

## **Analysis of Competitiveness among Agrarian Companies As a Condition for Stable Development of Kazakhstan**

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**Abstract:** This article considers various theoretical approaches for defining the term “competitiveness”. Author suggested his vision about definition of competitiveness with regard to individual business organizations, engaged in agricultural production. With help of materials taken on one individual region of Kazakhstan the integrated assessment of farms competitiveness is being conducted, including formalized and non-formalized approaches. The article analyses various theoretical approaches to the planning of agricultural and food areas of Kazakhstan. The author considers that the method of forecast scenarios is the most effective one.

**Key words:** Competitiveness • Agrarian market • Farm • Agrarian organization • Competitive intensity • Competitiveness factors

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### **INTRODUCTION**

Competition is the integral component of market economy. Formation of market relations in Kazakhstan has conditioned the appearance of competitive environment in agricultural industry of national economy. Success of the industry directly depends on implementation of targets, tasks and competitive strategies set forth in strategic plans, providing the stable development of all subjects at the market. Competitiveness problem solving understands the development of measures on achievement and maintenance of competitive advantages at the market [1].

Competition in its nature is quite contradictory economic category. It reflects the manufacturers' striving for freedom, economical independence and illustrates the desire of competitors themselves to win clearly in the battle. In order to find the effective methods of competitiveness management it is necessary to understand clearly the essence of «competitiveness» category, since the economical literature does not have one common definition for competitiveness. It is due to the fact that the content of the given category is directly connected with specific object or subject [2].

Functioning of Kazakhstan agricultural organizations and farms in the conditions of growing competition at the commodities markets requires accelerated solving of problems in production modernization, effective usage of agrarian potential of the country and competitiveness improvement. In this relation the given article assumes the attempt to substantiate the approach for farms competitiveness analysis.

**Analysis of Last Researches and Publications:** Analysis of competitiveness problems within the country, national economy industries and separate economic entities was reflected in the studies of foreign and Kazakhstan scientists. So theoretical and methodological basis for analysis is represented by the scientific principles of the work done by following scientists: A. Smith, I. Shumpeter, M. Porter, R.A. Fathitdinov, U.B. Baimuratov, O. Sabden, A.K. Koshanov, B.D. Khusainov, F.M. Dnishev, S.A. Akhanov, R.A. Alshanov, T.I. Espolov, G.A. Kaliyev, M.Zh. Kamenov etc. with regard to competitiveness problems, as well as materials of own investigations.

Economic literature says about many viewpoints concerning the essence of such categories as «competition», «competitiveness» etc. Competition in

these works is considered as a struggle for more profitable conditions towards sale and purchase of goods and services, resulted in optimal distribution of work and capital, contributing to the growth of production volumes, labor productivity increase, extension of manufactured product line [3].

Competition at the markets has led to creation of such term as competitiveness. Native and foreign literature mentions the competitiveness described by scientists from variety of opinions: from the point of studying the competitiveness of goods, firms, industries, regions and countries. Consolidation of this variety of opinions lets to note the main characteristics of competitiveness category, defining its essence:

- This is multilevel definition, condition of which is defined by market factors and depends on the level of competitive relations, providing the competitive advantages for market entities;
- This is the ability of market entity to win in competitive struggle;
- It means having some potential, creating the advantages in the competitive struggle, ability to develop and to use it effectively [4].

Competitiveness of the company is a many-sided phenomenon, including not only quality and price parameters of the product being manufactured, but also the dependence on the management level, financial flows management, investment and innovation components of company activity, environment, forming at one or another market, level of competitiveness existing therein. Business organizations' competitiveness factors are understood to be the phenomena or the processes of production and commercial operations and business organization environment, availability of which is required and sufficient for changing the criteria of its competitiveness (product quality, costs for manufacture, company's image etc.) and the overall business organization's competitiveness level accordingly [5].

In order to take account of the peculiarities of competitiveness category, understanding its essence in the agrarian sphere it is necessary to conceive that the development of agrarian complex is an important priority for Kazakhstan. Its effective functioning in conditions of developing globalization processes in the world economy requires the existence of control mechanisms, ensuring the competitiveness not only in agricultural production, but of agrarian organizations as well. So the successful work of farms depends on the system of many factors interrelations. Therefore in the process of such business

organizations' competitiveness analysis it is very important to use not only formalized methods, used for evaluation of their competitiveness, but also non-formalized characteristics of competitive factors.

