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Assessment of the development state of organizational and cultural resources of international tourism business

M. O. Kalnitska[†]

Purpose – to investigate the state of development of organizational culture of legal entities engaged in tourism business in order to further improve the mechanism of development of organizational and cultural resources involved in the international tourism business.

Design/Method/Approach. The method of analysis has been applied when investigating the state of market development of tourism business; the questionnaire method – when assessing the state of development of organizational culture of the tourism business in Dnipropetrovsk oblast; the method of logical generalization – to draw conclusions based on the results of the survey.

Findings. Author has analyzed current market of tourist services and revealed main trends in development. The trend of further development of the sector has been illustrated; active growth in the number of accommodation facilities has been identified, specifically hotel chains. The rating of hotel brands has been compiled, which compares national and international hotel brands in terms of the number of accommodation facilities available in the tourist market. The author has given the authentic definition of organizational and cultural resources in the business of international tourism. Competitiveness factors for the entities of tourism business have been determined, which include organizational culture among the organizational and cultural resources. An express-algorithm has been presented in order to evaluate the state of development of the organizational culture of a tourism business entity. The results of the study graphically illustrate the assessment of the state of development of the organizational culture by the tourism business entities in Dnipropetrovsk oblast.

Practical implications. The research results will be applied in the further formation of the mechanism of development of organizational and cultural resources in tourism business. The proposed express-algorithm and the questionnaire could be used in order to estimate the state of development of organizational culture by enterprises in different businesses.

Originality/Value. The scientific-theoretical provisions for the formation of tourism business in Ukraine have been further developed through the assessment of state of development of organizational culture, which, in contrast to existing ones, are based on the results of surveying the entities of tourism infrastructure, which makes it possible to identify the main components in the system of competitiveness management by assessing key performance indicators in the management system related to the development of organizational and cultural resources.

Research limitations/Future research. The research results could create a basis of the mechanism for developing the organizational and cultural resources in international tourism business.

Paper type – empirical.

Keywords: organizational culture; organizational and cultural resource; international tourism business; tourism business entities.

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Оцінка стану розвитку організаційно-культурних ресурсів міжнародного туристичного бізнесу

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Мета роботи – дослідити стан розвитку організаційної культури суб'єктів туристичного бізнесу для подальшої розробки механізму розвитку організаційно-культурних ресурсів міжнародного туристичного бізнесу.

Дизайн/Метод/Підхід дослідження. Використано метод аналізу при дослідженні стану розвитку ринку туристичного бізнесу, метод анкетування – для оцінки стану розвитку організаційної культури туристичного бізнесу Дніпропетровської області, метод логічного узагальнення – для формування висновків за результатами анкетування.

Результати дослідження. Проаналізовано сучасний ринок туристичних послуг та виявлено основні тренди розвитку. Проілюстровано тенденцію подальшого розвитку галузі, визначено активне зростання кількості суб'єктів розміщення, зокрема готельних мереж. Складено рейтинг готельних брендів, де зазначене порівняння національних та міжнародних готельних брендів з точки зору кількості представлених на туристичному ринку об'єктів розміщення. Наведене авторське визначення організаційно-культурних ресурсів міжнародного туристичного бізнесу. Визначені фактори конкурентоспроможності суб'єктів туристичного бізнесу, серед яких є організаційна культура в числі організаційно-культурних ресурсів. Представлено експрес-алгоритм оцінки стану розвитку організаційної культури суб'єкта туристичного бізнесу. Результати дослідження графічно ілюструють оцінки стану розвитку організаційної культури суб'єктів туристичного бізнесу Дніпропетровської області.

Практичне значення дослідження. Результати дослідження будуть використані при подальшому формуванні механізму розвитку організаційно-культурних ресурсів туристичного бізнесу. Запропонований експрес-алгоритм та анкета можуть бути використані для оцінки стану розвитку організаційної культури суб'єктів різних видів бізнесу.

Оригінальність/Цінність/Наукова новизна дослідження. Набули подальшого розвитку науково-теоретичні засади формування туристичного бізнесу в Україні через оцінку стану розвитку організаційної культури, які на відміну від існуючих, ґрунтуються на результатах анкетування суб'єктів туристичної інфраструктури, що дозволяє виокремити основні складові системи управління конкурентоздатністю шляхом оцінки ключових показників системи менеджменту в частині розвитку організаційно-культурних ресурсів.

