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The monograph is devoted to the development of the competitive advantages theory. The evolution of the competitive advantages theory was investigated. Peculiarities and modern evidence of competition in retail trade of Ukraine were determined.

Modern peculiarities of the external environment of retail trade enterprises and investment and innovation climate as a factor of the formation and development of competitive advantages of retail trade of Ukraine were investigated. Peculiarities of the entrepreneurial activity in retail trade was determined. Methodical support for the estimation of efficiency of adaptive management system of retail trade enterprises was suggested. Management of capital formation in the context of ensuring competitive advantages of retail trade enterprises was considered.

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## **CHAPTER 1**

### **DEVELOPMENT OF COMPETITIVE ADVANTAGE THEORY**

#### **1.1. Evolution of the theory of competitive advantages**

Volosov A.M.

Theories of competitive advantages have developed simultaneously and in conjunction with the theory of competition, which is one of the fundamental and complex issues of economic science, since competition manifests itself in all levels of economic relations, is an expression of the essence and the key concept of a market economy, as well as the driving force of development.

Competition is not only a rivalry between different market players. As the most important mechanism of the functioning of a market economy, it ensures the implementation and effective functioning of a number of market institutions, such as private property, entrepreneurship, bankruptcy, etc., and also enables market agents to react timely to dynamic changes in market conditions. Being a key element of the market relations system, competition arose at the stage of their formation and has developed in line with the development of the economic system. It was the historical development that determined the tendencies of the evolution of competitive relations, forms and methods of competition. The display of development of competition was the evolution of the conception of competition.

The versatility and multidimensionality of phenomenon such as competition do not allow comprehensively defining the specifics and key issues associated with its problems. Accordingly, the evolution and development of theoretical foundations took place in the historical, terminological and substantive aspects.

One of the categories of market economy and competition theory is “competitive advantages”, which is in dialectical unity and dialectically interconnected with the notions of competition, competitiveness, competitive potential, etc.

Competitive advantages at the same time are a factor and result of competition and competitive relations. Therefore, the possession of the main provisions of the

theory of competitive advantages, understanding their essence and the logic of formation, especially in the conditions of the probabilistic nature of the dynamics of the market environment is not only a significant and necessary reason, but also a methodological basis for defining the directions and activities for the creation, implementation and development of competitive advantages, and on this basis, achievement of successes in the market.

The emergence and evolution of competitive advantages, their economic nature are directly related to the emergence of money, the development of commodity-money relations, the market and, above all, international economic relations.

The formation of the world market, which began with the great geographical discoveries of the XV-XVI centuries, and the unprecedented revival of foreign trade, led to the study of competitive relations by the representatives of mercantilism (T. Man, A. Montcrete, V. Stafford, J. Lo, G. Scaruffy, etc.) [1-4, 24]. The main ideas of this theory were based on the development of the corresponding historical period - the era of the breakdown of feudalism, the formation of the capitalist mode of production and the paramount role of trade capital in these processes. Accordingly, the study of competitive relations and competitive advantages took place in the context of the formation and development of the theory of international trade.

According to the mercantilists, the main and sometimes the only component of material welfare and wealth of a nation, a separate state is money (gold, silver) and their accumulation [1-2]. The sphere of their growth and consequently the formation of competitive advantages was considered foreign trade, and the source - an unequal exchange as a result of trade relations with other states. In order to achieve competitive advantages, colonial trade was monopolized, obstacles to the development of production in the colonies were created, as a result of which the colonial states exported cheap raw materials and imported more expensive finished goods. That is, prices were used as a competitive tool. An indicator of the implementation of competitive advantages and ensuring the country's competitiveness was a positive balance of trade and the capture of foreign markets. The realization of the economic policy of that time, according to the mercantilists,

was inseparable from the protectionist measures of regulating foreign trade (imposing restrictions on the majority of imports, stimulating exports) and subsidizing their own production [1-2].

Many scientists, investigating the evolution of the theoretical foundations of competitive advantages, do not consider it advisable to turn to the provisions of mercantilism, characterizing their practical measures [1-2]. In our opinion, mercantilism as the first attempt to systematize economic activity has left a noticeable mark in the development of economic thought. It was through their development that certain scientific ideas and views have begun to emerge. In relation to the chosen direction of research in this theory the basic principles of the theory of competition, the construction of competitive relations and the formation and implementation of competitive advantages, although with the absence of clear scientific terminology and substantive content, were traced.

Theoretical understanding of the role of the state in the economy was first proposed and instruments of state economic policy, as an important institution that influences the acquisition of competitive advantages were identified by representatives of mercantilism.

In addition, the provisions of the theory of mercantilism were formed and developed by representatives of various Western European countries independently of each other and have been in existence as the first economic doctrine of a market economy and international trade for nearly three decades. It was these provisions that were used as the basis by the scientists-followers who turned to the theory of competition and competitive advantages.

Certain features of mercantilism were traced both in the socio-economic thought and politics of Ukraine in the 16th and 17th centuries. Thus, B. Khmelnytsky's economic policy contained not only elements of mercantilism, but also disseminated these measures to the agrarian sector, domestic trade and envisaged a wider arsenal of methods and measures of protectionism [2]. The spokesmen of the ideas of mercantilism were also Ukrainian scientists of that time: F. Prokopovich, Y. Kovelsky, K. Razumovsky, and others.

The views of the mercantilist do not lose their significance and in the modern period. In the conditions of the integration of the state's economy into the European and world economic space, issues related to the development of foreign trade and protectionist measures, which would contribute to ensuring a high level of competitiveness through the maximum use of competitive advantages and the protection of the national market against unfair competition, are becoming of paramount importance.

The active development of capitalist relations and the intensification of the competitive struggle for the factors of production led to the further development of theories of international trade and included theories of competition and competitive advantages. Leading researcher in the development of economic theory in this direction was A. Smith. He sharply criticized the economic policy of mercantilism that prevailed at that time. The scientist considered all kinds of productive labor as the source of the wealth; he favored free trade and competition and put forward the principle of non-interference of the state in the economy. In his research, A. Smith considered competition as a rivalry, describing as a behavioral category that reflects the processes of balancing private and public interests in the struggle of economic entities for relatively better conditions of existence, in particular, for the most favorable conditions for the sale of goods [3]. An important aspect of A. Smith's theoretical work is the compilation of the key role of competition for the functioning of a market economy in his well-known principle of the “invisible hand”, according to which competition is the most important mechanism for ensuring the efficiency, proportionality and dynamism of a market economy.

Being based on the complete liberalization of the economy, the power of the market and the role of competition in their development, A. Smith is the author of the theory of absolute advantages, the content of which is based on the regularities of the development of international trade. According to the author, the essence of it is that states export goods that are produced at low cost (that is, in the production of which they have an absolute advantage) and import those products, which they produce at higher cost than other countries (that is, in production of which their trade partners

have the advantage). A. Smith argued that if trade was not limited, it would be advantageous for each region to specialize in the production of products that have advantages. As a result, resources would shift to cost-effective industries, since it was unprofitable to compete in unprofitable sectors. According to this theory, the production is competitive, if it has the necessary absolute advantages [3, 24].

Within the scope of research, A. Smith identified a number of competitive advantages according to spheres and sources of formation. Thus, the author highlights “secrets of manufacturing production” and “trade secrets”, characterizing the advantages in these areas by such terms [3]. Under the “secrets of manufacturing production”, a scientist understands the absolute advantages that, on the one hand, are based on natural factors (special climatic conditions or the presence of limited natural resources) and play a special role in agriculture and extractive industries. On the other hand, the advantages in the processing industry depend on the existing production conditions (qualifications of the workforce, technology progressiveness). According to the author, “secrets in manufacturing production” can be stored for a long time, passing them to inheritance by their descendants [3].

As the main advantage in trade, A. Smith calls the sale of products at prices lower than competitors'.

An important aspect in the theory by A. Smith for a modern understanding of the content of competitive advantages is the position of the concept of value. According to his elaborations, any product has the value of two types. On the one hand, it gives his owner certain benefits in the consumption process, which is described by the author as “value in consumption”. On the other hand, each product can be exchanged for another, which indicates its “value in exchange” [3]. Although the main provisions regarding value theory were not developed in the direction of orientation of competitive advantages towards the value of the proposal, they became a certain foundation for the development of scientific thought in this direction.

A. Smith developed a logical system that explained the work of a free market based on internal economic mechanisms, rather than external management. Economic policy of many states not only in Western Europe, but also in the Eastern European



region, including Ukrainian lands were determined by theoretical and methodological aspects of the theory of competition and absolute advantages for over a century. It was during this period that the manufacturing production was implemented in Kiev, Kharkiv, Chernigov and the trade of agricultural products with other countries expanded. And it is important that the main provisions of the research of A. Smith became the foundation and direction of scientific search for a large cohort of economists. At the same time, the flaw of this theory is the fact that it does not answer the question - why countries trade with each other even in the absence of absolute advantages in the production of certain goods.

The following steps in the development of the theory of international trade and the approach to the theory of competitive advantages were made by D. Ricardo. Based on the principles of the theory of labor cost, he substantiated the expediency of foreign trade and cases where the state does not have an absolute advantage in the production of any goods. The theory of comparative (relative) expenditures, developed by him, proves that even in the absence of trade, differences between countries persist in the ratio of costs of production of various goods. Each state has comparative costs, because it always has a product, the production of which is more effective than producing others in the conditions of existing cost ratio in other countries. Comparative advantages depend on the ratio of productive labor and can only appear if there are differences in labor productivity between countries.

According to D. Ricardo's theory, each country must export goods which bring it a comparative advantage, that is, the advantage in costs of labor and capital for the production of these goods in comparison with other countries [4]. In this case, trade between countries will be mutually beneficial, regardless of whether production in one of them is more efficient than in another.

Developing the theory of comparative advantages, D. Ricardo created the basis for the interpretation of the essence of international competitiveness of firms and the economy as a whole.

The main achievement of the theory of comparative advantages is the convincing proof that international trade is beneficial for all its participants, although

it can provide less benefit to one and more - to another. The elaborations of D. Ricardo also confirm A. Smith's idea of gaining advantages on the basis of the division of labor. That is why this theory existed for many years and has not lost its significance today. At the same time, the main disadvantage of this theory is the lack of explanation of the reasons for the emergence of comparative advantages, which are regarded as something formed by a free market. The theory does not take into account the impact of scientific and technological progress, technological changes, the existence of a monopoly position of some participants in the market, as well as the level of development of countries.

The scarcity of the theory of comparative advantages is the fact that as their factor only labor is considered.

Nevertheless, the importance of this theory is difficult to overemphasize: it described the balance of aggregate demand and supply, proved that the country gets trade gains without damaging other countries, but finding opportunities for trade within the country and giving up to introduce trade barriers. In addition, it was the theory of comparative advantages that formed the scientific basis for the further development of theories.

Developing the ideas of D. Ricardo, J. S. Mill focused on the fact that the economy of each state is unequally secured by factors of production (bearing in mind not only labor, but also other factors) [5]. Accordingly, their price varies, therefore, should be exported goods whose production requires the involvement of the cheapest factors. The author also articulated provisions about the impact on the costs of mutual demand of countries which trade with each other. The factor content of J.S. Mill's theory enriched the theory of comparative advantages, which is considered by modern economists as part of the conception of competitive advantages.

The theory of comparative advantages by D. Ricardo was also supplemented and perfected by the American economist G. Haberler. In his work "Theory of International Trade" (1936), a scientist proposed a new way of determining the benefits of foreign trade through the alternative cost of production of goods, which has the expression in other goods of non-productive uses [16, 24].

In the late XIX - early XX centuries, the role of natural factors and differences in labor productivity in the specialization of countries is significantly reduced. Such changes placed before scientists the need of new theoretical justifications of economic relations between countries and the nature of the emergence of competitive advantages. Further development of the theory of comparative advantages of D. Ricardo was carried out in two directions, which differ in neoclassical and neo technical schools.

The most popular theory in the neoclassical school was the theory of the ratio of the factors of production by E. Hakescher and B. Olina, in which the necessity to determine comparative advantages on the basis of estimation of factors of production, their relations and interconnection was substantiated [6-8]. In this model the factors, determining the international division of labor, are bound not only with natural conditions, but also with the conditions created in the process of development of production. Speaking against the labor theory of the value of D. Ricardo and its use for the analysis of foreign trade, E. Heckscher and B. Olin applied the concept of production factors (economic resources), the author of which is the French economist J.-B. Sei. They proceeded from the fact that the differences in the comparative costs between the countries are due to the fact that in the manufacture of various commodities factors are used in different ratios, as well as the unequal availability of countries by factors of production (labor, land, capital) and their price. In their view, the emergence of international exchange is due to the fact that states export goods whose production requires higher costs relative to abundant factors and import those, whose production is based on relatively scarce factors for a given country [6-8].

Scientists believed that a product whose production is dominated by relatively cheap, abundant factors that have a comparative advantage due to the lower price. Accordingly, those industries are competitive that concentrate a greater number of such factors. Specialization of countries in the production of goods with the use of cheap goods can lead to an increase in demand for them and increase prices. As a result, a country can spend its primordial advantages and face the need to find new opportunities for exporting products through improved production. This mechanism

was substantiated by American economists P. Samuelson and V. Stolper, who improved the theory of Heckscher-Olin [9-11]. Scientists argued that in the case of homogeneity of production factors, the identity of technology, perfect competition and the full mobility of goods international exchange aligns the price of production factors between countries. Based on the model of D. Ricardo with supplements of E. Heckscher and B. Olin, the authors view trade not only as a mutually beneficial exchange but also as a means of reducing the gap between levels of development between countries [10, 11].

In the middle of the 50s of the twentieth century V. Leontiev tried to empirically check the main conclusions of the Heckscher-Olin concept and came to paradoxical conclusions. Using the model of inter-industry balance “input – output”, L. Leontiev proved that some concepts should be added to the concept. First of all, it is necessary to take into account the heterogeneity of factors of production (differences may apply not only to labor, land, capital, but also to their intra group composition). And second, public policy should stimulate those industries where relatively scarce production factors are extensively used [12].

Proponents of the Heckscher-Olin model made numerous attempts to expand and improve it. In order to dynamize it, factors such as changing the structure of demand (B. Balassa, G. Johnson) were introduced into it; the change of the availability of production factors under the influence of the growth of the active population, the accumulation of capital (T. Rybchinsky theorem) or the mobility of one of the factors (E. Madell's theorem), etc. [14-17].

It should be emphasized that E. Heckscher, B. Olin and their followers highlighted an important aspect that allows better understanding of the nature of competitive advantages. Scientists emphasize that benefits can be lost under the influence of certain factors, the number and conditions of use of production factors, and therefore there is the need for their development through the improvement of production. These provisions subsequently made it possible for researchers to draw conclusions about the various stages of the development of competitive advantages.

Within the neoclassical school, A. Marshall made a significant contribution to

the development of the theoretical foundations of competitive advantages. The scientist paid a lot of attention to large-scale production, considering that it has the advantages of “saving skilled labor, saving cars and saving raw materials” [18]. The study of external and internal economies of scale of production allowed A. Marshall to form the theory of industrial regions, within which the industrial areas of small and medium enterprises were selected as an alternative to large vertically integrated enterprises. At the same time, small enterprises, being close together, are able to successfully compete with large structures, including access to local resources. In this set of small businesses there is a saving effect on the scale of production (external economy), as in large firms (internal economy) [18]. The concentration of small enterprises, which have foreign economies of scale A. Marshall calls industrial regions, distinguishing three main factors of their advantages: the general market of skilled labor; local trade between firms; local inter-firm distribution of labor. Consequently, A. Marshall's theory of industrial areas focuses on identifying the competitive advantages associated with external and internal economies of scale of production, and also highlights the spatial location as a factor of creating preferences.

An important place in the theory by A. Marshall is occupied by issues of the formation of advantages with an orientation towards consumers (theory of market pricing). Emphasizing the special role of the supply in international trade relations, the scientist noted that the international demand for goods of a given country can considerably expand if this state offers its products on terms more favorable to buyers, and, on the contrary, when it imposes conditions that are more favorable for it [18]. And although these statements relate to international trade (according to the level of competitive relations of that time), to some extent they can be attributed to the internal.

The possibility of gaining benefits due to the effect of scale and consumer orientation is reflected in the elaborations of the Italian scientist P. Sraffa. The scientist showed that large companies operating in a competitive market are benefiting by taking into account consumers' requirements and using the scale of production [19].

Ideas regarding the location of production according to sources of raw materials and of markets are covered in the works by I. Thunen and V. Launhardt and became one of the basic for research of competitiveness of regions from a position of creating their competitive advantages [20, 22]. One of the developers of these ideas is A. Weber [21], who in his theory of industrial shtandort expanded research boundaries by introducing additional factors of location. The scholar stressed that concentration, on the one hand, increases the benefits inherent in large production compared to small one, and on the other hand, determines the effect of specific advantages: the creation of its own markets of materials and finished products, saving on general expenses in the process of performing general-purpose functions [21].

A. Marshall's theory of industrial areas and the placement theories became the foundation for researching competition and competitive advantages at the cluster level.

The provisions of these theories are also important for the development of modern approaches to the formation of competitive advantages by trade enterprises.

Further development of competitive relations, forms of competition, formation of monopolies and increase their role in national economies of some countries led to the expansion of the views of scientists on the range of factors affecting the formation and development of competitive advantages. So, D. F. List formulated the concept of “industrial education of the nation”, in which some aspects of the theory of competitiveness and competitive advantages were substantiated. This primarily concerns measures of state regulation of competitive relations and investment in priority sectors synchronized with the regulation of foreign trade. The scientist explains this by the fact that free trade accelerates the division of labor and, in this case, exacerbates the economic problems of sectors oriented mainly on the domestic market. Considerable attention D.F. Liszt devoted to the factors of the formation of the advantages of a non-economic character at the country level, namely the development of various social institutions: science, press, morals, judicial system, etc. These non-material factors, according to the scientist, ensure the creation of a highly developed society [23].

In studies by V. Rosher, B. Hildebrand, K. Knis, it is emphasized the need to take into account the specific features, including the non-economic character, of each individual country: its geopolitical situation, specific historical and natural conditions, traditions, customs, and the sophistication of political institutions in developing a national economic policy aimed at ensuring national upsurge and comparative advantages [16]. Similar views were also observed by G. Schmoller [24].

A special place in the theory of competitive advantages is occupied by J. Schumpeter's elaborations. He began his researches within the framework of the neoclassical school, whose representatives mainly focused on problems of the short-term period. However, in their writings, the issues of economic development in the long-term period nevertheless are traced. Development was considered by the neoclassicists as a permanent economic process, the result of which is constant economic progress. The results of the discovery of new sources of resources and technological innovations, in their opinion, outweigh the effect of reducing returns on scarce resources.

In his theory, J. Schumpeter substantiated the leading role of innovation in economic development and the creation of competitive advantages. Under innovations he understood “the use of existing sources in new ways” [36]. Innovations are new products, new technologies, a new organization of production, the opening of new markets. The source of development and competitive advantages is internal processes, new combinations of production officials on the basis of innovations.

The main figure that uses new productive combinations, is the entrepreneur, according to J. Schumpeter, - “innovator”. The scientist believed that entrepreneurial ability is the fourth factor of production, which was not considered by representatives of the classical and neo-classical science. Thus, it can be noted that the focus of the formation of competitive advantages is directed at the level of the enterprise, its internal environment. With the help of innovations, the company can use new competitive techniques that are different from price forms of competition. Competitive techniques based on innovation activity, the scientist called effective

competition, and the exclusive position of the firm, which is the result of a non-price form of competition, - an effective monopoly. On the concept of I. Schumpeter, the effective monopoly – it is the position of the firm in the market, where it receives additional benefits and profit from implementation of innovative changes in its own economic system [36]. In the development process, old products and previous forms of production are displaced. There is a process of “creative destruction”. Flowering changes into depression. Consequently, the important conclusion of J. Schumpeter's theory is that any competitive advantage based on innovations has its own “life cycle” and remains such until it is not the property of competitors.

The theoretical works of J. Schumpeter are a peculiar link between the theories of neoclassical and neo technical directions.

The neo technical school, whose researchers worked on improving the theory of comparative advantages, has been developed since the middle of the twentieth century on the basis of the scientific and technological revolution. They linked the main advantages with the monopoly position of the firm (state) - the innovator, that produces production which is not cheaper, but which is needed and nobody else produces such one.

One of the most popular neo technological models is the theory of technological rupture. The basics of this theory were developed by American economist M. Pozner [25]. The author and supporters of this theory attribute the advantages of any country with the existence of differences in the levels of their technological development. The development of a new technology or new technological process gives countries a temporary advantage, which will exist until other countries do not overcome this technological gap. That is, the country (firm), which produces a new product, for some time, has a so-called quasi monopoly. Not having competitors on the world market, it receives additional profit from the export of new products. In addition, technical innovations allow the country (firm) to produce goods of traditional export with lower costs, which increases the comparative advantages of given state. The country receives extra profits until other states do not copy its innovations. Consequently, the technological gap can give only



temporary advantages. Scientists explain the existence of a technological gap by differences between the countries in the scientific and technological potential, levels of qualification of the workforce, the degree of development of scientific and technological progress, that is, they more widely interpret the factors of competitive advantages, the content of which changes with the development of productive forces. This theory claims that a country can hold its leading positions on the world market only if there is constant innovation activity.

However, M. Posner's theory has some disadvantages, since it does not explain what scales of the technological gap should be, how they arise and eliminate.

Technological gap theory was used by R. Vernon as his own model of product life cycle. The author takes into account the various stages of the life cycle and justifies, depending on them, approaches to the formation of advantages [26]. This theory is based on the assumption of a monopoly position of a developed country in technology, which gives it the benefits of creating new or improved goods.

The theory of product life cycle characterizes the dynamic aspect of comparative advantages, which consists in the fact that during the corresponding cycle of the product there is a consistent change of its suppliers in the world market. If science researches and elaborations lose their role as a decisive factor in comparative advantage, then production will move to countries that have advantages in other elements of expenditure, such as unskilled and cheap labor, respectively.

In the early 80's of the twentieth century, within the neo technical direction P. Krugman, K. Lancaster and other economists proposed the explanation of the nature of benefits based on the scale effect as an alternative to classical one [27-28]. The essence of the theory is that, in the conditions of a certain technology and organization of production, long-term average costs are reduced as production increases, that is, there is an economy caused by mass production. Economy of scale - the development of production, in which the increase in costs of production factors per unit provides production growth by more than unit. According to Krugman's theory, the flourishing of different countries is explained by the scale effect: in the long term it is more profitable to produce a significant amount of identical goods and

services. The advantages of large production, according to the authors, are the availability of mass production; wider opportunities to use the achievements of scientific and technological progress; labor saving; stable market position [27]. In the theory external and internal economies of scale are also highlighted. Internal economy is achieved on the basis of increasing the size of individual firms, which causes the formation of monopolies and creates imperfect competition. External economy of scale, on the contrary, involves reducing unit costs by increasing the number of firms in the industry, increasing competition between them, that is, further development of perfect competition.

K. Lancaster also focuses on the importance of the value of the offer for consumers, contending that “the consumer chooses in the market not the goods on their own, but the specific consumer characteristics embodied in the goods” [28].

Significant contribution to the development of the theory of competitiveness and competitive advantages was made by the representative of the British School of Economics J. Dunning, who focused on penetrated the foreign market - foreign direct investment.

J. Dunning in his theory provides a combination of the advantages of three categories: ownership, placement and internationalization, formulating it as an “OLI paradigm” [29-30]. The presence of all three types of advantages leads to the fact that foreign direct investment becomes the most attractive strategy of doing business in the target market. This can mean either the opening of own production in the target market or the acquisition of an existing one for the purpose of management and control. This theory can be considered as a dynamic approach in which the benefits of ownership, placement and internationalization are interconnected. The value of each set of benefits and the configuration between them will vary depending on the industries, regions or countries, as well as depending on firms involved in international production. The theory by J. Dunning continues to be significant in the current conditions of globalization of the economy.

The theory of the monopolistic advantages by S. Hymer and C. Kindleberger is devoted to the conditions for the exit of corporations and other entities into foreign

markets [31-32]. It points out that in foreign markets, the corporation faces existing local firms, which have advantages in owning a market situation, knowledge of preferences and requests of consumers, establishing relations with the administration. Accordingly, in order to conquer any segment of the foreign market, according to C. Heimer and C. Kindleberger, the firm must have monopolistic advantages to cover the high costs of investing abroad. They include: advantages of commodity policy of firms (commodity differentiation, brand image, marketing technique); the benefits of production factors (production control, own technology, personnel qualifications, privileged access to capital markets); the possibility of using internal and external economies on a scale, government policy, etc.

Problems of success in foreign markets are also affected by the theory of internationalization by R. Buckley and D. Casson. As the main competitive advantage of transnational corporations (TNC), the authors identify a holistic internal structure in which the know-how developed by the corporation is inaccessible to competitors, even under a licensing agreement [33-35]. This applies not only to achievements in the field of R & D, but also the use of new financial technologies that allow organizing financial flows so that to reduce the cost of tax and other payments to the budgets of the countries where the corporation works. A holistic internal structure of TNC is regarded by scientists as an alternative market (for example, implementation between affiliates), where transfer costs are reduced by economies of scale.

In our opinion, these theories deserve special attention in conditions of European integration of Ukraine.

An overview of the above-mentioned information leads to the conclusion that the development of scientific thought in the context of competition and competitive advantages views of researchers on subjects of competitive relations shift from state to enterprise level.

In the second half of the twentieth century there were serious changes in the conditions of competition, its commodity and geographic structures. The dynamic development of the complex of processing industries, which is the basis of economic

progress, led to a relative degradation of the role of countries that have significant reserves of natural resources and the entrenchment of leadership in industrialized countries. Trade of finished products began to prevail in the commodity structure of world trade. Unlike the previous stages of development, where the benefits were due to the resources of the countries, during this period the importance of factors directly related to the activity of companies, which aspire to take maximum account of market requirements, develop and implement a strategy of gaining stable positions on specific commodity markets.

The place and role of a business entity, a separate enterprise, changed significantly. As a result of concentration and centralization of ownership, transnational corporations arose. It is they that ensured the dynamism of international economic relations, the rapid transfer of competitive advantages from one country to another.

Theoretical views reflecting these changes were embodied in the theory of competitive advantages by M. Porter. His theory is the most comprehensive and systematic study in which the author managed to combine the views of classical and neoclassical economists and representatives of the neo technical school.

Within the framework of the theory by M. Porter, was first justified the use of the concept of “competitive advantages” in contrast to comparative advantages.

