

**Management mechanisms and
development strategies of
economic entities in conditions
of institutional transformations
of the global environment**

**Collective monograph edited by
M. Bezpartochnyi**

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**Ekonomisko vienību vadības
mehānismi un attīstības
stratēģijas globālās vides
institucionālo pārveidojumu
kontekstā**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern management mechanisms and development strategies of economic entities in order to increase the efficiency of their activities. Basic research focuses on diagnostics threat of bankruptcy, assessment of bioenergy potential, intellectual property, efficiency of corporate governance, use of information support, ensuring competitiveness of banking institutions, functioning of the tax system and its decentralization, assessment of the investment climate and investment risks, functioning of a small business. The research results have been implemented in the different models of cluster structures, mechanisms for monitoring the quality of health care, predicting the convergence of economic development, innovative development models, and development strategies of economic entities in various sectors of the economy in the context of euro integration. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate the processes development of economic systems, ensuring stability and efficiency. The results can also be used by students and young scientists in modern concepts of the development of economic entities in the context of institutional transformations of the global environment.

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**PROSPECTS FOR
DEVELOPMENT OF
SMALL
ENTERPRISES ON
THE TERRITORY OF
THE VINNYTSIA
REGION**

The driving force of the country's socio-economic development is entrepreneurs who are capable of assuming responsibility for the future. The development of small business (small business, farming, cooperatives) in the countryside is a significant step that will promote the revival of settlements with a small population, which, in turn, will ensure the efficient involvement of the village's social resources into work. After all, modern society requires active, creative people. It is the entrepreneur who is a professional in his business, who, in observance of the legislation, professional ethics and economic culture of the entrepreneur, carries out his activity on a high professional level.

The driving force that generates national wealth is small and medium-sized businesses [1], which creates new jobs, provides growth in gross domestic product, and stimulates the competitiveness and innovation potential of the economy.

Small entrepreneurship in the countryside, which includes farms, individual entrepreneurs and small enterprises, both agricultural and non-agricultural, produces a significant part of the consumption of goods in the total amount of agricultural production [2, 3]. However, in most cases, entrepreneurs in the countryside without sufficient financial support from the state and local self-government bodies, as well as due to the limited resources and technical support are experiencing serious problems related to the production and sale of products.

One of the steps to support the development of entrepreneurship in the countryside is the Strategy for the Development of Small and Medium Enterprises (SMEs) in Ukraine up to 2020 developed by the Cabinet of Ministers in 2016. The strategy is aimed at building a solid foundation for the gradual growth of SMEs, taking into account the temporarily limited financial support capacity and significant challenges facing the country.

The SME Development Strategy was developed to implement the Ukraine 2020 Strategy for Sustainable Development, approved by the Decree of the President of Ukraine dated January 12, 2015, No. 5, and the Government Priority Action Plan for 2016, approved by the Cabinet of Ministers of Ukraine from May 27, 2016, No. 418 [4-6; 7].

The developed Strategy is based on observance of the basic principles:

- the development of the Action Plan for the implementation of the Strategy is compulsory;

- covering only those tasks that can be carried out during the 2017-2020 period.

- limited financial resources of the state, therefore it is possible to attract other sources of financing;

- first of all, it is necessary to lay the foundation for the development of SMEs (politics, institutions, capacity, regulatory field);

- development of SME development policies requires significant time expenditures and should be carried out on a permanent basis;

- maximum effective cooperation between stakeholders [8].

We will study the results of the Strategy implementation on the example of small business development in the Vinnytsia region.

In Vinnytsia oblast, as of January 1, 2016, agricultural production is carried out by: 774 agricultural enterprises, 1894 farms and 282,6 thousand private farms providing about 2087 thousand people with working places, capital investments into the industry make 3202,5 million UAH, and the amount of export of agricultural products – USD 787.8 million. USA [9].