Обмеження дослідження/Перспективи подальших досліджень. Результати дослідження можуть бути закладені в основу механізму розвитку організаційно-культурних ресурсів міжнародного туристичного бізнесу.

Тип статті – емпірична.

Ключові слова: організаційна культура; організаційно-культурний ресурс; міжнародний туристичний бізнес; суб'єкти туристичного бізнесу.

Оценка состояния развития организационно-культурных ресурсов международного туристического бизнеса

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Цель работы – исследовать состояние развития организационной культуры субъектов туристического бизнеса для дальнейшей разработки механизма развития организационно-культурных ресурсов международного туристического бизнеса.

Дизайн/Метод/Подход исследования. Использован метод анализа при исследовании состояния развития рынка туристического бизнеса, метод анкетирования – для оценки состояния развития организационной культуры туристического бизнеса Днепропетровской области, метод логического обобщения – для формирования выводов по результатам анкетирования.

Результаты исследования. Проанализировано современное состояние рынка туристических услуг и выявлены основные тренды развития. Проиллюстрировано тенденцию дальнейшего развития отрасли, определены активный рост количества субъектов размещения, в том числе гостиничных сетей. Составлен рейтинг гостиничных брендов, где указано сравнение национальных и международных гостиничных брендов с точки зрения количества представленных на туристическом рынке объектов размещения. Приведено авторское определение организационно-культурных ресурсов международного туристического бизнеса. Определены факторы конкурентоспособности субъектов туристического бизнеса, среди которых организационная культура в числе организационно-культурных ресурсов. Представлены экспрес-метод оценки состояния развития организационной культуры субъекта туристического бизнеса. Результаты исследования на графиках иллюстрируют оценку состояния развития организационной культуры субъектов туристического бизнеса Днепропетровской области.

Практическое значение исследования. Результаты исследования будут использованы при дальнейшем формировании механизма развития организационно-культурных ресурсов туристического бизнеса. Предложенный экспрес-метод и анкета могут быть использованы для оценки состояния развития организационной культуры субъектов различных видов бизнеса.

Оригинальность/Ценность/Научная новизна исследования. Получили дальнейшее развитие научно-теоретические основы формирования туристического бизнеса в Украине через оценку состояния развития организационной культуры, в отличие от существующих, основываются на результатах анкетирования субъектов туристической инфраструктуры, позволяющей выделить основные составляющие системы управления конкурентоспособностью путем оценки ключевых показателей системы менеджмента в части развития организационно-культурных ресурсов.

Ограничение исследования/Перспективы дальнейших исследований. Результаты исследования могут быть заложены в основу механизма развития организационно-культурных ресурсов международного туристического бизнеса.

Тип статьи – эмпирическая.

Ключевые слова: организационная культура; организационно-культурный ресурс; международный туристический бизнес; субъекты туристического бизнеса.

Introduction

The conditions of business globalization have almost completely changed the system of relations between the employer and the worker, the organization and the consumer, business and industry. The turbulence in external environment puts forward more pressing issues and challenges to business entities, which require flexible internal organizational environment to the demands and trends of rapid changes in tourist flows, therefore, in order to improve competitiveness and sustainable growth of their economic efficiency, to enable the constructive development of tourism industry, it is a relevant task to implement innovative ideas and technologies in the processes of domestic and international tourism business.

The tourism sector is an important component of GDP in many countries of the world. The rapid growth in profits of international business due to tourist activity, as well as the trend towards further growth, is ensured by the social, economic, and technological drivers. The increased competition, emergence of new players in the global tourism market, consolidation of business, make companies look for new ways to improve efficiency, strengthen competitive advantages, ways to define individuality, creating and maintaining the image and brand. Along the path to expansion and retention of leading positions in the world arena, the key players in international tourism business highlight, among the priority directions of transformation, the development of organizational culture as part of the organizational and cultural resources.

