

THE INFLUENCE OF MAIN FACTORS ON STRENGTHENING COMPETITIVENESS AND ENTERPRISE FINANCIAL POSITION

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Abstract

Entrepreneurship development is a powerful factor in reforming the economy: creating a socially oriented market mechanism, overcoming the current crisis decline in production and providing the preconditions for economic growth in the region. Entrepreneurship is recognized as one of the main factors of political and social stability of society. Therefore, the effective functioning of business entities is a prerequisite for the economic well-being of the country's citizens, and hence national security. The main source of data for the study was the State Statistics Service of Ukraine, which publishes a set of indicators that characterize various aspects of business. In particular, data from the section 'Activities of enterprises' on the official website of the State Statistics Service of Ukraine and official data on the websites of its regional offices, as well as information from the collections 'Activities of economic entities' and 'Activities of large, medium, small and micro enterprises' were used. The development of entrepreneurship for the period of 2016–2020 has been analyzed in the article. The analysis of the dynamic changes in the development of entrepreneurship in the context of enterprises and individuals-entrepreneurs has been conducted. The quantitative data of the State Statistics Service of Ukraine, illustrating the distribution of subjects of Ukrainian entrepreneurship by size, types of economic activity, volumes of sold products, works and services, and financial results of entrepreneurial activity have been considered and analyzed. It is important to monitor the financial performance of enterprises continuously. It promotes response and the efficiency of their activities increase, optimizing the use of resources and management potential.

Key words: entrepreneurship, factor, business entity, enterprise, economic activities, trends of development

INTRODUCTION

The problem of competitiveness is one of the most important problems in the current conditions of economic development, which is characterized by deepening integration processes, liberalization of trade conditions, increased attention to product quality [1]. The urgency of the problem of strengthening the competitiveness of enterprises is growing as a result of Ukraine's integration into international organizations and the further development of a market economy.

In order to identify ways to increase competitiveness, it is first necessary to define the interpretation of the term "competitiveness". According to the classical definition, competitiveness is a position of a producer in domestic and foreign markets determined by a set of factors, reflected through a set of indicators (Porter, 2000) [9]. In modern conditions, competitiveness should be interpreted as the level of competence of

the company compared to other competitors in such parameters as technology, practical skills and professional knowledge of staff, level of strategic and current planning, sales policy, management, communication, quality management systems, production, etc. (Ponomarova et al., 2019) [8]. In a market economy, competition is a struggle, competition between producers of goods and services for more economically favourable economic conditions, for better conditions for production and sale of the product (Kostyuk., 2019) [6].

Competitiveness is one of the important indicators in the economy on which the development, efficiency and stability of all participants in competitive relations depend. Modern entrepreneurial activity depends on the level of research of the main factors influencing competitiveness. To strengthen competitiveness, it is important to identify, justify and classify the factors of

competitiveness and explore the reserves of its increase [10].

The study of the impact of key factors on strengthening competitiveness is becoming urgent for entrepreneurs, as the crisis has exacerbated the difficult economic situation in the competition of enterprises. In the absence of identification and analysis of factors directly affecting the competitive position of the enterprise, its management makes it impossible to develop and implement a strategy for the existence and operation of the organization in the future.

MATERIALS AND METHODS

The main source of data for the study was the State Statistics Service of Ukraine, which publishes a set of indicators that characterize various aspects of business. In particular, data from the section "Activities of enterprises" on the official website of the State Statistics Service of Ukraine and official data on the websites of its regional offices, as well as information from the collections "Activities of economic entities" and "Activities of large, medium, small and micro enterprises" [11]. were used».

The article analyses the development of entrepreneurship for the period 2016-2020. The study pays special attention to the analysis of dynamic changes in the development of entrepreneurship in terms of enterprises and individuals - entrepreneurs. Particular attention is paid to the quantitative analysis of data of the State Statistics Service of Ukraine, which characterizes the distribution of business entities by size, type of economic activity, sales, types of works and services, financial results of business activities. The statistical and economic analysis of the structure of entrepreneurial activity is carried out and the main factors influencing the development of entrepreneurship are determined.