**Main Targets:** Of the analysis are the evaluation of competitive intensity at the agrarian market of Kostanaiskiy region, which is the dominating factor in the formation of competitive strategy of agrarian organizations and identification of their competitiveness within the individual region of Kazakhstan [6].

**Main Results of the Analysis:** During the selection of competitive struggle means the important thing is the assessment of competitive intensity. Different commodities markets have enormously different competitive intensity. At the same time having this variety of competitive intensity levels at the target markets of agrarian production the competition process is pretty common. Taking into account this circumstance M. Porter made a conclusion, according to which the industry (just as the target market) usually has five competition drives (or factors): competitors at the active market (central circle of competitors); suppliers; potentially new competitors; customers; companies offering substitute products [7].

Since there is no alternative to agricultural production, we share the opinion of agrarian scientists that the risk of substitute products appearance may not be taken into consideration. Note that in business practice there are considerably more risks exist. The mentioned elements of competitive environment act together and change the level of competitive intensity. Methodology for competitive intensity assessment lies in identification of competitive environment factors interaction by way of:

- Allocation of market shares between the competitors;
- Considering the market expansion rate;
- Defining the market profitability.

Competitive intensity considering the agricultural products market profitability level ( $H_p$ ) came up In our calculations as  $1-0,86=0,14$

Competitive practice shows that most competitive environment changes are reflected in competitors' market shares dynamics, growth ratios and market profitability, therefore in order to facilitate the comparative analysis concerning competitive intensity at different markets (market segments) and evaluation of their value (from the viewpoint of competitive activity) it is useful to handle generalized characteristics of competitive intensity:

Table 1: Share of products sold by farms in 2009-2011 by areas of Kazakhstan region, %

Areas	Agricultural products	Crop products	Animal products
Kostanaiskiy region	27,3	29,02	9,76
Altynsarinskiy	1,079	1,14	0,43
Amangeldinskiy	0,931	0,83	1,99
Auliyekolskiy	0,619	0,62	0,64
Denisovski	0,683	0,69	0,61
Zhangeldinskiy	0,146	0,07	0,88
Zhitikarinskiy	0,257	0,24	0,43
Kamystinskiy	0,390	0,37	0,63
Karabalykskiy	1,104	1,21	0,00
Karasuskiy	3,782	4,15	0,06
Kostanaiskiy	5,297	5,58	2,48
Mendikarinskiy	1,643	1,78	0,25
Naurzumskiy	1,207	1,32	0,07
Sarykolskiy	2,468	2,71	0,02
Taranovski	1,095	1,12	0,80
Uzunkolskiy	1,361	1,50	0,00
Fedorovski	3,679	4,04	0,39
Kostanai city	0,081	0,05	0
Arkalyk city	1,465	1,60	0,05
Rudniy city	0,001	0,001	0,00

Note – Compiled by author based on statistics digests data

$$I_{\kappa} = \sqrt[3]{I_{\partial} * I_{mp} * I_{p}}$$

where  $I_{\kappa}$  – generalized intensity index,  $0 \leq I_{\kappa} \leq 1$   
Generalized competitive intensity index is:

$$\sqrt[3]{0,641 \times 0,624 \times 0,14} = 0,737$$

Taking into account the circumstance that generalized competitive intensity index changes from 0 to 1, the conclusion can be made about quite evident (above average) competitive intensity at the regional agricultural products market. Results of quantification of inter-industry competitive intensity level at the regional agricultural market let us to say that agricultural products manufacture is the valuable branch for business.

Let's analyze the competitive struggle intensity at the market between farms. For that reason we identify the sales share of agrarian entities of each area in Kostanaiskiy region at the agricultural products market (Table 1).

In Kostanaiskiy area the sales share of the whole farms' products by regions is within 0,001-5,297%, crop products – 0,001-5,58%, animal products – 0,02-2,48%. All these facts show the significant difference between market shares. Competitive intensity between farms based on shares equality degree ( $I_a = 1 - 0,993$ ) is 0,007, that shows the low level of competitive struggle between them.

Since this area has 3 natural-climatic zones, it is purposeful to perform the assessment of competitiveness among farms by these zones (Table 2).

