

## AN EFFECTIVE MODEL OF COLLECTIVE ENTREPRENEURSHIP

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**Abstract.** A feature of the current stage of socio-economic development of different countries is the formation of a special sector of the economic system based on collective ownership of the means of production. The joint-stock companies of workers and production cooperatives referred to in the article are widespread in various countries. At the same time, national models of collective entrepreneurship reflect the peculiarities of public administration. However, they all have common features. The article is devoted to the analysis of the specificity of such models in the USA, Japan, China and Spain. The establishment of such enterprises can take place in different ways and is determined by the regulations in force in a particular country. Common is the presence of employee ownership share of the property business that allows you to participate in the management and, consequently, increases productivity. It is noted, as a rule, collective enterprises are more effective than private ones.

**Key words:** collective enterprise, entrepreneurship, various countries

### 1 Introduction

In recent decades, collective entrepreneurship, which began in XIX century, has become widespread. This form of entrepreneurship is aimed at the wide involvement of company employees in making management decisions. Due to this circumstance, some economists call the system of collective entrepreneurship a participatory economy (economic democracy). Its essence is to counteract the concentration of capital by involving citizens in solving the economic problems of the development of the state and its enterprises through participation in property and management. (Konareva, 2013. P. 39).

The basis of the participatory economy is such subjects of collective entrepreneurship as joint-stock companies of workers (national enterprises) and production cooperatives. It is these forms of collective management that play an important role in achieving a balance of interests of various participants in production and form the core of the so-called "solidarity economy". (Dementiev & Khabibullin, 2016. P. 125).

The formation and development of collective enterprises has the following features:

firstly, the nature of participation of the employees in the joint-stock ownership of the enterprise is long-term. The endowment of employees of the enterprises with their shares and thus the transformation of members of labor collectives into "owners" causes the growth of their labor productivity in the long term;

secondly, the joint-stock ownership of the employees is formed *during privatization* as a result of property redemption of the companies by the personnel, in which they are employed. An example of the most successful privatization in the UK was redemption of 83% of shares made in 1982 by the employees of the British company National Freight Corporation (NFC), which carries out road freight transport. As a result of the company's redemption by the members of the labor team, the financial results of the company improved dramatically. Already in the first year after privatization, the growth in the company's profit amounted to 50%, in the second - 70%; (Privatization in the UK, 2000. P. 58).

thirdly, one of the significant factors in the distribution of collective enterprises in various countries in joint-stock form was the hostile takeovers of firms by their competitors. With increased competition, such a property "dispersion" among the employees has become an effective means of protecting the organization from "invaders".

According to the analysis of cases of takeover of enterprises, a certain part of the capital (property) of which belongs to their employees, as well as the companies of other forms of ownership,

the researchers S. Chaplinsky and G. Neigaus made the following conclusion. The distribution of shares of the enterprise among the members of labor team leads to a significant reduction in the likelihood of its takeover. (Chaplinsky & Niehaus, 1994). According to J. Manke and D. Bakston, the formation of working joint-stock ownership in the second half of XX century became a more significant factor in maintaining control of owners over the capital (property) of enterprises in the USA (compared to previously existing anti-seizure measures) in the face of an increasing trend of hostile takeovers of some market participants by others (Menke & Buxton, 2010. P. 256).

Revealing the features of formation and current functioning of collective enterprises will allow making a conclusion that it is advisable for the state to support the development of this type of entrepreneurship in the Russian Federation. The relatively low production and financial efficiency of enterprises with private and state ownership requires the search for alternative forms of entrepreneurial activity.

### 2 Methods

During the study, various international sources of information were analyzed regarding the formation, current functioning, as well as the prospects for the development of collective entrepreneurship. The collected statistical material made it possible to assess the effectiveness of this organization form of production activity in comparison with the traditional ones. We identified features of the functioning of collective entrepreneurship in different countries. We also analyzed the development of collective entrepreneurship in the USA, Japan, China and Spain.

### 3 Results And Discussion

The joint-stock companies of the employees are most common in the USA. An effective means of developing such a form of ownership in the USA as the ownership of members of the labor teams of companies is the ESOP (Employee Stock Ownership Plan) program - a corporate social program that provides an opportunity for the company employees to become the owners of its shares.