The theoretical and methodological basis of the study were the works of domestic and foreign scientists, statistics and general scientific research methods: abstract logic, content analysis, synthesis, statistical and comparative analysis.

RESULTS AND DISCUSSIONS

A study of the level of competitiveness of the region is not possible without a detailed analysis of factors whose impact may increase and decrease its overall level.

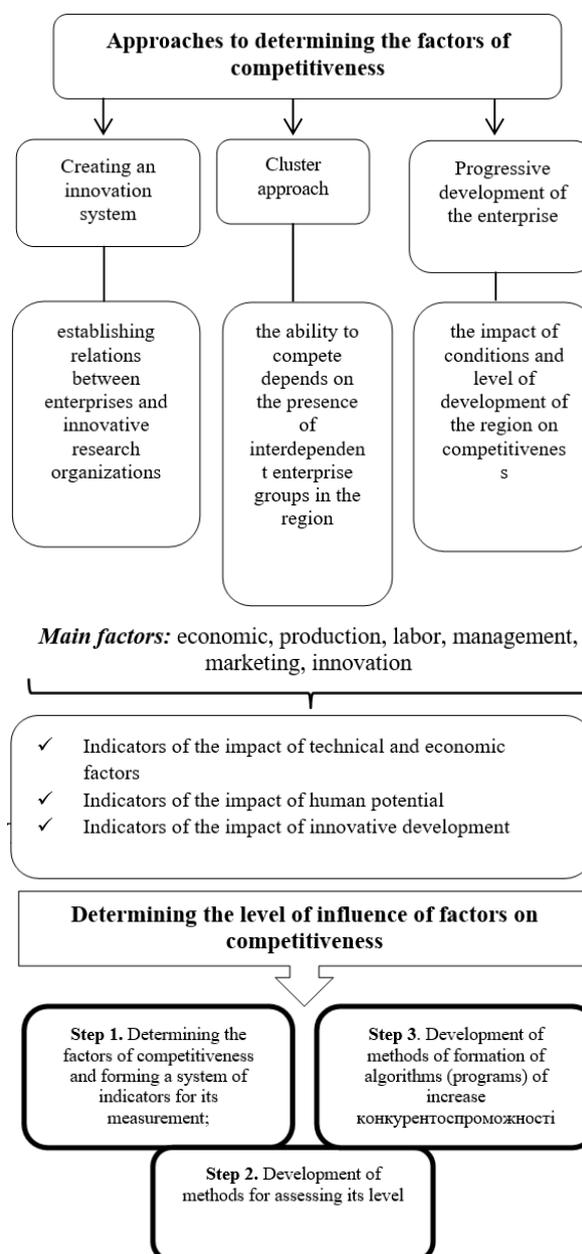


Fig. 1. The mechanism for determining the influence of factors on the competitiveness of the enterprise and the algorithm for its strengthening
 Source: Authors' conception.

Factors affecting competitiveness have a significant impact on the economy and can be used in the formation of state regional policy, so it is advisable to develop a mechanism for determining the impact of factors on the

competitiveness of the enterprise and the algorithm for strengthening it (Figure 1).

Factors that can enhance competitiveness are considered by experts from three main approaches: cluster, innovation and progressive development [7].

According to the cluster concept, competitiveness depends on the presence of a cluster of interdependent industries. Clusters are geographically concentrated groups of interdependent enterprises, specialized service providers, as well as non-profit organizations and institutions related to their activities in certain competing industries. Therefore, one of the tasks in the algorithm to increase competitiveness is to identify the potential for clustering [2].

The second group of views combines competitiveness with innovation. The development and implementation of innovations includes the relationship of research organizations with manufacturers, the formation of innovation structures such as business incubators, technology parks, training centers. Accumulation of knowledge and creation of institutions that promote innovation, enhancing competitiveness.