The issues of developing the organizational culture were addressed in many works by both foreign and domestic scholars. E. Shein (Shein, 2016) argues that the organizational culture of any business acquires the form of an iceberg and has a defined set of elements that support the three main levels of culture. The classic V. Sathe (Sathe, 1983) outlines seven organizational processes that are impacted by organizational culture and proves that a holistic, structured and strong organizational culture regulates the economic efficiency of business by influencing the cooperation between employees and company's departments, the process of decision making, monitoring, communications, organizational patriotism, perception of organizational environment, justifying personal conduct. G. Hofstede (Hofstede, 1980) emphasizes the national and cultural influence on the process of forming an organizational culture at enterprises, which brings studying the organizational and cultural processes at the global level. He highlights a certain identity in the organizational cultures of businesses depending on six cultural measurements, characteristic of a given cultural group, and claims that it is possible, based on the defined measurements, to assess organizational culture in order to facilitate making management decisions. A significant contribution to the development of scientific and practical application of organizational culture in individual sectors of the economy has been made by Ukrainian scientists as well. O. Kharchishyna (Kharchishyna, 2011) identified the features in the formation of organizational culture at enterprises in food industry. To study this issue, she analyzed the procedures and methodology of diagnosing, and performed an analysis of the current state of Ukraine's food industry, as well as Zhytomyr oblast; the results were reported from a questionnaire survey on the state of formation and development of the organizational culture of food business; she identified the main problems and prospects for forming organizational culture in the system of management of Ukraine's food industry. G. Zakharchyn studied the theory and methodology in the formation and development of organizational culture at a machine building enterprise (Zakharchyn, 2011); this work suggested a model for the choice of optimal strategy in the formation and development of organizational culture at the level of a machine-building enterprise. The development of organizational culture of services was revealed in the works by O. Krupskiy (Krupskiy, 2014). In particular, the author argues that the organizational culture of tourism business is capable of providing a high level of service at all stages of a trip, which increases the cost and value of a tourist product.

However, there remain the unresolved issues about the specificity in the development and evaluation of the economic impact of organizational culture on international tourism business. There is an actual need to refine the conceptual apparatus, to explore key directions in the development of international tourism business. More relevance is acquired by the mechanism that manages the social resource of international business related to services, in particular, the development of organizational and cultural resources in international tourism business.

Problem statement

Our aim is to explore the state of development of organizational culture by entities in tourism business in order to further develop the mechanism of development of organizational and cultural resources in international tourism business.

Methods and Data

The method of analysis has been applied when investigating the state of market development of tourism business; the questionnaire method – when assessing the state of development of organizational culture of the tourism business in Dnipropetrovsk oblast; the method of logical generalization – to draw conclusions based on the results of the survey. The information basis of this study includes international and domestic scientific publications on the topic of research, as well as responses to the survey.

Results and Discussion

The tourism industry develops quite dynamically, although it experiences crises from time to time, as a result of economic and political crises in the world.

Based on statistical data by UNWTO and UNCTAD, one can argue that in terms of such indicators as a share of the world travel market, the intensity of tourist flows and the level of profits, there is a group of countries that are the traditional monopolists in the world tourist market. These include China, France, Spain, Italy, Germany. The main factors that predetermine the leading position of a given group of countries are a strong tourist infrastructure, the high level of service for tourists, and considerable marketing activities in promoting their tourist product to the world market (UNWTO, 2017).

The world tourism industry showed a robust growth over five years up to 2017. International tourist arrivals continued to rise (World Bank Annual report, 2017) because a global income per capita increased while consumer confidence improved (Fig. 1).

It is expected that the industry will continue to grow in coming years as the world economy continues to strengthen. Despite certain problematic areas because of conflicts or regional economic problems, such factors as an increase in the available income per capita and the improved consumer confidence testify to a significant growth of tourism.

Over the investigated period of 2011-2016, the demand in the international market of tourism services was quite high. However, the results of tourist destinations appear ambiguous, driven by rapidly fluctuating foreign exchange rates, falling prices for commodities, including oil, increasing concerns related to safety and protection of people. That was contributed to by an increase in available income in the countries that import tourists and by a decrease in demand in exporting countries. Being a core category of international trade in services under conditions of slow economic recovery, the expenses for international tourism grew considerably.