M. Porter proposed a new approach to the analysis of the development of international trade in the theory of competitive advantages. Proceeding from the fact that in the world market firms compete, and not states, the scientist shows how the firm forms and maintains competitive advantages and what is the role of government in this process. The competitive advantages that make it possible for a firm to succeed on the global market depend, on the one hand, on a well-chosen competitive strategy and, on the other hand, on the ratio of factors (determinants) to these competitive advantages. The choice of competitive strategy by a firm depends on two main factors: the structure of the industry in which the firm operates, and the positions of the firm in this area. The market structure of the industry is determined by the number of competing firms, the possibility of new competitors, the presence of

substitutes, etc. The position of the firm is determined by how the firm provides its competitive advantages. According to the author, a stable position in competition is ensured either by level of expenditure, which is lower than that of competitors, or product differentiation (improving quality, developing products with new consumer properties, expanding after sales service, etc.) [37-38].

For success in the market, according to M. Porter, it is necessary to combine the rightly chosen competitive strategy of the firm with the competitive advantages of the country. The author distinguishes four determinants of the country's competitive advantages.

Firstly, the production factors availability. Moreover, the scientist focuses on both traditional and development of specialized factors (scientific and technical knowledge, highly skilled labor, infrastructure, etc.).

Secondly, the parameters of demand for products in the industry, which, depending on the volume and structure, allows the scale economies to be used, stimulates innovation and improves the quality, promotes the exit of firms into the external market.

Thirdly, the availability of competitive industries-suppliers (that provides quick access to the necessary resources) and related industries, which produce complementary products (that makes it possible to interact in the field of technologies, marketing, service, information exchange, etc.). Thus, according to M. Porter, clusters of competitive national industries are formed.

And, fourthly, the competitiveness of the industry depends on the specifics of the strategy, structure and rivalry of firms, that is, what conditions in the country determine the peculiarities of establishment and management of firms and what is the nature of competition in the domestic market.

Porter emphasizes that states have the greatest chance of succeeding in those industries or segments where all four determinants of competitive advantages (“national diamond”) have the most favorable character. The author also notes the important role of the state, which through its politics influences parameters of factors of production and domestic demand, the conditions of branches development, the

structure of firms and the nature of competition in the domestic market.

According to M. Porter, maintaining competitiveness through the formation, implementation and development of competitive advantages - is a dynamic process, which is based on innovations and constant technological upgrades.

One of the aspects of Porter's theory is the concept of value chain, in which the author emphasizes that in order to form competitive advantages in the process of strategic analysis it is expedient to turn to a chain of value creation. He describes the latter as a series of successive (main and auxiliary) actions of the company to transform resources into a final product that will satisfy the buyers and they are ready to pay for it. This tool allows defining a hierarchy of processes based on their contribution to the end product - the value of the product or service for the consumer. The method allows identifying strong and weak company positions and determining possible directions for change. The result of the analysis of the value chain may be the introduction of new ways of its creation and the formation of competitive advantages.

Consequently, M. Porter's theory of competitive advantages combines both elements of classical theories, in which the factors of production are considered, and their followers, which are oriented on separate directions of activity.

The evolution of theories of competitive advantages, its main provisions, its theoretical and methodological aspects are presented in table 1.

M. Porter's theory became a scientific foundation for the further development of certain aspects of competitive advantage, which is caused by changes in economic life. Contemporaries of M. Porter and also his followers turned to the consideration of the problems of gaining and maintaining competitive advantages.

Significant place in the theory of competitive advantages and innovation processes occupies the concept of the techno-economic paradigm K. Freeman.

According to K. Freeman, the impetus for economic development is the emergence of basic innovations in certain sectors of production, which provides competitive advantages not only in the industry, but also in the country [39-40]. The researcher investigated the institutional context of innovation, emphasizing that the

research sector is a kind of network of institutional structures in the public and private sectors of the economy, whose activity and interaction initiates, creates, modifies and promotes the emergence of new technologies. In the conception of K. Freeman, the national innovation systems based on these institutions and the conditions for their effective functioning were considered. On this basis, the author distinguishes scientific and technological achievements and knowledge as key factors of sustainable advantages.

Table 1.1.1 – Content and methodological aspects of the scientific basis of the theory of competitive advantages

<b>Theory</b>	<b>Representatives</b>	<b>Key points</b>	<b>Theoretical and methodological aspects</b>
Mercantilism	T. Man, A. Montchretien V. Stafford J. Lo G. Scaruffi F. Prokopovich Ya. Kovelsky	The first attempt of scientific systematization of economic activity. The subjects of competitive relations are states, the main component of growth is money. Achievement of wealth is possible on condition of the preponderance of exports over imports. Attention to the protectionism of foreign trade and domestic policy to support manufacturing.	The basis of competition and competitive relations, the formation and implementation of advantages. The role of trade in ensuring the competitiveness of the country. Protectionist policy of the state
Theory of absolute advantages	A. Smith	Characteristic of competition as a rivalry in a free market conditions. The competitiveness of the national economy depends on the degree of its openness, models of specialization and is achieved through the realization of absolute advantages. Absolute advantages are based on the resources that one or another country owns. Natural and acquired advantages of manufactory production. Advantages of trade. The source of the advantages - is low costs. Value of goods in consumption and in exchange.	Content of absolute advantages. Types of absolute advantages depend on the sphere of activity (manufactory production and trade) and the type of resource (natural, labor, technology). Resource approach to the formation of advantages. The first attempt to link the advantages and value.
Theory of comparative advantages	D. Ricardo	Justification of the expediency of trade in the absence of absolute advantages. The source of wealth is labor productivity. Comparative advantages are based on differences in labor productivity at costs.	Objectivity of international relations. The relative nature of the advantages. Resource approach to the formation of advantages.
	J. Mill	The development of the theory of comparative advantages.	Broadening the range of factors of forming

		Comparative advantages are determined not only by labor, but also by other factors and their prices. Influence on expenses of mutual demand of the states - subjects of trade relations.	advantages. The need to take into account demand in implementing the advantages.
Theory of specific production factors	G.D. Johnson B. Balassa E. Madell T. Rybchinsky	Improvement of the Heckscher-Ohlin model based on the introduction of factors: change in the structure of demand; change in the availability of production factors; capital accumulation; mobility of factors	Dynamic character of the model.
Theory of the ratio of production factors	E. Heckscher B.Olin	The basis of the definition of advantages - is the assessment of production factors, their relationships and interconnections. The comparative advantages are explained by the country's sufficiency of production factors, their combination and value. The statement that a country may lose its competitive advantages under the influence of demand on production factors.	Development of a resource approach to the formation of advantages based on the ratio of factors. Conditions of loss of advantages.
	P. Samuelson V. Stolper	Development of the Heckscher-Ohlin model. Justification of the mechanism for reducing the gap between levels of development of countries.	Conditions for the elimination of imbalances between countries and the development of advantages.
	V. Leontiev	Approbation of the Heckscher-Ohlin model. On the basis of the inter-industry balance-sheet, the "costs-issuance" is supplemented by the theory of the ratio of production factors by provisions about taking into account their heterogeneity and the direction of state policy.	Inhomogeneity of the intra-group factors of production, affecting the advantages of the subjects of competition. Their differentiation. Stimulation of the state use of scarce resources.
The theory of industrial regions, Theory of market pricing	A. Marshall	The subject of research - is the concentration of production at large enterprises and small and medium-sized firms in industrial districts. External and internal savings on the scale of alternative forms of organization of production. Specific advantages of industrial districts. Underlining the special role of the supply in international trade relations, whose condition of successful implementation is orientation towards customer requirements.	Factors of the advantages of large-scale production and concentration of small and medium-sized enterprises. Foreign and domestic savings on scale. Consumer orientation is an important factor in the development of trade and the formation of advantages.
Theory of value and pricing	P. Sraffa	The effect of scale and customer orientation as a predictor of the emergence of monopolized markets (monopolistic competition) was considered. Advantages as a result of control over market demand.	Advantages at the expense of scale and value for consumers in the markets of monopolistic competition.



Model of rational shtandort of industrial enterprise	V. Launhardt	Concentration of production. Principles of choosing a placement to create.	Advantages of location. Factors of their formation.
Theory of agricultural shtandort	I. Tyunen		
Theory of industrial shtandort	A. Weber	Advantages of large-scale production. Optimal placement model. Factors of choice.	Benefits of large-scale production. Specific advantages of scale and placement.
Concept of "industrial education of the nation"	D.F. List	Certain aspects of competitiveness and advantages. State regulation of competitive relations and investment in priority sectors. Development of public institutions. Factors for creating a highly developed society.	Measures of state regulation of competitive relations. Investing as a development factor. Factors of competitive advantages of immaterial nature.
Theories of historical school	V. Rocher B. Hildebrand K. Knis	The emphasis is on the development of each country according to its own laws, taking into account the specific features of each country, the development of political institutions.	Factors of non-economic advantages. Their differentiation by the subjects of competitive relations.
Theory of economic development, theory of innovation	J. Schumpeter	An approach to economic development based on innovation. The main provisions of the theory of innovation. Distribution of innovations on all spheres of activity. Innovation as a unique specific system of combinations of production factors. The role of an entrepreneur in innovation activities.	The concept of "innovation". Types and directions of application. New competitive practices based on innovation activity. Effective competition and effective monopoly. Innovations and entrepreneurial abilities as factors of formation and development of competitive advantages.
Theory of technological rupture	M. Posner	Explanation of the advantages by differences in the levels of technological development: scientific and technical potential, level of qualification of the work force, degrees of development of achievements of scientific and technological progress. Temporary character of competitive advantages, their development in the conditions of constant innovation activity.	Factors of competitive advantages on the basis of scientific and technological progress. Dynamic nature of factors and competitive advantages.
Theory of the product life cycle	R. Vernon	Stages of the life cycle and competitiveness of goods. Approaches to the formation and development of competitive advantages at each stage.	Dynamic nature of competitive advantages and their sources depending on the stage of the life cycle.
Theory of monopolistic advantages	S. Haymer C. Kindleberger	The methods of competitive struggle and monopolistic advantages of corporations for the conquest of foreign markets.	Monopolistic advantages of commodity policy, factors of production, and economies of scale.

Theory of the scale economies	P. Krugman K. Lancaster	An alternative to classical explanation of the nature of advantages based on the scale effect. Competitive forms generated by the scale effect. External and internal effect. The role of investments in shaping competitive advantages.	Long-term scale effect. Factors of advantages. Consumer orientation.
“OLI paradigm”	Dg. Danning	Stages of investment development of countries. The reasons for the increasing foreign direct investment, the emergence of transnational corporations. A combination of the advantages of ownership, placement, internationalization. Factors of their configuration. Specific competitive advantages of foreign investors over national ones.	Advantages of ownership, placement, internationalization, their interconnection. The dynamic nature of the advantages. The level of formation of advantages - the firm.
Theory of internationalization	R. Buckley D. Kasson	Conditions of success of transnational corporations in foreign markets.	The advantages of transnational corporations.
Theory of competitive advantages	M. Porter	System approach to the formation, implementation and development of competitive advantages. Justification of the concept of “competitive advantages”. Competitiveness as a combination of competitive strategy and competitive advantages. Determinants and types of competitive advantages at the level of countries, industries, firms. The basis of competitive advantages is innovations. Conception of value chain.	The term “competitive advantages”. Determinants and types of competitive advantages. Factors of competitive advantages. The role of the state in the creation and maintenance of competitive advantages. Valuable approach to the formation and development of competitive advantages.

A number of scientists were engaged in similar researches in this area. Thus, in the conception of the national innovation system and economics of learning by B. Lundwall and B. Johnson, national innovation systems are considered as elements and interrelations within the state, and they are engaged in obtaining, disseminating and using new profitable knowledge. In their view, the basis of innovation as a system, and competitive advantages is new knowledge that can be advantageously applied in the economy [41]. The field of researches by B. Lundwall and B. Johnson were also the relationships between manufacturers and consumers of new knowledge and innovative technologies.

B. Asahim and A. Izakson in their researches developed the concept of a regional innovation system, which considered issues of innovation and competitive

advantages at the level of regions, and not countries [42]. The researchers focused on factors of regional growth, identification of priority areas of activity, forms of innovation activity of the regions as a condition for the development of competitive advantages and competitiveness. Formation of competitive advantages at the regional level is also dedicated to the conception of regional clusters by M. Enright. Its main idea was to study the geographical scale of competitive advantages. In his opinion, competitive advantages are not created at the supranational or national level, but at the regional level, where historical preconditions for the development of regions, the diversity of business cultures, the organization of production and the acquisition of education play the leading role [43].

In unison with the theory by M. Porter, researches by Swedish economist E. Damen were conducted. He developed the conception of “development blocks”, the composition of which is formed from related and supporting industries, which are interconnected by interconnections and a common technological base [44]. An important aspect of this conception is the definition of the competitive advantages of alliances and networks of enterprises, into which, first of all, scientific achievements and the organization of production and service are incorporated by the author.

The scientists paid considerable attention to the problems of providing long-term competitive advantages. In this sense, the ideas by G. Hamel and K. Prahalad about the approach to the strategy of realizing competitive advantages at the expense of intellectual leadership deserve attention. According to their conception, due to the fact that the success of modern business depends entirely on technologies, in order to obtain advantages, it is necessary to take care of the prospects that are defined today [45]. The main competitive advantages, in their opinion, are intellectual values, which in the future will determine development not only in production technologies, but also in the conduct of business. Prospects of the company are determined by its intellectual leadership among all market participants. Therefore, the authors suggest investing in intellectual long-term development. It is proposed to work with the consumer in the direction of forming his future needs.

The main factors of long-term advantages are outlined in the new theory of

growth by P. Romer and the theory of “human capital” by R. Lucas. As such scientists highlighted the investments in scientific developments and human capital. Scientists suggest for determining the influence of the human factor on the competitive advantages to expand its intra-group composition of the following elements: professionals, intelligence, knowledge, qualitative and high-performance work, high quality of life [46-47].

Economists M. Tracey and F. Viersem made some contribution to the development of long-term business successes. Scientists argue that there are three “value disciplines”, the availability of which will allow the company to work for the benefit of consumers and create competitive advantages on this basis [48]. These “disciplines” include: operational perfection, which is achieved in the process of optimizing current costs; product leadership that allows offering a product on the market with the best characteristics and which is not had by competitors; proximity to consumers. At the same time, the authors note that in order to obtain competitive advantages, it is necessary to choose any one type of value, which, in our opinion, causes certain doubts.

A peculiar answer to such approach can be considered the theory of business ecosystems (co-evolution) by J.F. Moore, which includes a wider understanding of the actions of companies, where competition and cooperation are equally important. He compared the business environment with the natural (environmental system), where there is not only struggle, but also evolution, cooperation and mutual assistance [49]. In business the success of a firm depends on the environment, where the interests of all members of the business and members of society are interconnected. Therefore, the author instead of a strategy aimed at creating unilateral advantages, offers companies to develop and support the entire ecosystem, which combines the impact of the external environment, competition and evolution (“co-evolution”). J.F. Moore also distinguishes competition strategies and sources of creation of competitive advantages at different stages of the ecosystem development.

Another attempt to solve the competition or cooperation dilemma was the theory of “co-competition” (cooperation plus competition), proposed by A.

Brandenburg and B. J. Neilbaff. They believe that in business there is no fatal inevitability of win for one and loss for other; many participants can profit [50]. For example, in the fight for customers, the two companies are rivals, and in work with suppliers the cooperation is expedient. The researchers proposed the theory of games that allows making flexible combinations: changing the composition of the players according to the choice, varying the values of the participants of the business, determining the rules and tactics of the game, its scale and scope.

For the creation of competitive advantages in the future, the theory of the “blue oceans” is directed by K. Chan and R. Moborn, where market participants are invited to go beyond the well-known segments of the “red ocean” market and concentrate efforts in areas where there are no competitors, but sufficient potential for company development exists. According to the authors, in the blue oceans competition is not threatened, because the rules of the game have not yet been established. At the same time, the conception of blue oceans does not deny the effect of the competitive environment. At the same time, in case when supply exceeds demand for further development, companies need to target the creation of “blue oceans” [51]. It is important to emphasize that the creation of a blue ocean does not necessarily involve new areas. One of ways may be an expansion of the boundaries of existing ones. In evaluating the strategies proposed by C. Chan and R. Moborn, an innovation of value lies. Innovation of value, according to the authors, is not a competitive advantage, but what makes competition unnecessary at the expense of the company's exit to a fundamentally new level.

The content and main provisions of modern theories of competitive advantages are given in table 1.1.2. Analysis of scientific theories showed that the formation of the theory of competitive advantages took place in the context of the development of the general methodology of economic science, as well as theories of international trade and competition. The study of the phenomenon of competitive advantage is based, on the one hand, on the basic methodological apparatus of the classical and neoclassical economic schools, and on the other hand, on the theories of the neo-technical school associated with the research of the factors of competitive

advantages. Therefore, the theory of competitive advantages can be considered as a result of the long evolution of these scientific theories that developed both consistently and in parallel ways, and their subsequent synthesis. Thus, analyzing the evolution of economic theories in the context of the formation and development of the scientific-theoretical and methodological base of competitive advantages, we can distinguish four stages that qualitatively differ from each other.

1. The stage of formation of the fundamental theoretical and methodological foundations of the theory of competitive advantages - is characterized by the abstraction of the object and subject of research, the development of the primary focus of competitive advantages.

2. The stage of development and specialization of scientific theories and conceptions in the context of the formation of the theory of competitive advantages - is characterized by specification of the object and subject of research and the expansion of the theoretical and methodological apparatus.

3. The stage of synthesis and the formation of the system theory of competitive advantages - is characterized by the formation and substantiality of the subject and object of research, a comprehensive, systematic approach to their consideration.

4. The stage of development of theoretical and methodological foundations of the theory of competitive advantages - is characterized by the further development of certain aspects in accordance with the conditions of economic development.

At the first stage, the representatives of the theories of mercantilism and the classical economic school created the basis for the further development of qualitatively new specialized scientific theories and opportunities for the development of the theory of competitive advantages.

The second stage is characterized by the emergence and development of neoclassical and neo-technical theories, as well as the theory of innovations by J. Schumpeter, which initiated the creation of an empirical basis of the theory of competitive advantages and its applications.

The third stage was the result of synthesis of scientific achievements of the previous theories in the theory of competitive advantages by M. Porter, due to which

is actively and effectively used for gaining and realizing the competitive advantages of different hierarchical levels.

Table 1.1.2 – Characteristics of modern theories of competitive advantages

<b>Theory</b>	<b>Authors</b>	<b>Content</b>
Conception of technical and economic paradigm	K. Freeman	Considers the national innovation systems, their role as an institutional component of the innovation model of development. Highlights R & D and knowledge of the key factors in the formation of sustainable competitive advantages.
Conception of national innovation system and economics of learning	B.O. Lundwall B. Johnson	Ensuring the competitiveness of small countries on the basis of the active introduction of “additional innovations” and training based on consumer requests. The source of long-term competitive advantages is implicit knowledge (key competencies).
Conception of a regional innovation system	B. Asahim A. Izakson	The subject of study is processes and factors of regional growth, interaction of “points and poles” of growth, forms of organization of innovation activity as a condition of development and competitiveness.
Conception of regional clusters	M. Enright	Formation of competitive advantages at the regional rather than national level. The main factors are the historical background of regional development, peculiarities of cultural doing business, organization of production and obtainance of education.
Theory of development blocks	E. Damen	Expands views on one of the determinants of competitiveness by M. Porter (related and supporting industries). Emphasizes the competitive advantages of alliances and business networks.
Theory of intellectual leadership	H. Hamel K. Prahalad	Envisages the achievement of competitive advantages through the formation of future markets. Conditions of formation - use of “basic product features” and “key competencies”.
New growth theory	P. Romer	The main factors of long-term advantages - increase in R & D investment and investment in human capital. The concept of human factor is expanded: professionals, intellect, knowledge, qualitative and high-performance work, high quality of life.
Theory of “human capital”	R. Lucas	
Theory of “value disciplines”	M. Tracey F. Viersema	The formation of strategic competitive advantages is proposed, which based on the improvement of one of the directions that creates value for consumers: production processes, products, methods of customer service.
Theory of "co-evolution"	J.F. Moore	Emphasizes (in analogy with the ecological system) the presence of struggle, evolution, cooperation and interconnections. Tries to create a complex system of competitive advantages depending on the stages of its development.
Theory of co-competition	A. Brandenburg B.J. Neilbaff	Tries to form competitive advantages in the struggle for the client with the use of cooperation. Applies the theory of games to choose the staff, rules and tactics, scales and methods.
Theory of “blue oceans”	K. Chan R. Moborn	Concentration of efforts on areas where there are no competitors (not necessarily new, but also expansion of existing ones), but there is potential for development. The basis of the strategy is the innovation of value.

The fourth stage is a quite logical period of further, more in-depth research,

oriented to the current and future needs of economic theory and practice.

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## **1.2. The competition in Ukraine retail trade: features and modern manifestations**

Chorna M. V.

The competition is a characteristic feature which is inherent in a market system of management. Smith A. in the 18th century noted that the order in the market economy is established through the mechanism of competition, that exactly the competition is the most important lever of self-regulation of the market mechanism, an objective condition for its existence. In a broad sense, competition (in Latin “concurrentia”, meaning competition, rivalry) is seen as a rivalry between market players for the most complete realization of their economic interests.

The economy of Ukraine is at the stage of active development of the market economy system, which determines the simultaneous presence of practically the whole spectrum of possible competition in all spheres. Let's take a closer look at its specifics and modern features in retail trade.

Retail trade is one of the priority sectors of the national economy. The share of gross domestic product created in trade (wholesale and retail trade; repair of motor vehicles and motorcycles) is steadily high and in the first half of 2017 is the largest – 14,7%. Retail development is characterized by a steady upward trend. In January-August 2017, the turnover of retail trade reached UAH 507,9 billion, which, in comparison with the corresponding period of 2016, in comparable prices increased by 8,7%. Retail turnover in August 2017 in comparison with July increased by 4,9%, and from August, 2016 - by 9,8%. However, growth is uneven across regions. Thus, the highest growth of retail trade turnover in January-August 2017 compared to January-August 2016 was observed in Zakarpatia (23.3%), Vinnitsa (18.1%), Odessa (by 13.5%), Lviv (11.8%), Mykolayv (11.3%) and Sumy (10.3%), while in the Volyn and Ternopil regions the commodity turnover contracted by 7.1% and 1.1% respectively [1].

The generalization of the research results of well-known domestic and foreign scientists - specialists in the field of retail trade [2-8], who define retail trade as a

complex and multifaceted concept, and own developments made it expedient to consider it through the prism of different approaches. From the position of:

- the national economic system, retail trade is an independent branch of the economy, which acts as an intermediary between production and consumption in different markets of goods and services and is materially represented by a set of subjects of entrepreneurial activity (legal entities - enterprises of retail trade of different forms of ownership, markets, individuals - entrepreneurs who deal with the sale of goods to the final consumer). The subjects of retail trade sell goods to the final consumer and aimed at satisfying the demand of the population, both in assortment, and in the quality of goods; organization of the appropriate level of customer service; provision of various services and profit;

- the place in the reproduction system, it is a part of the sphere of commodity circulation, which mediates the exchange of labor products with the help of money;

- the identification of the national economy, retail trade serves as an indicator of the state and development of commodity markets, infrastructural mechanisms, standards of living and satisfaction of the population, and, in general, the level of development of the national economy;

- the type of activity, retail trade is an entrepreneurial activity in the field of exchange associated with the sale of goods (services) to end users for personal, family, home or collective use. That is, it is an independent, initiative, systematic economic activity relating to the organization, implementation and management of trade and operational processes aimed at satisfying the needs of end consumers in goods and services through their direct sale, carried out at their own risk in order to profit;

- the functional load, retail trade performs as specific traditional (procurement, transportation and storage of goods, sorting, presentation of goods, sales of goods, after-sales service, the implementation of measures to stimulate sales and promotion of goods, etc.), as well as social functions (the formation of a wide range of goods and services, including social goods, etc.);

- characteristics as a business type, retail business is aimed at obtaining profit

at the expense of the rate of turnover of capital for a relatively small profitability and is characterized by a much lower average transaction size (purchase), a significant number of unplanned (impulse) purchases, etc.

The competition as an integral part of a market economy has positive and negative manifestations, the consequences of which are traced in all spheres of activity. It promotes a rational redistribution of resources and protects the consumer from the dictate of the manufacturer by acting as a mechanism for regulating production proportions, introducing innovations, increasing productivity and saving resources in order to generate more profit. At the same time, the competition leads to the ruin and bankruptcy of enterprises, unequal conditions for business development, the imbalance of the structure of the national economy towards the priority of high-income industries. The general manifestations of the impact of competition have certain effects in various sectors of the national economy. Table 1.2.1 summarizes the abovementioned manifestations of competition and specifies their implications for retail trade.

Sectoral features of retail trade (focus on meeting the needs of goods and services for end-use, high dynamics of trading activities, flexibility and adaptability to changes in the consumer market and consumer demand and requirements; a wide range and a large number of suppliers within one assortment groups, the prevalence in all regions of the country) and the change in the structure of the consumer market due to the rapid development of multi-faceted network retailers stipulate specificity of competition in this area and its contemporary manifestations [9] – territorial irregularity, the existence of unfair competition, increased competition, aggressive, multidimensional expression, increased price competition, etc. The retail sector is characterized by practically free competition.

The number of enterprises in this type of economic activity in 2016 amounted to 82192 units (96,7% - small enterprises), which is 26,8% of the total number of enterprises in Ukraine. If separately examine the competition between trade networks, despite the stagnation of leaders over the past five years, their share does not reach 10% of the retail market with a total of about 150 represented companies.

Table 1.2.1 – Generalization of the manifestations of competition and its consequences in the field of retail trade

General manifestations and effects of competition		Consequences of competition in retail trade
Manifestations	Consequences	
Regulator of production proportions and equalization of profit rates.	Expansion of production of goods and services with a high profit margin. Reduced prices for goods and services.	Extension of assortment of goods and services. Satisfaction of consumers of different segments by ensuring price availability of goods.
Stimulator of the development of scientific and technological progress, the introduction of industrial and managerial innovations.	Emergence of the production of new goods and services. Development of infrastructure support. Emergence of new branches of the economy.	Expansion of assortment of goods and services. Growth of quality of trade services. Increasing consumer satisfaction. The emergence of new trading formats.
Stimulus to increase profits.	Enhance productivity and save resources	High efficiency of use of resource potential
Stimulator of priority in the competition.	Improved customer satisfaction in goods and services	Increasing the value of trade services. Increasing RTA competitiveness
Stimulator of effectiveness / national economy development.	Ruins and bankruptcies of enterprises. Exit from the market of inefficient business entities.	Increasing the efficiency of retail businesses. Development of new formats of retailers.
The source of unequal conditions for business development.	Small business cannot effectively compete with the big one in other equal conditions.	
Stimulator of the development of highly profitable sectors of the national economy.	Unbalanced sectoral structure of the country's economic development	Active development of enterprises of retail of new formats.

