

Innovative approaches in the management of competitiveness of businesses

Collective monograph edited by
A. Berezin, M. Bezpartochnyi



Innovative approaches in the management of competitiveness of businesses

Collective monograph edited by
A. Berezin, M. Bezpartochnyi

ISMA University
Riga (Latvia) 2016

**Inovatīvas pieejas
uzņēmumu
konkurētspējas
pārvaldībā**

Kolektīva monogrāfija

A. Berezin un M. Bezpartochnyi
zinātniskajā redakcijā

Informācijas sistēmu menedžmenta augstskola
Rīga (Latvija) 2016

UDK 005.591.6:005.332.4

**Innovative approaches in the management of competitiveness of businesses: collective monograph / edited by A. Berezin,
M. Bezpartochnyi, in 2 vol. / ISMA University. – Riga: «Landmark»
SIA, 2016. – Vol. 1. – 188 p.**

Authors of study within the monograph came to conclusion that need use of innovative approaches to business development and management of competitiveness, methodical toolkit of forecasting of business development, formation of competitive advantages, effective use of resource potential. Basic research focuses on issues of introduction of innovative approaches to information security, formation of logistics systems, legal regulation of functioning clusters, efficient use of personnel, development of export potential, ecological aspects of businesses. Research results have been implemented on various models of functioning businesses in trade, industry, agricultural sector, which have an innovative component and allows you to ensure competitiveness in the context of globalization. Results obtained during the research can be used in decision-making at level of how business, and at level of local governments on formation of competitive advantage and business development. Results can also be used by students and young scientists on modern concepts of development of enterprises in face of increasing competition and formation of competitive advantages on market of goods and services.

Reviewer:

Dr. **Krēsliņš Kārlis** – *Academic Pro-rector Ventpils University College, M.Sc. in Information Studies, PhD, Researcher of the Centre for Entrepreneurship, Innovation and Regional Development (CEIRD), Latvia*

International scientific editorial board:

Mariana Petrova – *PhD, Assoc. Prof., Director of Education Technologies Center, St. Cyril and St. Methodius University of Veliko Turnovo, Bulgaria*

The collective monograph is approved for publication at the meeting of the Scientific Council of the Information Systems Management University, Business Institute of 23 May 2016, *Minutes No. 3-16.*

Reproduction or citation reference is mandatory.

© ISMA University, 2016

ISSN 1877-0444 (print)

Chapter 1

CONDITION AND PROSPECTS OF DEVELOPMENT

ENTREPRENEURSHIP IN THE CONTEXT OF

GLOBALIZATION 8

Kavun O.

Trade networks development in Ukraine in the context of
globalization 8

Klymenko V., Akimova L., Akimov O.

The possibilities of industrial internet and prospects of its
implementation in Ukraine 17

Maslak O., Doroshkevych K., Petryshyn N.

In addition to the question of the development of the normative-legal
field of clustering 26

Potemkin L., Kozachenko V.

Assessment and methods of forecasting enterprises competitiveness
..... 35

Potemkin L., Potemkin M.

The main areas of improvement and optimization of a budget
structure 42

Pustova N., Kravchenko H.

Strategic aspects of export potential development of ukrainian
agroindustrial enterprises 51

Shtal T., Hurzhiy N., Pilipchatina E.

Modern tendencies of internet marketing as a tool of influence on
ukrainian customer 57

Verstiak A., Ishchenko S., Viknyanska O.

A framework for econometric analysis of sustainable supply chain management impacts 68

Chapter 2

MODERN APPROACHES AND TRENDS IN MANAGEMENT

..... 77

Moroz O.

Personnel assessment as a tool management system improvement of business entity 77

Nesterovych A.

Peculiarities of labor motivation in the agrarian sector of the economy in Ukraine 86

Chapter 3

FORMATION OF COMPETITIVE ADVANTAGES OF

BUSINESSES 96

Berezin A.

Competitiveness of enterprise: theoretical aspects and mechanisms of formation 96

Berezina L.

Collaboration of enterprises as the method of obtaining the advantages in a market 106

Gryshova I., Galitsky O., Nikolyk O.

The development of the competitive positions of the agrarian production 113

Krasnorutskyy O., Gryshova I., Kravchuk A., Stoianova- Koval S.

