Strategic Potential and Potential of Consumer Cooperation Organizations’ Development: Methodology of Formation and Assessment

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ABSTRACT

The paper provides the substantiation of the methodology of the formation and assessment of strategic potential and consumer cooperation organizations’ development potential, which makes it possible to adequately reflect the regularities in the dynamics of the functioning of the systems subjects in the context of the singled out units. The study proves that the organization’s development potential is the decomposition of the strategic potential, with which the goal, is the assurance of the process of the organization’s development. Alongside with this consumer cooperation organizations’ goals are regarded as the characteristics of socio-economic system in accordance with the established general systemic features of wholeness, integrity and hierarchy. The paper critically analyzes the approaches to the adjustment of Balanced Scorecard to the conditions of Russian consumer cooperation activities. The result of the study in its theoretical part is the characteristics of interconnection of cooperative categories, of economic potential, strategic potential and development potential of consumer cooperation organizations, and in practical – the development of the methodology of strategic potential assessment in the context of resource, competence, business, market and social units.
INTRODUCTION

The question on the formation and assessment of consumer cooperation organizations’ potential has been studied in the works of the considerable number of researchers. Thus, economic potential was studied in the works by Inyutina et al. [1-6]. The formation of the resource and production potential of the system’s subjects is reflected in the works by Itsenkov et al. [7-9]. The peculiarities of the study of the labor and personnel potential were developed in the works by Glaz et al. [10-15].

Marketing and social potential as the elements of consumer cooperation organizations’ potential was studies in the works by Rozdolskaya et al. [16-18]. The problems of the formation of the organization’s competitive and market potential were studied by Teplov et al. [19,20].

On the other hand, questions of the assessment of the economic systems’ development potential are widely discussed at present. Moreover, the subject of the discussion is both the methodology and technique of the assessment and the essential content of the development potential as the economic category, its difference from economic, strategic and innovative potential.

The narrowing of the object area of the study on the first of the highlighted directions makes it possible to mark as the theoretical basis of the study the above mentioned works by Inyutina et al. [1-8] and other, dedicated to the scientific analysis of consumer cooperation organizations’ activities. In its turn, the modern level of the research on the second of the highlighted directions is reflected in the works by Shatalova et al. [21-25].

The purpose of the present study is the substantiation of the methodology of the formation and assessment of strategic potential and consumer cooperation organizations’ development potential, which makes it possible to adequately reflect the regularities in the dynamics of the functioning of the systems subjects.

METHODS

As the study methods we used general scientific methods of dialectics, analysis and synthesis, induction and deduction, abstraction, analogy and other. Systemic approach was applied in order to substantiate the methodology of consumer cooperation organizations’ development potential formation. Systemic approach was used for both theoretical substantiation of the goal of consumer cooperation organizations’ activity and substantiation of cooperation as a socio-economic system. Economic and financial analysis methods were applied to substantiate the methodology of consumer cooperation organizations’ strategic potential assessment.
While developing the methodology of consumer cooperation organizations’ strategic potential assessment we used the concept of the Balanced Scorecard, which envisages transfer and decomposition of strategic goals when planning operational activity to the level of operative tasks and control over their achievement.

The study was based on the analysis of the activity experience of Russian consumer cooperation system, which unites over two million shareholders in more than 3,500 cooperatives. Russian consumer cooperation organizations are active in the sphere of retail and wholesale trade, production of foodstuffs, public catering and provision of public services. The organizational structure of Russian consumer cooperation system includes cooperatives and their unions at the district, regional and federal levels.

RESULTS

Consumer cooperation organizations’ strategic potential formation methodology

Study of the question on the formation and assessment of consumer cooperation organizations’ strategic potential is impossible without essential interpreting of the said category. In our opinion, the character of its semantic development is determined by the meaningful sequence: potential - economic potential - strategic potential.

Under potential, in its broad meaning, according to Grand Soviet Encyclopedia, we understand means, stocks and sources, which are available and can be mobilized, powered and used in order to reach a certain goal, carry out the plan or solve a certain problem.

