

Conceptual Problems of Corporatization of Russian Leasing Companies with State Participation

Oleg N. Dmitriev, Sergey V. Novikov

Abstract: *The conceptual problems of corporatization integration of leasing companies operating with complex production and technological equipment, including machine tools and processing centers, are considered. Positive and negative aspects of this corporatization are revealed. The typology of such corporatization schemes is generated and the choice of the preferred scheme is justified.*

Keywords: *High-tech industry, leasing, corporatization, feasibility study.*

I. INTRODUCTION

To date, the Russian Federation formally has a certain number of leasing companies, among which some of them have significant and dominant state (federal) participation. Probably, their contingent will expand a lot because of a number of objective reasons. This is noted in the domestic sphere of production and technical operation of aviation products and in other high-tech industries.

As it was already mentioned in other works [1], in the field of operation of expensive production and technological equipment, including conditionally or simply movable (for example, machines and processing centers) it is also advisable to introduce and / or activate leasing operations.

However, the subjective and contractual anarchization of this sphere and the orientation toward some kind of self-organization looks unproductive, because it may turn out to be unstable, excessively resource-intensive, or unacceptably long.

In the context of managerial reorganization [2], it seems appropriate to introduce structures of optimized corporatization in this area (corporatization of leasing companies). It is also significant in terms of integration with foreign leasing companies, including the moments of leasing import of high-level foreign production and technological equipment.

Undoubtedly, leasing companies that operate or intend to operate with complex technical products as objects of leasing

operations should coordinate them within corporate or pseudo-corporate groups.

II. RESULTS

Existing Russian leasing companies in the field of high-tech production are characterized by the following things:

- insignificant (by world standards and standards of Russian corporate structures in the fuel and energy complex, metallurgy, etc.) sizes of property assets which are leased, as well as the smallness of own and potentially attracted borrowed capital. Leasing operations, as a rule, are short-term (one-year) and have a lot of risks, including the contractual non-obligation of participants in leasing operations. Accordingly, leasing companies have an unacceptably low level of financial and economic stability (in the broad sense of the term, and not in accounting), as a result of the peculiarities of their financial and economic condition and the high level of crisis threats in the course of their activities [3, 4]. The maximum volumes of leasing operations in the physical dimension are insignificant. Technological equipment suitable for leasing does not have sufficient assortment harmony with the production and technological needs of high-tech enterprises. They practically do not fulfill the functions of regulators and stabilizers of marketing relations between producers and consumers;
- focus on the implementation of leasing operations with final products and the exclusion of the corresponding components, providing and repair equipment, etc.;
- severe limited demand of lessees due primarily to the low solvency of them (Russian enterprises-operators), the bias of foreign lessors, and the lack of competitiveness in the global leasing market. It is obvious that Russian leasing companies can operate almost exclusively with technological equipment of foreign manufacture;
- the need to find external sources of significant and continuous financing of their production and economic activities in addition to the initial capital and income from the leasing of technological equipment;
- focusing on short-term own profitable goals of a utilitarian nature or being a “sleeping” enterprise that practically does not carry out production and economic activities;

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- narrow product specialization and closure to narrow sectors and selective contingents of lessees ("pocket" nature), serving the interests of local groups or involved as redistribution mechanisms for cash flows, including those that are not sufficiently consistent with Russian tax and currency legislation;
- low level of anti-crisis protection;
- the use of heuristic management technologies that are characteristic of commercial capital in the era of the formation of a market economy, but not in post-industrial society with a feasibility study of managerial decisions;
- cooperative and other foreignness in the field of creation and technical operation of technological equipment, the lack of stable relations with manufacturers, customers, and foreign leasing companies; reputation;
- more than limited opportunities for the repair and maintenance of technological equipment;
- extreme limited possibilities in terms of mobility of technological equipment;
- criticality of the impact on the production processes of the lessees: it is undeniable that the termination of the lease agreement will put the lessee instantly at the position of the manufacturer with zero production capacity.

Due to these and some other circumstances, Russian leasing companies:

- are obviously uncompetitive and, possibly, not viable in the conditions of the Russian and especially the world market, even taking into account the measures of protectionism that are being implemented. In the conditions of Russia's entry into the World Trade Organization regime, they will inevitably go bankrupt even in the case of the organization of zones of exclusive preferences for them and protection against anti-dumping prosecution;
- do not render an acceptable positive developmental, anti-crisis, and stimulating nature neither to domestic producers, nor to domestic goods recipients.

The above-mentioned is typical for almost all leasing operations, possibly, with the exception of outdated and uncritical technological equipment such as universal machines [5, 6].

This situation is unacceptable for many Russian enterprises, regions, and the country as a whole.