Modern position of agricultural business in Ukraine under the conditions of the state's fiscal policy 124

Loshenyuk I.

The strategy to increase competitiveness of trade enterprises in the border region 134

Morozov V., Kalnichenko E., Liubyma Iu.	
Effective business development management on the basis of project approach	143
Nikolaeva A., Pyrih S., Ishchuk L.	
Formation of businesses competitive advantages as a factor increasing the capitalization of the region	151
Palyvoda O., Hrashchenko I.	
Tendencies of innovation development of industrial enterprises of Ukraine: the cluster approach	160
Parkhaieva N.	
Supplier and retailer: the contradictions and the way of integration	169
Chapter 4	
INNOVATIVE APPROACHES TO FORMATION OF THE RESOURCE POTENTIAL	179
Zastavetska L., Zastavetsky T.	
Current trends in activation the socio-economic development of urban areas in agrarian regions	179

of business project concept in general and provides a qualitative study of the project on early phases of its realization with not sufficient information.

References

1. Garaedagi J. *System thinking: How to manage chaos and complex processes: A platform for modeling business architecture*/Jamshid Джамашид Garaedagi; translated from Engl. E.I. Nedbalskaya; scientific ed. E.V. Kuznetsova. – Minsk: Grevtsov Books, 2010. – 480 p.
2. Morozov V.V., Kalnichenko O.V. *Role-functional approach to description of life cycle of project oriented corporations* / V.V. Morozov, O.V. Kalnichenko // *Complex systems development management*. – 2011. – № 5. – P. 23 – 29.
3. Morozov V.V., Chumachenko I.V., Dotsenko N.V., Cherednichenko A.M. *Project management: planning processes of project works*. Kyiv, 2014, pp. 673.

Nikolaeva Anzhela

*PhD in Economics, Associate
Professor*

Pyrih Svitlana

*PhD in Economics, Associate
Professor*

Ishchuk Lesya

*PhD in Economics, Associate
Professor,*

Chair of Finance,

*Lutsk National Technical
University*

FORMATION OF BUSINESSES COMPETITIVE ADVANTAGES AS A FACTOR INCREASING THE CAPITALIZATION OF THE REGION

The development of market relations led to the fact that rivalry has become the determinative factor in enterprises' activity. Market saturation with domestic and imported goods, the Association Agreement between Ukraine and the EU, as well as increasing of consumer claims on products quality and safety stir up rivalry in the

market. This determines the need for the elaboration of modern technologies of economic agents' market behaviour, and the formation and implementation of a reasonable strategy aimed at achievement of their sustainable competitive advantages, becomes an essential condition for the company development.

Creating competitive advantages is the purpose of strategic management, determining factor in its competitive ability improving. In its turn, the availability of competitive enterprises in the region is the key to increase the capitalization of the regional economy. To ensure the competitive ability of Ukrainian enterprises both in domestic and foreign market the strategic management efficiency increase and formation of scientifically based strategies for competitive advantages is required.

The analysis of Ukrainian companies' management suggests only the application of certain elements of strategic management in practice, including: setting goals (not always justified); development of specific strategies (especially those of marketing and investment), formation of a strategic type plans (mainly in the form of business plans), development and implementation of new decentralized facilities of strategic management, the introduction of certain information technologies.

Thus, the formation of processes that provide the enterprise's competitive advantages in the long term, causes the necessity of developing models of the formation and implementation of strategies for achieving competitive advantages, which has a complex, coordinated approach to the development of strategies with the consideration of business environment conditions and the individuality of each participant of economic activity.

Theory and practice of strategic management have substantiated the existence of a wide range of models of strategic management and planning, in which depending on the particular environment or individual enterprises the main principles, tools and items are realized [1-10, etc]. In its turn, this witnesses the absence of a clear approach among scientists to the developing and implementing strategies, particularly strategies for achieving competitive advantages at enterprises. Common models of the strategic planning process organizing are analysed in Table 3.5.