The use of these enterprises is 1838.2 thousand hectares of agricultural land, of which: 1667.3 thousand hectares – arable land, 44.5 thousand hectares – perennials, 19.0 thousand hectares – hayfields and 107.4 thousand hectares. ha – pastures. About 309 thousand heads of cattle, 351,3 thousand heads of pigs, slightly more than 38 thousand head of sheep and goats and 27,6 million goals poultry.

As a result, in the year 2016, agricultural enterprises of Vinnytsia region produced 8.4% of the gross output from Ukrainian agriculture.

Gross output from agricultural enterprises and farms is 64.7%, households – 35.3% (Figure 6.2). The share of arable land, used in the process of managing the economy of the population is 26%, farms – about 15%. The prevailing production in the households is potatoes – 99.8% of the total production of this product, vegetable crops – almost 98%, fruit and berry crops – 48.6%, milk – 77.3% and slightly more

than 61% – eggs.

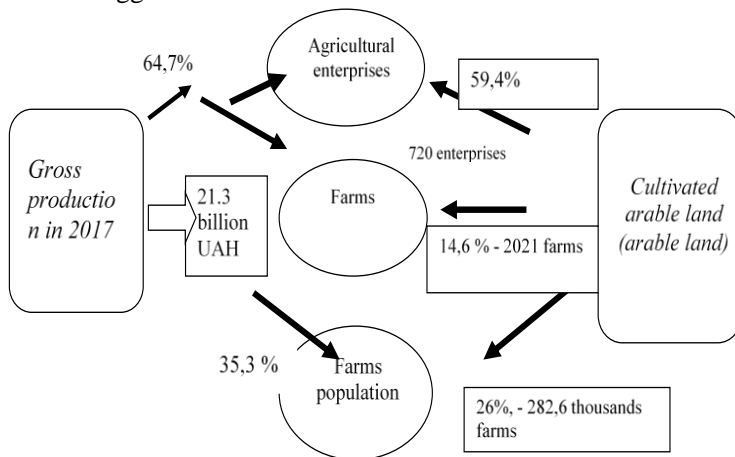


Figure 6.2 Structure of production of gross agricultural products

Consequently, small businesses provide the population of the Vinnytsia region with the necessary food products by more than 60%.

Therefore, in order to promote the development of small businesses, the Department for Agricultural Development, Ecology and Natural Resources in Vinnytsia region developed and implemented the Strategies for balanced regional development of Vinnytsia region by 2020 [10].

The main strategic goals are:

1. Provision of safety of life of the population of the region.
2. Growth of the competitiveness of the economy, through:
 - creation of favorable conditions for dynamic development of small and medium business, simplification of administrative procedures;
 - support intensive development in all sectors of agriculture;
 - application of measures to improve the quality of food.
3. Investment attraction and development of international relations through:
 - creation of attractive conditions for attraction of investments in the regional economy and international donor assistance;
 - development and deepening of international and interregional cooperation.

4. Ecological safety of the environment.
5. Development of the social and tourist sphere of the region.
6. Development of local self-government, decentralization of power and intergovernmental relations through:
 - provision of infrastructure development of territorial communities of the region;
 - development of self-sufficient and financially-independent territorial communities and their associations [11].

In order to achieve the goals, a Program was developed to promote the development of small business in the countryside.

The program of personal peasant, farm, cooperative movement in the countryside and counseling in Vinnytsia region for 2016-2020 [11].

The purpose of the Program is to provide appropriate and stable conditions for the support of the development of private peasant and farm enterprises and their associations.

Implementation of the Program will be carried out by introducing certain measures:

1. Granting of preferential loans to private farmers, farms, cooperatives and other business entities in the village;
2. Partial reimbursement of the purchase of an individual milking plant or refrigeration plant for the storage and cooling of milk;
3. Partial co-financing of international technical assistance projects
4. Financing advisory services and reimbursement of expenses for the preparation of advisers;
5. Support for regional leasing.

1. Granting preferential loans to private peasant farms, farms, cooperatives and other business entities in the countryside.

The priority lines of lending are:

- development of livestock industries
- construction of the storage infrastructure of agricultural products
- purchase of equipment for the processing of agricultural products
- purchase of equipment in the SME.