Table 2: Assessment of farms' competitiveness by market share

		Sales share, %		
Natural-climatic zones	Areas	Agricultural products	Crop products	Animal products
I	Uzunkolskiy	1,361	1,50	0,00
	Fedorovski	3,679	4,04	0,00
	Karabalykskiy	1,104	1,21	0,00
	Mendikarinskiy	1,643	1,78	0,25
	Sarykolskiy	2,468	2,71	0,02
Average for zone	2,051	2,248	0,054	
II	Kostanaiskiy	5,297	5,58	2,48
	Altynsarinskiy	1,079	1,14	0,43
	Denisovski	0,683	0,69	0,61
	Karasuskiy	3,782	4,15	0,06
	Taranovski	1,095	1,12	0,80
	Zhitikarinskiy	0,257	0,24	0,43
	Kostanai city	0,081	0,05	0,39
	Rudniy city	0,001	0,001	0,00
Average for zone	1,534	1,621	0,650	
III	Auliyekolskiy	0,619	0,62	0,64
	Kamystinskiy	0,390	0,37	0,63
	Naurzumskiy	1,207	1,32	0,07
	Amangeldinskiy	0,931	0,83	1,99
	Zhangeldinskiy	0,146	0,07	0,88
	Arkalyk city	1,465	1,60	0,05
Average for zone	0,793	0,800	0,710	

Note – Compiled by author based on analysis

The most competitive at the agricultural products market are the farms of natural-climatic zone No.1. Their market share is by 0,517 points higher than in second zone and by 1,258 points higher than in third natural-climatic zone. At the animal products market the leaders are the farms from the third zone and the outsiders are the representatives of the first zone. Existing market share of agrarian entities in Kostanaiskiy region is conditioned broadly by qualitative composition of soils and activity concentration on grain production.

Competitive advantage appears as possibility of getting bigger effect from activity based on ability to use objective advantages and to produce exclusive advantages towards other subjects. It is based initially on inequality of objective positions among business subjects and any advantage therefore is the defining value in this competitive struggle, the more so towards main element of agricultural production – land [8].

It is noticeable that some market segments strongly compete with each other – these are the areas like Karabalykskiy, Karasuskiy, Kostanaiskiy, Mendykarinskiy, Naurzumskiy, Sarykolskiy, Uzunkolskiy, Fedorovski, whereas the leading positions are held by Kostanaiskiy, Karasuskiy, Fedorovski and Sarykolskiy areas.

It means that farms of these areas are most competitive and are in more favorable conditions rather than their competitors – agrarian entities of other areas.

We believe that the final estimate of farms competitiveness should be defined based on formalized results and non-formalized approaches regarding competitive factors consideration. We will concretize the non-formalized group of competitiveness factors. In this group of factors two directions should be outlined: drives of competition and business environment.

Competition drives include the conditions and factors, which directly determine the competitiveness level of farms at the target market. Number of drives, considered in farms activity, can vary widely. To our opinion it is purposeful to recommend 5 main drives for implementation:

- Formation and promotion of demand for products, manufactured by farms.
- Quickness of management decision making.
- Technological innovations.
- Marketing innovations.
- Orientation onto wide use of cooperation [9].

Business environment reflects the total of interrelated components, including the factors of institutional environment and objective conditions. The latter reflect the existing situation in farms' business at the moment of analysis. Composition of these factors can be structured by groups: technological, economic and organizational [10].

In order to ensure effective farms competitiveness management it is necessary to assure constant monitoring of factors, forming the competitiveness of agrarian entities.

## CONCLUSIONS

During the performed analysis the theoretical generalization was made towards separate approaches for definition of term «competitiveness». It let to outline the author's vision concerning the evaluation of competitiveness among the farms of individual region of Kazakhstan.

In view of identifying the agrarian entities competitiveness the formalized methods were used with regard to evaluation of factors, forming their competitiveness, as well as non-formalized approaches for competitive factors consideration and structuring scheme was suggested.

The analysis made has let to calculate the value of competitive intensity at the agricultural products market through market shares distribution among the competitors, considering market growth rate, sales profitability. Generalized intensity value is 0,737, that lets to make a conclusion about quite high competitive intensity at the regional agrarian products market.

Farms competition level evaluation by natural-climatic zones has shown that the most competitive at the agricultural products market are the farms of natural-climatic zone No.1. Their market share is by 0,517 points higher than among the entities of the second zone and by 1,258 points higher than in the third natural-climatic zone. Existing market share of farms in the studied country region is mainly conditioned by qualitative composition of soils and activity focus on grain production.

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