In order to ensure the correction of the situation, a number of urgent and effective measures of state anti-crisis management should be taken, among which should be, in particular, such aspects of the formation and implementation of state leasing policy as:

- legislative transformations that regulate more rationally and in a new way the activities of producers, consignees,

leasing companies, maintenance and repair enterprises, etc., related to leasing operations. In particular, the Federal Laws about leasing, "Air Code of the Russian Federation", laws about valuation activities in the Russian Federation, laws about the development of insurance in the Russian Federation, "Tax Code of the Russian Federation" and "Civil Code of the Russian Federation" should have significant transformations;

- institutional activity, which provides for the initiation and maintenance of constructive integration processes among producers, operators, and leasing companies as a kind of commodity-money integrators [7, 8].

Accordingly, it is advisable to do the following:

- to introduce legislative innovations;
- to integrate leasing companies (at least if there is significant state participation).

Integration of leasing companies (see the Figure 1, where there is an example of two leasing companies) can be implemented within the framework of a number of organizational and economic schemes [9], two of which are ordinary reorganizations, and the other two are a complex of constituent and reorganization projects.

The main advantages of the first four schemes are the following:

- simple and obvious compliance with current Russian legislation and the practice of institutional operations;
- transition to unary integration of property assets of leasing companies.

At the same time, these schemes also have serious disadvantages:

- obvious significant reformation costs;
- temporary loss of presence on the market and, accordingly, income, loss of brands, informal ties, etc.;
- undoubted opposition from the directorate of leasing companies, their participants, some contractors, etc.;
- limited contractual and institutional communication skills (including in relation to foreign participation and foreign counterparty);
- slight adaptability to changing conditions for leasing operations;
- strong vulnerability to antitrust prosecutions in Russia and, first of all, abroad;
- highly probable unrealizability involving foreign leasing companies taking into account unfavorable sanctions;
- obligation to take into account the views of almost all non-state shareholders and the risks of their lawsuits, including claims of non-economic motivation.

