



Interests of Russian Entrepreneurial Structure Participating in Automotive Strategic Alliances

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Abstract. The study has analyzed the representatives of the Russian automotive manufacturing that are a part of global value chains. They are JSC “AvtoVAZ” and JSC “Sollers”. It has been noted that enterprises taking part in the global value chain have chosen different forms of integration. The main general-theoretical methods of analysis, synthesis and comparison were used. As a result, it has been concluded that an important role is assigned to the compliance of “Strategies of scientific and technological development of the Russian Federation” companies’ interests in matters of import substitution, inclusion in global value chains and increasing the level of localization. At the same time, there are also differences regarding the forms of cooperation, goals, and involvement. Nevertheless, the effectiveness of this cooperation remains undeniable and is confirmed by the entry of Russian enterprises into new links in the value chain and increasing the level of production localization.

Keywords: Automotive manufacturing · Entrepreneurial structure · Global value chains · Interests · Strategic alliances

1 Introduction

In the current situation, the functioning of an enterprise within the framework of a strategic alliance can provide it with greater stability than in the case of a single operation. This is due to the fact that the financial well-being of one enterprise in the chain is closely linked to the well-being of all other participants and the chain as a whole. Therefore, when there is a shift in the indicators of any of the links in the chain, other participants can help links to stabilize the situation [3]. Both Russian enterprises and foreign partners have their own interests in such cooperation. Analyzing it, we can say that foreign partners are able to operate in the country of the partner enterprise and enjoy its preferences. The domestic enterprise gets an opportunity to enter the world markets and get support from foreign partners.

2 Methodology

The study has used the main theoretical methods: analysis, synthesis and comparison. To get the results, we have analyzed the information base, which included research by domestic and foreign authors in the field of financial interests conciliation processes

and issues related to the functioning of value chains, as well as local legal acts of JSC AvtoVAZ and PJSC SOLLERS. We have also compared the interests of the largest domestic automotive enterprises that are part of the global value chain.

3 Results

Analyzing the features of research objects' financial interests, it should be noted that they correlate more with the goals of the Strategy of scientific and technological development of the Russian Federation [9]. The point of the main goals is reduced to the inclusion of Russian enterprises in the global value chain, the implementation of import substitution policy, increasing the degree of production localization and the development of their own production of high-tech products.

Joining global value chains allows enterprises to increase implementation volumes by entering global markets, and also by expanding their influence on the already employed ones [1, 2]. Most of the times, the inclusion of a company in the global value chain is associated with the beginning of partnerships with foreign manufacturers. In this case, foreign partners launch their own production facilities on the territory of Russia on the basis of domestic enterprises, and the resulting profit is distributed among the involved partners. In this regard, the domestic enterprise can receive additional financial resources not only from the expansion of the marketing area, but also from the production of cars made by foreign partners.

Then, it is important to consider the importance of such cooperation for import substitution increasing [4, 8]. Production of cars with foreign brands in Russia makes it possible to avoid importing cars of these brands, and to implement produced in Russia cars. At the same time, capital and financial resources are redistributed to the country of the manufacturing company [6]. This situation is beneficial for both sides. Foreign enterprises will be able to avoid customs duties, while Russian companies will be able to actively participate in the implementation of the import substitution policy, as well as receive additional profit.

The issue of import substitution leads to the issue of increasing the degree of production localization. The more raw materials, parts and components are produced on the territory of Russia, the more the policy of import substitution will be implemented. It can also reduce the cost of purchasing imported components and increase your own profit. The design and production of components are represented by stages with high added value. Thus, the organization of own production of imported components will have a positive impact on Russian enterprises from the point of view of financial interests.

The increasing degree of localization is complicated by the fact that Russian enterprises are often not ready to produce imported components. As it was mentioned earlier, it is usually high-tech components that are imported. There are not enough knowledge, skills or production capacity to produce them. In this case, foreign partners significantly contribute to the development of domestic enterprises. They are also interested in increasing the degree of production localization, as well as in production placing on the territory of Russia. At the same time, they want to get the necessary quality components in the necessary quantity. Therefore, they train domestic

manufacturers to the developed production methodologies of various components, they also finance the development of domestic partners production, the purchase of equipment, training of employees, etc. In other words, foreign partners finance the comprehensive development of Russian enterprises, which allows the latter to save their own resources, while continuing to develop.

These are the common financial interests of Russian companies that are members of automotive strategic alliances. They are determined by the current strategy and are common to all enterprises. Within the framework of these main financial interests, the interests and operating features of each individual company participating in the strategic alliance may vary. We want to consider this on the example of JSC AvtoVAZ and PJSC Sollers (Table 1).

Table 1. Comparison of interests and features of JSC “AvtoVAZ” and PJSC “Sollers” functioning

JSC “AvtoVAZ”	PJSC “Sollers”
<ul style="list-style-type: none"> - interest in global markets entering; - focus on the passenger cars segment; - participation in one strategic alliance; - full dependence on the strategic alliance; - the desire to increase the degree of localization. 	<ul style="list-style-type: none"> - interest in entering new niches and expanding the share of those who are already employed; - operates in several segments at once; - creation of joint enterprises with several foreign partners at once; - division of ownership of joint enterprises between partners; - maintaining the current localization level.

Source: authors.