The third group of factors characterizes the progressive development of the enterprise and is related to the conditions and pace of development of entrepreneurship, includes the following economic and geographical provisions: image, labor resources, management skills.

Having identified the main factors influencing the competitiveness of the enterprise, it is advisable to determine the level of influence of factors on the competitiveness of the enterprise. Determining the level of influence of factors on competitiveness should be carried out by mathematical methods based on statistical indicators. First of all, it is advisable to determine the indicators that characterize the impact of technical and economic factors on competitiveness (production and financial activities). The next step is to investigate the indicators that characterize the impact of human potential factors on competitiveness (education, culture, health and public safety; the level and quality of life and the state of the environment). At the last stage it is expedient

to determine the indicators that characterize the impact of factors of innovative development on the competitiveness of the region (innovation and investment activities) [3].

Determining the level of influence of factors on competitiveness should be carried out objectively, ie on the basis of reliable and verified information that really reflects reality, and conclusions should be based on accurate analytical calculations.

The mechanism of strengthening the competitiveness of the enterprise involves the use of an integrated approach to the main functions of management (analysis, planning, organization, motivation, control, regulation) and is carried out in three stages: determining the factors of competitiveness and forming a system of indicators; development of evaluation methods; development of methods of formation of algorithms (programs) of strengthening of competitiveness. The mechanism of strengthening competitiveness should affect all areas of the enterprise: staffing, information, materials, finance, investment, energy, advertising, sales, etc.

Factors affect both increasing the competitiveness of the enterprise and decreasing. Gaining competitive advantage based on factors depends on how effectively they are used. Analysis of factors helps to identify strengths and weaknesses of the company and the industry and develop measures to strengthen competitiveness, so in our opinion it is advisable to analyze the impact of factors on business. These factors are interrelated and interdependent, so this economic category should be considered as a system with all its inherent properties, such as: the complexity of the system structure, continuity of operation and development, system integrity, synergy, interdependence of system and environment [4].

According to the statistics of the State Statistics Service of Ukraine (Figure 2) on the territory of Ukraine in 2020 there are 1,973,652 units of economic entities, of which large business entities 512 units, medium - 17,602 units, small - 355 708 units, individual entrepreneurs - 1,599,755 units, so it can be observed that in Ukraine the majority of

business entities are small enterprises in the context of enterprises and individual entrepreneurs. In particular, during 2016-2020 there is a tendency to increase the number of economic entities in all categories, so the number of large enterprises increased by 33.7%, medium-sized enterprises by 18.3% and small by 22.2%, which is generally a positive trend. However, there is a sharp decrease in the number of enterprises in the

period 2019-2020, so the number of large enterprises decreased by 1.2% compared to 2020, medium-sized enterprises by 0.9%, and small, respectively, by 1.8%, which in our opinion is only the beginning of a negative trend resulting from the COVID-19 pandemic, exacerbation of economic problems (including a 1.4-fold increase in electricity and gas tariffs by 5 times), and hostilities.