In their turn, the most wide spread interpretations of the economic potential connect the said concept with the ability of businesses to carry out economic activity (economic production) in all varieties of its types. Alongside with this, definition of the economic activity through the consolidation of resources (equipment, labor force, technologies, raw materials, materials, energy, information resources) in production process, aimed at production of goods (provision of services) (OK 029-2001, 2001) is the basis for the formalization of economic potential in the frameworks of the highlighted components.

Thus, it is possible to say that the concept of economic potential concretizes the content of the broad interpretation of potential both in the object area, embracing the activity of economic subjects, and in the subject one, characterizing the process, in the course of which the available means are used in order to obtain the set result.

The highlighted aspects of the study of the economic potential determine the differentiation of the methodology of its assessment in the frameworks of the resource and production approaches. Alongside with this, if the production approach to the assessment of the potential is limited by the impossibility of the adequate record in its limits of labor resources and human capital, then the content of the resource approach is of the declarative character not fully reflecting the essential
differences between them [26]. A broader interpretation of the production and resource approaches to the definition of the potential made it possible in the economic research to formulate on their basis the structural approach, in the frameworks of which the assessment of the rationality of the combined distribution of production capacities and economic resources is done.

From the said positions the well-known interpretation of the strategic potential as economic capacities of organization in order to reach strategic goals is a complementary concretization of economic potential, made from the side of the goal clarification, which can be achieved by the allocation of means, which form the potential. The consequence of such interpretation is the correlation of economic potential with level of the planning pyramid, which makes it possible from theoretical positions to carry out the transformation of strategic goals in the organization’s objectives and tasks for concrete management subjects taking into account the possibility of their achievement, determined by the strategic potential. Alongside with this, a broader interpretation of the potential through the concretization of goals, the achievement of which must be assured, corresponds to the target approach to its definition, in the frameworks of which we assess the correspondence of the available potential to the level of the set goals in the planning pyramid.

Consumer cooperation organizations’ development potential formation methodology

In accordance with the approach under discussion the organization’s development potential is the decomposition of the strategic potential, with which the goal, for reaching which means, forming the potential, should be allocated, is the assurance of the process of the organization’s development. Thus, we can state that the definition of the development potential can be given in the system of the theoretical concepts of strategic potential taking into account the differences in the interpretation of the content and goals of the organization’s development.

The most wide spread scientific concepts, which makes it possible to carry out the essential analysis of the organization’s goals, is the systemic approach. Its application in the frameworks of the present study includes two aspects, the first of which is connected with theoretical substantiation of the development of the goal of activity and the second – with the substantiation of cooperation as social and economic system, to the analysis of the development of which systemic approach can be applied.

We support the viewpoint of the authors, who believe, that the main factors of the differentiation of socio-economic systems are their functions and goals. It is connected with the fact that in neoclassical economic theory socio-economic system, represented by the organization, is regarded as a “black box” transforming resources in products and services in accordance with the nature of production function, which reflects the chosen technology, and by the market structure, which determines the way of the target function maximization.

Modern authors regard the function as the sense of existence, purpose and the necessity of the system [27]. The goal by the majority of authors is defined as a
variant of the satisfactions of the initial need, selected from a certain variety of alternatives, formulated on the basis of special knowledge [28].

The system’s function in respect of the goal is a more important system building factor. This comes from the fact, that provided that the function is not exercised the system loses its sense, while failure to reach the goal by the system can lead to the alternative satisfaction of needs.

Alongside with this, we believe that need comes as the objective and the goal as subjective category, determined by the available experience. From this point of view the category of need is close to the definition of function that is the factor, which determines the necessity of the existence of the system. Goal is a desired state of its logouts that is a certain meaning or a subset of meanings of the system’s functions [29]. The goal can be both determined inside the system and set from outside. In the latter case the limit of the system’s functioning will be the object’s logouts, which acts as a consumer of the system’s logout. It is evident, that this is the said object, which will exercise the function of the goal setting of the system under study that is the need of the superior system will be the function of the inferior one. If the goal is set within the system then the goal will be the subjective variant to satisfy the needs of the system’s elements.

Highlighting the goals of organizations as socio-economic systems is reflected in the existing law of Russia. Thus, Article 50 of the Civil Code of the Russian Federation states, “Juridical persons can be organizations, which pursue the obtaining of profit as the main goal of their activity (commercial organizations) or not pursuing profit as such a goal and not distributing the obtained profit among the participants” (non-commercial organizations).".