First, let’s consider the interests of JSC AvtoVAZ. Interest in entering global markets is interpreted by the company’s development strategy. The share of AvtoVAZ in the Russian market is quite large, so the next stage was chosen to enter a new, global market. The participation in the international strategic Renault-Nissan-Mitsubishi alliance is facilitated to this. The focus on the passenger car segment is due to the fact that the enterprise has not previously had experience in other related segments, and has never produced passenger or cargo transport. In addition, all the enterprises that are part of the alliance and whose brands of cars are produced at JSC AvtoVAZ are also manufacturers of mainly passenger cars. This is why this solution is the most understandable.

Participation in one strategic alliance is explained by the fact that several large foreign automotive concerns are co-operating in it, which allows JSC AvtoVAZ to work with several partners at once. At the same time, the joint work of all enterprises is coordinated within one alliance, which allows you to solve issues with all representatives at once. In this regard, in order to simplify coordination and simplify interests, a complete dependence on the strategic alliance was formed.

The desire to increase the degree of localization is also consistent with the interests of the entire alliance. At the moment, the production of cars at JSC AvtoVAZ is

localized by 50%. It is planned to increase the degree of localization to 75%, which is explained by the desire to move most of the production to Russia.

Next, we should analyze the interests of PJSC “Sollers”. The interest in entering new niches and expanding the share of those already employed is also reflected in the society’s development strategy. The enterprise has chosen to strengthen its position and expand its areas of influence by entering into numerous partnerships with various foreign manufacturers. This is due to the fact that the company operates in several segments, and it is difficult to enter the world market in several of them at once, and the lack of strict dependence on partners allows you to develop a strategy based on your own interests. The division of ownership of joint enterprises between partners gives the company the ability to influence management decisions.

The enterprise operates in several segments at once, since the enterprise has already experienced working with cargo and passenger transport, so the enterprise have already had its own place in this niche. In addition, a number of partners with whom joint enterprises were established, have already specialized in various segments. Therefore, the organization of work was greatly simplified. In addition, this allows the enterprise to maintain a more stable position. With changes in one segment, implementation volumes in other segment may remain stable. It confirms the logic of the developed strategy.

Creating joint enterprises with several foreign partners at once also stabilizes the company’s position. If one of the partners decides to leave the market, PJSC “Sollers” will suffer less losses than if it were the only partner. In addition, returning to the issue of activities implementing in various segments, this allows us to develop production in several directions at once, and, as a result, increase implementation volumes. Maintaining the current localization level is explained by the fact that localization is already at a fairly high level (60%) [5]. No further increase is planned due to the fact that enterprises do not see the point of increasing capacity and expanding by working in a related industry, and do not want to risk the quality of imported components. It can be concluded that the specific financial interests of Russian companies, participating in automotive strategic alliances, are focused on the main tasks that are set for them by the state. However, the enterprises themselves have certain benefits. At the same time, each of them can act towards an expected outcome the way they want, so they could achieve their final goals.

4 Discussion

According to the classical model of Porter, the level of industrial competition is determined by the impact of five competitive forces on enterprises. It is these competitive forces that influence competition in the industry. It is assumed that the activities of enterprises are influenced by firms operating in this industry, operating in a related industry, potential competitors, suppliers and buyers [7]. In the case of corporate participants of value chains, it is assumed that all enterprises that operate in a particular industry compete with each other and depend to a significant extent on their suppliers. In other words, there is competition within a single value chain. Competition in the

industry between enterprises largely depends on the growth of the number of participants, who are approximately equal in relation to each other.

In the classic view, corporate participants of the value chain work under the conditions described above, their behavior is formed according to the Porter model, and the main goal of the enterprise is to maximize its own profit. All participants in the chain compete with each other, trying to buy raw materials and components as cheap as possible, and sell their own products as expensive as possible.

Nowadays, the situation has changed significantly. Corporate participants in the same value chain do not compete with each other any longer. The main task was to maximize the welfare of not only your own enterprise, but also other participants of the same production chain. Competition is reaching a new level – the level of value chains. Now the initial goal is to increase the competitiveness of the chain as a whole.

5 Conclusion

The study has analyzed the representatives of the Russian automotive manufacturing that are a part of global value chains. They are JSC “AvtoVAZ” and JSC “Sollers”. It has been noted that enterprises taking part in the global value chain have chosen different forms of integration. JSC AvtoVAZ has become a member of the strategic alliance and, as time passed, completely became its property. PJSC “Sollers” cooperates with several foreign partners at once, creating joint enterprises with shared ownership. Both Russian enterprises and foreign partners have their own interests in such cooperation. Analyzing it, we can say that foreign partners are able to operate in the country of the partner enterprise and enjoy its preferences. The domestic enterprise gets an opportunity to enter the world markets and get support from foreign partners. As practice shows, not all domestic enterprises want to enter international markets. For example, PJSC “Sollers”, in contrast to JSC “AvtoVAZ”, includes in its strategy the goal of expanding its influence on already occupied markets, rather than conquering new world markets. Speaking of the specific interests of Russian alliance members, an important role is assigned to their compliance with the “Strategy of scientific and technological development of the Russian Federation” in the issues of import substitution, inclusion in global value chains and increasing the localization level. At the same time, there are also differences regarding the forms of cooperation, goals, and involvement. Nevertheless, the effectiveness of this cooperation remains undeniable and is confirmed by the entry of Russian enterprises into new links in the value chain and increasing the level of production localization.

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