The strategic planning process for each company is an individual phenomenon, because it depends on many factors of external and internal environments. Generalization of these approaches allows to determine the general stages of strategies formation process on the

Table 3.5

Analysis of models of strategic planning in enterprises

Strategic planning model	Model essence	Approaches' disadvantages
1. On the basis of a "strategic gap"	For development of new markets, products, additional services, and promoting the strengths and eliminating the weaknesses of the enterprise, the entire arsenal of models and methods of strategic decisions substantiation that help to fill the "strategic gap", especially through the development of new product-commodity strategies, is used.	A lot of time and money are spent for the development of options for filling the "strategic gap"; most of these options may stay unclaimed.
2. Based on market advantages consideration	The model is closely related to the use of SWOT-analysis. The focus is on considering the interests of enterprise owners that are involved in decisions on measures that ensure long-term development of the enterprise.	The use of the approach is limited by the difficulty in defining and balancing the interests of a large number of owners. Different treatments of market advantages of different groups of shareholders complicates the designing of strategic and tactical plans, monitoring their implementation and interpretation of the results.
3. Focused on creating and maintaining enterprise competitiveness	Target focus on the long-term competitiveness involves a wider range of policy measures, compared to the model, focused on "strategic gap".	The problem is the identifying key success factors and development of appropriate measures for their implementation.
5. Based on considering the enterprises' size	The model provides using planning in full, with the passage of the necessary stages, sub-stages, procedures and operations of creating a system of plans, projects and programs for large enterprises. For small businesses a simplified version of strategic planning is used.	For large enterprises a mistake in planning can lead to material losses and even bankruptcy; the necessity to spend considerable time and money for pre-planning analysis and planning process, execution and coordination of a large number of documents. For small businesses plan quality depends on manager's and owner's training in strategic management.

Source: combined on the basis of [7, p.431-439]

enterprise: enterprise mission and goals definition, environment diagnostics, strategy selection, strategy implementation, strategy implementation monitoring. Stages of strategy formation are unified for a specific management subject. The differences that exist in the views of some scholars and practitioners, are mostly related succession of some stages and their content.

In our opinion, in the existing approaches to the strategic planning process, not enough attention is paid to the definition, development and support of enterprise's competitive advantages, that is the formation of an appropriate strategy. These models are of generalised nature and do not include the choice of an optimal strategy for each strategic area of economic enterprise considering its competitive advantages at different levels of competitive field, have no complex coordinated approach to the development of strategies at all levels of management.

Therefore, as a tool to identify priority directions of enterprise development in the conditions of competitive environment we suggest a model of formation and implementation of strategy to achieve competitive advantages (figure 3.6).

Business modelling should be aimed at choosing the optimal strategy from the set of alternative strategies for each strategic management area (SMA) considering the enterprise competitive advantages. Under the area of strategic management we understand a separate environment segment (a certain market segment), to which the company has (or wants to have) an entry [1, p.76; 4, p.109]. The practical application of this mechanism, we believe, will allow the company to avoid the negative effects from changes in different fields, and to adjust the general strategy in time.

The process of developing and implementing strategies for achieving enterprise's competitive advantages should be subject to the specific sequence and can include three interrelated stages that logically go with each other. In addition, there is feedback and accordingly the reverse impact of each stage to the other and the to the whole process. This is an important feature of the competitive advantage achievement strategy mechanism.

The first stage – strategic monitoring and forecasting. It is advisable to begin the strategy formation process with a mission statement and strategic competitive goals of the company. This stage involves the company mission statement, that is its existence content and role in the society, the definition of long-term and short-term goals – to ensure a sustainable competitive advantages on the market. Mission and