In 2015, ATB-market share amounted to 9,8% of the total retail market (not only grocery), Fozzy Group - 9,7% [10]. This confirms that there are many competitors on the market that redistribute the rest of the market.

Territorial uneven competition. The competition on the retail market in Ukraine is not uniform and has a significant territorial specificity. So, for the Western regions, the small presence of leading domestic retailers is typical. According to studies by the Ukrainian Association of Suppliers of Trade Networks, there are regions where there is no competition, such as Mukacheve, and regions where the



level of competition significantly exceeds the national average - the highest level of competition has traditionally been noted in the capital market [10].

The presence of unfair competition. The specificity of the modern domestic retail market is the presence of a significant proportion of “uncivilized retail”, “spontaneous” markets. According to experts, in Kyiv the ratio is 70% to 30% towards civilized retail trade and in general, 50% in Ukraine 50% [10]. The presence of a “shadow” market leads to unequal competitive conditions for different market players and indicates unfair competition.

Strengthening competition. The increase in competition in the retail sector is evidenced by the withdrawal from the market (reduction of points) of certain companies and businesses that are not competitive. Particular attention should be paid to the fact that competition is intensifying on the part of domestic retail, which becomes more efficient and competitive. For example, BILLA Ukraine (the Ukrainian division of the Austrian REWE Group) opened its first supermarket back in 2000 and actively developed in the Ukrainian market. The largest development network has reached in crisis 2014 - 39 stores in 16 cities in 9 regions of the country. However, the emergence of new competitors has led to a gradual reduction in the number of Austrian retailers supermarkets. This, in turn, caused the change in its competitive strategies. At the end of 2016, BILLA Ukraine began to renovate Kyiv stores, restarted its new supermarket concept in Kyiv, and announced a large-scale expansion to the capital city. At the same time, nonprofit objects were sold in the regions (two in Kharkiv, one in Zaporozhye) and eight more outlets were put up for sale. In autumn 2017, BILLA Ukraine assets sale is scheduled. Thus, BILLA Ukraine lost in the competition on the regional market to domestic retailer the campaign VARUS. The first supermarket of the company was opened in 2003 in Dnepropetrovsk, in 2011 it opened 8 stores, and in 2012 - another 14. Growth of the network was due to the absorption of competitors: the company started to include 8 stores of Rainford network and 10 - Cent. In 2014, the company redeemed 10 stores of the Russian network Crossroads and entered the Kyiv market. Then VARUS opened 10 stores in place of the former SPAR brands in the Dnieper, and by the

beginning of 2017 the network has 60 objects [11].

Thus, the increased competition in modern retail sales leads to the fact that some retailers are radically changing competitive strategies (“Billa”, “Silpo”), while others - stick to unchanged benchmarks (“ATB”).

Aggressive nature of competition. The aggressive nature of the competition of participants in market rivalry in retail trade is indicated by the continuation of the absorption processes. Especially it is inherent in the food retail. According to the forecasts of specialists, the objects of potential absorption are food networks that occupy place from sixth to fifteenth in the ranking, and the largest “collectors” of assets during 2016-2017 are networks of TOP-5 – “ATB”, “Auchan”. According to research results GT Partners, the most retailers continue the strategy of expanding the number of outlets. The leader in this indicator is the "ATB" network, which expanded the number of outlets to 835 objects a year, opening 111 new ones, including through the acquisition of the Western Ukrainian network "Barvinok" [10].

The second largest position keeps once the largest and most profitable FMCG group in Ukraine - Fozzy Group (Fozzy Cash & Carry hypermarkets, Silpo supermarkets, stores near Fora, Thrash discounters). In 2016, the total number of retail outlets of retailer increased by 8 from 522 to 530 objects. In the third place - the Volyn company Volwest Group (trademarks: Nash Kraj, Nash Kraj Express, Discount), which chose the development of the franchising network. According to GT Partners, in 2016 50 new objects appeared (3 own and 47 franchises), and by the beginning of 2017, 214 retail outlets were represented in Ukraine under the brand names of the group [10].

Multidimensional display of competition. Availability at the same time a) internal-format and format-based competition - retailers of different formats compete both in strategic groups and cross-section; b) competition in different markets - food, non-food; regional, national, local, etc.; c) segmental, niche character - competition for consumers, in different niches and market segments. The characteristic feature of modern retail is its individualization – the focus on satisfying the needs of a particular buyer. Personalization of customers in various forms is becoming an increasingly

important tool for keeping market share.

The competition as a driving force of the market economy system promotes the search for new trademark mechanisms, innovative technologies and development prospects. In order to ensure a stable position in a competitive market against the backdrop of intensifying competition and its aggressive nature in the context of permanent transformations, retailers must take into account possible changes and turn them into a source of their own development. Thus, the active development of scientific and technological progress in the field of information technology promotes the search for new retail forms of sales to meet consumer demands, taking into account new opportunities. In this context one of the areas of domestic retail development is online sales. Despite the small volume of this market in grocery retailing, in 2016 15 traditional grocery networks have their own online platforms. The leader in this market is the service Zakaz.ua - an online platform that provides a place for traditional retailers (Auchan, Novus, Metro, Fozzy) for online trading. Among the big networks, their own online stores have “Furshet” and “Tavria B” at the same time, for example, in Poland they have almost all leading operators. In this direction, domestic retail is significantly behind other countries [10].

Another trend is the active development of its own private label (private label). Thus, the share of own trademarks in the volume of sales (turnover) of Fozzy is at the level of 10%, in “ATB” - exceeds 20 %. Aggravation of competition between private label and well-known brands will continue to be observed. Now, according to researches by Nielsen Ukraine, more than half of Ukrainian buyers are ready to switch to private label products. At the same time, 16 % of respondents, even improving the financial situation, will continue to buy products of their own brand network. This means that domestic retail has all the chances to increase the share of private brands in its turnover from the current 10 % to 25-30 %, as in neighboring Poland and Slovakia [12].

In the world of retail, their own brands did not replace the products of well-known brands, but made them more competitive. Thus, according to the co-founder of the company “Biosphere” - one of the largest manufacturers of household goods

and hygiene products (the main brand TM “Frecken Bok”), the company's production for a quarter loaded with the release of private label products. That is, the conveyor “Biosphere” simultaneously produces both the main products and its competitors. In this situation, the management sees only the pros: “Due to the fierce competition, we are constantly improving the range and quality of our products. This is our driver, which stimulates innovation and win from other manufacturers” [12]. According to Forbes, the private label company produces about \$ 30 million a year.

The difficult economic situation, the low level of incomes of domestic consumers and the considerable uncertainty of the market environment cause increased price competition. So, the consulting company Kocce.net predicts retail activation in the price segment “middle minus” - the development of Fix Price stores in the “American” format (500-1000 sq. m.). At the same time, they will be able to provide real low prices for goods in the segment of non-food and household goods. Similar stores already exist in the country, but more in the form of individual retail outlets, rather than network structures. Regarding the price segment “average plus” and higher than the forecasts of specialists, one should expect the active formation of exhibition halls, where the goods can be “look-to-taste”, and then order online through home delivery (sale under the order) [13].

In competition for the market share, personalization of consumers in various forms becomes an important tool. Increasingly important is the formation of client databases, their analysis, segmentation of the history of purchases, the formation of individual proposals. This approach will provide an opportunity to more effectively manage inventories, cost, service and consumer preferences [13]. Some trading networks are already beginning to link their databases with customer profiles in social networks, their telephone numbers, smartphones for identifying the client, identifying its maximum long history in order to create the most effective individual offer (taking into account the family status, the circle of friends in social networks, kind of activity, birthdays, etc.). This means that data collection through loyalty programs and other external open sources will take place through the formation of efficient CRM-systems integrated into the network's accounting programs. As a

result, effective ERP systems will be created to manage the preferences of the buyer, inventories, promotions and discounts.

Researchers of domestic retail emphasize the possibility of transformation of the category management system (categorical management) into the purchasing management system (when, as a result of segmentation of customer groups, the manager leads both buyers and the products consumed by these groups of buyers). To successfully implement such an approach, an efficient management of the range on the basis of long-term contracts or a substantial share in the sales of its own brands should be ensured. Many retailers set up system communications with their customers. And if earlier such strategies were mainly implemented through SMS-messages, then it is communication through Internet tools. With the world-wide experience of using such technologies in retailing, brands such as The North Face and 1800-Flowers.com already even use artificial intelligence to provide personalized recommendations [13]. As the well-known American researcher and business consultant D. Collins highlights in GoodtoGreat (“From Good to Great”), we live in a new economy - the world is changing and will change [14]. The scientist insists that it is not necessary to stop the search for eternal principles. At each new stage of economic development, the best leaders consistently acted in accordance with the main, basic principles. In the case of transformation from “good to great” D. Collins suggests based on the “flywheel effect”. The scientist notes: “... there is no decisive action, there is no grand program, no innovation killer, no single happy break, no wonderful moment; rather, the process resembles the tireless pushing of a giant heavy flywheel, a twist on the turn, an increase in momentum before the breakthrough and beyond” The main problem is the creation of an impulse flywheel in the specific circumstances of a particular company. Never underestimate impulse power, especially when it combined for a long time, and each cycle adds a cumulative effect. But to achieve the best result, you need to understand how your particular flywheel returns [14]. D. Colinz emphasizes that “... those who build and support the largest and most resilient organizations, fully utilize their successful big

bids, but do not abandon them prematurely." This means development, use, expansion. This means development, use, expansion.

The use of this concept in the retail sector has become quite effective. Consider the example of the American company Amazon that transformed from the site Amazon.com, which was a bookstore, to a giant company with its own solutions in the field of logistics, Internet payments, hardware development, data storage, media business. The business decisions of Amazon are based on the philosophy of the flywheel. A flywheel means a cycle in which a company reduces prices to attract consumers, increasing sales and attracting more consumers, which allows a company to benefit from a scale (due to logistics and other general costs) until, ultimately, prices will not succeed in lowering again. The image of the flywheel in the best way reflects two main Amazon's aspirations - to conquer the world trading space and to meet the consumer. The company has always placed the interests of consumers above the interests of shareholders: since the appearance (May 1997) losses were for six years, and then another ten years - the balance on the limit of profitability. However, throughout the entire period, maintaining low prices and quality of service for consumers was a priority - factors that allow the flywheel to spin. The company provides its US customers with free delivery within the Prime Online program, which extends to some US cities (more than 25,000 items are delivered to consumers within two hours). Logistics infrastructure of Amazon has more than 180 warehouses, 28 sorting centers, 59 local delivery points and 65 stations for two hours delivery within Prime Now. The Amazon Prime program was presented at a difficult time for the company, in 2005, when its shares fell. However, the leadership choosing a client-oriented concept, focused on long-term development prospects, aimed at increasing the value of shares, rather than instant profit. The Amazon Prime program was presented at a difficult time for the company, in 2005, when its shares fell. However, the leadership choosing a client-oriented concept, focused on long-term development prospects, aimed at increasing the value of shares, rather than instant profit. In the course of ten years, Amazon Prime has become a billion-dollar business. In 2016, Amazon's trade turnover amounted to 136 billion US dollars [15]. The secret of such

success of the company in the field of e-commerce is the logistics and consistency of change. Amazon is also actively developing cloud business - Amazon Web Services, which grows by almost 50% annually and serves millions of consumers with a total turnover of \$ 14,6 billion. Amazon is also actively developing cloud business - Amazon Web Services, which grows by almost 50% annually and serves millions of consumers with a total turnover of \$ 14,6 billion. For today, Amazon Web Services is the largest public cloud in the world with a significant margin of discretion. According to the Synergy Research Group, Amazon has 34% of the market, while Microsoft, IBM and Google - 24% combined [15].

Thus, based on the experience of leading retailers in the world, it can be argued that the effective competitive behavior of domestic retailers is the formation of a well-thought-out development strategy as a process of consistent improvements taking into account current realities.

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## CHAPTER 2

### MODERN PECULIARITIES OF THE EXTERNAL ENVIRONMENT OF RETAIL TRADE ENTERPRISES

#### **2.1 Turbulence as a feature of the modern external environment of retail trade actors**

Kushnir T.B.

Recently, the widespread use in economic theory for describing unstable current processes that is determined by a certain level of fluctuations in certain indicators, purchased the concept of “turbulence”, which in economic terms can be understood as complex, unrestrained behavior of the environment in space and time. Moreover, this concept is actively used in various spheres of the economy - from stock and investment markets to marketing and strategic planning. But sharing Professor V. Burlachkov's view [1], we want to note that the concept of “turbulence” is often based only on the intuitive understanding, since today there is not enough reasoned theoretical and methodological bases, although many modern scientists are actively engaged in the study of turbulent processes in the economy.

Turbulence is quite common in nature as processes of self-organization associated with regular or chaotic transitions from confusion to order and vice versa. The basics of the theory of turbulence were laid down in the writings of Reynolds, Rayleigh, and Karman at the end of the nineteenth and early twentieth century (for example, in hydrodynamics, the phenomenon of turbulence called "turbulent transition" on a systemic basis was studied more than a hundred years ago by Reynolds, Zhukovsky, Tsiolkovsky and other scientists) [2, p.173].

Professor V. Burlachkov, investigating the evolution of the use of the term “turbulence” in economic processes, notes that “in natural sciences, turbulence is understood to mean the motion in a continuous environment, during which the formation of vortices is observed as a result of pulsations of velocities in certain local regions”. Therefore, “today the state of turbulence is defined as chaotic”. But many researchers believe that this is not entirely correct, since “turbulence manifests itself

as ... a movement of the elements of a previously unified system with different speeds. In the analysis of turbulence, the maximum speed of the propagation of the interaction in the system is very important”, since it is the velocity of the system as a whole [1, p. 90-96].

V. Burlachkov, designing a study on the plane of the economy, notes that “in the economic system, the interaction of specific elements is ensured by the sale of goods and services. It is the speed of concluding agreements can be considered as the maximum speed of dissemination of interaction in this system”. According to the author, turbulence in this case arises because the speed of concluding agreements does not coincide with the speed of liquidation of obligations. Moreover, the so-called “bubbles” in the stock and mortgage markets “became the result of the manifestation of relative speeds of interconnected processes or differences in their dynamics”. Therefore, the termination of the turbulent state is associated with the restoration of a certain balance between the speeds of processes in the system [1, p. 90-96].

At the same time, V. Burlachkov explains the concept of “chaos” as “the state of the system at zero speed of the propagation of interaction” and allocates it as “the most powerful manifestation of turbulence, accompanied by the greatest risks and maximum degree of uncertainty” [1, p. 90-96]. Most people use the word “chaos” in their everyday lives, bearing in mind the state of confusion, uncontrollability, uncertainty. At the same time in the theory of chaos, the first researchers of which are A. Poincare, A. N. Kolmogorov, V. I. Arnol'd, Y. Moser [3], the adjective “chaotic” is defined more precisely. Although there is no generally accepted universal economic definition of chaos, this definition usually says that a dynamic system classified as chaotic must have a number of properties, one of the main is as follows: the system must be sensitive to the initial conditions, namely, “complex systems are extremely dependent on initial conditions, and small changes in the environment can lead to unpredictable consequences”. Sensitivity to the initial conditions is more commonly known as the “butterfly effect” by Edward Lorenz [3].

Researcher O. Dobrocheev, studying the processes of turbulence, argues that

“chaos is created in a natural way ... and then, after reaching some critical boundaries of fluctuations, in the same way is extinguished. When moving from disorder to an orderly state, the system regularly returns to the surrounding points where it had once been”, that is, it moves turbulently. The author emphasizes that “the size of the uncertainty ... system (scale of chaos) is proportional to the physical size of the system. The more it is, the more uncertain the behavior of the system”. Analyzing turbulent development, O. Dobrocheev concludes that “the reduction of the mess in the system is accompanied by ... economic growth”. At the same time, during an attempt to create an artificial order in some area of a closed space, we in surrounding areas of it, as a rule, “generate chaos” [4].

Philip Kotler and J.A.Caslione define turbulence as a process of destruction in the form of hurricanes, tornadoes, cyclones or tsunamis. In all these cases, stability and predictability disappear. In the economy, turbulence, as a rule, is so unpredictable and quite lengthy that it causes a recession or a protracted crisis [5]. Thus, the foundations of the study of the turbulence of economic processes have been laid long enough, and at the same time, the relevance of these processes is confirmed by practical manifestations of instability and unpredictability of the development of the global business environment over the past decades.

According to most researchers, the turbulent state of the economic system resulted from the presence of time lags in the rates of interconnected processes, such as supply and demand, production and consumption, savings and investment. In support of this, Kulikova N. N. highlights the main features of the economic turbulence of the environment:

- increase the speed of material, financial and information flows;
- “overheating” of the economic environment: the intensity of the movement of elements of the economic system is increasing;
- counterparties require constant review and agreement of terms of transactions;
- production and financial processes take place with deviations from the given parameters;

- there is an acute excess or lack of resources;
- increasing the pressure of the institutional environment [6].

It is theoretically possible to assume that turbulence - especially its complicated form, accompanied by chaos, risk and uncertainty - is now a normal state for industries, markets and enterprises. "Turbulence is a new normality with periodic and spasmodic spikes of prosperity or decline, including long-term recessions, crises, or even depressions. Turbulence has two main effects: the vulnerability from which companies need the protection and the opportunity, which needs to be used" [5]. In fact, the problem of survival of companies in the conditions of global economic turbulence of the environment is due to the physical inability of managers to calculate the chains of interconnections of all changes occurring in this environment, and to assess the results of their impact on the enterprise [7].

The most important scientific achievements of I. Ansoff [8] are the creation of the concept of external turbulence, the definition of the paradigm of possible strategic success and the development of a method of strategic management in real time. I. Ansoff created a model of an external environment that has five levels of turbulence - from the weakest to the easily predictable, to the most varied and unpredictable. According to the scientist, for each of these levels, an optimizing profitability of the enterprise's behavior can be developed. In order for the firm to balance its strategic and operational capabilities, it must take into account external and internal circumstances and adjust its positions in order to achieve the desired results. This approach leads to the fact that the analysis and interpretation of the enterprise's environment is a key condition for its strategic success. I. Ansoff developed a five-point scale of "levels of turbulence", which are described by various combinations of indicators (table 2.1.1).

The external environment thus serves as a key indicator of the firm's strategic position. In order to obtain his second important result, I. Ansoff used a model of predictable turbulence to construct a strategic paradigm of possible success based on the following variables:

- levels of turbulence;

Table 2.1.1 – The scale of turbulence levels [8]

Lack of permanence	Complexity of the external environment	national	→	regional	→	global
		economic	+	technological	+	socio-political
unpredictability	novelty of the change	absent	growing, slow	growing, fast	intermittent, familiar	intermittent, unfamiliar
	visibility	full	admits extrapolation	predictable	partially predictable	unpredictable
instability	frequency of turbulence level change	very low	low	average	high	very high
Scale of turbulence		1	2	3	4	5
		Levels of turbulence				

- the external environment of the firm;
- the degree of aggressiveness of the firm's strategic behavior in the external environment;
- reactivity of the firm's management, that is, its ability to respond quickly to external changes.

This paradigm establishes that the financial performance of the enterprise is optimized when the aggressiveness and performance of the enterprise corresponds to the turbulence of its external environment. The fact that the firm in one period of time can operate successfully, while in the other - it bears losses, led I. Ansoff to the need to bring the strategy of its behavior in line with the level of turbulence of the external environment and understanding that otherwise the firm will inevitably come to a decline. The result of these reflections was the creation of a strategic paradigm of possible success. To demonstrate the connection between the external conditions, strategy and organizational capabilities of the enterprise, I. Ansoff developed special sets of triad (table 2.1.2).

Ansoff I. came to the conclusion that with a significant lag of management from the turbulent environment, enterprises cease to receive profits. In order for the firm to be able to balance its operational and strategic capabilities, it must take into

account the external and internal situation of the enterprise and adjust its own position in order to achieve the desired results. This approach leads to the understanding that the analysis and interpretation of the peculiarities of the enterprise's environment development is a key condition for its strategic success [8].

Table 2.1.2 – Relationship between external conditions, strategy and organizational capabilities of the firm [8]

Level	1	2	3	4	5
Turbulence of the external environment	repetitive without changes	which increases slow incremental changes	amending the rapid incremental changes	intermittent predictability of changes	significant intermittent uncertainty of changes
Strategic aggression	stable, steadfast, based on precedents	reactive, increasing, based on experience	warning, increasing, based on extrapolation	entrepreneurial intermittent, new strategies based on opportunities	creative intermittent, new strategies, based on creative approaches
Ability to react	seeks to stability, rejects changes	defines the requirements for efficiency, adapts to changes	seeks to familiar changes	is determined by the requirements of the environment, seeks to interconnected changes	forms external conditions, seeks to new changes

Six indicators for assessing conformity of the management with the state of environment were developed by Ansoff I.: the level of risk; method of problem solving; level of knowledge for adaptation; the leading function; information support; incentive system.

The higher the turbulence of environment, the more aggressive the enterprise's behavior should be. But, as experience shows, some companies fully utilize their capabilities, while others react to external influence with a delay [9]. The choice of a model of enterprise behavior aimed at minimizing negative and optimizing the positive effects of occurrence of possible events and processes depends on the correct

determination of the level of turbulence. Even small, at first glance, quantitative and qualitative changes in the environment require an assessment and analysis by the organization [8]. However, it is not always possible to find out the true reason of onset of a particular event, which, accordingly, complicates the process of the enterprise's reaction to it. It is especially difficult to elaborate a particular line of behavior at an early stage of turbulence, as information about potential threats or competitive advantages of the firm is incomplete and requires the rapid processing and the adoption of appropriate management decisions. Gradually, at the expense of the accumulation of information, awareness of the potential event and its possible consequences grows, but time, left to develop alternative behavioral options and the adoption of a decision by the management of the enterprise, goes [8].

In conditions of uncertainty and high turbulence, making the right decisions is ensured by strategic planning. With increasing awareness of the nature of the potentially possible phenomenon and its consequences in order to effectively react by the organization, methods of extrapolation, forecasting and long-term planning are applied. If the potential phenomenon does not require further thorough study, then the data of the primary documents of the system of managerial reporting and management control are used to accelerate the reaction to it [8].

During the crisis, J. Caslione and F. Kotler proposed to use the Chaotics approach - that is, an approach in which the preconditions of the turbulence emergence are outlined, situations in which both weaknesses can appear, as well as objective opportunities for improving the enterprise's performance are forecasted, and necessary and expedient measures to ensure the profitability of the enterprise in the long term are developed. The ultimate goal of this approach is to provide sustainable business development [10]. The authors emphasize that companies should cease to rely on a traditional strategy that focuses only on two possible scenarios of economic development (growth and decline), continuously adapting new strategies to changing business environments or even refusing from them when circumstances require it (table 2.1.3).



Table 2.1.3 – Comparative characteristic of traditional and Chaotics approaches in a turbulent environment [11]

approach	Stages		
	1. Introduction to turbulence	2. Confrontation of turbulence	3. Exit from turbulence
Traditional approach	<ul style="list-style-type: none"> <li>- overly optimistic approach to doing business;</li> <li>- minimization of potential turbulent flow;</li> <li>- development of a wait-and-see approach to making structural changes</li> </ul>	<ul style="list-style-type: none"> <li>- aggressive methods to reduce costs in all directions;</li> <li>- abolition of new projects;</li> <li>- refusal to carry out research under the new products and their market entry;</li> <li>- renunciation of the conclusion of new agreements</li> </ul>	<ul style="list-style-type: none"> <li>- compensation for mistakes of past periods, disaggregation in order to increase profitability;</li> <li>- attempt to rebuild business</li> </ul>
Chaotics approach	<ul style="list-style-type: none"> <li>- use of new strategic approaches in key services and key activities;</li> <li>- protection of the main business and key markets;</li> <li>- further confident growth at the expense of more “weak” competitors</li> </ul>	<ul style="list-style-type: none"> <li>- building up own resource base;</li> <li>- involvement of strategic partners to increase the likelihood of success;</li> <li>- acquisition of competitors' business, search of skilled personnel;</li> <li>- providing and strengthening the business, which gives the main part of growth</li> </ul>	<ul style="list-style-type: none"> <li>- maintenance of the specified rates of stable and confident growth;</li> <li>- thoughtful and balanced movement aimed at growth in the background of a weak competitive environment</li> </ul>

In fact, the main problem is that adoption, adaptation, and consolidation of strategies take place in calm periods, leaving companies to be unprepared for the manifestation of turbulence when the latter comes [10].

This governance model that takes into account the factor of volatility represents a new system and a set of strategic principles designed to facilitate business in the process of successful transition to a “new reality” and make profit in the long term irrespective of economic conditions.

In summing up the study, J. Caslione and F. Kotler formulated eight key components of the Chaotics-Management system:

1. Development of an early warning system.
2. Building key scenarios and strategies.
3. Selection of priority scenarios and strategies.
4. Introduction of the system of strategic behavior, based on a management system that takes into account the instability factor.
5. Implementation of strategic behavior models, based on a marketing system that takes into account the instability factor.
6. Increasing the number of stakeholders.
7. Aligning the structure of the organization.
8. Reduction of strategic planning periods and design of multivariate scenarios of the development of economic situation.

Precisely timely adequate actions at each stage of global turbulence and the use of new approaches to the development and implementation of a competitive strategy will enable the enterprise to maintain its position in the market and profitability in the conditions of “new reality”.

Turbulence reflects the heterogeneity and unpredictability of the changes in the global competitive environment in which the enterprise carries out its activities, so it is considered as one of the most important factors affecting its competitiveness. Despite the unevenness and complexity of turbulent flows, the frequency and nature of their changes are a source of information about potentially possible events and phenomena that may occur in the micro and macro environment of the enterprise and affect its competitive position in the market. This influence depends to a large extent on the level of turbulence in the organization's environment, “that is, on the level of knowledge where a firm belonging to a particular industry must begin to react to

changes of the environment in order to make this reaction effective” [5].

Turbulence of the external environment characterizes changes in the external environment, which occur with a high level of uncertainty and unpredictability. In fact, the problem of the turbulence of the environment is attributable to the physical inability of management and enterprise managers to calculate the chain of interconnections of all changes taking place in the business environment, and to evaluate the results of their impact on the enterprise.