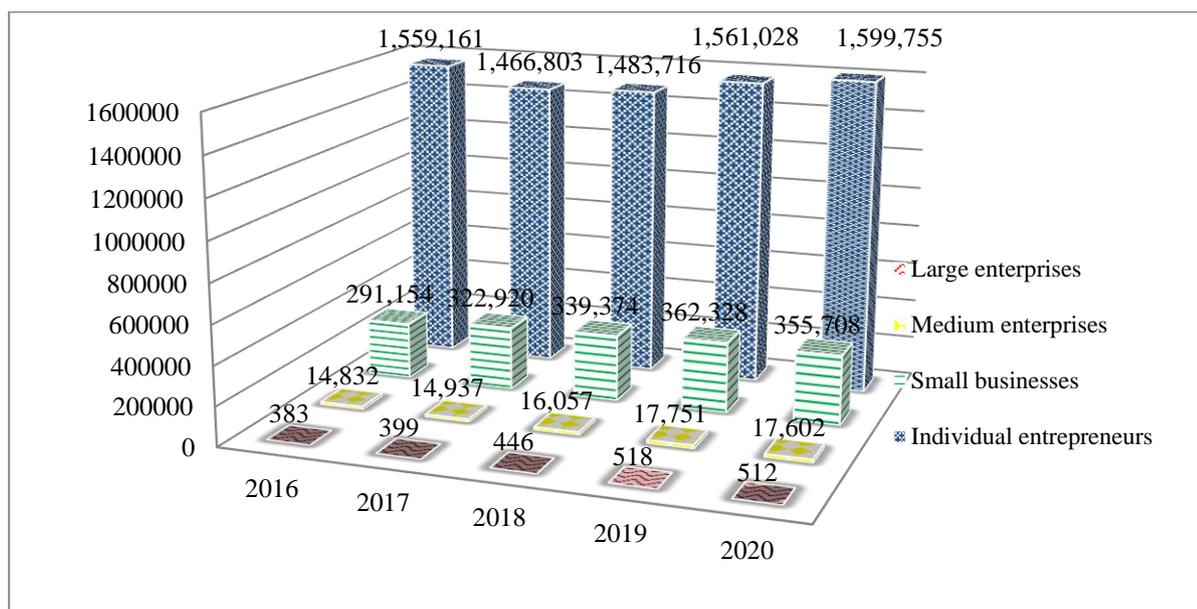


Fig. 2. Distribution of the number of business entities in Ukraine by size
 Source: Own design based on the data from [11].

Usually, under difficult business conditions, large and medium-sized enterprises are crushed and transferred to the group of small businesses, which is not the case in Ukraine in this situation, as the reduction in the number of enterprises occurs in all groups of businesses. However, it can be argued that some of the companies that have ceased to exist have moved to the group of individual entrepreneurs, because this link since 2019 has increased by 2.5%.

For a detailed study of the dependence of the factor of the number of economic entities on the efficiency of their activities, consider Table 1. In our opinion, the main factors that characterize the efficiency of economic entities are the number of employees and the volume of products sold. In general, during the study period, the number of employees in business entities increased by 11.9% and in

2020 amounted to 7,379.5 thousand people against 6,597.6 thousand people, of which the number of employees at the company increased by 9.6% and is 6,413.5 thousand people, and individual entrepreneurs by 29.1% and is 966.0 thousand people.

The volume of sold products of economic entities in Ukraine increased by 64.1% and in 2020 amounted to UAH 11,285,578.9 million. from it at the enterprises 10,273,152.5 million UAH, and physical persons-entrepreneurs 1,012,426.4 million UAH. Thus, it can be argued that in Ukraine, out of the total number of business entities, on average 20% belong to enterprises, and 80% to natural persons are entrepreneurs. However, exactly 20% of enterprises employ an average of 85% of all employees in Ukraine, who produce 90% of all sales in the country.

Table 1. The main indicators of entrepreneurship in Ukraine

Indicator	Years					Deviation
	2016	2017	2018	2019	2020	2020 in% until 2016
Number of business entities, thousand units	1,865.6	1,805.1	1,839.7	1,941.7	1,973.6	105.8
Number of enterprises	306.5	338.3	355.9	380.6	373.8	122.0
in% to the total	16.4	18.7	19.3	19.6	18.9	115.3
individual entrepreneurs	1,559.1	1,466.8	1,483.8	1,561.1	1,599.8	102.6
in% to the total number of business entities	83.6	81.3	80.7	80.4	81.1	97.0
Number of employees in business entities, thousand people	6,597.6	6,706.2	7,088.7	7,418.8	7,379.5	111.9
including enterprises	5,849.6	5,844.9	5,999.5	6,369.6	6,413.5	109.6
in% to the total	88.7	87.2	84.6	85.9	86.9	98.0
individual entrepreneurs	748.0	861.3	1,089.2	1,049.2	966.0	129.1
in% to the total	11.3	12.8	15.4	14.1	13.1	115.5
Volume of sold products of business entities, UAH million	6,877,077.4	8,467,031.9	10,148,847.2	10,725,442.9	11,285,578.9	164.1
including enterprises	6,387,872.8	7,862,695.2	9,388,092.1	9,841,060.7	10,273,152.5	160.8
in% to the total	92.9	92.9	92.5	91.8	91.0	98.0
individual entrepreneurs	489,204.6	604,336.7	760,755.1	884,382.2	1,012,426.4	207.0
in% to the total	7.1	7.1	7.5	8.2	9.0	126.1

Source: Own calculation based on the data from [11].

