

*LEIBNIZ INSTITUTE OF
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Power Shifts along the Supply Chain: Managerial Implications for Russian Agri-food Business

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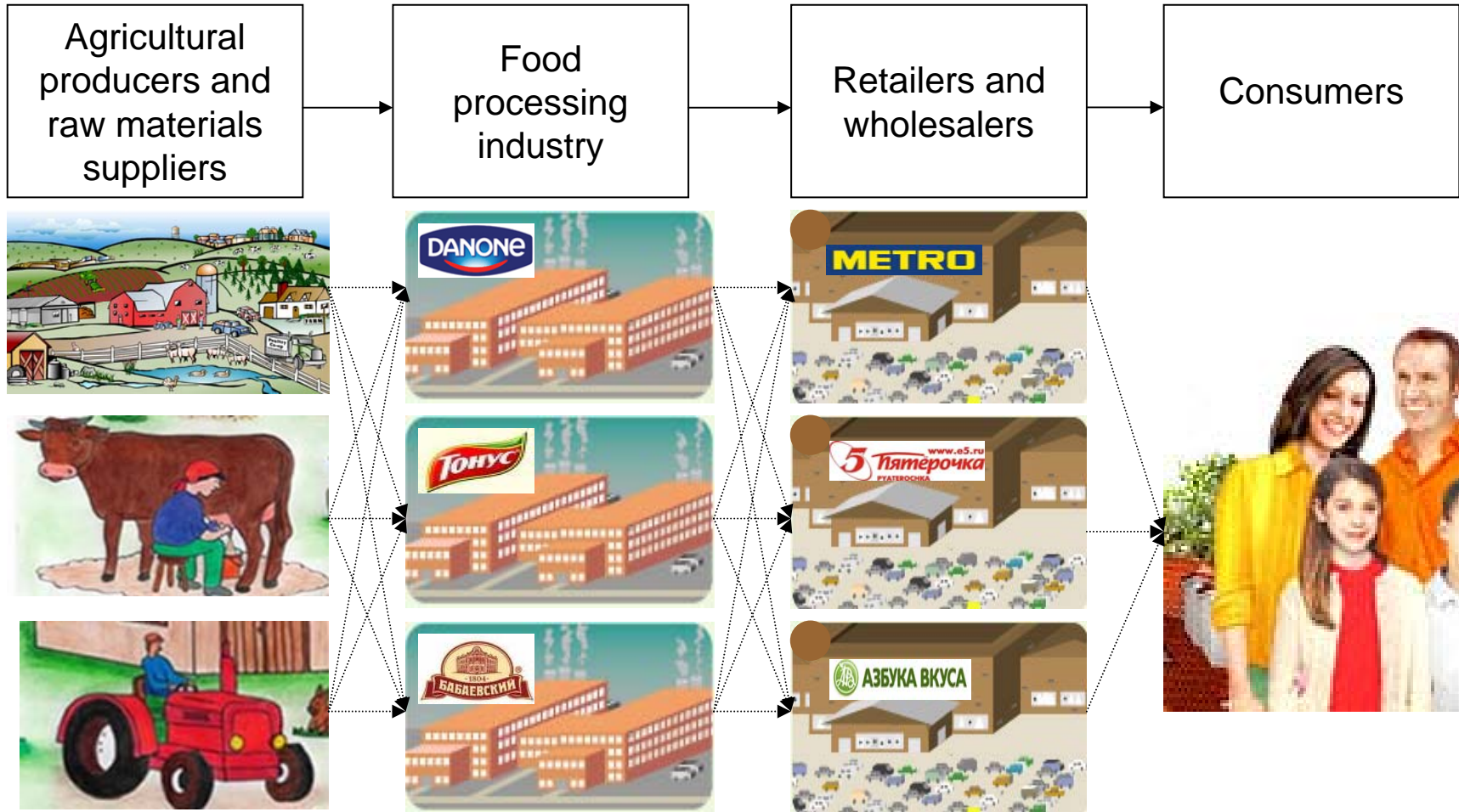
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- Russia represents the largest and fastest growing retail market opportunity among the central and eastern European economies.
- Russia's emerging middle class consumers are looking for better quality and safety products and are open for new retail formats.
- Market influence of retailers increases, and their requirement standards to suppliers become more and more rigid.
- Foreign retailers are also exporting their business strategies and concepts getting supplied by home and local suppliers.
- Retailer-supplier relationships in Russia can be characterized by power asymmetries and mutual dependences.