In view of the fact that many factors influence the functioning of an enterprise, the turbulence of the operating environment is heterogeneous, which is caused by the following features:

- all factors of influence vary in the level of orderliness, speed, rate of change and require different time to adapt to them or eliminate their influence;
- turbulent streaming processes are not accidental; they are vortexed by their nature;
- often the factors of influence are latent, that is, those that can not be identified and investigated at the time of their occurrence;
- new factors of influence are constantly formed that determines the partially probabilistic nature of the projected calculations;
- the existence of a feedback between the activity of economic system and the factors of influence on it, since the reaction of the system to the stimulant can lead to its both disappearance and transformation.

Thus, the operation of an enterprise, like any other economic system, takes place in an environment characterized by the presence of a turbulent background whose overall level can vary in different periods of time. The turbulent background essentially integrates a set of heterogeneous turbulent processes and factors. The turbulent background may have a branched structure, but it is generally appropriate to identify the four main sources that form the four-dimensional turbulence of the environment of the enterprise's operation (economic system) (fig. 2.1.1).

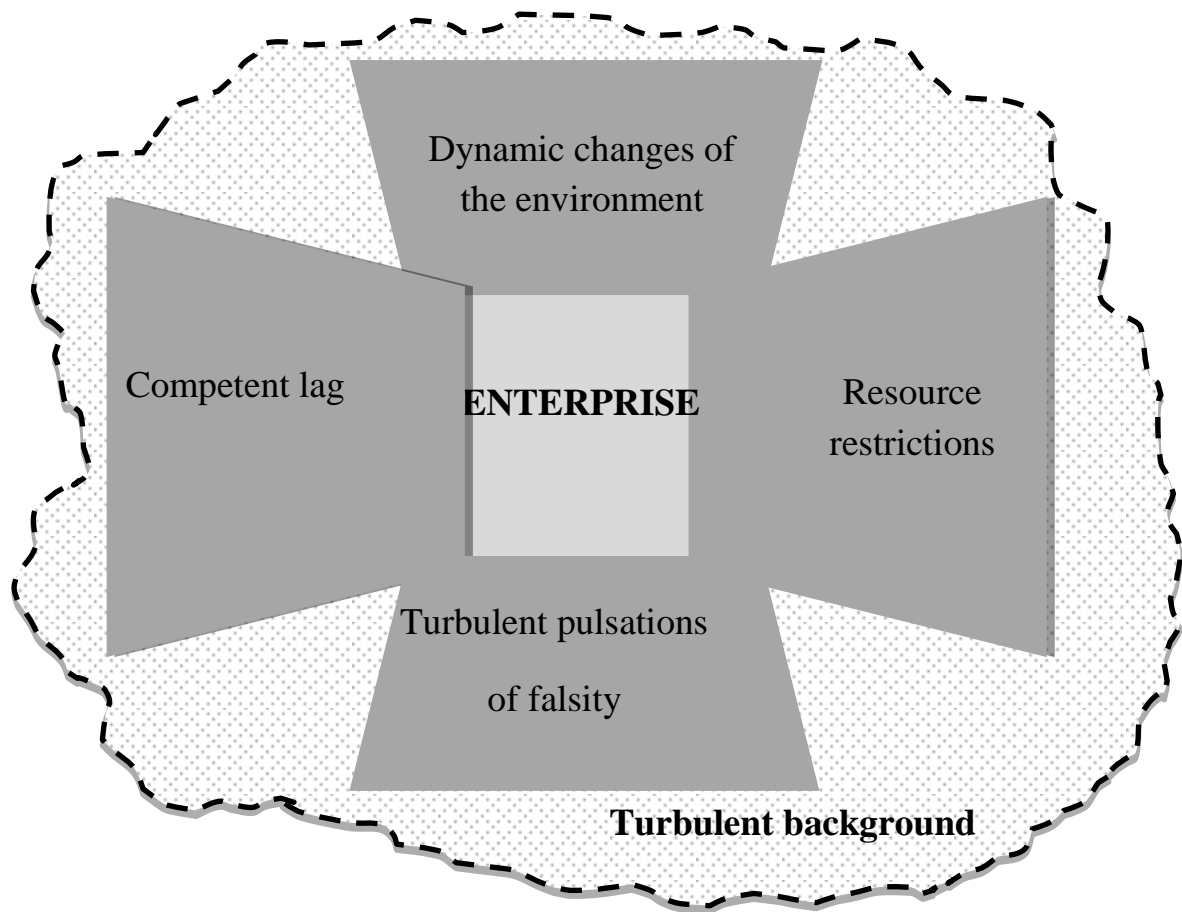


Fig. 2.1.1 – Model of the four-dimensional turbulence of the environment of the enterprise's operation (economic system)

Dynamic changes of the external environment of the enterprise's operation as a source of turbulence provide for the continuous monitoring of the micro and macro environment of the enterprise and, accordingly, the necessary correction of financial and economic activity in order to overcome the negative impact of such factors and prevent the violation of the homeostasis of the system.

Resource constraints are determined by a dual nature, since turbulent processes are formed both inside the enterprise and beyond. Internal turbulence, caused by resource constraints, arises due to inefficient allocation and use of available resources of the enterprise and resource potential. External turbulence is a manifestation of the enterprise's failure to attract the required in quality and cost of resources.

Competent lag characterizes the time needed for the development of the necessary competencies aimed at ensuring equilibrium of the system for a long time.

By correlation of the monitoring of external conditions of the management and diagnostics of achieved level of potential and efficiency of its use at the enterprise, a list of key competences of sustainable economic development is formed. Reducing the competent lag may be by using a strategy of swift development.

The turbulent pulsations of falsity arise as a result of errors into managerial decision-making, that is, an ineffective managerial decision is the cause of turbulent processes inside the enterprise. The appearance of turbulent pulsations is directly proportional to the efficiency of enterprise management. Increasing the level of resistance of the enterprise to turbulent pulsations is achieved by ensuring flexibility of management, developing multi-variational scenarios of behavior, the implementation of permanent control of all processes of economic activity, which allows quickly carrying out corrective actions subject to an inefficient managerial decision.

Thus, enterprise management in an aggressive turbulent background requires the development of a policy of control and monitoring of the amplitude of fluctuations of indicators within stable space and deviations from them.

Ensuring the competitiveness of a trade enterprise in modern conditions in most cases is carried out not only and not so much under the influence of the internal control system, but to a greater extent under the influence of the external environment, which in the conditions of increased uncertainty is more appropriate to call the turbo environment. This environment transforms the linear process into turbulent, which is proceeding with a set of probabilistic trajectories of further development.

Under conditions of the market transformation, for effective competition, it is necessary to have certain competitive advantages, which create a sort of “foundation” for ensuring the competitiveness of the trade enterprise compared to the competitor enterprises. However, despite the deep theoretical level of processing the issues of strategic management of the competitive potential, the practical aspects of determining the type of competitive strategy of the enterprise in conditions of uncertainty and turbulence of the environment remain insufficiently developed.

Uncertainty is manifested through the degree of variability and complexity of the business environment, which grow with increasing levels of dynamism, determined by the rate and frequency of changes.

The main signs of the turbulence of the environment, which have a significant impact on the activities of a trade enterprise, include:

1) acceleration of the speed of material, financial, information and logistics flows. The speed of specified flows clearly manifests itself in the current conditions of trade enterprise activities, when the implementation of contractual agreements, movement and registration of the document circulation, supply of products and its implementation is violated;

2) the intensity of the elements' movement of the economic system, which manifests itself in the constant review of transaction terms, the rejection of trade and financial processes from the established parameters, the acute shortage or surplus of commodity resources;

3) the pressure of the external institutional environment, especially the tax authorities, in terms of the calculation and timely payment of taxes and dues to the budget system, as well as the strengthening of political, legal, environmental, social and other restrictions;

4) the concentration of managerial influences to distinguish non-standard phenomena and processes that previously did not affect the activities of the enterprise.

At the same time, the higher the turbulence of the environment, the more aggressive should be the behavior of the trade enterprise. However, as experience shows, some trade enterprises make full use of opportunities provided to them, while others respond to external influences with a delay. The quality of adapting a trade enterprise to changes in the environment and, given its turbulence, the ability to timely reconfigure of existing competitive capacity to achieve the targets depends precisely on the competitive potential, its volume, and the efficiency of management.

The level of turbulence of the external environment and the opportunities of the trade enterprise are key parameters that determine the choice of a competitive

strategy of the enterprise for the planning period.

In accordance with outlined strategic paradigm, proposed by I. Ansoff [8], the enterprise's activity is optimized when the enterprise ensures compliance of the aggressiveness and reactivity of the enterprise with the turbulence of the external environment.

According to I. Ansoff, the level of turbulence adapted for trade enterprises can be determined by a combination of the following factors:

- the volatility of the market environment;
- rate of changes;
- intensity of competition;
- internal capabilities of the enterprise;
- competitive advantages;
- the level of pressure from the government and individual influential groups.

We have proved that the higher the turbulence of the environment, the more aggressive the behavior of the enterprise. But, as experience shows, trade enterprises use their capabilities differently: some enterprises have a high degree of adaptability to changes in the environment, while others react to external influences with a delay.

Nevertheless, when formulating a competitive strategy of a trade enterprise, it is necessary to take into account the actual level of effectiveness of using competitive potential and the ability of an enterprise to withstand the resistance of changes in the external environment in order to achieve the planned strategic guidelines and obtain desired results.

The key to the survival of many companies in the period of increased turbulence of the external environment is to optimize its own potential. However, in such circumstances when competition is significantly exacerbated, an enterprise may lose its own market advantages [10]. This governance model that takes into account the factor of volatility represents a new system and a set of strategic principles designed to facilitate business in the process of successful transition to a “new reality” and profit in the long term irrespective of economic conditions.

Thus, the turbulence of the external environment is its state, when different

processes develop very quickly, unpredictably, unpredictably. The emergence of turbulence in the economic environment is due to the presence of time lags in the rates of the interconnected processes.

The highest negative manifestation of turbulence is chaos, which is accompanied by the highest risks and the maximum degree of uncertainty for enterprise activities. The main results of the turbulent development of the global economic environment are, as a rule, long-term crisis phenomena. Nevertheless, turbulence today is a “new normality”, in which enterprises are forced to develop their activities. That is why they need to look for new approaches to the formation of competitive advantages, which will be able to allow both saving existing positions in the markets and finding new opportunities for the development of activities.

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## **2.2. Investment-innovation climate as a factor of the formation and development of competitive advantages of Ukrainian domestic trade**

Smolnyakova N.N.

Competitiveness of the country, industry or enterprise is acquired through the search, development and implementation of a competitive advantage system. Being an integral part of competitiveness, competitive advantages are created, embodied and lost under the influence of various factors of the external and internal environment. Modern researchers of the theory of competitive advantages allocate more than ten scientific approaches, with the use of which competitive advantages are formed. Among them, not in the last place - "resource", "cost", "value" and "innovative" approaches [1, 2]. Without ignoring other approaches, which are no less important for the process of formation of competitive advantages, we consider that the named ones are decisive for domestic trade as an industry. Exactly they characterize the specifics and features of the functioning of domestic trade. Existing due to and for the end-user, trade creates an additional value for him and other stakeholders, which requires the attraction and efficient use of relevant resources and innovations [3]. Recently, scientists and practitioners have focused on innovation, which largely determines not only the goals, prospects and ways of development of the trade sector, but also the means of their achievement, that is, the system of competitive advantages. In turn, investments are the key factor of realization any, and first of all, innovative project.

Investments play an important role in the economy of any enterprise and country as a whole, since they are the basis for the systematic renewal and expansion of productive capital, accelerating scientific and technological progress and improving product quality, restructuring social production and balanced development of all sectors of the economy under conditions of global transformation. Globalization is manifested in the expansion of companies' penetration into the economy of foreign countries through exports, and in the broader sense - with the help of foreign investments. Without investments it is impossible to prepare and start

production of new types of products (works, services), improvement of quality and design of goods, use of new types of materials, energy saving, etc. The achievement of economic growth is directly linked to the qualitative upgrade of production, social and market infrastructure, the formation of a competitive environment in the transition to a more integrated and interdependent world economy.

The starting point for investment activity is the globalization of markets and productions, the emergence of global institutions, and the reduction of investment barriers. The development of globalization is facilitated by the formulation and implementation of scientifically sound investment programs and projects that involve the search for sources of investment financing beyond the state borders, the optimization of their structure, and the justification of expediency of investment and ensuring the effective use of all possible investment resources. Investing plays a key role in the fundamental economic processes taking place at enterprises for the receipt of advantages of national differences in the value and quality of production factors. The production potential of the enterprise, the efficiency of its functioning, and the industry and reproductive structure of social production in a single global market depends on the qualitative and quantitative characteristics of investment decisions.

Taking into account the foregoing, it is appropriate to study the state, structure and dynamics of investments into the Ukrainian economy in recent years – 2010-2016. Dynamics of capital investment is considered using table 2.2.1, compiled on the basis of relevant information of the State Statistics Committee of Ukraine.

The data in the table show that in the period of 2010-2016, the amount of capital investments in the country's economy increased by UAH 178,6 billion, that is, nearly twice (growth was 198,9%). In the investigated time interval we can distinguish: the period of 2010-2012, when investments increased annually, and the total increase amounted to UAH 92.7 billion (51,3%); the period of 2013-2014 that characterized by annual decrease of capital investments by UAH 23,5 – 30,4 billion; the period from 2015 - is marked by a revival of investment activity, which, in absolute growth, amounted to UAH 139,8 billion compared to 2014.

Table 2.2.1 – Dynamics of capital investments into the economy of Ukraine and the Kharkiv region [4, 5]

Indicators	Unit	Years:						
		2010	2011	2012	2013	2014	2015	2016
<b>Ukraine</b>								
Capital investments	billion UAH	180,6	241,3	273,3	249,8	219,4	273,1	359,2
rate of change in % to the previous year	%		133,6	113,3	91,41	87,3	124,5	131,5
- investments in tangible assets	billion UAH	173,7	231,9	264,9	239,4	212,0	254,7	347,4
rate of change in % to the previous year	%		133,5	114,2	90,4	88,6	120,1	136,4
in % to the total	%	96,2	96,1	96,9	95,8	96,6	93,3	96,7
- investments in intangible assets	billion UAH.	6,9	9,4	8,4	10,4	7,4	18,4	11,8
rate of change in % to the previous year	%		136,2	89,4	123,8	71,2	248,6	64,1
in % to the total	%	3,8	3,9	3,1	4,2	3,4	6,7	3,3
<b>Kharkiv region</b>								
Capital investments	billion UAH	8,06	13,03	14,8	9,3	8,03	11,2	16,5
rate of change in % to the previous year	%		144,3	111,3	59,6	76,9	109,6	147,3
- investments in tangible assets	%	4,5	5,4	5,4	3,7	3,7	4,2	4,6
rate of change in % to the previous year	billion UAH	7,5	11,2	14,5	8,9	7,8	10,8	15,4
in % to the total	%	92,5	85,6	98,0	95,8	97,6	96,4	93,3
- investments in intangible assets	billion UAH	0,606	1,877	0,290	0,387	0,195	0,404	1,1
rate of change in % to the previous year	%	7,5	14,4	2,0	4,2	2,4	3,6	6,7

In all years of the investigated period, in the structure of capital investments investment in tangible assets were dominated, whose share was not lower than 93% each year, and the annual rates of change of this indicator actually coincide with the corresponding indices of capital investments.

The dynamics of investments in intangible assets is characterized by a sinusoidal trend, that is, in even years (2010, 2012, 2014, and 2016) their amount was

less than odd (2011, 2013, and 2015). Due to the fact that the annual amount of investments in intangible assets in the four years of the analyzed period was less than UAH 10 billion, while in the other three - was ranging from UAH 10,4 to 18,4 billion, the total investments in this area of all studied years are equal to UAH 72.7 billion, that is 40,2% of the sum of all capital investments in 2010. This situation has affected the fact that the share of this type of investment in five years out of seven did not exceed 4%, and even in 2015 - when their value was the largest – UAH 18,4 billion, their share was only 6,7%. For individual years of the investigated period, investments in intangible assets were lower than the total capital investment in 14,8 (2015) – 32,5 (2012) times. Regarding the dynamics of the pace of change in percentage to the previous year, it should be noted that they are more contrasting than for investments in tangible assets.

Describing the situation with capital investments in the Kharkiv region for the same period, it should be noted that its share in national investments was at the level of 4,5%, and the rate of change in investments in percentages to the previous period did not exceed the total Ukrainian (with the exception of 2011 and 2016). The structure of capital investments by types of assets corresponds to the situation in the state.

The recovery in investment activity in 2016 increased the share of gross fixed capital accumulation in GDP to 16,1% against 13.8% in the previous year. Of course, this is a positive trend, but the volume of investment is not only sufficient to support production capacities and social facilities, but also for basic innovations and technological upgrades of the economy. On average, in the economy, the degree of wear and tear of fixed assets for the years 2015-2016 is 60,0%, while in domestic trade – 39,3% [6].

Insufficient investment leads to a loss of competitiveness of the national economy, a decay of fixed assets, a decline in manufacturing and an increase in the cost of production, which leads to further underinvestment of production. Consequently, one of the most important issues of the current stage of Ukrainian development is the search for new significant and reliable sources of investment.

The sources of capital investments include: funds of state and local budgets; own funds of enterprises and organizations; bank loans and other loans; funds of foreign investors; funds of domestic investment companies, funds, etc.; funds of the population for housing construction; other sources of funding.

The main source of financing of capital investments in 2016 was the own funds of enterprises and organizations, at the expense of which mastered 69,3% of investments (Fig. 2.2.1).

The share of bank loans and other loans in total investment was 7,5%. Due to the state and local budgets 9,1% of capital investments have been mastered. The share of foreign investors' funds – 2,7% of all investments and funds of the population for housing construction – 8,3%. Other sources of financing are 2,1%.

To identify the dynamics of investments by sources of financing, Table 2.2.2 was compiled.

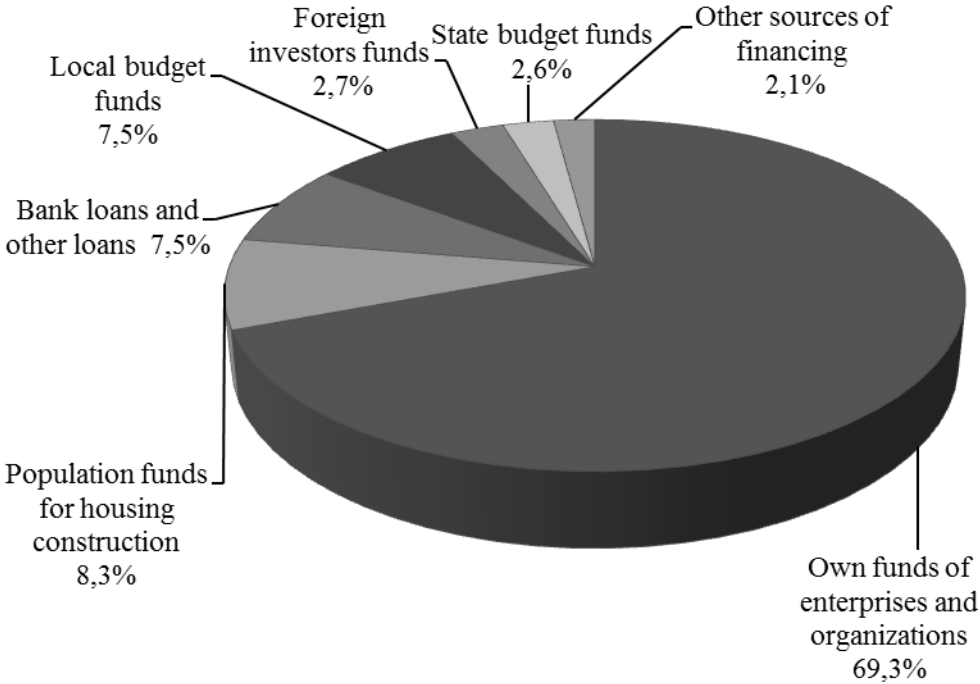


Fig. 2.2.1. Distribution of capital investments in 2016 by sources of their financing, %

Analyzing the role of the state in financing investment projects, it should be noted that the amount of state-owned investments in 2010-2012 was almost twice the capital investments invested by local authorities. In 2013, both sources were almost equal, and the situation has changed radically in the years 2014-2016. The funds of the local authorities were twice as big as those allocated from the national budget. Accordingly, their shares in the total amount of capital investments of the country also changed. It correlates with the national decentralization policy, during which, along with the authority, certain financial resources are transferred to the places.

Own funds of enterprises and organizations have always been and remain the main source of investments during 2010-2016 and increased by 2,2 times compared to 2010. The dynamics of the share of this type of source in the total amount of capital investments is increasing, too. It should be noted that the dynamics of the change in the structure of the sources suggests an increase in recent years of this share. This, in turn, actually indicates the closed nature of economic reproduction and the high dependence of the state of investment in the country on the profits of enterprises and organizations, which is not almost accompanied either by state support, or by credit resources.

Table 2.2.2 – Dynamics of capital investments into Ukrainian economy by sources of financing [5, 6]

Indicators	Unit	Years:						
		2010	2011	2012	2013	2014	2015	2016
1	2	3	4	5	6	7	8	9
Capital investments	billion UAH	180,6	241,3	273,3	249,8	219,4	273,1	359,2
funds of the state budget	billion UAH	10,223	17,377	16,288	6,175	2,739	6,920	9,264
rate of change in % to the previous year	%		169,9	93,7	37,9	44,4	252,6	133,9
in % to the total	%	5,7	7,2	6,0	2,5	1,2	2,5	2,6
funds of local budgets	billion UAH	5,731	7,747	8,556	6,797	5,918	14,260	26,81
rate of change in % to the previous year	%		135,2	110,4	79,4	87,1	240,9	18,8

in % to the total	%	3,2	3,2	3,1	2,7	2,7	5,2	7,5
own funds of enterprises and organizations	billion UAH	111,371	147,570	171,177	165,787	154,630	184,351	248,769
rate of change in % to the previous year	%		132,5	115,9	96,9	93,3	119,2	134,9
in % to the total	%	61,7	61,1	62,6	66,3	70,5	67,5	69,3
bank loans and other loans	billion UAH.	22,888	36,652	39,725	34,735	21,739	20,740	27,105
rate of change in % to the previous year	%		160,1	108,4	87,4	62,6	95,4	130,7
in % to the total	%	12,7	15,2	14,5	13,9	9,9	7,6	7,5
funds of foreign investors	billion UAH	3,724	5,039	4,904	4,271	5,640	8,185	9,831
rate of change in % to the previous year	%		135,3	97,3	87,1	132,1	145,1	120,1
in % to the total	%	2,0	2,1	1,8	1,7	2,6	3,0	2,7
funds of domestic investment companies, funds, etc.	billion UAH	2,647	2,389	2,078	1,664	1,504	1,103	2,365
rate of change in % to the previous year	%		90,3	86,9	80,1	90,4	73,3	214,4
in % to the total	%	1,5	1,0	0,8	0,7	0,7	0,4	0,7
funds of the population for housing construction	billion UAH	18,886	17,589	22,576	24,072	22,064	31,985	29,932
rate of change in % to the previous year	%		93,1	128,4	106,6	91,7	144,9	93,6
in % to the total	%	10,5	7,3	8,3	9,6	10,0	11,7	8,3
other sources of financing	billion UAH	5,106	6,923	7,952	6,372	5,186	5,572	5,513
rate of change in % to the previous year	%		135,6	114,9	80,1	81,4	107,4	98,9
in % to the total	%	2,7	2,9	2,9	2,6	2,4	2,1	1,4

The dynamics of bank and other loans aimed at investing the economy argue in favor of this statement. From 2010 to 2012 inclusive, investment financing from the banking sector grew that led their share to the second place in importance of financing sources of investments in the state. Starting from 2013, bank funds for



financing capital investments decreased, thus reducing their share (from 13,9% to 7,5%).

The overwhelming majority of loans were used to support the current activities of business entities, but not in investment activity. This means that in Ukraine banks have not become the driving force in the redistribution of financial resources for investment purposes.

In the Kharkiv region, trends of the formation of capital investment differ from one source to another (Table 2.2.3).

Table 2.2.3 – Dynamics of capital investments in the economy of Kharkiv region by sources of financing [7]

Indicators	Unit	Years:						
		2010	2011	2012	2013	2014	2015	2016
Capital investments	billion UAH	8,06	13,03	14,8	9,3	8,03	11,2	16,5
funds of the state budget	billion UAH	0,669	1,503	0,626	0,333	0,214	0,706	0,584
in % to the total	%	8,3	11,5	4,2	3,6	2,7	6,3	3,5
funds of local budgets	billion UAH	0,322	0,638	0,577	0,550	0,569	1,260	2,592
in % to the total	%	4,0	4,9	3,9	5,9	7,1	11,2	15,7
own funds of enterprises, organizations	billion UAH	5,810	8,687	7,859	5,868	5,376	7,312	10,758
in % to the total	%	72,1	66,6	53,2	63,1	66,9	65,0	65,0
bank loans, other loans	billion UAH	0,290	1,030	4,138	1,115	0,754	0,520	0,657
in % to the total	%	3,6	7,9	28,0	12,0	9,4	4,6	4,0
funds of foreign investors	billion UAH	13	73	27	0,5	0,4	0,3	7,2
in % to the total	%	0,2	0,6	0,2	-	-	-	0,26
funds of domestic investment companies, funds, etc.	billion UAH	0,141	0,119	0,141	0,165	0,087	0,070	0,550
in % to the total	%	1,7	0,9	1,0	1,8	1,1	0,6	3,3
public funds for housing construction	billion UAH	0,659	0,580	0,948	0,994	0,822	1,193	1,169
in % to the total	%	8,2	4,4	6,4	10,7	10,2	10,6	7,1

Thus, the share of public funds in all years was higher than the all-Ukrainian share (except 2012). The share of local budgets was even higher and exceeded the average in Ukraine from 0,8% (2010) to more than doubled (2016).

As in the whole country, in the Kharkiv region funds of local businesses were the main source of investment, absolute amount of which has increased significantly in the last two years. Bank loans, and especially funds of foreign investors, did not play a significant role in the formation of capital investments in the Kharkiv region during the analyzed period (with the exception of 2012). At the same time, the funds of domestic investment companies and funds, especially in 2016, are becoming increasingly important.

