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PROBLEMS OF BRINGING TOGETHER MANAGING CONDITIONS OF SMALL
ENTERPRISES BASED ON VARIOUS FORMS OF PROPERTY*

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1. The problem of the need to increase the role of the small enterprises in the economy of the country, establish the conditions for their efficient activity has arisen in the theory and practice of our economic construction comparatively recently, concurrently with development of the economic reform concept. Correct solution of the problem can finally determine the future of the reform.

The administrative-command system of the national economy management (though enfeebled) remains in force and regards the small enterprises as the inevitable evil that should be limited to the utmost by depriving such enterprises of their independence and making them a part of the large industrial complexes in the exercise of the rights of the structural units. Hence, there is a pursuit for placing the small enterprises in the same managing conditions as the large ones, i.e. making them to elaborate the long-term plans, assign the mandatory state orders, etc. This approach is immanent for the system of the stringent centralized management.

All said has led to the fact that the share of the small enterprises in the public production is insignificant and cannot be compared with their share in the economy of the developed countries, though the vigorous development of the cooperative movement somewhat changes the situation for the better.

2. In our opinion, the level of development of the network of the small enterprises in all branches of the national economy is one of the most important characteristics of development of the society as a whole, the indication of its social, economic, engineering and, finally, political maturity. Naturally, the case in point is not the small enterprises in general but the enterprises equipped with the modern machinery.

3. Out of the large number of the economic advantages offered by the small enterprises the following advantages should be selected first.

Development of the broad network of such enterprises numbering hundreds of thousands of units enables to form the socialist market based on the economic contest, competition, to fill the

commodity-money relations with a real content. At present about 45 thousands of the state enterprises and over 100 thousands of the enterprises based on other forms of property including about 60 thousands of the cooperatives function in the field of the industrial production. The like position also exists in the field of services. As regards the scale of our economy, this number is quite insufficient for organization of the market economy. Taken into account that the small enterprises provide less than 20 percent of the sold products and offered services, whereas their main producers are the large complexes frequently occupying the monopolist position, it becomes clear that to talk of the competition and development of the commodity-money relations is at least premature.

Failing to increase in the nearest future the number of the enterprises in all branches of the economy several times (and this objective can be achieved during a short time through the accelerated set-up of the small enterprises taking into consideration the long term of the investments), the economic reform will not advance. It will be strangled by monopolism.

Monopolism in the conditions of our country with its vast territory and poorly-developed communications is demonstrated not only by the large enterprises but also by the small enterprises concentrating production of certain goods and services on a certain territory.

The history of development of the productive cooperatives is typical in this respect. In setting up such cooperatives, it was borne in mind that they would become the real competitors of the state enterprises. During a year and a half the number of the active cooperatives amounted to 100 thousands, whereas the cost of the goods and services produced thereby exceeded 12 mlrd roubles. However, no practical competition emerged between them and the state enterprises. The enormous deficit of nearly all kinds of the commodities and services enabled many cooperatives to identify those "consumer niches" uncovered or poorly covered by the state sector and concentrate on "filling the niches", thus occupying the monopolist position therein. This resulted in the uncontrolled rise of the prices that caused the quite justified dissatisfaction of the population, revealed in some cases in a criminal form and caused the negative attitude towards the

cooperatives in general.

Hence, control of the process of developing the network of the small enterprises should be aimed at not only their quantitative growth and maintaining the up-to-date engineering level (including disintegration of some large complexes and assigning the status of the independent enterprises to their structural units) but also at creation of the parallel (competing) capacities. The actions of many local Soviets limiting the number of the enterprises set up for production of the goods (services) of one kind can be explained exclusively by the economic ignorance or personal interest of the workers.

The second important economic advantage of the small enterprises is the fast repayment of the investments covering their construction, redevelopment and re-equipment. This enables, first of all, to effect the technical renewal during the short time due to high solvency of the initial investment. Secondly, the fast repayment enables to form the initial investment due to mobilization of the regional financial resources through issue of the securities, direct investments, temporarily available means of other enterprises, loans from the special financial funds (holdings) and receipt of the bank credits, without drawing the centralized state investments. Acceleration of turnover of the means with the concurrent saturation of the market with the commodities and services should become one of the major trends in the financial improvement of the economy.

