

## INNOVATIVE APPROACHES TO LIGHT INDUSTRY ENTERPRISES POSITIONING IN UKRAINE

*Iryna Ignatieva,*

*Doctor of Economic Sciences, Professor,  
National University of “Kyiv Mohyla Academy”*

**Annotation.** *The need to adapt to the competitive conditions making a significant impact on enterprise vigorous activity on the market raises priority to strategic management tools – the competitive positions assessment of companies and search for new competitive advantage. In a continuous change of competitive markets, light industry enterprises of Ukraine are forced to search for new sources of competitive advantage in the environment to sustain or maintain market position. Studies suggest that monitoring of light industry enterprises ambient in the final version should have the same direction of competitive advantage.*

**Keywords:** *strategic management, light industry enterprise, competitive advantage, enterprise positioning.*

The research of scientific approaches to interpreting competitive advantages, essential points description, factors of competitive advantages, enable us to conclude that the current conditions of the concept of “competitive advantage” is methodologically important [1, 2, 3, 4].

The main purpose of the company competitive position assessment is the search, selection, development and provision of priority advantages over competitors. Because according to the author, competitive advantages are the components of the competitive position, there is a need to embrace this method of competitive advantage evaluation, which meets the following requirements:

- Could be used by various sectors of light industry;
- Was clearly structured, thus allowing complete and correct to characterize the influence of macro-and microenvironment in determining the position of industrial enterprises;
- Allowed to determine the strategic direction of the industrial enterprise in the market;
- Possible to achieve high accuracy assessment position that is now on the industrial market.

Based on the above mentioned requirements, define the problem to be solved in case of this evaluation method appliance:

- Goals adjustment of the enterprise;
- Comprehensive analysis implementation of the economic situation derivative;
- A permanent record of the factors of uncertainty of the environment;
- Diagnostics of the company product portfolio;
- Calculation of competitive advantages level;
- Formation of the priority strategies depending on the change of situation and

strategic variables.

Assessment of the competitive position of the company – is not only a necessary step in the algorithm strategy of the enterprise, but also a tool of strategic management. The direction of the strategy depends on the accuracy assessment of the position. In this regard, we believe that the technique should be based on two aspects:

- 1) On broad appeal of diagnosing the competitive field;
- 2) On the level determination of competitive advantage.

The technique presented in the form of block diagram (Fig.1).