Trends that are identical to the nation-wide were observed in the dynamics of the population funds directed at housing construction. Let us look more deeply into foreign investments, which are in the global economy an important lever in solving national problems of certain states. According to the State Statistics Committee in 2016, foreign investors invested in the economy of Ukraine \$ 4405,8 million of direct investments (equity) versus \$ 3763,7 million in 2015 [5]. The amount attracted from the beginning of the investment of direct foreign investments (equity) into the economy of Ukraine by December 31, 2016 stood at \$ 37655,5 million (Fig. 2.2.2).

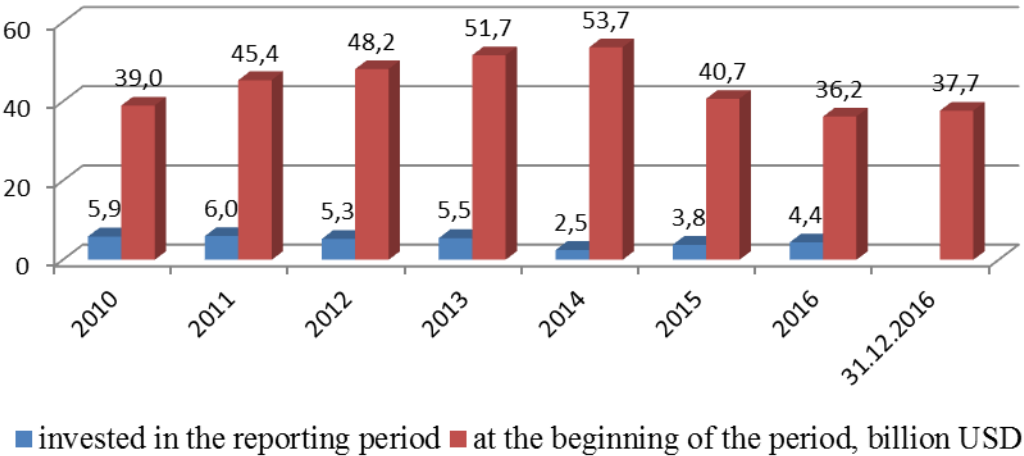


Fig. 2.2.2. Amount of direct foreign investments, billion USD

By December 31, 2016, the most significant volumes of direct investment income were sent to institutions and organizations that carry out financial and insurance activities - \$ 10 324,4 million and industrial enterprises - \$ 9,550,2 million.

The main investor countries include: Cyprus - \$ 9691,6 million, the Netherlands - \$ 5753,9 million, Russian Federation - \$ 4,449,8 million, United Kingdom - \$ 2046,3 million, Virgin Islands (BVI) - \$ 1766,5 million, Germany - \$ 1606,6 million and Switzerland - \$ 1467,3 million.

While exploring the dynamics of this source of capital investment formation (based on Table 2.2.2), we conclude that small amount of foreign investors' money also have no significant impact on the overall state of investment in Ukraine. Their share since 2010 has practically remained unchanged and represents an average of 2% of the total volume of fixed capital investments.

In 2016, foreign investors' funds were mainly directed to the financial sector and insurance activities (due to the requirements of capitalization in the banking system). It is evident that the expectations of the Ministry of Economic Development and Trade regarding the prediction of attracting direct foreign investment in 2016 in the amount of \$ 5 billion, which was planned to be provided mainly through the privatization program, were not fulfilled.

At the same time, the outflow of investment capital has significantly decreased. Thus, the amount of derived investments in the structure of outflow of direct foreign investment in 2013 amounted to UAH 2.85 billion, in 2014 - \$ 1,17 billion, in 2015 - \$ 0,89 billion, in 2016 - \$ 0,75 billion.

Such source of formation of capital investments as a means of domestic investment companies and funds is characterized by insignificant influence on the overall positive dynamics, because during the survey period 2010-2016, the total investment amount was UAH 13,75 billion, and the annual share did not exceed 0,9% that is even smaller than investment from other sources of financing.

The third most important (after the funds of enterprises and budgets of all levels) source of capital investments in Ukraine is the population's funds for housing construction. Households annually invested more than UAH 23,8 billion into the

economy of the country, which allowed this source to have an annual share of 9,4 % of the total capital investments. Comparison with other sources, which also includes the purchase of securities in the stock market, shows that households invest mostly in real estate as a highly liquid and relatively reliable field of economic activity, while at the same time reflecting the low investment confidence of the population in the banking system and the stock market.

To study the main tendencies of the state and dynamics of capital investments into the Ukrainian economy by individual types of economic activity, Table 2.2.4 was compiled.

Table 2.2.4 – Dynamics of capital investments in the economy of Kharkiv region by types of economic activity [4]

Indicators	Unit	Years:						
		2010	2011	2012	2013	2014	2015	2016
Capital investments	billion UAH	180,6	241,3	273,3	249,8	219,4	273,1	359,2
rate of change in % to the previous year	%		114,2	108,3	92,1	75,9	98,3	131,5
Agriculture, forestry and fisheries	billion UAH	11,063	16,466	18,884	18,587	18,796	30,155	50,484
rate of change in % to the previous year	%		135,4	112,6	102,0	84,6	127,1	167,4
in % to the total	%	6,1	6,8	6,9	7,4	8,6	11,0	14,1
Industry	billion UAH	55,384	78,726	91,598	97,574	86,242	87,656	117,753
rate of change in % to the previous year	%		125,5	107,3	109,1	74,3	80,1	134,3
in % to the total	%	30,7	32,6	33,5	39,1	39,3	32,1	32,8
Construction	billion UAH	29,767	31,991	40,760	40,796	36,057	43,464	44,444
rate of change in % to the previous year	%		92,5	116,4	94,6	80,7	96,4	102,3
in % to the total	%	16,5	13,3	14,9	16,3	16,4	15,9	12,4
Wholesale and retail trade	billion UAH	18,55	24,07	24,53	22,19	20,72	20,66	29,96
rate of change in % to the previous year	%		129,8	101,9	90,5	93,4	99,7	145,0
in % to the total	%	10,3	10,0	9,0	8,9	9,5	7,6	8,3
Kharkiv region								
Wholesale and retail trade	billion UAH	0,858	1,79	1,01	0,53	0,44	0,51	1,19
rate of change in % to the previous year	%		208,0	56,0	52,0	83,0	115,0	233,0
in % to the total	%	10,6	13,8	6,8	5,7	5,4	4,5	7,2

With the growth rate of capital investments in the country in 2016 – 131,5%, until 2015 - the highest growth of capital investments (67,4%) is observed in agriculture, forestry and fisheries. This kind of economic activity during the analyzed period has annually increased capital investments (except 2013) that allowed it to rank the 2-3rd place among the most attractive sectors for investments.

It should be noted that today the largest volume of investments comes into the industry. In 2016, it accounts for 33,6% of domestic and 29,4% of foreign investments in the economy, though. However, this is due to economies of scale (the share of contribution to the economy), rather than the real attractiveness of the industry for investors. This, in particular, is shown in the average annual indices of capital investments by industries.

The production of food products, beverages and tobacco and metallurgy are ranked the first places in terms of domestic and foreign investment. At the end of 2016, their shares accounted for 17% and 11,9% of domestic investment, respectively, and 18,7% and 39,7% of foreign direct investment. However, to the great regret, investments in the locomotive of progress - mechanical engineering - are insignificant, the reproduction of the basic means of which forms the cycles of economic uplift.

According to the results of 2016 accounted for: construction – 12,4 % of capital investments; agriculture, forestry and fisheries – 14,1 %; information and telecommunications – 4,4 %; transport, warehousing, postal and courier activities – 7 %, compulsory social insurance – 3,7%.

Against this backdrop, the activity of wholesale and retail trade has an average investment attractiveness of this type of business. This industry, after all, during 2010-2017 was able to attract UAH 160,68 billion of capital investments, the share of which fluctuated annually at the level of 9,09%. Annual capital investments in trade until 2015 significantly exceeded similar investments in the country's agriculture, forestry and fisheries. In the Kharkiv region, the total amount of investments in this type of economic activity during the same period amounted to UAH 3,938 billion, which is 3,94% of the total amount of investments in this type of economic activity

during the analyzed period. Their largest volume peaked in 2011, after which there was almost a fourfold drop in 2014, which was replaced by a gradual recovery in 2015-2016. Over the past year, the amount of investments in the industry had a second importance during the analyzed period. Consequently, it can be stated that the state of investment activity in the region corresponds to the national situation, and even prevails in terms of the annual dynamics. Relatively moderate contributions of investments in wholesale and retail trade is explained by the scopes of their activity compared with other leading industries, as well as by the increase in the number of private entrepreneurs whose investment activity is not reflected in statistics.

And evaluations of international organizations testify to the absence of positive processes in Ukrainian investment activity. Today there are a sufficiently large number of ratings of the investment climate of the state or investment attractiveness of the investment object, which are regularly published and differ from each other mainly by the list of components that are taken into account during the calculation.

A peculiar barometer of the competitiveness, and accordingly of the investment climate of the state there are numerous indices, namely: Global Competitiveness Index, The Doing Business, Heritage Foundation. The parameters of the most popular indicators among the domestic analysts, the Doing Business Index include procedures for setting up a business, obtaining permission to create a logistics base, recruitment, property registration, loan obtaining, investment protection, tax payment, trade with foreign countries, conclusion of a contract, closing of a business. It is calculated with the obligatory consideration of the laws and regulations that affect the conditions of conducting business.

Experts of Heritage Foundation and The Wall Street Journal calculate the Index of Economic Freedom (Heritage Foundation) and define economic freedom as “the lack of government intervention or impediment to the production, distribution and consumption of goods and services, except for the needed protection for citizens and support for freedom as such”. Among the main parameters: business freedom, trade liberty, financial freedom, public spending, currency freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor

freedom [8].

Table 2.2.5 presents the position of Ukraine according to the most important international indices characterizing the investment attractiveness of Ukraine.

In the period from 2010 to 2016, Ukraine's position in the global competitiveness index has not significantly changed. Ukraine has fallen from the 76th to the 85th place among 138 countries of the world for 2014-2016. It should be noted that the competitiveness index determines the ability of the economy to grow in the long run. It consists of 114 indicators, 2/3 of which are the results of the survey of business executives, 1/3 - statistical information.

Table 2.2.5 – Ukraine's place in the world rankings characterizing investment attractiveness and efficiency of innovation activity [8-10]

Indexes	Years:						
	2010	2011	2012	2013	2014	2015	2016
Global Competitiveness Index	82 (of 143)	82 (of 144)	73 (of 144)	84 (of 148)	75 (of 144)	79 (of 140)	85 (of 138)
Doing Business Index	147 (of 183)	149 (of 178)	152 (of 183)	137 (of 184)	112 (of 189)	96 (of 185)	105 (of 185)
Index of Economic Freedom	162 (of 179)	163 (of 179)	161 (of 179)	163 (of 179)	155 (of 179)	162 (of 178)	162 (of 179)

Among the components of the global competitiveness index, Ukraine lost most of positions in terms of the macroeconomic environment and the level of financial market development [10]. The indicator of the macroeconomic environment deteriorated, first of all, because of rising inflation. The indicator of the level of financial market development deteriorated, first of all, due to the deterioration in business valuation of the possibility of obtaining financing in the domestic stock market and the regulation of the stock market, as well as a decrease in the index of protection of legal rights.

Traditionally, Ukraine lags behind in the ranking for components of the quality of institutions and the market efficiency of goods and services. On the other hand,

Ukraine has improved its position in terms of the efficiency of the labor market and higher education and vocational training [10].

We propose to consider separately the position of Ukraine among other countries according to the Doing Business Index for the period 2010-2016 in terms of its components: this rating is the most popular among potential investors.

Particular attention is paid to the fact that Ukraine was able to improve its position in the difficult economic situation in the country in 2014-2016. However, in 2016, the country's ranking in terms of doing business index deteriorated. The rating dropped by 9 positions. The main positive changes were due to, first of all, tax payments, registration of property and, most importantly for investors, for the first time over the past four years, the index of investor protection has increased. Ukraine has lost most of its positions in terms of the registering enterprises and obtaining construction permits over the past year [10]. Thus, according to the World Bank, Ukraine ranked 96th place in the Doing Business rating - 2015, it is a record that it has not reached for all years of its independence, entry into a hundred countries. Five countries-leaders in terms of doing business in the world remained unchanged: Singapore, Hong Kong, New Zealand, the United States and Denmark. It should be noted that Singapore rank first place in the Doing Business rating for the seventh consecutive year [11].

According to researchers' data of the American research center The Heritage Foundation, today, Ukraine remains among countries with a “repressed economy”. In the new annual ranking of countries by level of economic freedom - the Economic Freedom Index of 2016 - Ukraine ranked 162th place out of 179 countries, in the report of last year it ranked 155th place [8]. The researchers note that Ukraine has worsened its positions in eight out of ten indicators: the worst situation with guarantees of property rights, investments, management of government spending. Ukraine is on the last place from 43 European countries, its overall mark is lower than the world one [9]. In addition to Ukraine, the list of countries with a “repressive economy” includes another 25 countries. Near the Ukraine in the ranking - Myanmar and Bolivia. The group of “free economies” this time includes five countries, which



scored more than 80 points: Hong Kong, Singapore, Australia, New Zealand and Switzerland [12].

The analysis of the investment climate suggests that the climate for attracting foreign investments to Ukraine is not comfortable for investors, especially in the short run, due to the lack of practical steps that would ensure economic freedom and protect the interests of all participants in business processes with clear rules of conducting business.

The activation of foreign investment is possible only in the conditions of political stability, recovery of the national economy and the appearance of positive changes in the revival of production. The stability and transparency of the country's economy as a whole have the paramount importance for foreign investors. As world experience shows, the main flows of strategic investors' funds are directed not only at the place where the maximum concessional conditions are created, but also in countries whose economies are stable and consistently evolve on their own internal basis.

Ukraine still faces the need to solve the problem of creating national market institutions, restructuring the domestic economy, enhancing its competitiveness and integrating it into the world economy, primarily on the basis of innovation as a universal way of gaining competitive advantages. According to research of world analytical structures, the advance economic development of the lead countries is based to a large extent on the ability of their national innovation systems to use progress for creation of value added. It is the national innovation systems explain why some countries have achieved high results in creating innovation.

In international practice, a number of indicators are calculated to measure the activity and effectiveness of innovation in individual countries, the most comprehensive of which are the Global Competitiveness Index and the Global Innovation Index. It is also important to take into account and analyze such world-renowned studies as “Ease of Doing Business” ranking and Corruption Perceptions Index. Ukraine's ratings for the period 2012-2016 by the above indices are presented in the table 2.2.6.

Table 2.2.6 – Ukraine's positions in international rankings in 2012-2016 years  
[10-13]

Indexes		Years:				
		2012	2013	2014	2015	2016
Global Competitiveness Index	rating of Ukraine	73	84	75	79	85
	number of studied countries	144	148	144	140	138
Global Innovation Index	rating of Ukraine	63	71	63	64	56
	number of studied countries	141	142	143	141	142
Corruption Perceptions Index	rating of Ukraine	144	144	142	130	122
	number of studied countries	176	177	175	168	170

The Global Innovation Index is calculated according to the methodology of the international business school INSEAD and consists of eighty different variables that characterize in detail the innovative development of the world countries, which are at different levels of economic development. The authors of the study believe that the success of the economy is related both to the availability of innovative potential, and, above all, to the conditions for its implementation and development [13]. The index is calculated as a weighted sum of assessments of two groups of indicators, namely: firstly, available resources and conditions for innovation (Innovation Input) (institutional component and its efficiency, human capital and research, infrastructure, development of the domestic market, level of business development); secondly, the practical results of innovations (Innovation Output) (development of technologies and knowledge economy, results of creative activity) have been achieved. Thus, the final Index is a ratio of costs and effect, which allows us to objectively assess the effectiveness of efforts to develop the innovations in one or another country.

According to table 6, the place of Ukraine in the rating for 2012-2015 is remained relatively stable - 63-64 place. In 2016, Ukraine significantly improved its position, ranking the 56th place among 142 countries.

If we consider the sub-indexes on the basis of which the Global Innovation Index is calculated, then their indices are correlated with the calculations of the sub-indexes of the Global Competitiveness Index. In terms of institutional development,

the country ranks the 98th place among 142 countries; infrastructural development - 112; the level of business development - 78. According to indicators of human capital and research, and development of technologies and knowledge economy, the country occupies 36th and 34th places from 142 countries respectively.

The improvement of the position of innovation development in 2016 was consequently due to the active development of technologies and intellectual potential.

The “Ease of Doing Business” ranking is an indication of the favorable doing business in the country [12]. The higher the country's position in this rating, the more favorable business environment for the establishment and functioning. As was noted above, Ukraine's position for this indicator deteriorated in 2016.

The Corruption Perceptions Index (CPI) is calculated by the non-governmental organization Transparency International [12]. The Corruption Perceptions Index aggregates data from various sources that provide information about the perception of the corruption levels in the public sector in certain countries from the side of business circles and experts of these countries. According to the data of the table 7, Ukraine's rating in 2015 was improved compared to 2014 - the country moved from 142 position to 130. The rating grew, mainly due to the more critical attitude of the society towards corruptors (an increase in the number of revealers of corruption, increased reporting about the corruptors in the media, which the authorities have to react to, etc.). A certain positive impact on the rating improvement is also observed in the creation of state institutions for combating corruption, which was noted in a study by Freedom House Nations in Transit. The authorities have indeed taken a number of positive steps towards the creation of legislation on important anti-corruption bodies, but have been delaying its implementation. The interaction between government and business has the worst impact on the CPI index. Over the last year, the level of corruption have increased in terms of providing utility services to entrepreneurs, annual tax deductions that reduced the state's level by 2 positions in 2016. It should be noted that Ukraine nevertheless still maintains sufficient intellectual potential that is capable of generating world-class scientific ideas, has strong academic schools of mathematics, physics, chemistry, medicine, radio electronics, and the development of

new materials, information technologies, and telecommunications. Ukraine falls within the eight countries in the world capable of providing a full cycle of aerospace engineering design and production, the five countries with a full cycle of tanks production and the ten largest shipbuilding countries in the world. The country has developed high-tech industries, including the production of heavy machinery, power equipment, and instrument-making. International comparisons (Table 2.2.7) show that, according to all indicators, our country is significantly behind the leaders.

By the share of R & D expenditures of GDP, Ukraine lags far behind even from the most marginally acceptable level of 2%. Extremely low rates of business spending on R & D, especially bearing in mind that the enterprises themselves are the main source of R & D financing in the country [14].

One of the effective indicators of innovation activity is the share of implemented innovative products in the total volume of industrial products and the value of exports of innovative products, which are given in table 2.2.8.

Table 2.2.7 – Comparison of Ukraine's innovation development with leaders of world ratings

Indicators	Ukrain's value	Best value	Country-leader
Share of high-tech industries in GDP, 2015,%	15	36	USA
Share of exports of high-tech products in GDP, 2013,%	0,56	5,19	Germany
Share of R & D expenditure in GDP, 2015,%	0,62	3,3	Japan
Level of business spending on R & D (on a scale from 1 to 7 points Global Innovation Index), 2015	3,4	6,0	Switzerland
Country's share in world R & D expenditures, 2015,%	н.д.	31,1	USA
Perfection of national technical standards (on a scale from 1 to 7 points), 2015	3,3	6,3	Germany
Valid certificates ISO 9001: 2008, the number of points calculated by the Global Innovation Index, 2015	6,63	100	Italy
Level of production processes of the company (on a scale from 1 to 7 points Global Innovation Index), 2015	3,8	6,5	Switzerland
Ability of companies to borrow and adapt technologies (on a scale from 1 to 7 points Global Innovation Index), 2015	3,4	6,42	Luxembourg

According to the data of the table 8, the share of the sales volume of innovative products in the total sales volume of industrial products is very low and decreases steadily: if in 2006-2007 it was 5,6%, in 2015 it already fell to 1,5%. In the total sales volume of industrial products, the volume of innovative products sold out of Ukraine has a very small share: in 2005-2008, it fluctuated within 2,05-2,67%, and since 2010 it did not exceed 1,5%.

Table 2.2.8 – Sales volumes of innovative industrial products of Ukraine, 2005-2015 [14]

Indicators	Years										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total sales volume of products, billion UAH	468,6	551,7	717,1	917,0	806,6	1067,1	1148,2	1095,7	1086,7	1026,8	1496,0
including innovative products, billion UAH	25,0	30,9	40,2	45,8	31,4	33,7	42,4	36,2	35,9	25,7	23,1
in % to the total volume of sales	5,3	5,6	5,6	5,0	3,9	3,2	3,7	3,3	3,3	2,5	1,5
Total sales volume of innovative products outside Ukraine, billions UAH	12,5	12,8	14,7	23,6	13,2	13,7	12,6	13,4	16,1	7,5	10,8
in % to the total volume of sales	2,7	2,3	2,0	2,6	1,6	1,3	1,1	1,2	1,5	0,7	0,7
in % to the total sales volume of innovative products	50,0	41,4	36,5	51,6	42,0	40,7	29,8	36,9	44,8	29,2	46,8

This indicator reached the highest level in 2005 and amounted to 2.67%; since 2008 its value constantly decreased and in 2015 it fell to 0,7%. It should also be emphasized that in the overall small amount of production and sales of innovative products in particular years, 50% and more went for export (2005 and 2008), in 2011 this indicator dropped to 29,8%, and in 2015, increased to 46,8%.

Although new, fundamental breakthrough knowledge is created predominantly in the research sector, however, companies themselves are key players in the innovation process. Innovation potential in developed countries is concentrated at the micro level, and for some sectors of the economy, the innovative potential of small and medium-sized businesses is becoming increasingly important.

One of the criteria that characterize innovation processes is the indicator of the number of innovative-active enterprises (table 2.2.9).

Table 2.2.9 – Total number and share of industrial enterprises engaged in innovation activity in 2005-2015 [14]

Indicators	Years										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total number of industrial enterprises	10047	9995	10346	10728	10995	10606	10350	10089	10189	10010	4763
of them: engaged in innovative activities	1193	1118	1472	1397	1411	1462	1679	1758	1715	1609	824
share of the total number of industrial enterprises, %	11,87	11,19	14,23	13,02	12,83	13,78	16,22	17,42	16,83	16,07	17,3
Implemented innovation of industrial enterprises	810	999	1186	1160	1180	1217	1327	1371	1312	1208	723
share of the total number of industrial enterprises, %	8,06	9,99	11,46	10,81	10,73	11,47	12,82	13,59	12,88	12,07	15,18

Statistical surveys in Ukraine are conducted every two years. The statistics and calculations, which are shown in the table 9, confirm the conclusion about the low level and efficiency of innovation in industry. World practice shows that the threshold level of enterprises engaged in innovation activities is 25%, and in developed countries, this indicator reaches 70% and above. According to the data of the table 9, the level of innovative-active industrial enterprises in Ukraine is below

the threshold during 2005-2015 and there is no tendency for significant growth: the highest level of innovative-active enterprises reached in 2012 - 1758 enterprises, which makes 17,4% of all industrial enterprises. In the same year, the largest number of enterprises that introduced innovations were registered - 1371 enterprises. In 2015, the number of innovative-active enterprises and enterprises that introduced innovations fell to the lowest level in 2005-2015 and amounted to 824 and 723 enterprises, respectively. As noted in the National report “Innovative Ukraine – 2020”, the development level of innovation activity during the years of independence has decreased, the innovation activity of enterprises is 2-3 times lower than in the least developed countries of the EU [9].

Among the regions of Ukraine, the share of innovative-active enterprises was higher than the average one in Mykolayiv, Kharkiv, Kirovograd, Ivano-Frankivsk, Zaporozhye, Kherson, Sumy, Odessa, Lviv and Ternopil regions; in terms of types of economic activity - in enterprises producing basic pharmaceutical products and pharmaceuticals, motor vehicles, trailers and semitrailers, computers, electronic and optical products, other vehicles, coke and products of oil refining, and electrical equipment.

During 2015, enterprises spent UAH 13,8 billion on innovations, including on the purchase of machinery, equipment and software - UAH 11,1 billion, on internal and external R & D - UAH 2,0 billion, on the acquisition of other external knowledge (acquisition of new technologies) - UAH 0,1 billion and UAH 0,6 billion - on training and education of staff for the development and introduction of new or significantly improved products and processes, market innovation activities and other work related to the creation and implementation of innovations (other costs).

The largest amount of money was spent by enterprises in Kyiv, Dnipropetrovsk, Donetsk, Kharkiv and Vinnytsia regions; among the types of economic activity - enterprises of metallurgical production, production of basic pharmaceutical products and pharmaceuticals, food products, machinery and equipment, not included in other equipment.

The main source of financing of innovation costs remains the company's own funds - UAH 13427,0 million (or 97,2% of the total cost of innovation). The state budget funds were received by 11 enterprises, local budgets - 15, the total amount of which amounted to UAH 589,8 million (0,7%); funds of domestic investors were received by 9 enterprises, foreign ones - 6, in total their volume amounted to UAH 132,9 million (1,9%); 11 enterprises benefited from loans, amounting to UAH 113,7 million (0,8%).

In 2015 87,7% of innovative-active industrial enterprises implemented innovations (or 15,2% of the surveyed industrial enterprises). They introduced 3136 innovative products, of which 548 - new exclusively for the market, 2588 - new only for the enterprise. Out of the total number of introduced products, 966 - new types of machinery, equipment, devices, devices, etc. The largest number of innovative types of products has been introduced at the enterprises of Ternopil, Zaporozhye, Lviv, Kharkiv regions and Kyiv; by types of economic activity - in enterprises producing machines and equipment not attributed to other groups, paper and paper products, food products, metallurgical production.

The number of implemented innovative technological processes (new or improved methods of processing and production) was 1217, the largest of which was implemented by enterprises in Kharkiv, Sumy, Zaporozhye, Dnipropetrovsk regions and Kyiv; by types of economic activity - at enterprises producing machines and equipment not classified in other groups, other vehicles and food products. Out of the total number of innovative technological processes, which were implemented 458 - low-waste, resource-saving.

In 2015, 570 enterprises sold innovative products at UAH 23,1 billion. Among such enterprises 37.4% sold products outside Ukraine, the volume of which was UAH 10,8 billion. Every fourth company sold products that were new to the market. The volume of such products amounted to UAH 7,3 billion, almost two thirds of the enterprises put up for export. A significant number of enterprises (86,0%) sold products that were new exclusively for the enterprise. Its volume amounted to UAH 15,8 billion. Every third enterprise sold 40,1% of such products outside Ukraine.