The distribution of the number of registered enterprises and the volume of sales by type of economic activity in the structure of enterprises are presented in Table 2, according to this factor there is a tendency to reduce the number of business entities, so in 2020 the largest number of them was registered in the field of wholesale and retail trade 826.1 thousand units, during the study period their number was reduced by 84.3 thousand units, of which the number of enterprises was reduced from 2019 by 3.0 thousand units, the number of natural persons entrepreneurs was reduced to 100.4 thousand units, considering the number of sold products of wholesale and retail trade, we see a tendency to increase its volume, so in total, this figure was increased by UAH 1,890,852.7 million. and in 2020 amounts to UAH 4,068,233.3 million. of them, enterprises increased sales by UAH 1,682,541.8 million, ie from UAH 2,385,691.5 million. to UAH 4,068,233.3 million, individual entrepreneurs, despite the larger number, worked worse and increased

sales by UAH 208,310.5 million. In agriculture, the number of economic entities did not decrease significantly, but a negative trend is present, a total decrease of 1.3 thousand units. and is 73.3 thousand units, the volume of sales increased from 414,799.9 million UAH. up to UAH 624,070.1 million, ie by UAH 205,270.2 million.

Production relations are reflected in the financial results, certain necessary types of resources of the enterprise can be obtained if they have sufficient financial resources. The state, dynamics and structures of financial support of enterprises depend on the potential for their development [5].

From the point of view of development of economy of Ukraine, replenishment of the budget and definition of the basic statistical reference points at carrying out audit of the financial reporting and control of activity of the enterprises it is expedient to carry out the analysis of aggregate factors on groups of the enterprises. It is advisable to determine the level of influence of the main factors of

formation, distribution and use of financial results of entrepreneurship before taxation.