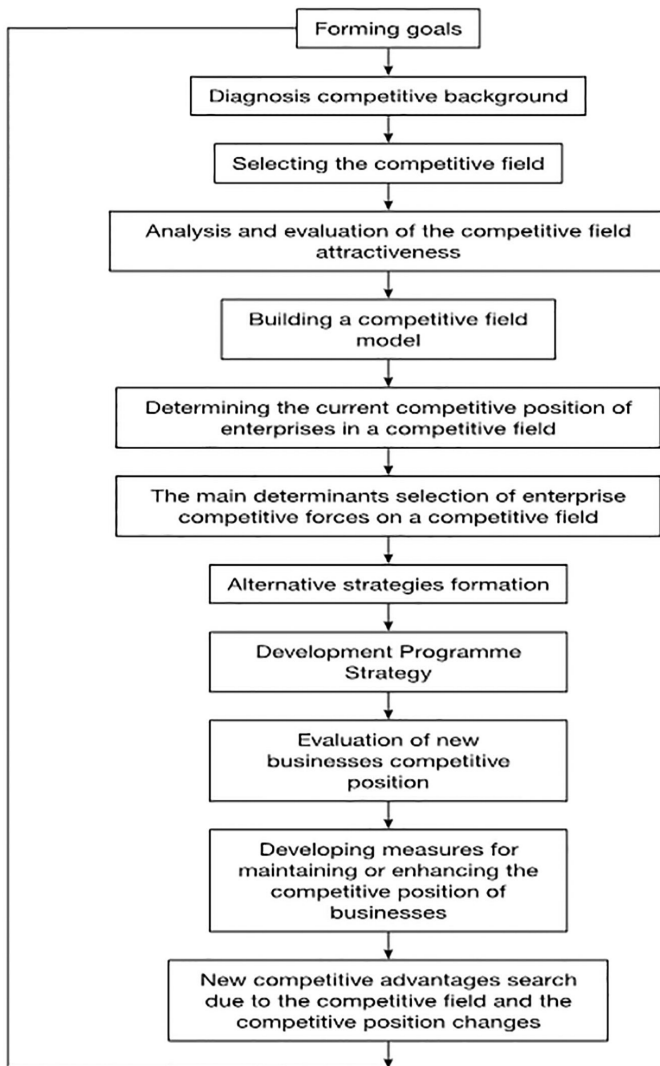


Fig. 1 Block diagram of methods for the competitive position evaluating

Since competitive advantage is a fairly complex multi concept, the analysis and assessment must be closely associated with the competitive background and competitive field, especially with its level. And competitive field is identified with a particular industry or area in which the competition is. So a large variety of industries determines competitive fields. It is obviously that the competitive field can significantly affect the final conclusions of the company competitiveness study, its position and company strategy development. Thereby, it is very important to examine the main components of the competitive background more clearly.

Allocating outside the competitive field, three levels of competitive relations should be taken into account:

- Micro-level (specific types of enterprise products);
- Meso-level (industry, corporate enterprises);
- Macro-level (farm country).

According to this conditional division competitive characteristics can also possess micro-, meso- and macro-level. Micro-level characteristics display quality and price products. Meso-level characteristics provide sustainable improvement of the resources sector efficiency. Macro-level factors reflect the overall economic system, their balance, investment climate, tax regime and others.

It should be noted that such business competition structure allows characterizing the elements of this complex category more precisely and revealing their relationship.

It also helps to justify the effectiveness of approaches to enterprise position assessment, depending on the playing field, opening opportunities for defining the strategic directions of competitiveness at every level. The more complex competitive field and the relationship between economic competitions are, the more important this structuring is.

In summary, we have come to believe that the diagnosis of the competitive background – is not only factors fixing that have no direct connection with the market, but also to determine the degree of importance of effective factors for the company. In this regard, the authors suggest using the following methods of analysis of the competitive background:

- Situation analysis method (the essence of this method is to establish macro factors and to assess their dynamics);
- Method of background profile of competition (the essence of this method is to estimate the relative importance established macro environment factors for enterprises factors);
- Method “scenario for the future” (the essence of this method is a definition of dynamics forecasts of set out components).

It should be noted that there are many variables (components) that describe the status and progress trends of the object competitive background. We hold the view that the relationship of the competitive background components and also their determining factors must be comprehensive and systematic. The existing in economic literature “macro environment factors classifications” allow to make the research process of

competitive background components full-scale and formalized and can be recommended to the comprehensive analysis [2, 4]. In result, the following features of the competitive background were revealed: difficulty of quantitative measurement of the degree of interaction of competitive factors in the background of an enterprise; the competitive dynamics of the background; the close interdependence between the factors; many factors to be analyzed; the main factors determining the components of the competitive background are the driving force that makes an impact on the stability of the company market position. Diagnostics competitive background should be finished by profiling, which allows to estimate the relative importance of both the industry and for individual enterprise.

The process of analyzing the competitive background is difficult and time-consuming procedure and its final results are as follows:

1) Important factors election from the total aggregate, which may affect the development and changes in industry market, and the influence nature and strength for each of these factors;

2) A scenario development of possible components rising of the competitive background within a prescribed period of time;

3) Key competitive advantages identifying of backgrounds that are the main conditions of economic systems (world, country, regional) functioning.

Selecting the competitive field to study its appeal is the next methodical element for the competitive position evaluation. The essence of this element is to establish Strategic Management Area (SMA) of industrial enterprise. Successful selection of Strategic Management Areas (SMA) provides:

- More complete attractiveness and availability assessment of the SMA allocation;
- Clear definition of the company current competitive position;
- The right choice of competitive strategies with an aim to achieve more stable and strong position in a competitive field.