The US Code of Practice, governing the process of endowing ownership for the employees of enterprises, includes:

- 1) acts defining the features of ESOP;
- 2) acts establishing tax incentives for the shareholders, companies interacting when implementing ESOP at the enterprises;
- 3) acts in which government organizations are invited to provide assistance to the companies implementing ESOP;
- 4) acts designed to support the implementation of ESOP in a company. (Demidova, 1999, P. 87).

According to the National Center for Employee Ownership, the share of equity in the ownership of company employees amounted to about 8% of the capital of all US corporations in 2012. In 2016, the top 100 leading collective enterprises united 619 thousand employees in the USA. The list of enterprises, 100% of the share capital of which belongs to the employees, includes Lifetouch (the number of employees is 25 thousand), Penmac (18 thousand), Amsted Industries (16 thousand), Houchens Industries (15.3 thousand), etc.

Foreign authors have published a significant number of works devoted to a comparative analysis of the activities of companies that have implemented and have not implemented ESOP programs. But many researchers (especially Russian ones) tend to identify the companies, using ESOP schemes, with collective enterprises when considering American experience.

In our opinion, this position seems to be incorrect for several reasons.

Firstly, any company with any (more than zero) share of equity owned by the members of labor team in the structure of its capital can be classified as a company implementing ESOP. In 90% of cases, the share of employees in the capital of such companies is insignificant. (Khabibullin, 2014, P. 72).

Secondly, the employees are mainly endowed with non-voting shares (except for the cases, when they are vested with capital ownership under the so-called democratic ESOP), since the owners of large blocks of shares in the companies are not interested in attracting the employees to manage them. This means the formal transformation of company employees into ordinary investors. In this case, the possibilities for the employees to exercise the functions of the owner are virtually nullified. (Khabibullin, 2016, P. 210).

Redemption by the employees of the majority of the company's voting shares means the formation of a full-fledged collective enterprise of joint-stock ownership. This is about the so-called democratic ESOP developed by D. Ellerman, head of one of the American "Associations for the Promotion of Employee Ownershi". Such a program is intended for an enterprise, whose employees acquire ownership of its shares in full.

Key features of democratic ESOP:

- 1) transition from voting by shares (i.e. according to the principle of "one share - one vote") to "voting by hands" (according to the principle of "one person - one vote");
- 2) replacement of the employees' shares with bonds (which protects the employees' capital from blurring, in particular when pledging shares), giving them the right to income.
- 3) internal democratic structure and creation of supporting structures. (Belotserkovsky, 2010, P. 221).

ESOP shall be considered only as one of the mechanisms for the formation of employee ownership in the share capital structure that can increase the employees' interest in labor results. This goal can be achieved only under such conditions when the employees own most of the company's capital (or the full capital amount), actively participate in exercising control over the company's management, have the right to make managerial decisions and are ready to assume a part of economic responsibility for the efficiency of economic activity of the enterprise (Wyrasti et al., 2019).

Japanese enterprises are implementing the Mashikabukai program, an analogue of the American ESOP. However, unlike the USA, the enterprises implementing such programs do not provide tax incentives and soft loans in Japan. According to experts of the International Labor Organization, the joint ownership of the employees in Japan, formed on democratic principles (in combination with such a form of financial participation of the members of labor team as their participation in management), is one of the main factors for the steady growth of production indicators and the competitiveness of Japanese companies. (Democracy at work, 2001, P. 87).

In China, when more than three employees create voluntary association for business activities and preparation of the corresponding contract, an enterprise of a specific legal form is created - the so-called joint-stock-cooperative company (JSCC) (Skulkin, 2009, P. 355). The company participant makes cash or in-kind contributions to its general fund. At the same time, ownership rights to such property are retained by the JSCC members. The property created in the course of the company's activities belongs to all its employees JSCC has the ability to issue domestic shares. Their owners are all employees of the enterprise. Profits are distributed between the company members in proportion to their work and the number of shares owned by them. This type of economic activity strengthens the responsibility of employees for the labor results.

