

# Modern Management Trends for Industrial Companies with State Participation in Russia

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**Abstract.** Despite wide prevalence of the companies with state participation in Russia they do not often become the subject of scientific researches. There are about 1100 companies with Russian Federation as the official shareholder and more than 2000 companies with Russian regions participation. This study is one of few studies on the issues of management for industrial companies with state participation. There are the following main trends in the study area: active policy of reduction of state participation in the economy through the privatization; transferring companies to state corporations like state corporations "Rostec" and "Roskosmos"; growing differences in management for industrial companies with state and private participation.

## 1. Introduction

Russia historically has a large public sector. Despite the nearly 30 years of privatization, country remains a fairly large number of state-owned companies or companies with state participation [1, 2] in different industries [3, 4]. Wide prevalence of the companies with state participation does not often lead them to become the subject of analysis of Russian [5] and foreign [6] scientists. There is rather small number of researches directly dedicated to issues of managing state-owned companies, including industrial companies. More often there are studies devoted to different aspects of management for companies in general [7-21] or state public administration [16-20]. That's why one of the main tasks of this study is to eliminate mentioned research gap. The other is to identify modern management trends for industrial companies with state participation in Russia. Another one is to give a forecast of evolution directions of the trends.

The methodological basis of the study consisted of general scientific methods, among which should be highlighted: analysis, synthesis, comparison, induction, deduction, grouping, generalization, analogy. The author also applied structural-functional, systemic, modeling and other methods.

Under companies with state participation the author meant joint stock companies (JSC) or limited liability companies whose shareholder (participant) is the Russian Federation and / or subject of the federation (Russian regions) regardless of the number of shares and the size of shares. Currently the Russian Federation is the official shareholder (participant) of about 1100 companies and Russian regions are owners of more than 2000 companies. A large proportion is accounted for industrial JSC. Among them PJSC Gazprom, PJSC NK Rosneft, PJSC "United Aircraft Corporation", JSC United Shipbuilding Corporation, etc.

## 2. The analysis of modern management trends for industrial companies with state participation in Russia

First trend is the active policy of reduction of state participation in the economy. Over the past 15 years companies with the participation of the Russian Federation have become 3.7 times less.

**Table 1.** Number of JSC with the participation of the Russian Federation in 2003-2018.

Year	2003	2006	2010	2013	2016	2017	2018
Number of companies	4205	3724	2950	2337	1704	1416	1130
The magnitude of the change	-	481	774	613	633	288	286
The degree of reduction (DR), %	-	11.44	20.78	20.78	27.09	16.9	20.2
Average reduction (AR), %	19.53						

As we can see from the table 1 the degree of reduction from one period to another has pretty close values. It allows us to define average reduction through the use of the developed by the author formula.

$$AR = DR_{2006} + DR_{2010} + DR_{2013} + DR_{2016} + DR_{2017} + DR_{2018} / 6 = 11.44 + 20.78 + 20.78 + 27.09 + 16.9 + 20.2 / 6 = 117.19 / 6 = 19.53$$

Taking as a unit of calculation the value of average reduction as the assumed reduction lets try to detect the predicted number of companies in 2019-2028.

**Table 2.** Number of JSC with the participation of the Russian Federation in 2019-2023.

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Predicted number of companies	909	727	581	465	372	297	238	190	152	121
Assumed reduction (AsR), %	19.53									

Second trend - along with privatization, shares of the Russian Federation are transferred to state corporations. Today, the bulk of industrial companies are concentrated in state corporations "Rostec" (near 800 JSC) and "Roskosmos" (more than 60 JSC).

Third trend - a large number of differences in management for companies with state participation and private companies continues to grow. Changes in different documents dedicated to issues of management for state industrial companies are made on average once a month. Also Russian Federation and Russian regions have different vision on how to manage their companies. Each of them has its own management mechanism. But they have several common elements like: regulation and separation of powers between public authorities; internal organizational planning; voting directives in annual general meetings of shareholders and board of directors meetings; involvement in managing process of professional directors and independent experts; control triumvirate (parliamentary control, state audit (control), public control). This list of elements is not exhaustive, but these elements have the key importance for the effectiveness of management mechanisms for companies with state participation in general.

In Russia is used an industrial company management approach which is based on the principle of separation of powers between the executive body on managing of federal or regional property and executive body responsible in different spheres. The main role in this process plays the executive body on managing of state property. On the federal level it's the Federal Agency for State Property Management and on the regional levels each subject of the federation has its own executive body. For example in Russian capital it's the Moscow City Property Department.

### 3. Conclusion

The described trends for managing the industrial companies with state participation not the only ones but they are of primary importance.

In the future, the number of industrial companies with state participation will continue to decline. Most of them will be sold to private individuals. This will lead to a further reduction in state participation in competitive sectors of the economy. It is acceptable to say that the main element of the state management for its industrial companies is to refuse to manage them by selling and transferring state shares. If the current rate of decline in the number of companies with state participation is maintained, there may not be those after 20 years.

Russia is not the only one country with public sector. That's why Russian experience (including her exit from various industries) might be interesting for other countries around the World.

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