To select SMA it should be effectively used the product and geographical restrictions. In our view, the definition of a competitive field requires clarification. The competitive field should be considered as the market space share to be affected by the competitive background components within which the activities of an industrial enterprise will be carried out.

The purpose of competitive area analyzing as to strategic orientation is prospects complex assessment of this competitive area. Based on the materials studied in this regard, we follow the idea that the best method for evaluating of the competitive background attractiveness is an indicated method. It is based with the embedded indicators system by which we can evaluate the researched object. And an indicator will be regarded as a set of characteristics that can formally describe the object state parameters, in this case the competitive field. Each indicator in turn consists of several individual indicators. Such indicators should characterize the individual elements of the competitive field. Tracer method usage is a fairly common method used in the world, for example, to assess the competitive potential of enterprises and others.

The system of indicators represents a barometer that allows recording correctly the state of SMA and predicting behaviour in the future strategy in it. It should be highlighted the features of the competitive field assessment:

- 1) The competitive field analysis is a systematic selection of all terms of relationships both real and potential SMA objects;
- 2) Competitive field conditions equally affect all competitive field objects;
- 3) Consumer preferences and expectations study as far as competitors reactions make it possible to predict their behaviour type and to choose the most successful competition field;
- 4) As a fairly large number of parameters are in action characterizing SMA, it is almost impossible to take into account all of them;
- 5) Not all the competitive field parameters can be assessed quantitatively, but only some of them.

Thus the attractiveness of the competitive field has quantitative and qualitative characteristics. As it was mentioned above that the indicated method is the best one for evaluating of the competitive background attractiveness and the most commonly used in the world for competitive potential assessment of enterprises and others. For diagnosing convenience of competitive field attractiveness the indicators were divided into quantitative and qualitative. Their composition is given in Table 1.

*Table 1*

**The composition of competitive field attractiveness indicators**

Quantitative indicators	Qualitative indicators
<ol style="list-style-type: none"> <li>1. Market capacity (in natural and value terms);</li> <li>2. The import-export balance in SMA;</li> <li>3. The competitive field structure;</li> <li>4. Openness degree of the field;</li> <li>5. The concentration degree ;</li> <li>6. Profitability;</li> <li>7. Demand;</li> <li>8. The satisfaction degree of demand;</li> <li>9. Field fluctuations ;</li> <li>10. Prices level and dynamics;</li> <li>11. The volume of commercial supply, presented in a competitive field (in natural and value terms);</li> <li>12. The level of customers' concentration.</li> </ol>	<ol style="list-style-type: none"> <li>1. The consumer needs structure ;</li> <li>2. Consumption motives;</li> <li>3. Type sustainable consumption ;</li> <li>4. The costs and revenues structure ;</li> <li>5. The method consumers receive information ;</li> <li>6. Product life cycle stage in the field;</li> <li>7. Phases of the field development cycle;</li> <li>8. Requirements for goods from the channels of promotion, sellers, customer;</li> <li>9. The barriers presence to entry into the field;</li> <li>10. Field availability;</li> <li>11. Non-price competition possibility;</li> <li>12. Customers composition;</li> <li>13. The competitive field type</li> </ol>

Analyzing the competitive structure of the field, it must be taken into consideration not only the number of objects acting on it, but also their size. Many sellers can be represented in the field but only one or a few can dominate there. To describe the competitive field structure and evaluation of its monopolization it should be investigated the degree of sellers' concentration in the market. Concentration indexes characterize the uneven distribution degree of production or existing enterprises sales as well as their

impact on general trade conditions in the competitive field. To estimate the degree of concentration it is important to use the basic indicators of concentration used in economic theory as well as in anti-monopoly authorities practice. According to different values of concentration ratio and Herfindahl-Hirschman ratio three types of fields are highlighted according to the degree of concentration (Table 2).