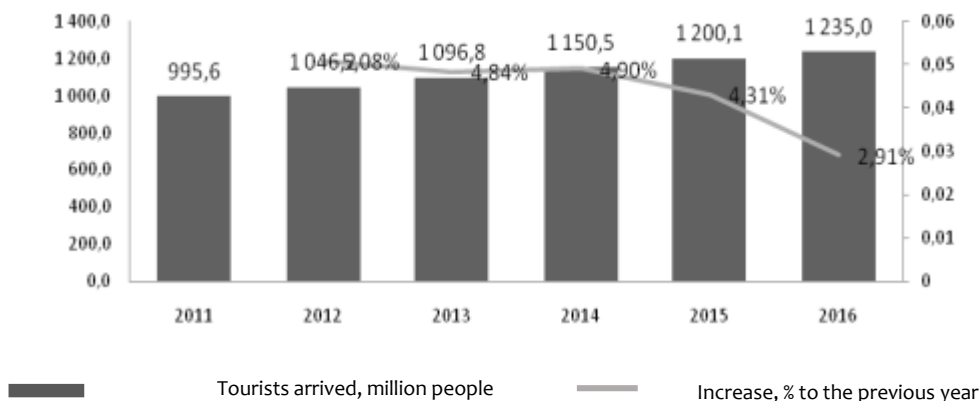


Fig. 1. The global dynamics of tourists' arrivals*

*Source: compiled by Author based on statistical data (UNWTO, 2017).

The tourist industry in Ukraine, and globally in general, acts as an important component of socio-economic development. According to data from studies, the positive influence of tourism on economic activity is constantly growing (Font, 2017). Ukraine occupies one of the leading places in Europe in terms of resort facilities and recreational resources. Among them, the most valuable are the unique climatic zones of sea coast and the Carpathian Mountains, as well as mineral waters and therapeutic muds of almost all known balneological types. According to statistics, resort and recreation areas in Ukraine make about 9.1 million hectares, 15 % of its territory. Evaluation of the potential of resort and natural medicinal resources makes it possible to expect that Ukraine has significant prospects for the development of tourism industry (Miroshnyk, 2013).

It should also be noted that in Ukraine there are all the prerequisites for the development of tourism. Convenient geographical location, favorable climate, varied terrain, a unique combination of natural recreational resources, cultural and historical heritage, the developed sanatorium-resort base – all these factors predetermine the competitive advantages of Ukraine when offering a tourist product. The tourist potential of Ukraine has not been fully revealed up to now, as evidenced by a 1.5-2.5 % share of tourism industry in the structure of the country's GDP (Miroshnyk, 2013).

Difficult political situation, military activities, "the fall" of the Ukrainian hryvnia, the rising cost of goods and services under conditions of "frozen" wages, issues related to dangers of holidaymakers, are taking a toll on the tourism sector. In addition, the military conflict in the East of Ukraine significantly worsened tourist attraction for foreigners, which is testified to by the dynamics of foreign citizens that enter Ukraine (Fig. 2). However, starting from 2016, there has been a marked growth in foreign guests.

In addition, Ukraine has recently seen an annually growing number of visitors from Western countries such as the United States, France, Germany, Italy, United Kingdom, Canada, and others. (Fig. 3). At the same time, the number of people from neighboring countries, such as Russia, Poland, Hungary, Slovakia, on the contrary, decreases.

This means that the facilities in tourist infrastructure (hotels, restaurants, recreational complexes) undergo some changes in the requirements by customers and have to respond to these challenges. Western customers, on the one hand, tend to have higher levels of income, and, on the other hand, are more demanding in terms of services, quality of a service, digital technologies, as well as organizational culture related to entities in tourist business. The dynamics of visits of Ukrainian citizens abroad are shown in Fig. 4.