Thus, in 2014-2017, 44 business entities received preferential loans, including 25 farms, 13 individual entrepreneurs, 5 agricultural service cooperatives and 1 processing enterprise. In total for various needs, the subjects of management were credited to the amount of 7.3 million UAH, namely:

- for the reconstruction of livestock buildings – 2.2 million UAH.
- 2.4 million UAH for the development of the infrastructure for the storage of agricultural products.

- for the processing of agricultural products – 2.3 million UAH.
- support of agricultural servicing cooperatives – 0.4 million UAH.

In 2017, 96 agricultural service cooperatives were registered in the Vinnytsia region, which is 81 more than in 2003 (Figure 6.3). The highest growth rate was observed in 2006 (the rate of change is almost 79% compared to 2005). Since 2007, the number of registered cooperatives grew steadily (+ 4-8 cooperatives annually). The exception is 2010-2012, when in the conditions of instability the number of cooperatives was equal to 83-84 years and 2015-2017 years - 94-96.

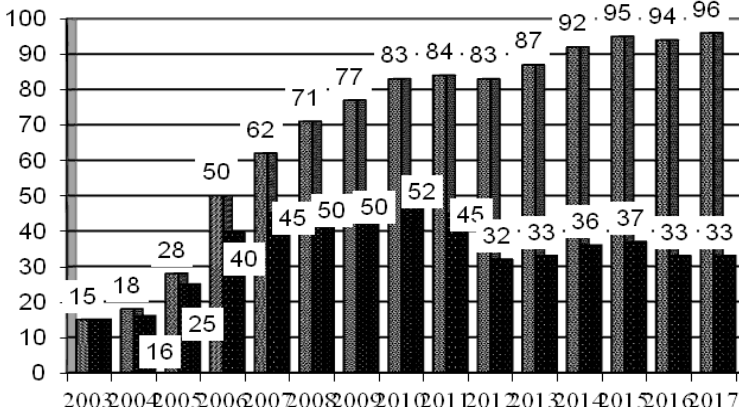


Figure 6.3 Number of registered and active agricultural service cooperatives in the Vinnytsia region, 2003-2017

Among all those registered in the period from 2004 to 2008, the share of operating varied within 70-90%. Since 2009, the level of operating cooperatives has started to decline. Thus, in 2012, out of 83 registered cooperatives, only 32 were left, i.e. 39%. In 2017, the share of operating cooperatives in total was 35%.

Therefore, state support is needed to promote the development and efficient operation of small and medium-sized businesses in the countryside.

2. The next component of the SME Development Program is the partial reimbursement to individual individuals of the cost of the purchased milking plant and / or milk storage and refrigeration plant.

In accordance with the specified requirements, the right to reimbursement of the cost of the purchased milking plant and refrigeration equipment is provided by individuals who hold 3 or more cows, identified and registered in accordance with the established procedure. The refund is made at a rate of 50% once every 5 years.

In the period from 2014 to 2017, compensation was paid for the purchase of milking equipment and / or purchased refrigeration equipment for the storage of milk 587 individuals for the amount of UAH 1.8 million.

3. Partial co-financing of projects of international technical assistance is carried out on the conditions of competitive selection of the developed regional development projects.

At present, the following projects are submitted for the regional selection projects that can be implemented at the expense of the state budget from the European Union to the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine:

- Formation of agrarologic opportunities of rural communities of Vinnytsia region

- Formation of a mechanism for supporting the diversification of rural economies in Vinnytsia region

4. The financing of advisory services and reimbursement of expenses for the preparation of advisers shall be carried out in the following areas:

- ✓ Encouraging households to create family farms that are targeted at commodity production of agricultural products;

- ✓ Determination of the production of the optimal types of products that are in demand on the market;

- ✓ Reporting to the small commodity producers of agricultural products the advantages of the association on the terms of cooperation;

- ✓ Development of rural communities and territories.