In this respect the essential factor is the orientation of the small enterprises primarily towards the regional market. The importance of this factor drastically increases in the conditions of developing the economic independence of the territorial formations, strengthening their financial base. The small enterprises become the important source of forming this base. At present all tax payments of the cooperatives and state enterprises of local subordination proceed to the profit account of the local budget. In future this order should be extended to all small enterprises.

On the other hand, the local Soviets should regard the small enterprises located on their territory as the main industrial

base of forming the rational structures of the local economy and territorial socio-cultural complex, render the all-round assistance thereto.

Finally, the third important economic advantage of the small enterprises is in that their framework can ensure the most efficient check of the economic innovations, conduction of the experiments associated with checking the new forms of the economic activity organization. Practice of the last year has convincingly proved the correctness of this provision. The first cooperatives producing the goods and offering services emerged as the small enterprises and proved their viability and even at present the overwhelming majority of the cooperatives number up to 20 to 30 persons. It is exactly in the small enterprises such new form of managing as lease was initially introduced. The members of some small lease collectives (organizations of the leaseholders) raise the point of redeeming the leased property so as to become its owners and set up the people's enterprise on this basis. The majority of the joint ventures is small-sized.

It is expedient to begin the planned development of the security market from the small enterprises, stemming from the disclosed economic advantages, primarily, fast turnover of the investments and high solvency.

These enterprises can enable to check the efficiency of using such forms which are novel for our economy as setting-up of the special financial funds of the consortium or holding type which have gained acceptance in the world economy. These funds acting as the legal entities and controlled by the representatives of their participants will be formed due to the contributions of the local Soviets, enterprises and organizations located on a given territory. The means of these funds will be spent on financing either the predetermined activities (consortium) or allocated on the competitive basis for various purposes (holding). In the latter case the criteria for selection of the object to be financed will be represented by the indices of both economic and social efficiency, for instance, organization of production of the goods which are in the shortest supply, priority development of certain kinds of services.

5. The favourable conditions for introducing the achievements of the engineering progress and bringing the new kinds of the items to a commercial level.

Before the full-scale production, the new kinds of the commodities should be checked on the market using the small, pioneer batches, existence of demand for them should be confirmed. This equally applies both to the new consumer goods and the new machinery. As a rule, the manufacture of the small batches is unprofitable for the large-scale production.

The matter, however, is not confined to the new goods only. By their nature, the small enterprises (except for those which produce the completing items) are oriented towards meeting the group or individual demand in the society with the developed, widely differentiated and regularly changing needs. Herein the feedforward and feedback between production and consumption is traced in a sufficiently certain manner, i.e. on the one hand, the consumer as his living standards grow demands the new kinds of the commodities and services meeting his ideas of the material and moral values, on the other hand, production in the conditions of the competition strives to offer the growing number of the new items (services) to the consumer.

In turn, the rapidly changing demand, the regular renewal of the range of the produced goods require the formation of such engineering base, providing the enterprises with such sets of the equipment which enable to change the manufacturing methods within the short time. Hence, it is precisely the small enterprises in the developed countries that are provided with most of the advanced equipment ensuring the flexibility of production and intended for operation in the conditions of such enterprises.

Unfortunately, the situation in our economy is different. A priori, in compliance with the dogmatic postulate on the advantages of the large-scale production (being in force even nowadays) the primary attention and, accordingly, the lion's share of all kinds of resources were directed and continue to be directed for setting up the large complexes and manufacture of the equipment intended for operation in the conditions of these complexes.

Hence, even in the field of the consumer goods the prevailing share is in the large-scale and mass production, the individual and group demand is practically disregarded but even taken into account cannot be met due to the absence of the required industrial base. Meanwhile, the growth of the incomes, expansion of the foreign contacts gave birth to differentiation of the needs with impossibility of satisfying the latter causing, on the one hand, the considerable social tension, whereas, on the other hand, contributes to the active development of the "shadow economy" and "black economy".

It should be noted that orientation towards the primary development of the large enterprises, mass and large-scale production of the consumer goods is the consequence of not only dogmatic approaches to the estimate of the efficiency of the production scale but also deep-rooted long ago ideas of the social justice stemming from the principles of the "barrack socialism".

As a result, at present we have practically no organized production of the equipment sets for the small enterprises and the latter are equipped with the same machinery as the large ones. The type plans and type designs of such enterprises are very few. Evidently, in these conditions one cannot expect the development of the network of the up-to-date small enterprises in a short time on a required scale and, thus the successful solution of the economic reform problems.