- to analyze the situation of power distribution and power shifts along the chain in Russian agri-food business
 - Who has the power in the supply chain?
 - Where does power come from in the supply chain?

- to elaborate on implications of power use as a tool for managing the supply chain
 - How can we use power to manage the supply chain more effectively?

Food Supply Chain in Russia



Power Shifts along the Supply Chain: Managerial Implications for Russian Agri-food Business

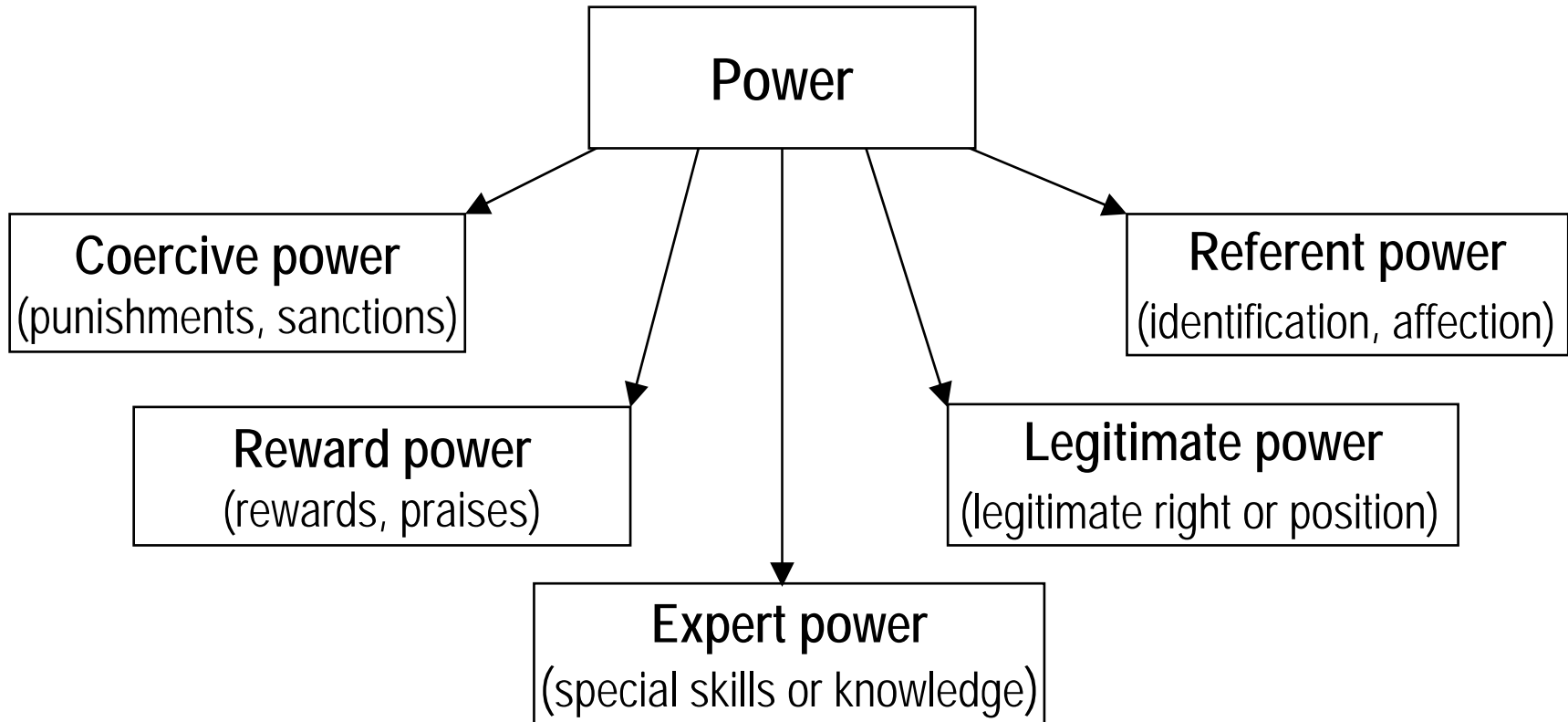
Power is the **ability** ...