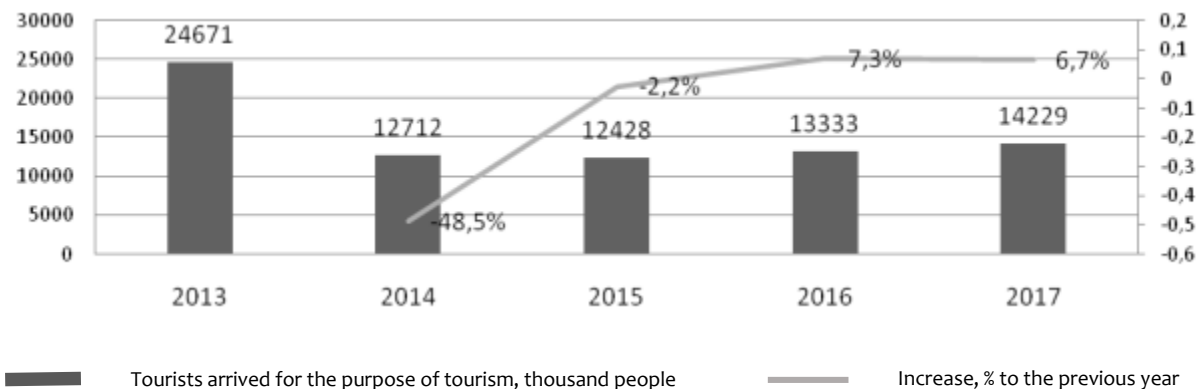


Fig. 2. Foreigners that enter Ukraine*

*Source: compiled by Author based on statistical data (UNWTO, 2017).

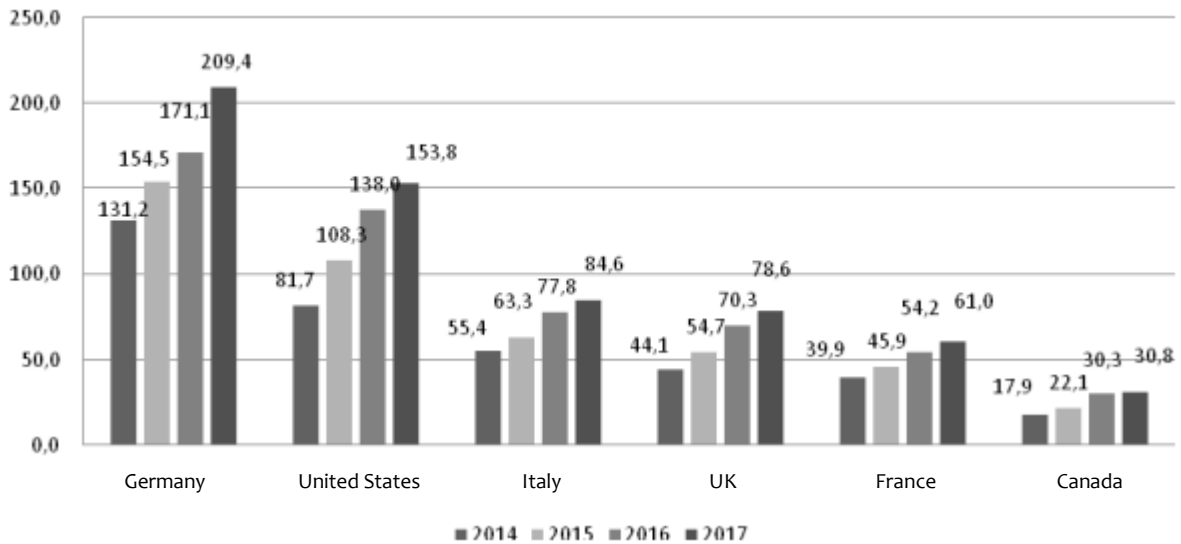


Fig. 3. Dynamics in the number of foreign citizens from leading Western countries that enter Ukraine*

*Source: compiled by Author based on statistical data (UNWTO, 2017).