At present, the Department of Agricultural Development, Ecology and Natural Resources of the Regional State Administration together with the Institute of Forage and Agriculture of Podillya of NAASU launched the work of the Innovation Platform “Best Agricultural Practices of Vinnytsia Region”. In the framework of this project, in 2017, 6 scientific and practical conferences were held with the participation of scientific assistants of UAASU, 32 educational and practical seminars on topical issues of development of agricultural production and rural areas. Also, work on its own on-line resource of the Innovative Platform “Best Agricultural Practices of Vinnytsia region”,

which contains information on best practices in the agrarian sector of Vinnitsa region, innovative technologies, recommendations for doing business and other useful information for farmers.

In 2018, the Regional Program for the Development of Small and Medium-Sized Enterprises for 2018 stipulates the payment of compensations to business entities which:

- registered and carrying out activities in the Vinnytsia region;
- provide co-financing of the project at own expense not less than 10 percent of its value;
- implement investment projects that meet the priority areas of socio-economic development and include the creation and expansion of production capacities, the introduction of innovative, environmental and energy saving technologies, production and processing of agricultural products (including the creation of mini-factories for the processing of agricultural products), construction of construction materials, production of goods for export and import substitutes.

Consequently, the Department of Agro-Industrial Development of Ecology and Natural Resources in Vinnytsia region is constantly working on developing programs to promote the development of small and medium-sized enterprises in the countryside.

Conclusion

1. A modern entrepreneur is an economic entity that is able to profitably use and realize market opportunities. An entrepreneur in a village is the essence of modern entrepreneurship is the ability of an entity to respond to a potential source of benefit, that is, to find, maximize and properly implement the most favorable market opportunities. At the same time, this ability is due not only to the personality traits of the entrepreneur. Today, for the most part, it is due to the special relations that arise from the entrepreneur in the process of moving to their goal. These relationships cover the sphere of interaction both with the surrounding environment, and with the relationship within its own business structure. With the development of a market economy and entrepreneurship as one of its main institutions, these relationships are becoming increasingly important in ensuring the success of entrepreneurial activity and gaining the competitive advantages of business entities.

2. The desire of business entities to ensure the maximum possible market efficiency, as well as the requirements and needs of a socially oriented market economy, promote the activation of social functions of entrepreneurship, through which new forms of economic relations, new

cultural patterns, traditions, forms of communication, ethical and behavioral norms. Entrepreneurship becomes the form of management, which most successfully contributes to the process of formation and development of market relations in society.

3 Since the activities of any business entity in one way or another affect the environment and at the same time depends on the environment to it, then the allocated social functions of entrepreneurship are nothing but ways to interact with the environment. Accordingly, they should be attributed to the functions associated with the implementation of entrepreneurship as a type of economic behavior. On the one hand, it is the response function, that is, the means of adapting business to the environment. On the other hand, the functions of transformation, that is, the means of influencing entrepreneurship in their environment.

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**FULFILLMENT OF
STRATEGY EUROPE 2020
ON THE EXAMPLE OF THE
SLOVAK REPUBLIC**

From Lisbon Strategy to Europe 2020

The Lisbon Strategy was adopted during the significant economic changes associated with development of the global knowledge-based economy, which was accompanied by very high rate of economic growth achieved by the United. It was an ambition of political and economic elites of the European Union to create the conditions, which would allow Europe to “catch up” of the United States in terms of the development of conditions for using the potential of knowledge-based economy. Unfortunately, already in the halfway of the Lisbon strategy, it was clear that the achievement of its objectives is impossible. (Balcerzak, 2015)

The Treaty of Lisbon was signed in Lisbon in Portugal on 13 December 2007 by 27 EU Member States and officially entered into force in December 2009, two years after its signature. The aim was to reform the functioning of the European Union after two enlargement waves that took place since 2004 and increased the number of EU Member States from 15 to 27. (The Lisbon Treaty, 2018)

The EU and the peoples of Europe are faced with the challenge of adapting to and engaging with an ever-demanding international