With a view to implementing innovations, 181 enterprises acquired 1131 new technologies, of which 66 - outside Ukraine. Out of the total number of technologies, 439 were purchased with equipment, of which 43 - outside of Ukraine; 393 - as a result of research and development (12); 120 - under contracts for the acquisition of rights to patents, licenses for the use of inventions, industrial designs, utility models (8); 37 - by deals to purchase technology and know-how (3); 129 - together with the purposeful recruitment of qualified specialists.

As a result of innovation activity, 9 enterprises transferred 98 new technologies to other enterprises, in particular, 20 - outside of Ukraine.

*Table 2.2.10 – Summary Innovation Index (SII) by region*

	SII 2010-2012		SII 2012-2014		SII changes	
	%	rank	%	rank	%	rank
Ukraine	31,6	-	29,3	-	-2,3	-
Vinnitsya region	42,4	6	40,7	6	-1,7	-
Volynsk region	36,7	9	20,2	21	-16,5	12 ↓
Dnipropetrovs'k region	20,3	22	20,6	19	0,3	3 ↑
Donets'k region	36,5	10	44,4	2	7,3	8 ↑
Zhytomyr region	28,5	16	24,6	15	-3,9	1 ↑
Zakarpattia region	13,9	24	20,6	20	6,7	4 ↑
Zaporizhzhia region	38,7	7	34,4	9	-4,3	2 ↓
Ivano-Frankivsk region	42,8	5	41,2	4	-0,4	1 ↑
Kiev region	38,2	8	35,1	8	-3,1	-
Kirovograd region	27,1	18	29,5	12	2,4	6 ↑
Lugansk region	24,9	19	31,7	11	6,8	8 ↑
Lviv region	30,0	11	32,9	10	2,9	1 ↑
Mykolaiv region	44,5	3	43,9	3	-0,6	-
Odessa region	21,4	21	19,6	22	-1,8	1 ↓
Poltava region	10,1	25	13,2	24	3,1	1 ↑
Rivne region	34,9	12	39,2	7	4,3	5 ↑
Sumy region	45,8	2	40,9	5	-4,9	3 ↓
Ternopil region	31,3	13	24,3	17	-7	4 ↓
Kharkiv region	49,6	1	48,4	1	-1,2	-
Kherson region	43,9	4	24,6	16	-19,3	12 ↓
Khmelnysky region	29,2	15	15,8	23	-13,4	8 ↓
Cherkasy region	15,5	23	12,6	25	-2,9	2 ↓
Chernivtsi region	29,0	14	27,4	13	-1,6	1 ↑
Chernihiv region	21,8	20	25,3	14	3,5	6 ↑
Kiev	27,8	17	21,7	18	-6,1	1 ↓

The total index of innovations is calculated by the types of economic activities and spheres of activity in order to characterize innovation processes at the regional level [15]. The Summary Innovation Index (SII) is a weighted aggregate indicator made up of a number of indicators, which provides an opportunity to assess and measure the state of innovation activity. The results of SII calculations by region for 2010-2012 and 2012-2014 are presented in table 2.2.10. Taking into account a certain relativity of the SII, nevertheless, it should be noted that Kharkiv region is the leader during both periods, although its results deteriorated slightly (-1.2%), but remain much higher than for the whole Ukraine. Stable high places are occupied by Nikolaev, Ivano-Frankivsk and Vinnytsia regions.

Dnipropetrovsk and Odessa regions in terms of its innovative potential would have to occupy higher places than now.

Consequently, the results of the analysis of investment-innovation processes in Ukraine show a deterioration of the investment climate. In the conditions of rising investment rates, their share remains low in intangible assets and at the expense of loans and foreign investors; there is not increased state support. The share of investments in domestic trade has an average value in the total investment of the country.

According to international organizations' estimates, the investment attractiveness of Ukraine has decreased. The State position by the Global Innovation Index has improved, although the innovation activity of enterprises remains low that negatively affects the processes of formation and implementation of competitive advantages.

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### **2.3. Peculiarities of entrepreneurial activity in retail trade**

Daydin A.S.

The subject matter of entrepreneurship, the boundaries of its implementation are closely related to the forms and types of entrepreneurial activity [1]. Traditionally, in accordance with the adopted structure of the reproduction process (production – exchange – distribution – consumption) the four main types of entrepreneurial activity are distinguished: production, commercial (trade), financial and consumption sphere. Each of these types determines the business entities and is divided into some subtypes, based on their functional purpose and business orientation (manufacture of products, sale of goods, provision of services, etc.).

A trade entrepreneurship is of great importance for the civilized market economy. Its role in activating economic processes is to ensure the establishment of a balanced market, to promote the formation of optimal proportions between production and related fields, to determine demand for goods, to stimulate production entrepreneurship, to

promote efficient commodity turnover, to satisfy the population's demand for goods and services, to stimulate the activities of market entities, contribution to the formation of revenues of the state and local budgets at the expense of taxes payment, etc.

The above mentioned as well as the socio-economic and political transformations that are taking place in Ukraine at present time call for a study of the current development of entrepreneurial activity in trade and distinguishing its specific features.

The term "trade" has different meanings and is characterized as: 1) an independent branch of the national economy (trade itself). Trade as a type of activity is distinguished as an independent branch of the economy that is conditioned by the social division of labor and the nature of the circulation of commodities of the consumer market [2]; 2) the type of business activity [3; 4]; 3) the form of exchange that is an indirect link between the production and the distribution conditioned by it, on the one hand, and consumption on the other hand, and represents the phase of the reproduction process [2]; 4) trade processes aimed at the realization acts of purchase and sale in order to receive profit and to meet consumers' demand [5].

According to H. Krier and J. Jallais, "... as a result of the fact that the production of goods in large quantities at specialized enterprises distant from the places of consumption caused an increase in the number of interrelations between production and consumption, the purpose of national trade became more obvious as it was already defined by J.-B. Say: "It was previously believed that the essence of trade is the exchange, but, in fact, it is to make the product available to the consumer" [6].

A. Mazaraki characterizes trade activity as a transferring one, aimed at intermediary between producers and consumers in the mutual exchange of economic benefits [7]. Kharkiv scientists emphasize that trade is a complex and versatile phenomenon. On the one hand, trade as a separate branch of the economy acts as an intermediary in economic relations to bring goods from production to consumption; but on the other hand, is the process of "transferring goods from one owner to the other by means of exchanging goods for money at an agreed price. It is this process, which is aimed at selling goods for obtaining profit, is an entrepreneurial activity" [1, p. 13].

Entrepreneurial activity in trade in general and in retail trade, in particular, is an

integral part of the broader concept of “entrepreneurship” and is carried out on the basis of the similar principles: economic independence within the framework of the current legislation, systematicity, self sufficiency, self financing, self sustainment, material incentive, economic responsibility, etc.

Revealing the basic nature of entrepreneurial activity in retail trade it is expedient to consider it in two aspects: economic and functional (sectoral). The economic approach to entrepreneurship in retail trade is characterized by the most detailed development of its understanding as the sphere of circulation, the sector of economy, the type of economic activity “characterized by certain economic processes associated with the implementation of acts of purchase and sale” [8]. Thus, according to CEA (Classifier of economic activity), retail trade is a type of economic activity which includes “resale (sale without modification) to the population of new or used goods intended for personal consumption or use ...” [9]. According to Ukrainian national standardization system [Ukrainian national standardization system 4303: 2004] “Wholesale and retailing” retail trade is a “type of economic activity in the sphere of goods turnover involving purchase and sale of goods to the final consumer and the provision of trade services to them” [10].

B. Berman and D. Evans suppose that retail trade includes the types of economic activity associated with the sale of goods and services to consumers for their personal use or their families’. Correspondingly, retail trade is the last stage of the distribution process [11, p. 23]. According to E. Svidersky, retail trade is a trade activity “of selling goods by the piece and small wholesale directly to citizens and other consumers mainly with cash payments” [12]. A similar interpretation is given by Buryak I., understanding that it is the scope of entrepreneurial activity as to selling objects of trading activity directly to their end consumers [3]. S. Fedosenko gives a more detailed definition that is “... the activity of selling goods directly to citizens and other end consumers for their personal non-commercial use, regardless of the form of payment including in restaurants, cafes, bars, other business entities” [13].

The specificity of entrepreneurial activity is revealed at most through the functions performed by retail trade as a branch of the national economy [1; 14]. Only under conditions of successful fulfillment of all functions the business entities in retail trade “can

be competitive at the consumer market of Ukraine. Thus, “additional” functions are transformed into auxiliary that is those that ensure the performance of the main functions of trade” [1, p. 16].

The main function of retail trade is the sale of the produced user value (products, services) that is the exchange of labor results for money which, thus, closely links production and consumption. Since under market conditions commodity-money exchange covers not only consumer goods but also material and technical resources, so within the framework of the basic function the following issues are distinguished: 1) the range that covers the commodity exchange processes associated with the realization of the intermediate product (unprocessed products), and processes associated with the final product sale; 2) intensification of the processes of deepening the function of exchange precisely in the sphere of realization of finished products of productive function and consumer goods [15, p. 25-26].

At the same time classical economic theory considers the function of selling goods in two aspects: as the realization of user value that is bringing a specific product to the consumer by means of applying appropriate technological operations; as the realization of the commodity value the consequence of which is obtaining general recognition of the product [1]. It should be noted that in the works by Sytnyk N. [15] the function of bringing goods from the sphere of production to end users is considered separately, fulfilling which the business entities in the retail trade carry out transportation, cargo processing, packaging, warehouse storage of goods, etc. with maximum maintenance of their consumer properties.

The user value of a good can not be considered separately from the consumption value of a good. Modern conditions of economic development and intensification of competitive struggle in retail trade encourage business entities to search for the ways to increase additional value for a consumer in order to gain leading positions and increase the efficiency of their activities, thereby consolidating its role as one of the strongest forces in the market. Being created by means of the use of a product or service, this value consists of many factors which create a full-scale customer service process. The user value in retail trade is regarded as the value of a trade service which refers to the “intangible property

created as a result of conducting a set of certain measures that stimulates the consumer's choice of this particular retail company among the existing alternatives for buying the given product" [16, p. 76].

The following issues are closely related to the function of exchange: retail trade provision of consumers' needs for goods and services in accordance with the volumes and structure of solvent demand; realization of relations between the branches of the national economy and the country's regions; active influence on production and consumption. The auxiliary functions of trade also include: research of consumer demand for goods, assortment formation, advertising, assisting buyers in choosing goods, placing and displaying them in the display area, providing additional services to a buyer, accepting orders for goods not available on sale and others [1; 4; 17].

The specificity of business entities functioning in retail trade which is determined by the basic nature as a form of commodity circulation significantly conditions the peculiarities of their economic mechanism which should include:

- the relation between the supply of goods and the offer of trade services which is a reflection of the impact of different forms of a product market differentiation. The quality of the supply of goods is complemented by the quality of service, which together are elements of procurement policy and the organization of sales of goods and the main factors contributing to the business entity identification by consumers, and are the main means of competitive struggle [2, p. 38-39];

- relatively low share of non-negotiable and high share of current assets in the total amount of assets of business entities in retail trade due to the specificity of trading activity, the technological processes of which require a lower level of mechanization and automation of labor and are less scientific [4, p. 23]. This, in turn, is implemented in the features of the capital formation in retail trade [18];

- high rate of capital turnover that is conditioned by the short duration of the commercial cycle due to the trade's performance of its main function [1]. Since the movement of current assets of business entities in retail trade lacks the stage of raw materials conversion into finished goods, their management involves management of cash assets, commodity stock and accounts receivable;



– the life cycle of business entities in retail trade is much shorter than that of business entities in other sectors of the national economy (production, transport, communications, construction, agriculture, etc.) due to the volatility of demand, the lack of a production stage, performing functions of sales of goods and provision of services to the population, etc. [1];

– the provision of a wide product range requires the active use of short-term loan funds aimed at eliminating cash deficiency and ensuring a competitive range of goods. Such loan funds include short-term bank loans, financial borrowings from other commercial organizations, payables to suppliers of goods;

– the duality of the functions performed by the business entities reflected in the influence of trade both on the formation of an assortment policy of production and on the formation of consumer demand and, at the same time, depend on and are forced to respond to the changes in the supply of goods and fluctuations in demand;

– the functioning of business entities in various forms (that vary in size, functioning in different commodity markets, the range of products sold, etc.) and, at the same time, the presence of a significant number of small in size, amount of business and the number of business entities engaged in retail trade;

– economic features of each form of service that are used by business entities in retail trade (traditional form of service, self-service, trade by previous orders, use of open display, trade by samples, etc.) relating to the structure of expenses and income, turnover of a particular economic entity, composition of fixed assets, working capital, etc.;

– the specificity of the formation of revenues, expenses and profit of business entities in retail trade. In any field of entrepreneurship the starting basis for commercial calculation is the revenues from economic and financial activity the main source of which in trade is trade markups that are used to reimburse expenses and generate profits. Thus, the business entities provide self-sufficiency of current economic activity and create conditions for self-financing (development of material and technical facilities, own working capital financing, social development);

– the absence of the production cost index in retail trade in contrast to the

production activity. Instead, trade uses “the expense of turnover” index which is the sum of expenses associated only with the trading activity and does not contain the purchase cost of goods. The cost of goods sold is represented as the equivalent of the “production cost” index in the statement of financial results;

- peculiarities when receiving a profit due to the rate of capital turnover (which is the result of the absence of a production stage in the process of circulation of working capital of economic entities in trade) rather than a high profitability of activity [1];

- the specificity of assessing the effectiveness of economic and financial activity in retail trade (according to the indices of profitability: goods turnover, expense of turnover, assets, equity capital) and peculiarities of assessing financial stability and business activity of trading entities (by comparing commodity stock with the sources of their financing) [19; 20];

- the necessity for widespread use of manual labor, a relatively low level of its mechanization and technical support [1];

- commercial risk intrinsic to the retail trade that arises in the sphere of commodity circulation and associated with the activity of bringing goods from the supplier to the consumer [21]. The presence of risk when making business decisions by business entities in retail trade is due to the unpredictability of demand, saturation and differentiation of needs, the change in the preferences of customers, individualization of consumption, increased competition. The risk is expressed in: the possibility of the profit loss, the availability of unsold commodity stock, the reduction of the efficiency of capital investments in comparison with the planned level, the greater possibility of losses occurrence when concluding a contract, reduction of the resource base, etc.

The research of modern functions of retail trade and determination and substantiation of its sectoral features contributed to the clarification of the essence and content of entrepreneurial activity in retail trade. Modern theoreticians and experts are of different opinions as to interpreting entrepreneurial activity in trade in general and in retail trade in particular. Some of the above mentioned definitions are not meaningful in the context of determining the essence or purpose of entrepreneurial activity [3; 5; 17; 22, others – specify and complement each other [1; 22]. The conducted theoretical study and systematization of

definitions allows considering entrepreneurial activity in retail trade as a set of trade and organizational operations aimed at obtaining profit on condition of a high level of population service culture [1; 3; 22]. The observations of the national researchers are quite essential as to the fact that under conditions of modern development of the national economy satisfaction of consumer demand for a certain range of products and ensuring a high level of service allows a business entity "... also achieving other goals – that is obtaining profit (income), reducing expenses ..." [1, c . 18].

In addition, the market economy significantly expands the characteristics of entrepreneurial activity in retail trade by covering various aspects [23] that allows distinguishing a number of its general and specific types.

General types of entrepreneurial activity are manifested through the following characteristics [22]: 1) according to the legal form it can be distinguished entrepreneurship with the formation of legal entity and without the formation of legal entity; 2) according to the form of ownership there is private, collective and state (state, public) entrepreneurship; 3) according to the way of the authorized fund formation – unitary and corporate; 4) according to the size of the business entity – small, medium and large; 5) according to the national identity – national, foreign, joint; 6) according to the structure of business organization – specialized and diversified entrepreneurship.

In addition to the above mentioned typical characteristics entrepreneurial activity in retail trade can be classified according to the specific types (Table 2.3.1):

- elements of entrepreneurial activity of a business entity in retail trade (trade and organizational operations, marketing research, product policy, procurement and sales activities, promotion of goods in the market);
- forms of trade (traditional form; self-service; by previous orders; open display; by samples, small-scale wholesale);
- product specialization (retail trade in food products, retail trade in non-food products, mixed retail trade);
- product range of a business entity (specialized, universal, mixed);
- status of a business entity (network, autonomous);
- format of trade (hypermarket, supermarket, discount store, mini-market, shop

near the house, small-scale retail outlets, etc.);

– form of carrying out trade activity by a business entity (shop, out of shop, electronic);

– form of organization of the trading process (local markets, shopping centres).

Table 2.3.1 – Typology of entrepreneurial activity in retail trade

<b>Characteristics</b>	<b>Types</b>
Elements of entrepreneurial activity	<ul style="list-style-type: none"> <li>– trade and organizational operations;               <ul style="list-style-type: none"> <li>– sales activity</li> <li>– marketing research;</li> <li>– procurement activity;</li> <li>– product policy;</li> </ul> </li> <li>– promotion of goods in the market</li> </ul>
Product specialization	<ul style="list-style-type: none"> <li>– retail trade in food products;</li> <li>– mixed retail trade;</li> <li>– retail trade in non-food products.</li> </ul>
Product range of a business entity	<ul style="list-style-type: none"> <li>– specialized;</li> <li>- mixed;</li> <li>– universal.</li> </ul>
Status of a business entity	<ul style="list-style-type: none"> <li>– network;</li> <li>– autonomous.</li> </ul>
Trade format	<ul style="list-style-type: none"> <li>– hypermarket;</li> <li>– supermarket;</li> <li>– discount store;</li> <li>– mini-market;</li> <li>– shop near the house;</li> <li>– small-scale retail outlets, etc.</li> </ul>
Form of carrying out trade activity	<ul style="list-style-type: none"> <li>– shop;</li> <li>– out of shop;</li> <li>– electronic.</li> </ul>
Form of organization of the trading process	<ul style="list-style-type: none"> <li>– local markets;</li> <li>– shopping centres.</li> </ul>

Special attention should be paid to specifying the content and specificity of the subjects and objects of entrepreneurial activity in retail trade. Subjects of entrepreneurship (business entities) can be both legal persons (enterprises) and individuals (other business

entities) who have the stated rights and obligations in the sphere of entrepreneurship and own some separate property [1]. In accordance with Part 2 of Art. 3 of the Commercial Code of Ukraine business entities are the persons engaged in entrepreneurial activity “for achieving economic and social results and for the purpose of obtaining profit” [24]. The object of entrepreneurial activity is referred to the product sold, the product produced, the work performed or the service provided; that is what is offered at the market for purchasing, using and consuming and can satisfy a certain need of a consumer (customer). The objects of entrepreneurial activity in retail trade are determined by its sectoral specificity. Taking into account the functions and features performed, the object of entrepreneurial activity in retail trade is a product and a trade service.

The fundamental analysis of the essence and types of entrepreneurial activity allows clarifying the position of the researchers [1] and providing the following definition: entrepreneurial activity in retail trade is an independent, initiative, systematic, at its own risk economic activity as to the organization and management of trade and operational processes aimed at satisfying the needs of end consumers in goods and services by providing high value trade service and obtaining profits on this basis.

The diversity of the types of entrepreneurial activity requires new approaches to managing business entities in retail trade under the current conditions of the economy functioning, and the specificity of retail trade requires taking it into account in the further development of scientific recommendations for the effective management of entrepreneurial activity.

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## **CHAPTER 3**

### **THEORETICAL AND METHODOLOGICAL ASPECTS OF ENSURING COMPETITIVE ADVANTAGES OF RETAIL TRADE ENTERPRISES**

#### **3.1. Management of competitiveness of the enterprise in the conditions of European integration**

Androsova T.V.

The competition in the market conditions is the driving force of the general social and economic development of the countries of the world. However economic growth is reached by only those countries whose subjects of housekeeping are capable to be ahead of competitors in fight for the markets, to purposefully change the resource potential according to requirements of time, to be directly involved not only in satisfaction available, but also in formation of new needs of consumers, considering own innovative opportunities. The competition forces the enterprises to improve methods and instruments of management of economic activity to increase their efficiency. It demands from heads of the enterprises of strengthening of attention to search of ways of increase in their competitiveness for ensuring long and successful functioning and development.

The analysis of results of scientific research in the sphere of economy and management shows in recent years that [1-9] is paid by scientists more and more attention to change of the principles of assessment of effectiveness of development. Use of criterion of efficiency as a ratio "expenses - results" or "results - purposes" is replaced with criterion of competitiveness. It leads to radical changes both purposes of management, and contents and ways of performance of the main tasks necessary for realization of the purposes of development.

Therefore, distribution of processes of European integration and the actual change of a paradigm of management does extremely relevant questions of management of competitiveness at the level of certain subjects of managing as at the

global competition can support the existence and develop only the competitive enterprises.

In order that it is methodically correct to define the main jobs of control of competitiveness of the enterprises in the context of the decision of strategically important jobs - an output on the European markets and gaining line items on them, it is expedient to generalize an opinion of the leading foreign and domestic scientists concerning determination of an entity of economic category "competitiveness".

The carried-out theoretical analysis allows to allocate the main thing in different treatments and to truly place the main accents necessary for effective management of competitiveness of the domestic enterprises.

The competitiveness represents the difficult complex concept, which can be considered from the point of view of productivity. M. Porter defined competitiveness as increase in productivity of the organization, which is shown in decrease in expenses, or differentiation of products that allows establishing bonus prices for goods of the enterprise [6].

Other authors, namely B. Scott, R. Pace, E. Stefan, D. Shendel concentrated the attention to interrelations of competitiveness with results of activity of separate units of business [10, p. 15]. R. Pace and E. Stefan considered competitiveness as ability of the organization in the chosen sphere of business to carry out protection of the investments, to get from them profit and to provide jobs in the future [2, p. 55-59].

Zh. Lamben considered competitiveness as an opportunity it is better, than at competitors, satisfaction of needs of buyers, concretizing the main directions of formation of competitive advantages from positions of consumers [4]. A considerable part of scientists, continuing a thesis about formation of competitive advantages (as competitiveness bases), emphasized that these advantages have to be considered in a strategic context.

Generalizing the carried-out analysis of an entity of the term "competitiveness", it is expedient to explain reasonings concerning those main accents, which shall add its intrinsic basis and be important for control of competitiveness of the enterprises in the European markets.

That the competitiveness needs to be considered from a position of consumers, and at the international level it is necessary to consider influence of the European markets, it is possible to claim that the competitiveness of the enterprise is an ability effectively to use resource and market potential, creating and bringing to the market products with the supreme consumer value, than at the leading European producers that promotes achievement of strategic objectives of development of the enterprise.

The theoretical analysis of definitions of the concept "management of competitiveness of the enterprise" (tab. 3.1.1) allows to make the following generalizations:

- a certain category characterizes by itself process which has to be based on strategic approach which is embodied in the competitive strategy of the enterprise;
- management of most of scientists is considered as also the potential ability of subjects of housekeeping to get and hold competitive advantages which will provide them preservation and strengthening of market positions for a long time is real;
- the main task of process of management of competitiveness of the enterprise consists in increase in value of the made product and in acceleration of social and economic development of society.

Thus, for effective management of competitiveness of the enterprise it is necessary to pass from the process focused approach which provides the direction of the main efforts to improvement of the processes which are carried out at the enterprise to system, in which it is important to find out properties of the enterprise that will provide its ability to evolve on purpose not only preservations of the presence in domestic market, but also ability to leave and work at the markets of other countries and to reach the high level of competitiveness. In recent years more and more attention is paid to system approach in the theory of strategic management. This approach provides such development of social and economic systems, which would increase their adaptive properties, giving the chance to react more quickly to changes of the environment of housekeeping. At the same time a considerable part of scientists notes that the system has to be not just adaptive, but capable to active

positioning in competitive market space [5].

Table 3.1.1 – Definition of a concept of management of competitiveness of the enterprise [3, 7, 9]

Authors	Definition
G.L. Azoyev, A.P. Chelenkov	Ability to dispose effectively of own and loan resources in the conditions of the competitive market thanks to competitive advantages in all range of problems of company management (production, management, finance, marketing and so on).
V.M. Gorbatov	Ability of the enterprise to successfully conduct rivalry with other enterprises for limited solvent demand of consumers on market segments available to them.
L.V. Balabanova	Set of the administrative actions directed to a research of activity of active and potential competitors their strong and weaknesses and also development of competitive strategy which provide formation and support of long-term competitive advantages.
A.Yu. Yudanov	Ability of the enterprise to make and sell competitive products; depends on overall effectiveness of activity of the enterprise and is defined by perfection of use of resources.
R.E. Mansurov	The activity directed to formation of a number of administrative decisions, which, respectively, have to be directed to opposition to possible external influences for achievement of leadership according to the put strategic tasks.
N.A. Savelyeva	Management of process of formation, support of competitive advantages and overcoming competitive weaknesses.
O.E. Kuzmin, N.I. Gorbali	Aspects of performance of the general functions of management which define policy in the sphere of creation and realization of competitive goods, the purposes and responsibility in the sphere of this activity that are implemented by means of such means as planning of competitiveness, operational by it management, its providing and increase within a certain system of competitiveness.
Authors	Definition
I.O. Poddubny, L.I. Poddubnaya	The direction of management focused on formation, development and realization of competitive advantages and ensuring activity of this subject of economic activity.
V.V. Stadnik, M.A. Yokhna, G.O. Sokolyuk	Subsystem of strategic management which task is definition of the directions of formation of competitive advantages and management of their realization in the spheres important for creation of high consumer value of production in the chosen niches in the world markets.

It is provided with the effective management capable to form competitive advantages of a certain public benefit in the most sensitive spheres from the point of view of the consumer. Such spheres are defined by means of strategic marketing and are a basis for the choice of the strategy, which surely has to be competitive and promote strengthening of competitive positions of the enterprise.

In the process of forming system approach to management of competitiveness of the enterprise it is necessary to consider the following his features: 1) implementation at the different administrative levels; 2) orientation on different objects; 3) anticipation of different types of activity; 4) achievements of efficiency all types of management (production, financial, information and so forth); 5) implementation at different stages of life cycle of goods, and consequently - in different divisions of the enterprise [3]. Control systems of competitiveness of the different enterprises have national differences. So, the enterprises of the countries of Europe use a number of specialized strategic programs of increase in competitiveness, it level at all stages of life cycle of a product is controlled, much attention is paid to the expenses connected with creation of competitive goods, the control system of competitiveness for the purpose of increase in its efficiency is regularly estimated [8].