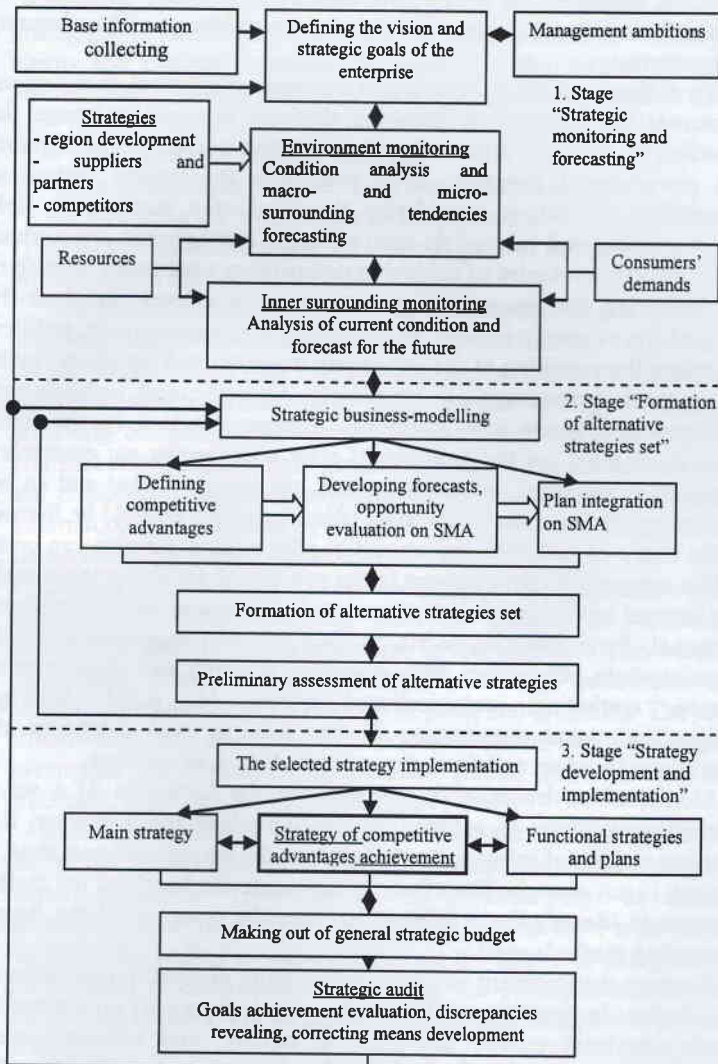


Figure 3.6 Model of formation and implementation of competitive advantages achievement strategy

Source: developed by the authors

objectives statement are performed after collection and processing of initial information and taking into account the ambitions of the company management.

We define strategic monitoring as a system of repeated observations of internal and external environment elements in space and time, the collection of strategic information for a certain purpose in accordance with pre-prepared program. It is suggested to monitor factors of competitive advantages considering the level of a competitive field (macro-, meso- and micro-) in each strategic management area, which would identify strategies of achieving competitive advantages hereafter.

Monitoring the macro environment (on micro-level) involves the study of the economy impact, its regulation and management, political processes, the condition of the natural environment and resources, social and cultural components of the society, scientific and technological development of the society. Monitoring microenvironment (at the meso-level) is oriented on the analysis of such components as: customers, suppliers, competitors, audience contact, the labour market and so on. Monitoring the internal environment (the micro-level) should be focused on the study of potential opportunities, which the enterprise can count on in a competitive environment in the process of achieving their goals. The internal environment is analysed in the following main directions: personnel, their potential, skills, motivation, etc.; organisation of the administration; production with scientific research and development; finance, marketing, organizational culture [3, p.25]. Strategic management areas monitoring, in our opinion, will determine the algorithm of support and formation of competitive advantages.

Monitored environment is essential for the formation of a set of alternative strategies to achieve competitive advantage. However, it is based on the use of information that reflects the current and past state, to strategy is not enough. Therefore, to determine the trends of the market situation to identify the problems that face the company in the future, forecasting methods used.

Strategy development involves determining competitive position on the market. In modern conditions the requirements of consumers to goods (services) quality are growing rapidly, and competitiveness depends and is spread in the inner circle of the company. Therefore, the formation of the enterprise general strategy needs to carry out its objectives through coordination with regional development strategies, suppliers and partners (see. fig. 3.6), which will provide the company's competitive advantages.

Forming a set of alternative strategies is a central part of strategic management. At this stage, the decision is taken about how and by what means the company reaches its goals. By the results of strategic positions evaluation, a set of strategies in the following areas is formed:

- Usage of the environment possibilities;
- The environment threats removal;
- The preservation and use of the company strengths;
- Eliminating the weaknesses of the company.

This will let to determine the optimal path of development that will provide use of the company potential.

The main objective of the strategy performing stage is to create the necessary conditions for the successful implementation of the strategy. On the circuit output (fig. 3.6) a conceptual model of the strategic plan is formed, which includes three units: “general strategy”, “strategy for achieving competitive advantages”, “functional strategies and plans”. The first two blocks contain general information about the current state and prospects of the company, and the following one specificates this information in the context of the main activities (marketing, production, management, personnel, finance etc.).