One cannot also count on that our industry will be able to fully solve the tasks of the engineering equipment of the small enterprises. Hence, along with reorientation of some active enterprises towards solution of these tasks, it is expedient to buy abroad both the sets of the finished equipment for the small enterprises and licences required for their production, know-how, establish the joint ventures, set up the necessary cooperative relations.

6. The use of the advantages offered by the small enterprises is possible only at the drastic increase of their number, improvement of the engineering equipment level and creation of the required conditions for the efficient economic activity.

The first condition is the radical refusal of approach to the small enterprises as the additional component of the economy

that performs the auxiliary function in relation to the large enterprises. It should be realized that such enterprises function along with the large enterprises as the equal participants of the public production process. Moreover, in some industries producing the consumer goods and offering services, these enterprises should become the primary form of organizing the basic link of the national economy. Hence, all limitations on accomplishment of certain kinds of the economic activity by the small enterprises (except for those prohibited by the law) as imposed on the co-operatives should be lifted.

Another important condition is the organization of the powerful state support of the process of setting up the network of such enterprises as without this support, in particular, at the first stages of the process the latter will not be able to proceed with the required intensity.

This support should include, firstly, the tax exemption system, i.e. exemption of the small enterprises (standardized) for a period of mastering the new capacities and for the first time after that from the tax payments, exemption from payment of taxes or reduction of their size in manufacture of the particularly scarce items or providing the services having the particular social importance. To stimulate the enterprises investing their means in development of the small enterprises, they should be exempted fully or partially from payment of tax on that of profit which is directly (by contributions to the development funds) or indirectly (through consortiums or holdings) is invested in the small enterprises. Naturally, the investment-produced income will be taxed in the normal way.

Secondly, it is necessary to organize the development and manufacture of the sets of the machinery and equipment for the small enterprises in various industries through the system of the state orders placed on the competitive basis. Concurrently, such sets (or the licences required for their manufacture) should be bought abroad.

Thirdly, in the conditions of deficit of the basic kinds of the material resources, the small enterprises should be supplied without any limitations on the wholesale trade system.

Fourthly, there should be set up the system of the state and social organizations actively contributing to establishment and functioning of the small enterprises in the form of various unions, associations, amalgamations formed in the region on the branch, territorial or functional principle. They will deal with the study of demand, other marketing operations, organize the scientific and engineering developments, logistics, sale, information service, represent the small enterprises in the state management bodies, protect the interests of these enterprises, etc. The specialized self-supporting unions can be set up within the framework of such unions for the joint accomplishment of the functions, i.e. the engineering centres, advertising offices, bases, shops, etc.

It is expedient to make the representatives of the regional management bodies the members of the governing bodies of such unions.

Finally, the third basic condition is related to solution of the property problem. The advantages of the small enterprises (even provided the previous conditions are met) can be realized only in case they function within the framework of the market economy, with orientation towards the market conditions, based on the system of the contracts, using the received benefits and privileges and changing the structure of the range of products in a flexible manner. But to do this requires that the state control of their activity is accomplished only through the taxation system, allocation of the resources being in short supply, plots of land, presentation (or refusal of presentation) of other economic preferences or establishment of the limitations specified in the law, financial, ecological and other supervision.

No mandatory planned and other goals should be assigned to the small enterprises as well as the requirements of the mandatory elaboration of the long-term plans. All economic relations of the state bodies with the enterprises should be set up on the contracted, voluntary basis including placing of the state order.

In such conditions the small enterprise "separates", in essence, from the system of the direct centralized management and becomes a kind of an outsider (having the right to voluntarily

join any associations). But in this case further assignment of the "state" status to such enterprise becomes senseless. Moreover, to increase its responsibility for the results of its activity in the conditions of the considerable uncertainty of the market conditions, it is necessary to deprive it of this status, to undermine the basis for the economic dependence.

Hence, the most important action in leveling the conditions of managing is the transformation of all small enterprises into the collective property enterprises, i.e. cooperatives, people's enterprises, joint-stock companies as well as the organizations of the leaseholders. The labour collectives of the state enterprises and leaseholders should be given the right to redeem the property of these enterprises. In this case the workers should mandatorily take part in redeeming using their own means.