Analyzing the Western European experience of integrated management of competitiveness, it should be noted that today these states focus attention on ensuring competitiveness at a product design stage where methods which give the chance to minimize possibility of deviations at a production phase are created. Communication between establishment of terms, optimization of expenses and appropriate level of competitiveness is defined by implementation of the analysis of a so-called "three-level cycle": during production of goods at a design stage carry out planning of expenses, terms and appropriate level of competitiveness; at a stage of realization control is exercised of them; at a stage of the beginning of use consider expenses during a warranty period and so forth. In Ukraine management of competitiveness is rather new sphere for the domestic enterprises, which have no sufficient experience in the conditions of the competition in the European markets yet. Considering it the model of management of competitiveness of the enterprise created based on system

approach as a complex of the interconnected elements intended for achievement of a goal (fig.. 3.1.1) is offered.

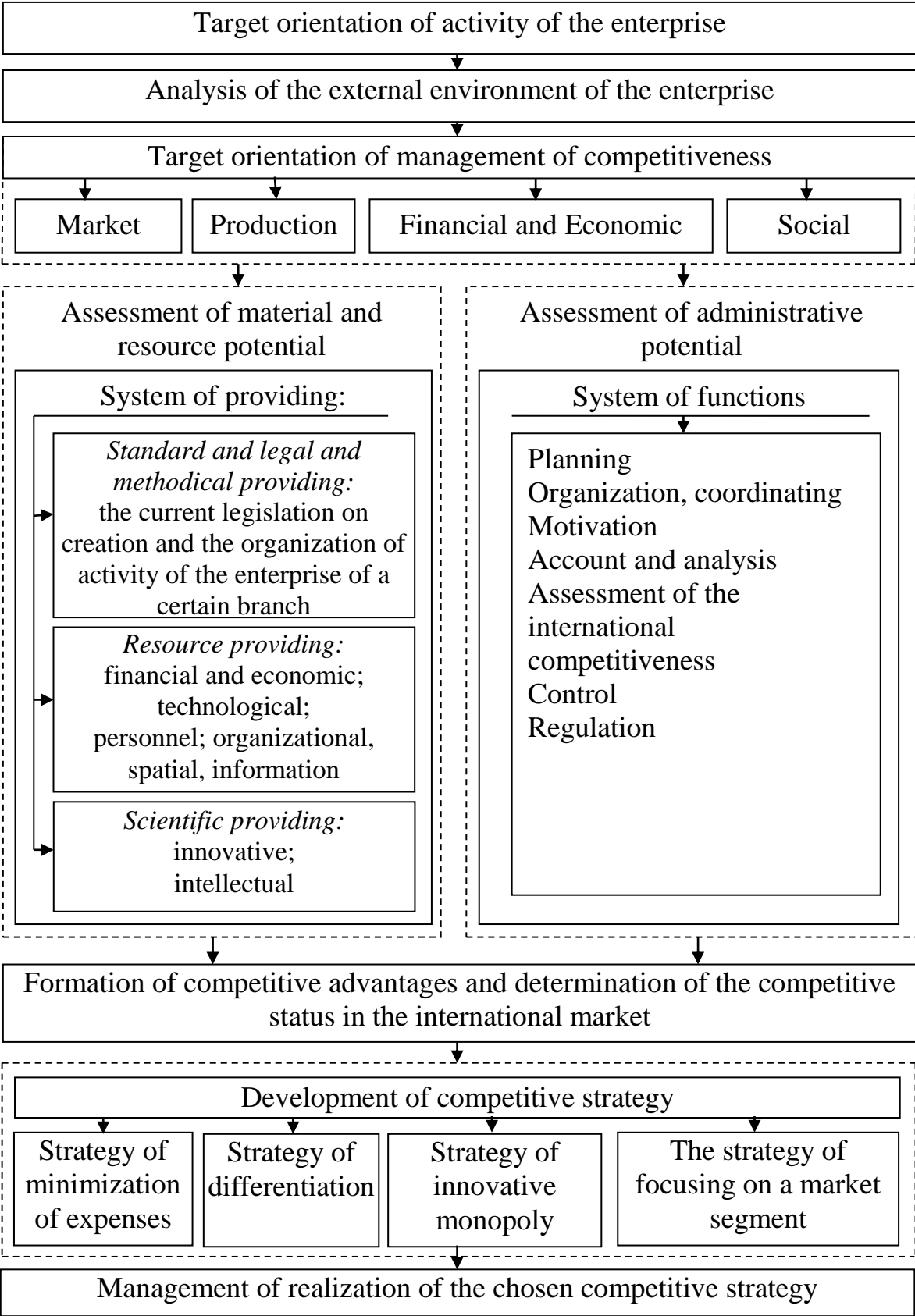


Fig. 3.3.1. Model of management of competitiveness of the enterprise

in the conditions of entry into the European markets (author's development)

The main backbone criterion of the presented model is the focus of activity of the enterprise connected with the purpose as one of basic concepts of system approach to identification of interrelations of categories of the theory of management.

The model provides the analysis of the external environment of the enterprise which components are a macro environment, regional infrastructure.

Macro environment is set of subjects and forces, which work outside the enterprise and can represent as opportunities for effective functioning of the system and to create threats. Economic, technological, natural, demographic, welfare and political elements are making macro environment.

Regional infrastructure is the system of the following branches of the region: market infrastructure; monitoring of the environment; health care; science and education; culture; trade; public catering; transport and communication; industry; construction; housing and communal services; consumer services of the population; agriculture.

The analysis of the external environment gives the chance to define factors, which promote or interfere with successful functioning of system.

The target orientation of management of competitiveness of the enterprise depends on external and internal factors, which influence object of management [1]. The purposes of management of competitiveness of the enterprise are offered to be structured thus: to the market; production; financial and economic; social (tab. 3.1.2).

The research of material and resource potential is based on evaluating system of providing which represents standard and legal, resource and scientific ensuring management of increase in level of competitiveness of the enterprise. In general the level of system of providing is defined by the resource potential, use of the developed innovations and regulation of activity on the basis of requirements of the current legislation.

Administrative capacity of the enterprise represents assessment of functional system which is based on the organization and implementation of administrative process and includes the corresponding functions (planning, the organization,



coordination, motivation, account and the analysis, assessment of the international competitiveness, control and regulation of activity) and the administrative decisions caused by the system of the purposes of activity of the enterprise.

Table 3.1.2 – Target orientation of management of competitiveness of the enterprise [1]

System of purposes	Characteristic
Market	<ul style="list-style-type: none"> <li>–increase in volumes of realization at the expense of the new perspective or updated types of production;</li> <li>–improvement of working conditions with clients, consumers.</li> </ul>
Production	<ul style="list-style-type: none"> <li>– ensuring timely implementation of requirements of the market purposes;</li> <li>– increase in volumes of production in general;</li> <li>– ensuring improvement of consumer qualities of production.</li> </ul>
Financial and Economic	<ul style="list-style-type: none"> <li>– stable ensuring development of priority activities of the enterprise with financial resources of the program;</li> <li>– increase in profit;</li> <li>– increase in profitability;</li> <li>– increase in equity due to expansion of production activity.</li> </ul>
Social	<ul style="list-style-type: none"> <li>– increase in the average salary;</li> <li>– motivation and stimulation of employees of the enterprise.</li> </ul>

The following stage of model is formation of competitive advantages and determination of the competitive status of the enterprise in the European market. Competitive advantages of the enterprise are advantages, which promote creation and a conclusion to commodity market with the highest, than at the leading global manufacturers consumer value, on the basis of use of internal potential and market opportunities. Determination of the competitive status is carried out on the basis of assessment of ability of the enterprise to realize the strategic opportunities due to competitive advantages.

Based on evaluating the ability to create resistant competitive advantages, the enterprise shall choose and develop competitive strategy based on the dominating competitive advantage, which the enterprise is capable to create in schedulable

perspective. Based on the analysis of scientific approaches in the offered model the provided strategy of minimization of expenditures, differentiations, innovative monopoly, focusing on a market segment, which the enterprise chooses depending on development goals.

Management of realization of the chosen competitive strategy of the enterprise in the European markets is especially important element of a control system of competitiveness. Introduction of the chosen strategy has to be effective, that is be characterized by the right definition of communications between competitiveness factors, means of influence on objects of management and also zones of responsibility of the managers involved in this process [7, p. 22].

Thus, in new conditions of housekeeping the Ukrainian enterprises need to accelerate process of creation of the control systems of competitiveness adapted to the market relations in the European markets, to strengthen their strategic orientation. Creation of such strategically focused systems needs the solution of the following scientific and methodical and practical tasks: formation of the concept of management of the capacity of the enterprise as difficult object of diagnostics, assessment, forecasting, developing of tools of estimation of own competitive advantages, improvements of mechanisms of management of competitiveness, determination of content of his functions, motivational mechanisms and so forth, definition of methods of management, formations and realization of strategy of competitiveness of the enterprise and so forth [3].

For this reason in the conditions of strengthening of the competition, high level of uncertainty and risk of the domestic markets we consider expedient to recommend to the Ukrainian enterprises to apply not the static, but strategic focused adaptive control systems of competitiveness which will give the chance: to provide high quality and consequently also achievement of appropriate level of competitiveness; to increase reliability of a control system in the conditions of influence of uncontrollable factors; to provide invariability of a control system of competitiveness to different types of the enterprises; to improve adaptation of system at the enterprises; to increase the level of flexibility and mobility of a control system of competitiveness in

the conditions of entry into the European markets.

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### **3.2. Methodical support for the estimation of efficiency of adaptive management system of retail trade enterprises**

Vivdenko M.A.

In connection with the dynamics of the modern state business-surroundings there was a necessity of forming of adequate management systems for all industries and spheres of economy of country. Most sharply this problem is felt at the level of enterprises. Being economically independent objects of commodity-money relations and bearing the responsibility for their activities, trade enterprises need to develop such system of management that can increase the efficiency of their functioning and ensure competitiveness.

Largely the results of activities of commercial enterprises are determined by the ability to adapt to the variability of environments.

The base concept of this research work is a concept “adaptive management”, that the last years often meets both in foreign and in domestic economic literature.

The basic concept of this research work is the concept “adaptive management”, which in recent years is often met in both foreign and domestic economic literature. The need for adaptive management arose due to a shortage of methods and approaches in the management of an enterprise that operates under such conditions as instability of internal and external environment; a set of complex production processes, the lack of full volume of primary information and its inaccuracy.

We propose to disclose the content of adaptive management through two its components: adaptation and management.

The concept of adaptation has acquired general scientific status, but despite all the diversity of views on this category, there is still no generally accepted and clear definition of it. Among the main theoretical and methodological questions that have a controversial, polemical nature and a wide range of approaches from the side of modern scientists, there is interpretation of essence of concept “enterprises adaptation”, its direction, and also certain principles that are constantly operating main positions on which it is based.

It is possible to distinguish three basic directions of differentiation of determination of concept “adaptation of enterprise”.

Thus, some authors determine the adaptation of the enterprise as a process of adjusting the parameters of economic entities to new, uncertain conditions of the environment, that is, as a set of series of sequential actions aimed at achieving a certain result [1-3].

Within the second direction the approaches to the definition of enterprise adaptation are associated with the dynamic ability of the enterprise, in particular on the basis of the ability to react [4-6]. We agree with the opinion of V. Burra [7], who emphasizes that the dynamic capabilities of the enterprise are expressed in terms of flexibility in adapting existing resource potential to new problems and external situations, as well as in innovative opportunities for the creation of entirely new resource potential and the production of innovative products and services.

The third group of economists defines the essence of enterprise adaptation as a set of scientific instruments [8-9]. Such definition describes the adaptation of the enterprise not only as a process but as skills and qualification of managers which are reflected in timely produced effective scientific tools.

In our opinion, this classification of approaches most fully and substantially reveals the content of the adaptation of the enterprise and corresponds to the concept of management based on the study of relationships that can be described by the system “environment – enterprise”.

The enterprise is considered as an open system that constantly interacts with separate elements of the environment. According to A. Gradov, “... no production system operates in a vacuum, it is surrounded or it is located in a highly differentiated environment. The environment is not stable. And every enterprise should know not only their environment of existence and the nature of its changes, but also be able to respond to these changes, failure in the adaptation to the environment leads to unsuccessful business in general” [10, p. 32].

The interpretation of the concept of enterprise adaptation demonstrates the versatility of their use (grouped according to selected three directions) and is shown

in Table 3.2.1.

Table 3.2.1 – The definition of the concept “enterprise adaptation” according to selected three directions\*

Author	Given definition
<i>1</i>	<i>2</i>
<i>Adaptation of the enterprise as a process</i>	
V. Goncharov	The process of purposeful changes of the structure parameters, properties, organization, and management of the production to offset the impact of external conditions and factors disturbing to preserve or improve the performance of industrial and economic activity
V. Kozlovsky, V. Kobzev, N. Savrukov	The process of purposeful adaptation to a diversity conditions of their functioning both external and internal (to the system) to the survival
S. Nakonechny, S. Savin	The process of efficient production by using the prediction
<i>Definition adaptation based on the ability to respond</i>	
R. Ackoff F. Emerli	The ability of any system to obtain new information to approximate their behavior and structure to optimal ones
V. Radionova	The ability of companies to recognize changes in the external environment, which are essential for the implementation of the strategy chosen by the company and adapt to these changes
R. Holl	The ability to quickly implement changes and respond to the demands of consumers
<i>Adaptation as a scientific tool</i>	
H. Hanaliyev	The mechanism that allows a person (group), the system to operate successfully, save (change) direction and pace of development, regardless of external factors
L. Bazylevych, D. Sokolov L. Franene	Scientifically based detailed methodological toolkit that updates the structure of the company according to to the environmental changes

(\* generalized by the author)

These definitions are not contradictory, based on the provisions of existing economic theories and characterize the various aspects and areas of specific research on the nature of this concept.

We propose to consider adaptation of the enterprise more widely and consider it from many aspects.

The review of scientific literature about questions of adaptation and adaptive management of the above-mentioned and other authors, thematic publications in printing periodic allowed distinguishing basic coexisting key components of concept adaptation, namely:

- updating, as a set of methodological and methodological principles of planning and forecasting in market conditions;
- correction, which is reflected in the adoption of management decisions, taking into account the conditions of the environment and market factors;
- response, in terms of changing the conditions of the system to the threats and capabilities of the internal and external environment;
- ability, in the context of prompt response to change and establishing a certain harmony with the external and internal environments;
- process, as a set of a series of consecutive actions aimed at achieving a certain result by forecasting and changing the organizational and economic mechanism of the activity of the business structures;
- adaptation of the system to the external environment, namely the establishment of goals, the development of strategies and organizational structure of the system to new socio-economic conditions.

Thus, we are proposed to consider adaptation not as separate discrete concepts, but as a complex system, which includes the above-mentioned components.

Under the adaptation of the enterprise should be understood the ability of the rapid response of the system to a variety of changes in the parameters of the environment, with a number of adequate, purposeful actions aimed at ensuring the maximum efficiency of the functioning of economic actors.

As for the definition of the essence of the concept of “adaptive management”, most often in modern scientific literature, it is described as a traditional management with the addition of elements of environmental monitoring. However, it is difficult to find information about what to study specifically in the context of adaptive management [11, c. 40-46]. In this type of management, learning consists of using the actual management to test various alternative management options and obtaining system information.

The result is a dynamic management strategy based on knowledge about what methods work and which do not.

In a table 3.2.2 the characteristic features of different types of management are brought.

Table 3.2.2 – The characteristic features of different types of management\*

Types of management	Characteristic features
Situational	It consists in making managerial decisions in case of problems in accordance with the current economic situation
Anticrisis	It is aimed at preventing or eliminating unfavorable business phenomena. Most frequently updated in the event of a critical situation for the functioning of the organization
Innovative	It is based on the improvement of products or processes that provide cost savings or create conditions for such savings.
Strategic	Management of the organization at the highest level with the transfer of the focus of senior management to the external environment. Focused on long-term goals and actions of the enterprise through planning, based on a creative approach to decision-making
Adaptive	It takes into account the atypical, uncharacteristic conditions of the company's operation, requiring an active influence of the subject on the internal, external environment on the basis of the correspondence between management and self-government and the elaboration of an extraordinary solution

(\* generalized by the author)



Thus, the adaptive management, as well as innovative and strategic, involves active systematic interaction with the external environment. However, the distinctive feature of innovation management is the improvement of products or processes as the main way of responding to the challenges of the environment. Although innovations in the concept of adaptive management are present, they are not a key element. The main difference between adaptive management and strategic is that, along with planning, adaptive management provides more complete use of enterprise's properties as capable of self-organization, a living system that balances on the verge of chaos.

Two characteristic features of adaptive management are that, firstly, management is planned and conducted as an experiment, and secondly, there is a direct feedback between researchers and managers, so the result of management decisions can be improved information about the system provided by researchers. The huge advantage of adaptive management is the fact that management can be carried out, despite the uncertainty of the final results [12, p.177-182]. In the process of adaptive management, there is no need to expect an exhaustive managerial study on all managerial alternatives, but instead of this, the use of information available at that time is improved [13, 261-283].

From the above approaches to the definition of the concept under study it follows that adaptive management is the management of an economic entity, which seeks to study its adaptability, which is traced in the rapid achievement of sufficient level of efficiency in a dynamic environment at the expense of a minimum amount of resources.

The determination of key components, that characteristic for a concept “adaptation of enterprises”, and review of existent conceptions of firm theory, allowed us to distinguish the process of adaptive enterprise management, clarify its content and aims. We tend to believe that adaptive management should be viewed both broadly and narrowly.

In the broad sense, the adaptive management is management in the enterprise, aimed at creating a system of conditions, factors, organizational and socio-economic mechanisms of activation and increasing the efficiency of using the staff's creative

potential to quickly adapt the enterprise to market changes, as well as maintaining the desired state of functioning of enterprise.

The adaptive management in the narrow sense should be understood as a series of actions aimed at adapting to the unpredictability, dynamism of the environment by managing the creative process of developing and implementing managerial (non-standard organizational and managerial innovations).

The adaptive management should be considered as a specific system of management of creative (non-standard) process of development, adoption and implementation of non-standard, original, managerial decisions.

The objective necessity of the development of adaptive management at enterprises is conditioned by a number of circumstances:

1. The constant emergence of complex problems in various areas of business;
2. In conditions of uncertainty, turbulence of the external and internal environment of enterprises, more and more often there is a need to find operational non-standard solutions;
3. Those enterprises become a business leader in modern terms, as a rule, whose management is able to think and operate creatively, to generate and effectively realize new unusual and original ideas;
3. Those enterprises become a business leader in modern terms, as a rule, whose management is able to think and operate creatively, to generate and effectively implement new unusual and original ideas;
4. Innovative advantages are quickly replicated by competitors. As a result, in order to maintain its competitive advantage, the enterprise must systematically improve and reproduce new original products and effective management solutions;
5. Constant changes in all spheres of society, regular emergencies and crises, require the search of unconventional decisions, the reasoning of effective ways of enterprises development.

Other objective prerequisites and factors of the formation and development of adaptive management include:

- clear goal, based on an objective view of the problem and the search for non-

standard ideas of its solution;

- creation of creative atmosphere and climate at the enterprise;
- continuous development of adaptive and intellectual potential of personnel;
- leadership based on mutual cooperation and trust;
- motivation of creative and adaptive activity of the personnel for cooperation in the field of innovation implementation.

Through the adaptive management, the creative potential of organizations is carried out, as well as the management of the process of adopting non-standard (original) management solutions of complex (non-standard) tasks.

The adaptive management as a tool of scientifically grounded management is used both for strategic development and for overcoming emergency and crisis situations, when it is necessary to search and implement fundamentally new ways of survival, advancement, achievement of enterprise competitiveness in the market.

The adaptive management is aimed at development and implementation of innovations in management activities in questions of planning, organization, motivation, control, communications and technologies of making managerial decisions, in other words, organizational and managerial innovations.

The formation of effective adaptive management is based on the consideration and use of its scientifically grounded principles, namely:

- the principle of rational combination and application in the process of developing non-standard management decisions and managerial innovations of adaptive and traditional methods and models of their combination;

- the principle of taking into account strategic goals, tasks and main directions of enterprise development during the formation of non-standard managerial decisions;

- the principle of superiority, which provides that developed and implemented adaptive management solutions, and management innovations, on the basis of the results of their harnessing allow providing or exceeding the planned results;

- the principle of the interest of managers, management personnel and specialists in the development and implementation of specific adaptive managerial

decisions and managerial innovations;

- the principle of accounting and provision of resource requirements of the enterprise (human, organizational, economic, financial, logistical, etc.) for the development and implementation of non-standard management decisions and managerial innovations;

- the principle of scientific and practical support of the process of making non-standard managerial decisions and harnessing of managerial innovations (contacts and cooperation of management personnel of enterprises with consulting organizations, institutions of science and education, representatives of best practices, etc.);

- the principle of a systematic approach to substantiating non-standard managerial decisions and managerial innovations in order to ensure their balanced and integrated development in tandem with the strategic and operational plans of enterprise development;

- the principle of phasing, which provides the variability of developed and implemented management decisions and management innovations in accordance with the specific features of the situation.

To ensure a high level and speed of adaptability at the enterprise, an adaptive management system is created.

Traditionally, every management system and also an adaptive management system, consists of two interconnected subsystems: a controlling subsystem or a subject of management (that is, who controls), and a controlled subsystem or object of management (the one being managed).

The constituent elements of the adaptive management system are goals and functions of adaptive management, subjects and objects, methods and technologies of adaptive management, ideas and solutions to adapt, information and communication (Fig. 3.2.1).

Subjects of adaptive management are the driving forces of this system, since they establish the whole system and influence the management objects by choosing methods and technologies of their implementation.

In the system of adaptive management the subjects of controlled management subsystem are only employees (managers, leaders), who put forward and analyze new creative ideas about the possibilities of adapting the enterprise to the unpredictability of the market environment.

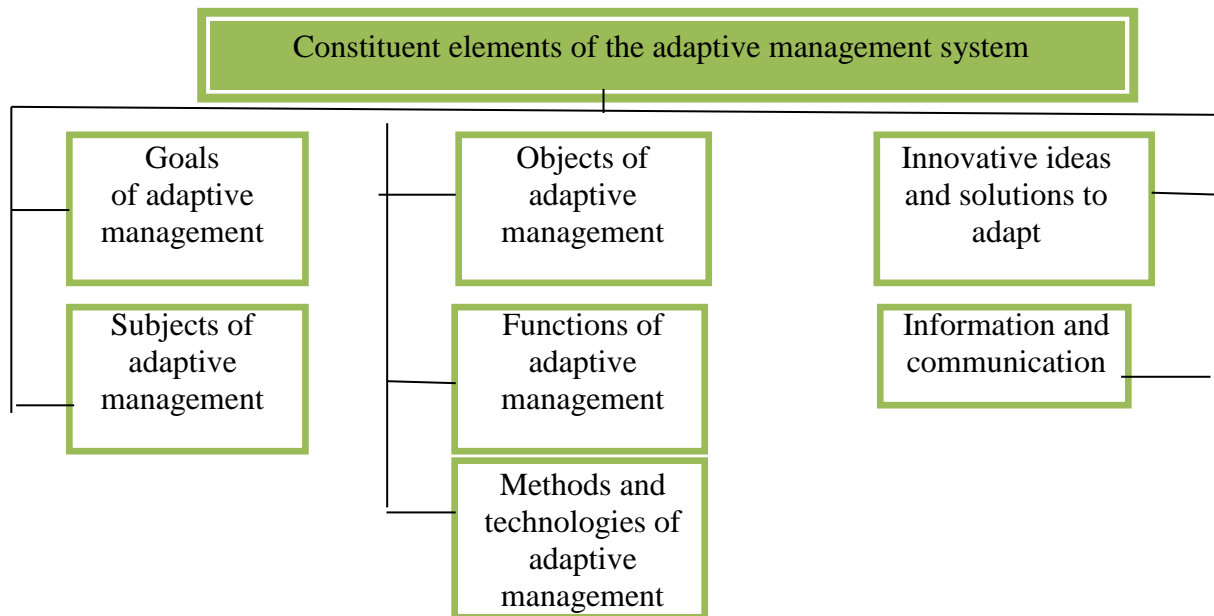


Fig. 3.2 1. Components of adaptive management system at the enterprise

Subjects of the adaptive system include elements of a controlled management subsystem, which propose ideas and solutions to adapt ones.

On the basis of their analysis, the managers of adaptive management system make appropriate decisions.

The place of the adaptive management system in the enterprise management system is largely determined by the functions (all functions which are highlighted by us have informative basis) that it performs:

1. Informational-analytical function involves the creation and interpretation of information;
2. Incentive function - formation of different forms of information submission to subjects of adaptive management on the basis of their motives;
3. Reproductive-developing function - preservation and transformation of available information into higher, more complex and perfect forms.

The development of management systems, in particular, the system of adaptive management, requires the observance of certain principles by enterprise managers: cause-and-effect relationship between the goal of developing adaptive solutions, their development, evaluation and regulation; possibility of participation of any enterprise employee, regardless of the occupied post, in the activities of the working groups for the promotion of innovative ideas and the development of creative solutions; combined application of different methods of accumulating of innovative ideas and the development of creative solutions; systematization in the creation of conditions for the interest of enterprise employees in creative development; minimizing the time spent developing and analyzing ideas and solutions of providing adaptation; ensuring the positive influence of ideas and decisions of providing adaptation on indicators of economic efficiency, environmental and safety of life activities; providing confidentiality of information about the essence of ideas and decisions ideas of providing adaptation.

The observance of these principles by the managers of the enterprise is the key to building such adaptive enterprise management system, which will be integrated into the enterprise management system, in particular, in the hierarchy of goals, corporate information system, production and technological processes, and also in business processes that are implemented with the participation of suppliers, consumers and other business partners.

At enterprises, the system of adaptive management should be considered as a separate object of its development. Under the development of the adaptive management system, it is appropriate to understand the process of systematization of the existing and the creation of new scientific and technological information that allows solving industrial and economic problems, reducing their severity or indicating how to eliminate the consequences of the identified problems.

The conditions of development of adaptive management system at the trade enterprise include: the absence of administrative pressure on employees involved in promoting and developing ideas of providing adaptation; guaranteeing the safety of these workers and members of their families; the possibility of an independent choice

of the form of collection, processing and presentation of information in the development of solutions of providing adaptation; the absence of threats to the release or reduction of the post of employees, involved in the promotion and development of ideas in the event of inappropriateness of the proposed ideas; availability of confidential information and limited access information; obtaining the authority to act as the head of the working group, working on the improvement and analysis of the decision approved by the heads of the enterprise.