Taking into account the said division we believe it reasonable to consider the level of the socially responsible behavior as one of the criteria for the differentiation of organizations while assessing the development potential.

The level of organizations’ socially responsible behavior is formed under the influence of social changes, which factors determining the social structure of the society, are the subject of the theory of evolutionism. The common point of all evolutionist theories is the recognition of social differentiation as a driving force of development. Formalization of the said provision in respect of social responsibility of cooperative organizations is reflected in their differentiation according to the goal of activity, codified in Russian law. Thus, according to the Civil Code of the Russian Federation cooperatives can be set up in the form of production and consumer ones. Alongside with this, in accordance with Article 50 of the said Code any types of consumer cooperatives are non-commercial while production cooperatives are commercial organizations.

In the frameworks of the systemic approach it is possible to identify a cooperative as a socio-economic system, the primary elements of which are its founders, and which possesses the necessary general systemic features: consistency, hierarchy and integrity [30].
Consistency of the said system arises from the definition of a cooperative as an association of the group of persons in order to satisfy their needs. It is evident that with the changes in the composition of the system’s elements there will change its characteristics, as well as the changes in the system itself will influence the level of the needs satisfaction. Besides this, there occurs transformation of the system’s components in accordance with its nature. Thus, separate individuals joining a cooperative are regarded as the elements of the corresponding system with all characteristics they possess.

Hierarchy of a cooperative as a socio-economic system is manifested by two directions. Firstly, a cooperative is a part of a superior socioeconomic system, which is an association of cooperatives. In its turn, an association of cooperatives is a socio-economic organization of the market economy created by cooperatives with the view of promoting their development and fuller satisfaction of the needs of its members. Cooperatives of a certain type and their unions of different territorial levels, united by common goals and objectives, form a cooperative system. Associations of cooperatives on the global scale can be regarded as the system of superior order, which forms the cooperative movement directed at the creation of favorable conditions for the development of cooperative organizations. The top level of the global cooperative system is the International Cooperative Alliance – an independent non-governmental association, the activity of which promotes the development of national cooperative movements.

The second manifestation of the hierarchy is the role of a cooperative as an element of the territorial economic system as cooperative societies and their unions are the elements of regional and national economy and their international associations are the elements of the world economy.

Integrity as a property of socio-economic systems in respect of cooperative organizations is manifested in the definition of a cooperative as the association of elements in order to meet certain goals. From the above said it follows that the created socio-economic system possesses properties, which its elements lack, namely the ability of reaching the set goal, which in the frameworks of the cooperative form of business acts as satisfaction of the needs of a cooperative’s members.

The process of the reaching the development goals of consumer cooperation is regulated by internal limitations of their activity, which is the integrity of certain rules and norms, which determine the system’s characteristics and represent the regulating sub-system. In its composition we single out such elements as properties of a cooperative, cooperative values and principles.

Thus, we can say that strategic potential of consumer cooperation organizations in case of use correspondence to cooperative values and principles acts as the development potential. Alongside with this, under the development of an organization on the basis of the strategic potential application we understand the assurance of the transition from the real situation of an organization to the desired one due to maintenance of the set rates of growth of economic and social parameters of activity, which ensure in the frameworks of the strategic management concept the reaching of the set goals through the rational formation and efficient
usage of the strategic potential taking into account institutional limitations, imposed by the combination of goals and functions of consumer cooperation organizations.

**Consumer cooperation organizations’ strategic potential assessment methodology**

In practice the most widespread concept, which makes it possible to embrace the above discussed transformation of the planning levels taking into account the availability and the efficiency of the organization’s potential usage, is the Balanced Scorecard, which envisages transfer and decomposition of strategic goals while planning the operational activity at the level of operational objective and control over their achievement.

The application of strategic indicators, included in the formalized system of causality, which determine the terms of strategic goals achievement, makes it possible to assess the organization’s strategic potential in the process of goal setting and substantiation of achievement tools. In other words, determining strategic potential from the availability of resources, which allow to reach the set goals, is transformed in the determination of goals, which can be achieved with the given volume of means.