Despite the autonomy of each block, all of them are interconnected with strategic budget resulting from the forecast of industrial and commercial activity of the enterprise in the long run. This block adds quantitative determination of enterprise strategy, contributes to the timely development and adjustment of plans and programs. The strategy effectiveness as a whole is estimated based on the fact that competitive advantages are formed from the final results and efficiency of the processes, which are the means to achieve them.

Since the process of enterprise development strategy formation is a part of the management philosophy, in our opinion, it must be based on certain principles. However, at the present stage of theoretical substantiation of the strategy development process there is no definition for them. According to current views on the nature of competition and the creation of competitive advantages, the principles are developed, that should underlie the formation of achieving competitive advantages strategy:

- the leading role of management. Setting strategic goals is a process that goes from top to bottom of the enterprise and is a benchmark for managers of lower levels in the performance by them and employees of their departments of their tasks for achieving the overall objectives of the company;

– focus on the long-term prospects and effective activities. Achieving a strong competitive position in the long term prospect must be considered by management as more favourable step than short-term improvement of financial indicators;

– internal linking of enterprise opportunities with market needs and management ambitions. The strategy is not effective unless it corresponds to the situation in the company, is not conducive to creating sustainable competitive advantages and improves the enterprise as a whole;

– continuous improvement of the enterprise activity;

– the balance of interests of the market chain members: suppliers, staff, intermediaries and consumers;

– involvement of personnel to the process of strategy formation and implementation.

These principles are aimed at finding new competitive advantages of enterprises in accordance with modern market trends and taking into account the interests of all groups concerned about the enterprise. Using these principles ensures a synergistic effect in the strategy implementation.

The complexity of the process of forming the strategy for achieving enterprise competitive advantages is complemented with problems of implementation, including the following:

– in-house communications problems both at the planning stage, and the stage of the strategy which, inter alia, include a conflict of interest, lack of specification of the requirements of the marketing department to other departments;

– problems with updating strategic and tactical decisions in the competition field on the basis of competitors and the environment monitoring data;

– problems of decisions consistency.

The authors suggest the following solution to these problems:

– delineation of responsibility in the formation of strategies for achieving competitive advantages between the business level and functional level;

– marketing plan formation, a key element of which is the marketing plan of action to implement the strategy for achieving competitive advantages;

– fixing the function of strategies for achieving competitive advantages realisation by a manager of Marketing department.

Thus, the distinguishing feature of the suggested model of creation

and implementation of strategies for achieving competitive advantages is a complex, coordinated approach to the development of strategies at all levels of management, forecasting and planning of the company on the basis of regional development strategies, suppliers, partners, availability of feedback and thus the reverse impact of each stage to the other and the whole process. The usage of this model in practice allows domestic enterprises reasonably approach to the development of strategies for achieving competitive advantages that will enable them to strengthen competitive position in both the domestic and foreign market.

References

1. Ansoff, H. I. *Strategic Management: Classic Edition (1979, 2007)*, 272 p.
2. Ansoff, H. I., Declerk, R. P., Hayes, R. L. (Eds.) (1976). *From Strategic Planning to Strategic Management*. N.Y., London. John Willey & Sons, 257 p.
3. Zabrodska, L. D. (2004). *Strategic Management: strategy implementation*. Kharkiv: Konsul, P. 25.
4. Kindratska, G. I. (2000). *Fundamentals of strategic management*. Lviv: Kinpatri LTD, P. 109.
5. Mishchenko, A. P. (2004). *Strategic Management*. Kyiv "Centre of Educational Literature", 336 p.
6. Nemtsov, V. D., Dougan, L. E. (2002). *Strategic Management: a tutorial*. Kyiv: EksOb, 560 p.
7. Shershnev, S.E. (2004). *Strategic Management: textbook*. Kiev. KNEU. P.431-439.
8. Hax, A. C., Majluf, N. S. (1989). *Strategic Management: an integrative perspective*. Prentice-Hall, Englewood Cliffs, 289 p.
9. Porter, M. (1990). *The Competitive Advantage of Nations*. New York: The Free press. A Division of Macmillan Inc., 855 p.
10. Teece, D., Pisano, G., Shuen, A. (1992). *Dynamic Capabilities and Strategic Management*. Working Paper. Berkeley: University of California at Berkeley, 302 p.