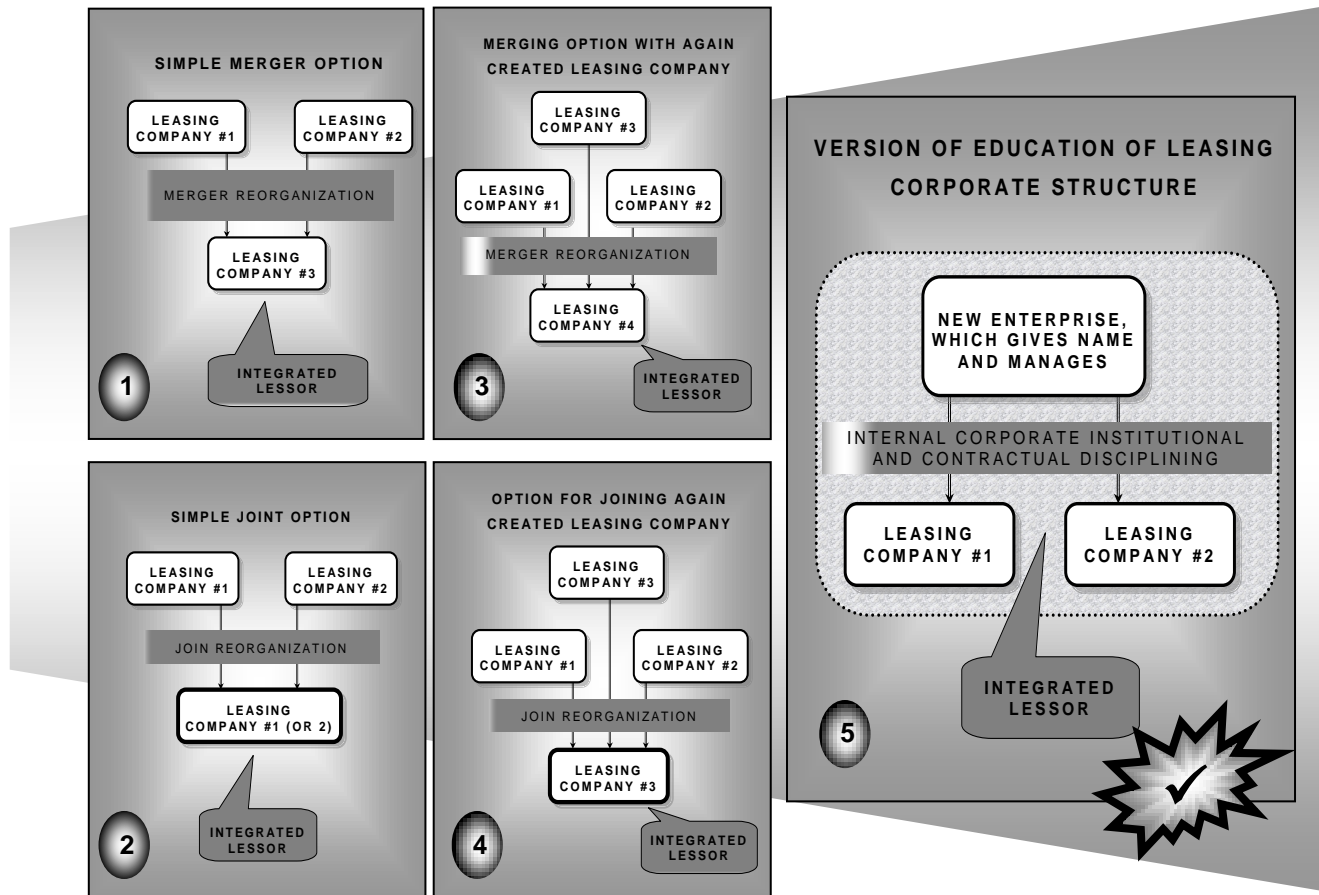


Fig. - I: Typology of possible scheme of leasing companies' corporatization

The fifth of the selected corporatization schemes has the following advantages:

- exclusion of painful and provoking aggravated opposition on subjective and objective grounds, including the practically easy and unjustified exclusion of existing leasing companies from the decision-making process, where there is a majority state participation (for example, there is a controlling interest). At the same time, it is feasible to ensure a measured entrepreneurial democracy through equity participation in the structure-managing enterprise of the leasing companies, their participants, producers, and consignees (operators);
- facilitation or exclusion of antitrust prosecutions in connection with the complete formal preservation of the economic freedoms of leasing companies;
- providing intercompany maneuvering resources;
- strengthening of collateral and guarantee potential;
- ensuring favorable conditions for insurance of risks, syndicated loan borrowing, etc.;
- ensuring the possibility of organizing a state-regulated channel for the promotion of leased imported and exported services, including in terms of tariffication, control of tax and leasing national independence. This corporate structure can have the status of an exclusive leasing importer or exporter;
- implementation of positive internal mechanisms of market self-regulation of entrepreneurial communities;
- simplification of product diversification, including in the direction of the transition to leasing the entire range of production and technological equipment;
- providing the opportunity to attract foreign capital

through a structure-management company, but not directly to leasing companies.

However, the fifth scheme has some disadvantages:

- mandatory establishment of new legal entity and the formation of a contingent of qualified staff;
- territorial distribution of the corporate structure;
- potential manifestations of corporate separatism;
- difficulties in ensuring the parity of indemnities to non-state participants in leasing companies.

It seems that the fifth scheme is the most appropriate and it most likely should be implemented in the form of holding of the first type (with the localization of the held company as new one and the holding companies as ones existed before the holding institution).

To ensure the adoption of the right decision on the corporatization of leasing companies, we need a detailed feasibility study to optimize the type and characteristics of the organizational and economic scheme of corporatization and the necessary transformations of a property, managerial, and other nature.

It is advisable to carry out the necessary development in three stages [10]:

- at the first stage, to carry out justification, which allows assessing the fundamental and corporatization project feasibility;

- at the second stage, to deepen this justification in the directions of clarifying the marketing forecast and clarifying the financial and economic conditions for their functioning, as well as developing constituent innovations;
- at the third stage, to carry out the development of a methodology for internal corporate and internal management and materialize it in the form of appropriate implementation management tools.

The proposed management innovations were tested during the preparation of the following projects:

- formation of proposals for comprehensive group insurance of aviation and technical property of Russian aviation companies and their leasing contractors;
- formation of proposals for the scheme of production and technical operation of one type of aircraft for the conditions of its expanded production and operational international cooperation with the use of a leasing scheme;
- formation of proposals for corporate consolidation of the Russian leasing sector, in which there is an operation with the fleet of civil aviation aircraft;
- formation of proposals to improve the competitiveness of Russian manufacturers of civil aviation aircraft in the domestic market by introducing a leasing scheme;
- formation of proposals for the introduction of a leasing scheme for civil aviation aircraft engines; formation of proposals for the development of leasing and leasing intra-corporate areas for a number of highly technological Russian holdings.

III. CONCLUSIONS

There are the following conclusions from the above-mentioned opinions:

1. The existing separately and haphazardly created and operating Russian leasing companies, most likely, will not be able to provide the domestic high-tech industrial complex with a machine fleet for a number of objective reasons of a technical, managerial, and financial-economic nature. Their indispensable participant should be the state (Russian Federation).
2. The appropriate remediation measure in this area is optimized corporatization, including one that allows creating the prerequisites for leasing the import of high-level technological equipment of foreign production due to the almost complete disintegration of this industry in Russia.
3. The suitable scheme for this corporatization is a holding one.

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