It should be noted that the formation of collective enterprises in joint-stock form is possible either by creating them in this form, or by transforming private enterprises. Thus, the so-called *labor*

*companies (sosedades laborales, SL)* operate in Spain. They function in the form of joint-stock companies.

The business model of Spanish labor companies is efficient and determines their survival. (Gutiérrez, 2008, P. 74). As practice shows, such enterprises successfully compete with traditional companies belonging to a limited circle of owners. The survival rate of SL is almost 6% higher than that of conventional companies.

Let us cite as an example the Spanish labor company *Komunikazio Biziagoa S.A.L.* (foundation date - 1919). This company was transformed into a national enterprise in 1998. It specializes in producing weekly news newspapers and magazines in the Basque Country. The company employees own 75% of its shares. The share fraction owned by each employee ranges from 2.64% to 7.91% of the company's share capital. The enterprises that are part of the corporate group own the remaining 25% of the securities (Lowitzsch & Hashi, 2012).

An analysis of the Spanish experience in the development of collective enterprises involves a review of the activities of the Mondragon Cooperative Corporation (MCC) in the Basque Country, which unites 260 companies and is one of the leading Spanish business groups with production branches and corporate representative offices in 41 countries. The corporation's product range includes a wide range of products - from sophisticated industrial equipment, buses, machines to agricultural products. The total number of employees in the cooperatives that are the members of the Mondragon Cooperative Corporation is 74.117 thousand people (Data from the MCC web-site, 2019).

Joining the cooperative, the employee makes a contribution to the enterprise's capital, the volume of which is comparable to the annual wage of an unskilled employee. Three quarters of this contribution are transferred to the employee's individual capital account. One quarter is transferred to the cooperative's collective account. The opening of individual capital accounts of the members of cooperative enterprises and the receipt of part of their entrance fees to these accounts leads to an increase in the employees' interest in increasing the cooperative's total profit and reducing staff turnover (Zare & Rajaeapur, 2013).

According to T. Malone, in the Mondragon Cooperative Organization, "everyone is financially and psychologically interested in helping the company become as successful as possible: I'm ready to work hard, always look for a way to improve the work and share the available information". (Malone Thomas, 2006, P. 124) L.A. Konareva notes that "Mondragon cooperatives operate in accordance with a business model based on the primacy of interests of the people and the sovereignty of labor, which made it possible to create very cohesive companies based on solidarity with a strong social aspect".

In Spain, the conditions for the development of all enterprises of collective forms of management (which are under the jurisdiction of the Ministry of Finance, the Ministry of Labor and other government bodies) are generally favorable. Significant tax and depreciation benefits are granted to various types of Spanish collective enterprises.

#### 4 Summary

The analysis of the management experience of various models of collective entrepreneurship allows drawing several conclusions.

Firstly, the creation of conditions for the formation of collective enterprises is one of the priority areas of economic policy in many countries. Unfortunately, the development of collective forms of management is not a priority of economic authorities in Russia. Only one region in the country purposefully develops collective entrepreneurship - the Lipetsk region. A regional program for the development of collective forms of management has been successfully implemented here for the past 5 years.

Secondly, collective enterprises can successfully develop only if they have the appropriate supporting structures - institutions to

support their formation and development. An important role in these processes could be played by the Russian Union of Collective Enterprises (RUCE) in the form of a non-profit partnership, the creation of which we see as a task of paramount importance.

Currently, the Union of National Enterprises of the Urals is functioning. At the end of 2015, the Administration of the Lipetsk region decided to create the Union of National Enterprises in the region. The formation of regional branches is the most important step towards the formation of the All-Russian Union of Collective Enterprises.

Thirdly, the experience of the Mondragon Cooperative Corporation in Spain suggests that self-government may not be limited to individual business entities (Khabibullin, 2016). This means that participatory democracy can quite realistically become the basis for Russian civil society, where the middle class will be widely represented by the owner-employees, having not only shares of their enterprises, but also real economic power.

## 5 Conclusions

Thus, the establishment and development of collective entrepreneurship in Russia in many respects depends on the position and actions of federal and regional authorities, on the state of the country's economy as a whole, on the level of trust between the members of society, including employees of the enterprises. These factors will significantly affect the dynamics of the development of collective entrepreneurship in the respective territories.

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