Table 2. Characteristics of enterprises by type of economic activity

Types of economic activity	Years	Number of business entities, thousand units			Volumes of sold products, UAH million		
		Total	Enterprises	Individual entrepreneurs	Enterprises	Individual entrepreneurs	Individual entrepreneurs
All of them:	2016	1,865.6	306.5	1,559.1	6,726,739.8	6,237,535.2	489,204.6
	2019	1,941.7	380.7	1,561.0	10,524,112.8	9,639,730.6	884,382.2
	2020	1,973.7	373.9	1,599.8	11,062,297.1	10,049,870.8	1,012,426.3
Agriculture, forestry and fisheries	2016	74.6	45.0	29.6	414,799.9	403,645.8	11,154.1
	2019	75.4	50.2	25.2	572,748.3	556,325.9	16,422.4
	2020	73.3	49.4	23.9	624,070.1	605,483.1	18,587.0
Industry	2016	127.0	38.5	88.5	2,343,000.4	2,305,695.9	37,304.5
	2019	130.3	47.7	82.6	3,289,388.9	3,230,045.0	59,343.9
	2020	126.3	47.8	78.5	3,524,673.6	3,460,666.5	64,007.1
Construction	2016	50.2	24.3	25.9	180,966.5	169,705.3	11,261.2
	2019	56.9	31.9	25.0	394,919.4	370,760.6	24,158.8
	2020	56.9	31.6	25.3	444,753.9	420,084.3	24,669.5
Wholesale and retail trade	2016	910.4	82.2	828.2	2,628,672.0	2,385,691.5	242,980.5
	2019	834.2	101.4	732.7	4,345,851.2	3,958,371.1	387,480.1
	2020	826.1	98.4	727.8	4,519,524.7	4,068,233.3	451,291.4
Transport	2016	109.3	13.7	95.6	398,913.7	365,332.7	33,581.0
	2019	96.2	17.5	78.7	603,015.8	542,968.2	60,047.6
	2020	98.3	17.6	80.7	558,433.9	498,243.6	60,190.2
Information and telecommunications	2016	129.7	11.9	117.8	175,050.9	117,407.2	57,643.7
	2019	206.1	15.9	190.2	334,865.3	198,276.7	136,588.6
	2020	234.2	16.1	218.1	395,417.1	218,144.9	177,272.2
Financial and insurance activities	2016	11.9	3.9	8.0	64,092.6	61,162.3	2,930.3
	2019	10.1	4.2	5.9	105,622.1	101,088.8	4,533.3
	2020	10.2	4.2	6.1	118,454.1	113,496.6	4,957.5
Real estate transactions	2016	90.9	30.9	60.0	103,770.5	85,497.3	18,273.2
	2019	98.4	39.0	59.4	166,359.9	135,127.9	31,232.0
	2020	95.8	36.8	59.0	159,090.1	127,075.0	32,015.1
Professional, scientific and technical activities	2016	125.1	24.9	100.3	274,279.9	241,869.5	32,410.4
	2019	134.8	30.7	104.1	395,448.2	330,127.3	65,320.9
	2020	140.4	29.8	110.6	343,195.1	268,661.3	74,533.8
Education	2016	11.1	1.9	9.2	3,891.5	2,253.0	1,638.5
	2019	15.4	2.6	12.8	9,905.6	5,104.2	4,801.3
	2020	16.7	2.7	14.0	11,357.0	5,458.9	5,898.1
Healthcare	2016	21.6	3.9	17.6	16,803.1	13,805.0	2,998.1
	2019	31.0	6.9	24.1	58,517.3	51,090.8	7,426.5
	2020	37.6	7.4	30.2	130,559.0	120,838.4	9,720.6
Provision of other types of services	2016	203.7	25.3	178.4	122,498.8	85,469.7	37,029.1
	2019	252.9	32.6	220.3	247,470.8	160,444.1	87,026.8
	2020	257.7	32.1	225.6	232,768.5	143,484.9	89,283.8

Source: Own representation based on the data from [11].

Analysis of pre-tax financial results as a factor of competitiveness provides information on the positive or negative dynamics of economic development, as well as allows to

determine the trend of enterprise development, which is the subject of interest of a wide range of stakeholders.