It should be noted that the formation of adaptive management system at domestic enterprises is based more on experience, analogy, standard solutions and intuition, rather than on strict methodology, based on scientific methods and principles of management and marketing.

Such approach leads to negative phenomena and irreversible processes, adversely affecting the efficiency of the enterprise management system.

The effectiveness of the adaptive management system is evidenced by the results that lead to the implementation of its solutions and the speed of their achievement. Such results are the achievement of the goals of the enterprise (market share, level of profitability of equity, mass of profit, etc.) in the conditions of competition and the variability of the environment.

In the most general form, the effectiveness of the adaptive management system is the ratio of the effect received as a result of its improvement, to costs. Therefore, the main task of economic analysis at enterprises is to identify the effect that should be determined, primarily by the extent, in which the management system contributes to the achievement of organization's main goals. In this regard, the results of improving the system of adaptive enterprise management should be reflected in retrenchment of all types of resources, improving the quality of services, changing the nature and culture of work.

The choice of the best variant of the adaptive management system - is a complex task, which can only be solved through a deep organizational and technical and socio-economic analysis of activities in general. Consequently, the efficiency of the system of adaptive business management cannot be determined by one indicator.

It is necessary to develop a whole system of indicators, as the economic efficiency of the system of adaptive management manifests itself, mainly in the indirect, and not in direct effect. It affects the improvement of the company's performance due to a more rational organization of activities through the implementation of effective measures to prevent / reduce the negative impact of external factors. At the same time, increase in the level of organization of the management system creates favorable conditions for increasing the efficiency of functioning in general, with a decrease in the unit costs of administration.

The development and implementation of a progressive methodology for assessing effectiveness of the adaptive management system at trade enterprises in the conditions of innovation-creative economy requires the disclosure of a number of theoretical and methodological provisions.

Constant acceleration of scientific and technological progress, complicated by the diversity of technical and technological, organizational-economic, social-psychological and other connections between the main elements of adaptive management, and systematically changing qualitative states and quantitative characteristics of innovative processes in the conditions of the information-technological mode of functioning in a certain measures modernize the functions that manifest themselves in the new requirements for adaptive management tools. A modern effective tool for the implementation of enterprise adaptive management is the system-creative approach.

We propose to consider under the system-creative approach an adequate method of creating adaptive management systems. We believe that it is precisely combination, on the one hand, systematic, that is, knowledge of the original features of interconnections and interdependencies of elements of the system of a certain enterprise, on the other, the possibility of using tools, methods, techniques and technologies for the adoption of creative (unusual, creative, extraordinary) managerial decisions can solve the problem of forming an adaptive management system.

The aim of adaptive management is continuous upgrading of knowledge, skills



and abilities of workers through a timely adaptive reaction to changes in the parameters of the external and internal environment, making adjustments to the work of units that provide the management process, in order to ensure the desired state of enterprise's operations. As all this becomes possible to a large extent due to the development of innovative decisions, therefore the use of new creative management tools is appropriate. Thus, a systematic and creative approach in the management of the trade enterprises' activity involves the use of new non-standard methods for solving problems of modern management. I mean, next to traditional methods and technologies of managerial decision-making, it is necessary to use such newly created management tools as JCAT-analysis ("Strategic analysis of innovative ideas"), "Analiza przypadków krytycznych", "Narzędzia metody rozwiązywania złożonych sytuacji problemowych" (detection, analysis and decision of extraordinary problems), "Creative-online-management" (creative problem solving in real time), "Strategic chaos management", etc. [14].

We identified a number of tasks that are solved by using the system-creativity approach in solving the problem of improving the adaptive management system. To them belong: the establishment of specific interconnections, interdependencies and regularities of the functioning specific just to this enterprise; definition of features of the content and forms of manifestation of problems of development of adaptive management system at the enterprise; the updating of creative methods, goals, content of the statement of the task of creating a model for the development of adaptive enterprise management system in order to increase the efficiency and rational use of its potential.

The decision of problems of increasing the efficiency of adaptive management system at the enterprise, taking into account the above-mentioned peculiarities of their development in the conditions of innovation-information economy, requires clarification of a number of theoretical and methodological provisions:

1. Adaptive management system - is a non-standard, original system, which is created for a particular enterprise, taking into account its specificity and originality. Such management system is created by managers and business owners to use at this

enterprise creative high-performance ways of the achievement of goals and mission accomplishment [15].

2. An effective tool for solving the problems of enterprise adaptive management is the system-creativity approach.

Under the system-creative approach, as a methodological tool for improving the system of adaptive management, it should be understood the set of rules, principles, norms, tools and methods that underlie the management of the innovation process and innovation and management activities of enterprises.

3. Formation of adaptive management systems at enterprises requires appropriate training, professional retraining and advanced training of managers who work in the field of business management at enterprises. This provision is one of the fundamental principles of improving the effectiveness of adaptive management at the enterprise. This means that leaders and managers must have special professional-psychological qualities and, above all, non-standard, creative potential.

When we speak about the effectiveness of the adaptive management system, and hence of the methods of measuring the effectiveness of managerial actions in the formation of staffing, its most optimal use in the activities of the organization, the development of human capital, etc. And we should learn to measure, monitor and optimize the work of each employee of the company and each group of employees. If this happens productively, then it can be argued about the high efficiency of adaptive management.

The effectiveness of adaptive activity is legitimately considered as a part of the effectiveness of social production, since labor is one of the most important factors of activity. In economic theory, efficiency is determined on the basis of the goals as a function of the achieved results and the resources that are spent on it. In another interpretation, efficiency is always associated with the ratio of the value of the result and the value of costs.

There are different systems of assessments and determination of the effectiveness of adaptive management with their help. For example, methodological approaches to the evaluation of the effectiveness of A. Egorshina [16] are based on an

analysis of a number of factors of the organization's activities. These are types of efficiency - economic, social, organizational, evaluation of the final results, management of labor productivity, quality of work life, points-based assessment of the labor efficiency of individuals and groups, assessment (coefficient) of labor participation in the scale of labor input, assessment (coefficient) of managerial work.

The author proposes to evaluate the most important indicators of assessing the effectiveness of business adaptive management. Based on the author's vision of the effectiveness of adaptive management, as a criteria of its evaluating suggests to highlight the following:

1. Performance criteria that allow us to trace the conformity of the results before and the results obtained after the implementation of the solutions made by the adaptive management system.

The following can be attributed to the criteria of effectiveness: coefficient of volume of retail turnover; coefficient of rhythm of retail turnover; coefficient of market share; profitability ratio.

2. Dynamic criteria that characterize the time (speed) of adaptation to external conditions.

3. Criteria of professionalism. They characterize the system from the inside and influence the speed and quality of adaptation.

The indicators, which characterize the system of adaptive management can include: the cost-effectiveness of the management apparatus; coefficient of quality of management functions; coefficient of operational efficiency of the management apparatus; staff stability ratio.

Next to the general criteria of efficiency, it is necessary to identify also private criteria that can help at different stages of designing a management system to determine the most effective areas of development and implementation of measures about its improvement.

These indicators include: the rate of use of working time; coefficient of qualification use; coefficient of working conditions.

At the same time, all the above indicators should not exclude, but complement each other.

It should be noted that the indicators must meet certain requirements:

- take into account the specifics of retail trade;
- the probability of data, that is, their correspondence to the real state;
- limited quantity, but completeness of data, both in their volume and in essence;

- timeliness. Information must reach the user before it becomes obsolete; otherwise it loses its usefulness;

- have a comparable view in time or space;

- have information security. With the transition to market conditions, the issue of data availability is particularly aggravated. During the period of democracy, most of the state statistics materials became open. However, the situation with the centralized collection of data, especially in non-state structures, is complicated. The low level of responsibility of such structures for filing reports or ignoring some of them leads to violations of the requirements regarding the completeness and relevance of data registration. Receiving qualitative statistics depends to a large extent on the level at which information is collected.

Thus, in the assessment methodology the effectiveness of the adaptive management system at trade enterprises, it is proposed to allocate the following stages:

I stage. Analysis of the environment that businesses need to adapt to.

II stage. Evaluation of the functioning of the main activity indicators.

III stage. Determination of planned (desirable) indicators.

IV stage. Assessment of adaptive management system.

V stage. Interpretation of the obtained results.

It is proved that the concept of “efficiency” is a complex economic category; a relative concept, the definition of which requires the use of a particular comparison; the existence of many approaches to its definition (resource-cost, effective, target,

alternative cost, etc.) is indicated, and it is noted that the use of each of them is determined by the specific purpose of each individual study [17, p. 101].

Based on the assumption that the formation and implementation of an adaptive management system ensures the presence of stable competitive advantages and high competitiveness of the trade company, it can be noted that the goal of adaptive management in this aspect is to increase the competitiveness of the enterprise on the market. On the basis of the above, as effective management we propose to have in mind such trade enterprise performance management, which leads to the increase (achievement) of the competitiveness of the company on the market after its testing.

In accordance with defined position, the assessment of the efficiency of adaptive management system at the trade company it is proposed to be carried out using the matrix “Profitability of retail turnover - Market share” (Fig. 3.2. 2), formed by the indexes of the profitability of the commodity turnover ( $I_{PRTi}$ ) and the market share ( $I_{MSi}$ ).

$I_{MSi}$	$I_{PRTi}$	$I_{PRTi} < 1$	$I_{PRTi} = 1$	$I_{PRTi} > 1$
$I_{MSi} < 1$		1 $I_{PRTi} < 1$ $I_{MSi} < 1$	2 $I_{PRTi} = 1$ $I_{MSi} < 1$	3 $I_{PRTi} > 1$ $I_{MSi} < 1$
$I_{MSi} = 1$		4 $I_{PRTi} < 1$ $I_{MSi} = 1$	5 $I_{PRTi} = 1$ $I_{MSi} = 1$	6 $I_{PRTi} > 1$ $I_{MSi} = 1$
$I_{MSi} > 1$		7 $I_{PRTi} < 1$ $I_{MSi} > 1$	8 $I_{PRTi} = 1$ $I_{MSi} > 1$	9 $I_{PRTi} > 1$ $I_{MSi} > 1$

Fig. 3.2.2. Matrix “Profitability of retail turnover - Market share”

The index of profitability of the retail turnover of trade enterprises reflects a change of profitability after the implementation of ideas and solutions by the adaptive management system and allows determining whether these inputs led to its growth, or not by the formula:

$$I_{PRTi} = RT_i / RT_{i-1}$$

where  $RT_i$ ,  $RT_{i-1}$  - the profitability of the retail turnover of trade enterprises after and before the implementation of adaptive management system. In order to ensure adequacy, it is expedient to calculate operating income before tax. If there is an identification of losses after the introduction of innovative ideas and decisions, adaptive management is ineffective and the matrix formation is not needed. In the event of an existence of loss, a comparative assessment methodology should be used to the formation of adaptive system.

The index of the market share of trade company represents a change in market position after the introduction of innovative ideas and decisions of adaptive management:

$$I_{MSi} = MS_i / MS_{i-1}$$

where  $MS_i$ ,  $MS_{i-1}$  - the share of market of the trade enterprise (the ratio of the volume of retail turnover of the enterprise to the total retail turnover of the market / segment during a certain period of time) after and before the introduction of adaptive management system.

Following the above vision of the effectiveness of the adaptive management system of a trade enterprise (which leads to increased competitiveness, that is,  $I_{MSi} > 1$ ); certain key points (comparability of management costs and profitability growth, that is,  $I_{PRTi} > 1$ ), the proposed matrix can clearly identify if the adaptive management of a trade company is effective or ineffective.

Thus, positioning in quadrant 9 indicates about effective management, which at the same time provides growth and competitiveness ( $I_{MSi} > 1$ ) and profitability ( $I_{PRTi} > 1$ ) of the enterprise; in quadrant 1 - ineffective one (the introduction of innovation projects led to a decrease or even a loss of competitiveness and profitability).

The positioning in quadrants 5, 6 and 8 under certain conditions may indicate an effective management. This is possible if the goal of introducing adaptation ideas and decisions was to increase profitability and ensure a stable market position (quadrant 6), or stability of profitability and competitiveness (quadrant 8), or to ensure a stable market position and stable profitability (quadrant 5). Positioning in

other quadrants of the matrix “Profitability of retail turnover - Market share” characterizes the adaptive management system of a trade enterprise as ineffective.

The proposed methodical toolkit allows evaluating the efficiency of the adaptive management system of a trade enterprise and identifying the problem points that will enable the development of the necessary measures to improve certain management decisions.

Thus, the assessment of the effectiveness of adaptive management and the comprehensive attention to this problem - a fundamental prerequisite for the successful operation and development of a modern enterprise, because allows actively influencing its current state, establishing the direction of organizational change, identifying the priorities of development.

However, even regardless of the fact that the adaptive management system of trade enterprises was substantiated by us, we consider the main threat to the survival of the industry on the market is external by way of Ukrainian membership in the WTO and the European integration of the state.

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### **3.3. Management of capital formation in the context of providing competitive advantages of a business entity in retail trade**

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Under the conditions of the existence of different forms of ownership in Ukraine the research on the formation, functioning and reproduction of entrepreneurial capital is particularly topical. Opportunities of establishing an entrepreneurial activity and its further development can only be realized if the owner wisely manages the capital invested in the business entity.

In practice, capital is often considered as something derivative that is a factor that plays a minor role; as a rule, the process of entrepreneurial activity of an economic entity is directly presented in the first place. This undermines the role of capital, although capital is the objective basis for the emergence, functioning and development of entrepreneurial activity. It is the use of capital, rather than economic activity, which brings income and profit. This conditions the special significance of the process of competent capital management by business entities at different stages of their existence.

Capital management is related to the concept of its financial structure, that is, the portion of the equity and borrowed capital used in economic activities. Formation of the financial structure of capital, which should be understood as the way of financing a business entity’s activity as a whole plays an important role in the theory of financial management as it is a rather complicated factor that is interdependent

with many indices and characteristics of economic activity in retail trade. Therefore, the task of optimizing the structure of capital is one of the most important and complex tasks that are solved in the process of financial management of an enterprise. Taking into consideration that capital structure affects the market value of an enterprise through the price of capital, the concept of the capital structure is investigated in a single theoretical complex with the concepts of the cost of capital and the market value of an enterprise [1–7]. Thus, the process of optimizing the structure of capital involves the establishment of a target capital structure, according to which the market value of an enterprise is maximized.

It is the efficiency of the processes of formation and use of capital in the process of entrepreneurial activity that the efficiency of a business entity functioning depends on under conditions of a competitive market environment, as well as its financial stability, solvency, rationality of the use of assets, the opportunity to achieve a certain amount of activity and to obtain profit in the amount necessary for further sustainable development. Knowledge and understanding of the financial mechanism of capital formation management determines a considerable amount of methodical tools for optimizing it at every enterprise which is of considerable interest and practical utility for entrepreneurs of all levels.

Efficient management of capital formation in the context of increasing the competitiveness of a business entity in retail trade is suggested being exercised by means of the developed methodology for optimizing the financial structure of capital within its specific volume, which is based on a multicriteria approach to optimization, taking into account the feedback between the criteria. The substantiated method of increasing the competitiveness of a retail trade enterprise due to the optimization of the financial structure of capital involves the following actions:

- analysis of capital and sources of its formation in the previous period;
- assessment of the structure of capital from the perspective of financial stability;
- assessment of the capital structure from the perspective of the cost of capital;
- assessment of the structure of capital from a perspective of the effectiveness of its use;

– formation of the target capital structure.

The offered method of increasing competitiveness due to optimizing the financial structure of capital according to the determined criteria allows managing the process of capital formation of a retail trade enterprise taking into account the influence of all important sources of its formation in statics and dynamics.

Stage 1. The analysis of an enterprise capital is conducted in order to identify the main trends of its dynamics, the composition and dynamics of its main sources, the impact on the efficiency of their raising and use.

Taking into consideration the strategic goals of an enterprise development during the conducted analysis allows determining sufficiency or insufficiency of the available amount of capital for a particular business entity. If the response is positive then optimization of the proportion of all sources of capital is exercised within the given amount. In case if the existing amount of capital is insufficient it is necessary to find out whether an enterprise has opportunities for its increase and due to what sources it should be carried out.

When optimizing the structure of capital, the assertion that the optimal capital structure is the proportion of its main sources which: firstly, provides the necessary level of financial stability; secondly, minimizes the weighted average cost of its capital; and thirdly, provides the necessary level of efficiency of capital use [8].

In the practice of entrepreneurial activity there are often problems that involve finding the optimal solution in the presence of different, unreduced to each other, criteria of optimality. The process of solving multicriteria tasks inevitably involves expert assessments of the criteria themselves and the relations between them. Multicriteria optimization tasks can be performed in two ways:

– ordering the given number of criteria and sequential optimization according to each of them;

– optimization of the criterion, which is recognized as the most important (while other criteria play the role of additional restrictions). The starting point is the relation of the criteria by the type: “financial stability → weighted average cost of capital → efficiency of capital use”.

The main chosen criterion is financial stability which is one of the most important characteristics of the financial status of a business entity in retail trade due to which the financial structure of capital determines the state of other important characteristics of its financial and economic activity (solvency, credit worthiness, profitability, liquidity). Thus, by optimizing the capital structure of a business entity, in turn, we exercise influence on its financial stability. Other optimization criteria concurrently play the role of additional restrictions.

Stage 2. The assessment of the structure of capital by the criterion of financial stability is carried out by comparing the actual values of the coefficient of current assets provision of business entities in retail trade with equity capital with a “normal” value, for the minimum level of which a value of 0,1 is taken [9]. In the case when the share of own working capital in current assets corresponds to the “normal” value (i.e. the financial capital structure is optimal from the perspective of financial stability), then it is necessary to proceed to an assessment of the capital structure by the criterion of minimizing its weighted average cost.

If the actual value is less than “normal”, the economic entity should ensure the standard of its own working capital due to the corresponding change in equity and borrowed types of capital. This can be done by increasing the amount of equity capital or by raising long-term borrowed capital at the same time decreasing the corresponding amount of short-term borrowed capital. It should be taken into account that raising additional capital due to own and borrowed sources has its economic restrictions at each stage of development of a business entity.

The main and constant source of increasing own working capital of business entities in retail trade is the profit, the use of which is relatively cheap compared with raising long-term borrowed capital. But the increase in the equity capital due to the profit is limited by its total amount which depends on many factors (organizational and technical level of economic activity management, the volume of turnover of an economic entity, the level of trade margins on the products sold, composition and level of the expenses of turnover, proportions of net profit on distribution by particular areas of their use, market conditions, etc.).

Raising an additional long-term bank loan to maintain the standard of its own working capital, as a rule, can be carried out on condition that the interest rate on a loan is increased that is associated with an increase in financial risk for the lenders of a business entity. Reducing the amount of short-term borrowed capital is limited by the total amount of capital and should be carried out in conjunction with an increase in sustainable sources of financing.

If the results of calculations according to the first criterion for optimizing the structure of the capital of a business entity in retail trade are satisfactory (the “normal” value of the debt ratio of the current assets was achieved in the process of optimization), it is necessary to proceed to the next stage – the assessment of the capital structure according to the criterion of minimizing its weighted average cost.

Stage 3. Assessment of the capital structure from the perspective of the cost of capital.

The process of optimization according to this criterion involves the calculation of the cost of raising and using the main sources of capital (equity capital, financial loans, commodity payables and rental cost) and determining the value of the weighted average cost of capital in the previous periods. The corresponding calculations are carried out using the formulas (3.3.1) – (3.3.4).

The index value of the weighted average cost of capital of a business entity in retail trade is determined by the formula [8]

$$WACC = \frac{CGEC \times Sec + CBCfl \times Sfl + CCP \times Scp + Cl \times Sl}{100}, \quad (3.3.1)$$

where WACC is weighted average cost of capital of a business entity,%; CGEC – the cost of the generated equity capital,%; Sec – share of equity capital in the total amount of capital,%; CBCfl – the cost of raising borrowed capital from financial loans,%; Sfl – share of borrowed financial loans in the total amount of capital,%; CCP – cost of commodity payables,%; Scp – share of commodity payables in the total amount of capital,%; Cl – cost of operating lease of fixed assets (interest on lease),%; Sl – share of leased fixed assets as a long-term loan in the total amount of capital,%.

Cost of equity capital [10]:

$$CGEC = \frac{NP_{ec}}{EC} \times 100\%, \quad (3.3.2)$$

where  $NP_{ec}$  – the amount of net profit paid to the owners of equity capital for its use over the period of time that is being analyzed;  $EC$  – average amount of equity capital of a business entity in retail trade over the period of time that is being analyzed/

The cost of raising borrowed capital in the form of financial loans [11]:

$$CBCfl = ACIRfl = \frac{FEfl}{FL} \times 100\%, \quad (3.3.3)$$

where  $ACIRfl$  – average calculated interest rate on financial loans,%;  $FEfl$  – the sum of all actual financial expenses for all loans over the analyzed period of time;  $FL$ – the average amount of long-term and short-term borrowings over the analyzed period of time.

The cost of payables:

$$CCP = \frac{PD \times 360}{PPD} \times 100\% - IP_{cp}, \quad (3.3.4)$$

where  $PD$  – price discount on condition of payment in cash for the products purchased;  $PPD$  – duration of the period of payment deferment on settlement payments, days;  $IP_{cp}$  – indirect profitability from the use of commodity payables,%. It is determined

$$IP_{cp} = \frac{\Pi_{cp}}{P} \times 100\%, \quad (3.3.5)$$

where  $\Pi_{cp}$  – indirect income of a business entity in retail trade from the use of commodity payables over the analyzed period. It is determined

$$\Pi_{cp} = P - P \times \frac{1}{I}, \quad (3.3.6)$$

$P$  – average amount of commodity payables over the analyzed period;  $I$  – consumer

price index (inflation index).

The calculation should be supported by the analysis of the factors that influenced the formation of the value of the weighted average cost of capital and its dynamics.

Since the calculation of the cost of capital allows choosing the best option for raising it, the assessment of capital structure according to the criterion of minimizing its cost should be made by comparing the index of the weighted average cost of capital with the index of actual or “necessary” (that is, required) return on assets.

The excess of return on assets over the costs of raising and using capital proves the efficiency of the policy of its raising and using by the business entities. Fulfillment of this condition means that the available capital structure can be considered optimal from the perspective of the cost criterion. Therefore, the next step is to conduct an assessment of the capital structure according to the criterion of the efficiency of its use. Nonfulfillment of this condition requires finding opportunities to reduce the weighted average cost of capital and calculate the corresponding proportion of its main sources. The areas of minimizing the weighted average cost of capital of a business entity in retail trade are presented in Table. 3.3.2. The decision as to minimizing the cost of capital is preceded by the conduct of the appropriate calculations in order to determine the possibility and substantiate the expediency of minimizing the cost of raising and using certain sources of capital.

Optimizing the financial structure of capital from the perspective of minimizing its cost involves checking “feedback” of the obtained results of optimization according to this criterion with the criterion of financial stability. When receiving the positive results of the calculation according to the first two criteria it is necessary to proceed to the last one, the third criterion of optimizing the capital structure.

Stage 4. Assessment of the capital structure from the perspective of the efficiency of its use. The basis for assessing the capital structure according to the criterion of efficiency of its use is the calculation of the effect of financial leverage in the previous periods (by formulas (3.3.7) – (3.3.10) and determination of the influence of certain factors (return on assets, weighted average cost of borrowed capital, share of borrowed capital and share of equity capital) on this effect by means of chain substitutions.



Table 3.3.2 – Areas of minimization of the weighted average cost of capital

Element of capital cost	Areas of minimization
Cost of equity capital	Development of an efficient policy for the formation and distribution of profits, including: – development of an efficient tax policy; – development of an efficient dividend policy (application of conservative approach); – development of an efficient depreciation policy
Cost of financial loans	Finding offers in the financial market which minimize the cost of raising loans both as to interest rates and other terms of raising, using and servicing (with the invariance of the amount of raising and terms of using); using financial or operational leases of fixed assets instead of raising a long-term loan for their acquisition
Cost of commodity payables	Reducing the share of commodity payables and, accordingly, increasing the share of short-term bank loan (on condition of choosing a price discount)
Cost of operating lease of fixed assets	Finding offers in the process of operating lease which would minimize its cost for a trade enterprise

$$DFL = (1 - t)(ROA - WAC^{bc}) \times \frac{D}{E}, \quad (3.3.7)$$

$$ROA = \frac{NREI}{TA + LFA} \times 100\%, \quad (3.3.8)$$

$$NRER = Pb/t + FEfl + FEcp + Ilcp + LF, \quad (3.3.9)$$

$$WAC^{bc} = CbCfl \times Sfl + CCP \times Scp + Cl \times Sl, \quad (3.3.10)$$

where  $t$  – corporation tax rate;  $D/E$  – debt/equity ratio;  $ROA$  – return on assets, %;  $WAC^{bc}$  – weighted average cost of borrowed capital used by a business entity in retail trade, %;  $NREI$  – net result of exploitation of investments of a business entity;  $TA$  – total assets of a business entity;  $LFA$  – the cost of leased fixed assets;  $Pb/t$  – the amount of profit before

tax;  $FE_{cp}$  – the sum of all actual financial expenses for cost of payables over the analyzed period of time;  $LF$  – the amount of leasing fee;  $S_{fl}$ ,  $Scp$ ,  $Sl$  – the share of financial loans, commodity payables, long-term loans in the form of leased fixed assets in the total amount of borrowed capital of an economic entity, respectively.

Optimization of the capital structure according to this criterion requires the management of the differential and the coefficient of the financial leverage effect. Since the profit tax rate is established by law, the tax corrector of the financial leverage does not depend on the activity of a business entity in retail trade and is not subject to influence in the process of managing the effect. The task of an economic entity is to maximize the differential and adjust the value of the coefficient depending on the change in the amount of the differential.

Optimization of the capital structure according to the criterion of efficiency of its use requires verification, with the corresponding adjustment, of the results obtained for compliance with two criteria – financial stability and minimization of the cost of capital.

#### Stage 5. Formation of the target capital structure.

If the results of the calculations according to all three criteria correspond to each other and meet the requirements, it is necessary to proceed to the last stage of optimizing the capital structure – the formation of its target structure, taking into account the obtained results of optimization according to all the criteria, peculiarities of the components of capital and factors that affect them. Implementation of this stage requires a thorough development of specific measures that will enable the formation of the necessary capital structure of a business entity in retail.

The offered methodological recommendations allow determining such a structure of the sources of funds that corresponds to the objectives of a business entity in retail trade as to the permissible level of financial stability, the weighted average cost of capital and the efficiency of its use, that is, it contributes to its competitiveness increase.

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