sales volume per 1 ha of arable land for 1 ton of conventional products.

The comparison of results (output or profit) of production from current production costs (resources) is considered by most academic economists as the best and most practicable method of measuring the level and dynamics of production competitiveness across the organization. The most reliable and objective generalizing indicators of the level and dynamics of competitiveness of agricultural production are indicators of profitability calculated by different methods:

- As the ratio of profit to total assets at year-end on net book value-return on equity
- The ratio of profit to total income from the sale of production-return on sales
- The ratio of profit to total production costs-return on costs

In addition, it is believed that the competitiveness of the agricultural organization is achieved not only through the provision of cost-effectiveness but also the solvency and financial stability.

As a summary measure for comparative assessment of competitiveness in different households suggest to use the size of the profit per average worker. Comparison of the overall productivity of the analyzed farms to other farms in the industry can figure out what place it occupies on relatively to its competitors in the industry. Under current conditions, the gap in labor productivity $\sim 10\%$ or more comprises the competitive threat. In our opinion, the rate of labor productivity characterizes the use of one type of resources-labor.

The size of the profits in the organization not only due to the resource view taken separately, therefore, the indicator can not be used as a criterion to assess the competitiveness of the organization as a whole. International experience in the scientific literature is very modest and fragmented. The practical use of foreign methods in Kazakhstan reality is very limited. Assessment of competitiveness of selected agricultural products in Foreign farms is based on the definition:

- The cost of production
- Direct proportion to variable costs
- The need for permanent production factors (basic means of production, permanent workers)
- Results of production
- The amount of revenue from sales of the main and by-products
- Non-market output of main and by-products intended for on-farm production to other industries

Yield, revenue and costs are calculated sectors of agriculture, as a rule, on 1 hectare of arable land occupied by the culture since, the land is a major factor in crop production, and livestock-by 1 head of cattle herders or 1 place. The main criterion for the competitiveness of products, technologies and industries within the organization uses the profit margin-the difference between revenue and direct variable costs. Depending on the objectives of the analysis of the competitiveness of the organization profit margin is calculated taking into account the costs of labor and without it. In certain cases, the calculation of marginal income accounted for semi-fixed direct costs. Then, the profit margin is called comparative.

Livestock industry compete for the use of scarce factors of production: forage land, labor and capital. The competitiveness and preference for a particular industry depends on limitations on the extent of these factors of production and the performance of their recovery in these sectors. When comparing industries are profitable, the inclusion of an industry in the production program of the organization will be determined by the limited use of production factors. The main criterion is a comparative measure of aggregate contribution margin per unit of the most limited factor of production in the economy.

In case, you consider the competitiveness of the livestock industry in comparison with commodity crop, it is necessary to calculate aggregates marginal income per hectare of arable land or unit labor costs, taking into account the cost of livestock and compare them to the marginal revenue product of crop fields.

In addition to determining the relative effectiveness and competitiveness of the agricultural sector within the organization there is a definition of absolute efficiency and competitiveness related to the calculation of profit, that is, taking into account the full cost of production.

In Western European countries and the US, the criterion of external competitiveness of agricultural organization is the market share of a given product (by the organization) and the related indicators. Internal organization's competitiveness is determined by the costs and results of production. Their level depends on the technology of cultivation of agricultural crops and animal welfare as well as the main criteria used by competitive profit margins.

CONCLUSION

Methods discussed above assessment of the level of competitiveness of the agricultural organization have the following typical drawbacks:

- Quite often, the term "competitiveness of the organization" is identified with the term "competitiveness of the goods." Such an approach cannot be considered scientifically valid, because using a single indicator cannot account for the diversity of outcomes for the organization. The concept of "competitiveness of the organization" is broader than the concept of "competitiveness"
- There are no based recommendations for the choice of a basis for comparison for the analyzed groups of indicators
- Could not find the methods by which it would be possible to predict the next few years the level of competitiveness of the organization, which is very important to select the most efficient competitive strategy development
- It is impossible to obtain accurate numerical estimates of competitive organizations according to significant number of indicators to be included in the analyzed list
- Numerical evaluation of a number of indicators to be scanned are not comparable, because different organizations competitors apply dissimilar ways of calculation (for example, this is an indicator of profit), which affects the defining indicator the level of competitiveness of the organization
- Could not find the techniques allowing to reduce different in nature, on multidirectional action and with unequal units, analyzed and taken into account in the calculation of indices

RECOMMENDATIONS

The second group of methods can be considered quite scientifically justified. It is based on a system approach to solve complex economic problems. However, the important thing is the scientific validity of the composition of analyzed indicators and recommended methods for calculating the integral or summary measure of competitiveness of the organization on the basis of the individual indicators. In our opinion, the final criterion of competitiveness as a product and the organization can be considered as market share as it is closely related to the volume of sales and determines the level of income received by the organization.

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