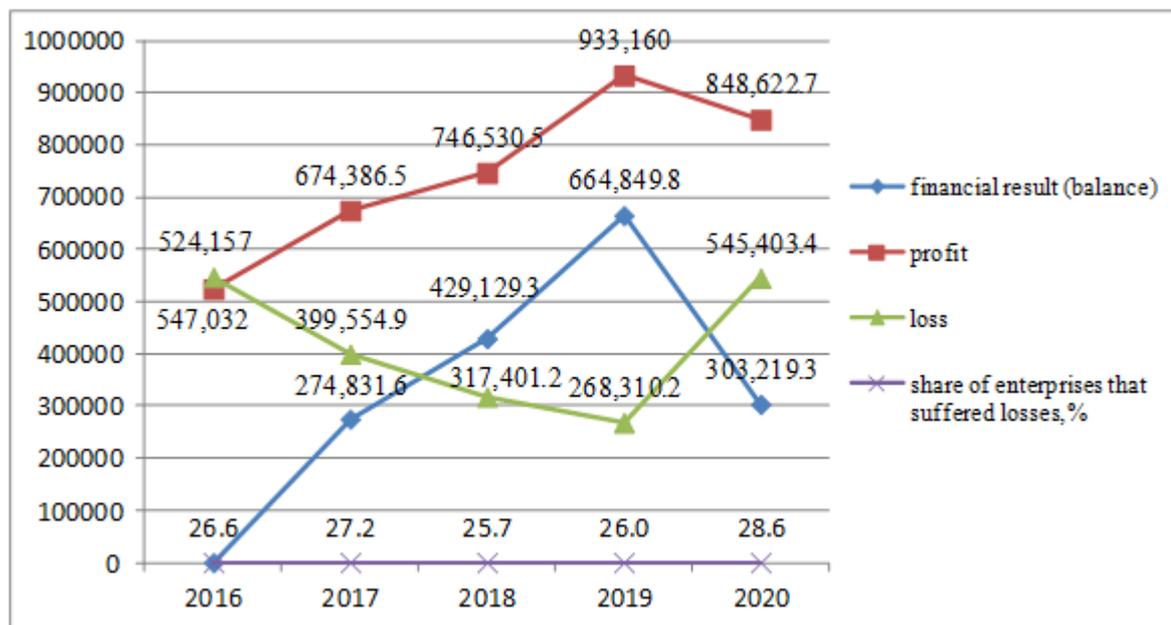


Fig. 3. Financial results of enterprise before taxation
 Source: Own results based on the data from [11].

The financial result (balance) from the unprofitable UAH 22,875 million was reduced to the profitable UAH 303,219.3 million in 2020, although the highest level of the balance for the study period was observed in 2019 at UAH 664,849.0 million. Profit in 2016 amounted to UAH 524,157.0 million in 2020 increased to UAH 848,622.7 million, but in 2019 the profit amounted to UAH 933,160.0 million, which is 10% more. The loss by 2019 tended to decrease and if in 2016 this figure was 547,032.0 million UAH in 2019 decreased to 268,310.2 million UAH, ie the loss decreased by almost 50%, but in 2020 this figure reaches 545.0 UAH 403.4 million, ie the amount of damage returned to the level of 2016. If we examine the share of enterprises that suffered a loss, we can say that from 2016 to 2019, this figure remained almost at the same level of 26.0%, but in 2020 there was an increase of 2.6%. In general, it can be argued that with the overall positivedynamics, there is a significant decrease in key indicators in 2020. These results indicate the negative impact caused by political events and the pandemic, the results of which Ukrainian companies failed to offset with profits (Figure 3).

Let's highlight the main factors that hinder the development of modern entrepreneurship in

Ukraine: military action, which is actively conducted in eastern Ukraine, which led to the deterioration of the business environment; reducing the investment attractiveness of the economy; saving significant amounts of costs associated with the liquidation of enterprises; reduction of the solvency of the population, which has a negative effect on the decline in consumer demand; imperfect legal framework in the field of entrepreneurial activity; inefficient financial and credit policy of business development; low level of qualification of entrepreneurs.

CONCLUSIONS

After conducting the analysis, it can be stated that business entities today operate in unfavourable external and internal environments. The rapid depreciation of the national currency and, as a result, a sharp decline in the investment attractiveness of the Ukrainian economy, hostilities in the east of our country, and other destabilizing factors have negatively affected the activities of businesses, pose additional threats to their business.

Economic recovery and gradual growth should be based on building a high-tech business sector and increasing its

competitiveness in European and global markets. The priority should be to study the impact of key factors on strengthening competitiveness and their role in the innovation activity of the business sector, the formation of a favourable regulatory environment and innovation and investment climate.

The competitiveness of the enterprise should be considered taking into account the factors of product competitiveness, the potential of the enterprise, industries, regions and the country as a whole. Competitiveness factors for each level have their own specifics. Depending on the combination of influencing factors, a particular enterprise is characterized by the achieved level and the special nature of the formation of competitiveness. In addition, a specific combination of factors is an objective prerequisite for the formation of stable competitive positions of the enterprise, which in turn enhances competitiveness. The proposed mechanism for determining the impact of factors on the competitiveness of the enterprise and the algorithm for its strengthening allows to develop a system of indicators of competitiveness and methods of its evaluation, to direct them to neutralize the existing problems of the enterprise. This system of factors allows you to create and maintain the appropriate level of competitive advantage of the object of study, as well as to determine the strategic, current and operational measures to manage the competitiveness of the enterprise.

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