- **to influence** behavior, intentions and actions of others (Emerson, 1962)
- **to control** decisions of others (El-Ansary and Stern, 1972)
- **to cause** someone to do something (Gaski, 1984)
- **to achieve** his own interests (Russel, 1986)
- **to carry out** his own will despite resistance (Weber, 1947)
- **to restructure** actual situation (Macmillan, 1958)



Power over someone

Power to do or to act

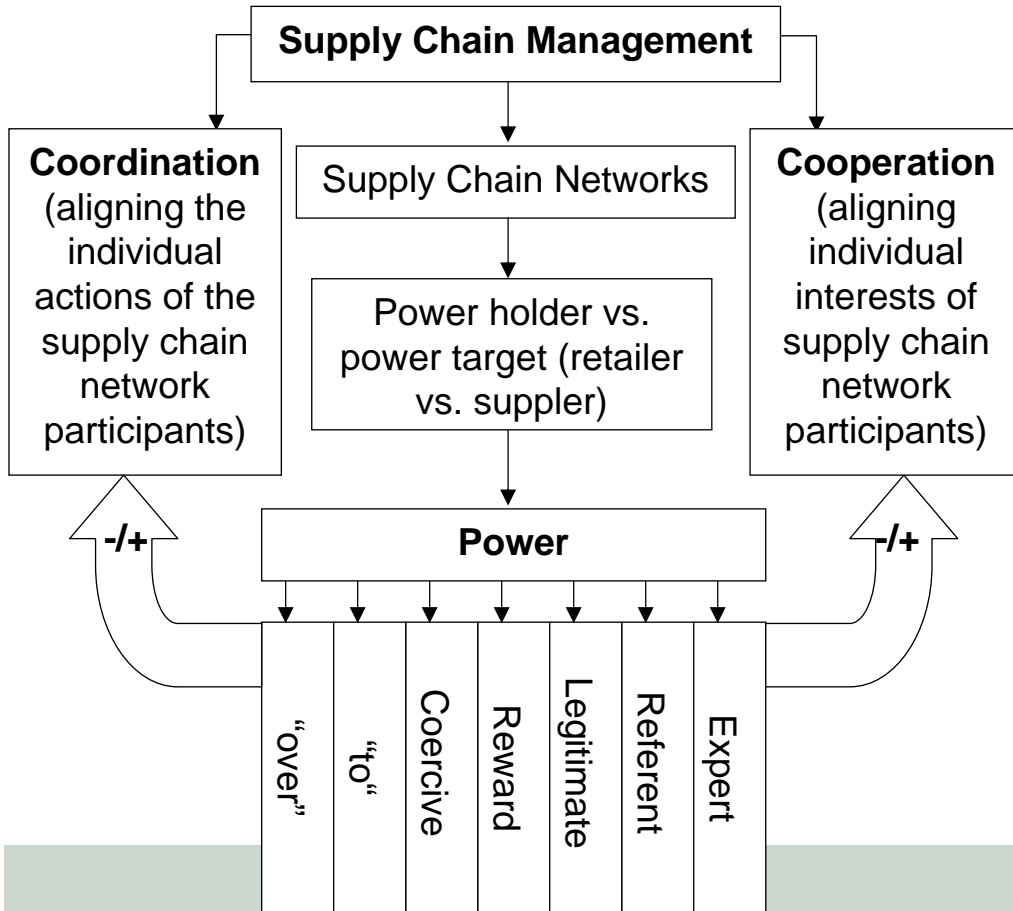


French and Raven (1959)

Power in the Food Supply Chain in Russia:

- **Coercive power**
Retailers reduce the prices, delist suppliers in case of noncompliance.
Suppliers keep retailers waiting for ordered goods, dictate shelf space.
- **Reward power:**
Retailers use a bonus system: additional discounts during sales months, big sales bonuses, advertising bonuses etc.
- **Expert power:**
Retailers possess the knowledge and expertise in how to organize and manage the supply chains.
Suppliers have knowledge about the market, customs and traditions.
- **Legitimate power:**
The market share of some big retailers serve as a legal means to exert their influence on their suppliers.
- **Referent power:**
Retail brands, private labels, social commitment, supporting cultural events, promoting social projects, educating the youth.

Conceptual framework of the theoretical assumptions



Coordination	Power	Cooperation
+	Power “over”	-
+	Power “to”	-/+
+	Coercive	-
-/+	Legitimate	-/+
-	Referent	+
-	Expert	-/+
-/+	Reward	-/+

- **Coercive power:** since it is known for its punishing and aggressive nature, it has to be used only when it is absolutely necessary.
- **Reward power:** rewards should be adjusted to the situation, culture and mentality of the power target and should not be exaggerated or used in an excessive manner.
- **Expert power:** it is advised to use it as a tool for alignment of interests and cooperation among the supply chain network actors.
- **Legitimate power:** should be used in such a way that the power target perceives it as a protective advantage.
- **Referent power:** also mostly positively affects cooperation and should be used accordingly.

Thank you for your attention!