The concept of the balances scorecard presupposes the application of strategic maps developed according to four components or perspectives: learning and growth, internal business processes, customer and finance.

Economic literature has accumulated enough experience of the adjustment of the said approach to the conditions of the activities of consumer cooperation organizations. Thus, Tarasova [31] and Chalova [32] use the concept of the balances scorecard for the substantiation of the communication strategy and the strategy of the system’s subjects commercial activity. Skripchenk [3,4] uses the said concept for the assessment of development on the basis of economic sustainability, while Makhinenko [33] uses it for the assessment of cooperative organizations’ activity efficiency. Alongside with this, if Tarasova [31] and Chalova [32] use traditional prospects of the balanced scorecard, then Skripchenko [3] transforms the customer component in the projection of relations with shareholders and Makhinenko [33] singles out the units, which characterize marketing, business, financial and social activity.

**DISCUSSION**

In our opinion, despite the fact that the above mentioned approaches are efficient with the solution of the set research problems, it is necessary to single out the directions for their improvement, which is possible through the integration of the developed to this or that extent formalized strategic maps. We believe that the structure of the interconnected indicators, which characterize strategic potential of consumer cooperation organizations, should be represented by the following elements:
• Resource unit, which embraces traditional indicators of finance perspective of the balanced scorecard, as well as the indicators of the efficiency of the usage of economic resources and costs (the volume of the sold products, the volume of costs, profit, capital productivity, working capital turnover, the return on costs);

• Competence unit, which includes the indicators of learning and growth perspective taking into account the characteristics of the management system and information flows generated by it (application of automated management systems, the level of their introduction and reach of the functional subsystems; usage of information and reference systems);

• Business unit, represented by the indicators of internal business processes perspective, added with the indicators of commercial activity efficiency, as well as the availability and usage of the material and technical assurance objects (correlation between wholesale trade turnover, procurement turnover, the volume of the industrial output and retail trade turnover; the share of own products in the public catering turnover; turnover of retail trade and public catering per unit area of the object of services);

• Market unit, embracing the indicators of customer perspective, as well as the specific for consumer cooperation indicators, which reflect the intensity of their activities in rural areas (aggregate volume of activity per one shareholder and one person of the general public; the level of reach by the turnover of retail trade and public catering of the general public);

• Social unit, represented by the indicators, characterizing economic relations without compensation, emerging between organizations, shareholders and the general public in the process of the realization of the social mission of consumer cooperation (size of cooperative payments per one shareholder, volume and level of social transactions in kind, which are recorded in the institutional sector (Non-commercial organizations providing services to households).

CONCLUSIONS

In the course of the research we have discovered that the notion of economic potential concretizes the content of the broad interpretation of the potential both as the object area embracing the activities of economic subjects and the subject area, characterizing the process of economic production, in the course of which the available means are used in order to achieve the set result.

Alongside with this, the resource approach to the study corresponds to the subject characteristics of economic potential, while production approaches – to the object characteristics. Integration of the said approaches is the basis for the formation of the structural approach, in the frameworks of which the assessment of the rationality of the joint distribution of production capacities and economic resources is carried out.

Correlation of goals, which form the organization’s planning pyramid in the frameworks of the target approach, with the content of economic potential made it possible to give the definition of strategic potential as the availability of economic
opportunities of organization and the abilities of its personnel to realize strategic goals.

Setting as the organization’s strategic goal the possibility of changing its qualitative situation with the wanted parameters and the availability of resources, ensuring such transitions, made it possible for us to make a conclusion on the transformation of the strategic potential in the organization’s development potential. Alongside with this, the process of reaching the development goals of consumer cooperation organizations is regulated by the internal limits of their activity, which can be regarded as the integrity of certain rules and norms, which determine the characteristic features of the system and represent the regulating system, the composition of which includes the attributes of a cooperative, cooperative values and principles.

The methodological approach to the study of the strategic potential of consumer cooperation organizations in the course of the research made it possible to develop the assessment system of the potential adjusted to the peculiarities of the functioning of the cooperative sector of the economy and taking into account the determinants of its development in the context of resource, competence, business, market and social units, the detailed content of which should be the subject of further research.

REFERENCES