Table 2

**The competitive field classification according to the degree of enterprises concentration**

Market type	The limit value of CR3 and HHI	The limit value of CR4 and HHI
Highly-concentrated	In 70%<CR3 <100%; 2000<HHI<10000	In 80%<CR4 <100%; 1800<HHI<10000
Moderate concentrated	In 45%<CR3 <70%; 2000<HHI<10000	In 45%<CR4 <80%; 1000<HHI<1800
Unconcentrated	In CR3 <45%; HHI<10000	In CR4 <45%; HHI<10000

Thus, the applied in practice indicators usage of market concentration and market classification types makes it possible to assess the degree of competitive field monopolization, the uniformity of companies’ distribution in it and helps to formulate a competitive advantage.

Based on the foregoing, the assessment of competitive position in the competitive field is defined as follows:

$$CPE = R \times R \text{ attract}, \tag{1}$$

where CPE is the competitive position of enterprises, R is the integral ratio of competitive advantage; R attract – attractiveness ratio of the competitive field.

$$R = U1 \times U2, \tag{2}$$

where U1 is the level of external competitive advantages; U2 is the level of internal competitive advantages.

$$U = S \times \frac{P_{\text{company}}}{P_{\text{leader}}}, \tag{3}$$

where S is a competitive field share that the company takes; P company is the company return on sales; P leader is return on sales of competitive field leader.

Based on the competitive field evaluation according to Light Industry of Ukraine data of such companies as LLC”Dana”, LLC ”Zhelan”, JSC “Volodarka” OJSC “Yunist”, JSC “Vorskla”, the competitive position of businesses is defined as it is shown in Table 3.

Table 3

**The evaluation results  
of the company competitive position**

Company's name	Competitive field share S%	R attract	Competitive background	P company / P leader	U1 – is the level of external competitive advantages	U2	CPE (0-5)
LLC“Dana”	2-5	0,25	0,29	0,5	1	0,5	0,25
LLC“Zhelan”	6-8	0,25	0,36	0,9	5,6	1	1,4
JSC “Volodarka”	2-3	0,25	0,29	0,4	0,8	0,2	0,2
OJSC “Yunist”	1-3	0,25	0,26	0,2	0,2 5	0,5	0,05
JSC “Vorskla”	5-8	0,25	0,33	1	5	0,5	2,5

Taking into consideration different professionals views, the company’s rating in the branch is to be regarded as the competitiveness. Hence, according to the assessments LLC “Dana” is in the top five, LLC “Zhelan” is an industry leader, JSC “Volodarka” is uncompetitive, OJSC “Yunist” is in the top ten, JSC “Vorskla” is in top ten.

Conclusions. Thus, the proposed method of the company position estimation has features of practical application and the following differences:

- The technique is based on a systematic approach to assess the enterprise position by taking into account the additional factors referred to three levels of economic systems: competitive background (macro level), the competitive field (branch), competitive advantages (company level);
- Important role in the assessment methodology is to be played by a diagnosis of the competitive field and competitive background;

- The total impact of competition and competitive background field significantly affect the company competitive position that continues to affect the competitive strategy choice;
- Diagnosis of the competitive background is based on the preparation of its profile;
- Systematized basic criteria are the determining basis of the degree of attractiveness as referred with competitive field.
- Assessing methods of competitive position according to the “matryoshka” dolls principle allow determining the position in a competitive field more accurately.

### **References:**

1. Savelieva O. Some problems of light industry of Ukraine during the accession to the World Trade Organization // Light industry. - 2002. - №2. - P. 6-7. [in Ukrainian]
2. Pavlova V.A. Competitiveness of the enterprise: assessment and strategy of providing: monograph. - Dnipropetrovsk: Bulletin of DUEP, 2006. - 276 p. [in Ukrainian]
3. Muntiyani V.I. Competitiveness of the national economy as the main criterion of economic security // Mechanism of economy regulation. - 2010. - No. 2. - P. 23-43. [in Ukrainian]
4. Voychak A.V. Competitive advantages of the enterprise: essence and classification // Marketing in Ukraine. - 2005. - No. 2. - P. 45-49. [in Ukrainian]
5. Ignatieva I., Yankovoy R. Core principles for SMEs development activation modeling // Modern Science — Moderní věda. — Praha. — Česká republika, Nemoros. — 2016. — № 4. — P. 7-16.