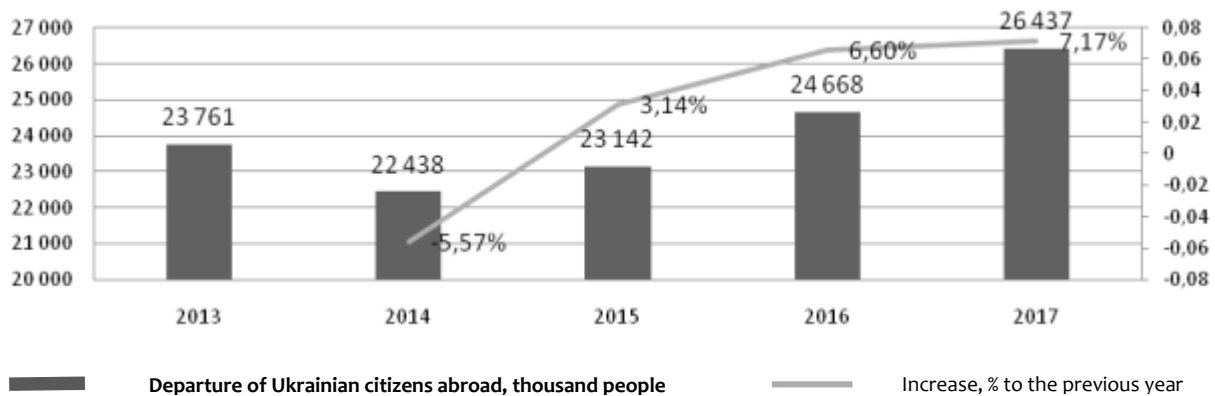


Fig. 4. Departure of Ukrainian citizens abroad, thousand people*

*Source: compiled by Author based on statistical data (UNWTO, 2017).

When assessing the current organization of Ukraine's recreation industry, it can be argued that it is unsatisfactory and non-competitive in the world market. Thus, the basic material-technical complex is outdated – 70 % of its infrastructure need renovation and restoration, the level of service does not meet international standards, the entertainment sector is practically underdeveloped and not organized, monuments of culture and history are abandoned, a series of problems of the ecological, social and economic nature were not resolved. The current state of tourism in Ukraine is still dominated by the Soviet practice of the organization of tourism industry aimed at meeting the domestic demand and focused on treatment and rehabilitation activities.

Active growth is taking place not in the sector itself, but rather at the level of international corporations. Every year such giants as Marriott International, Inc, Hilton Worldwide Holdings Inc, Hyatt Hotels Corporation, increase the number of their brands and hotels, creating global corporate structures, which however require high-quality management decisions and individual approach to each client and employee.

International hotel network as the subjects of international tourist business operating in many countries create their own management companies or use the services of independent companies. It is a common fact that hotel owners enter into

contracts for the management of their property if the number of rooms in a hotel exceeds 300 (Botha, 2018). Despite the advantage of management contracts, which implies managing a hotel professionally, there are disadvantages, too.

It should be noted that growing competition and the emergence of new brands in the global tourism market forces companies to seek new sources to improve efficiency, strengthen competitive advantages and to ensure sustainable growth.

A widely used organizational-legal form in the organization of international tourism business is a corporation. Such commercial structures, mostly large organizations, have much more opportunities to shape organizational and cultural resources. They typically affect not only the economy of a country, but politics and social life as well. Hence the meticulous attention to their activities from society, as well as the importance of organizational culture for business.

Promising directions and trends in the development of the Ukrainian market of hotel services include the following (Kutschera, 2016):

1. Active growth of small hotels. It is associated with the modern preferences of tourists – to regard a hotel not only as a means of accommodation, but to feel home comfort, uniqueness, and

originality, which is one of the distinctive features of small independent hotels. A competitive advantage of a small hotel is the individual attitude to each client, that is they apply a personalized approach to guests to create an atmosphere of home away from home. The advantage of a segment of mini-hotels is a rather fast payback (3-5 years) at relatively small investment (USD 0.2-2 million).

2. Great demand for the cheapest accommodation facilities – hostels. There is practically no competition among them while the demand is huge, since most visitors are those on business trips from regions, students, low-cost tourists who are satisfied with the minimum facilities overnight. In Kyiv, there are slightly more than a dozen hostels.
3. A developing market of apartment hotels, which has not yet been saturated in Ukraine. Apartments in the world practice are the furnished hotel rooms that combine comfort and hospitality of hotel services. Most apartment hotels are arranged at the upper floors of hotels and multifunctional complexes, located in prime areas. Apartments can be offered for both short-term and long-term rentals, as well as for sale. The world practice has long ago accepted acquiring a separate residence in a hotel as a private property; in Ukraine, however, similar projects are at the stage of implementation.
4. Hotels of high-end class the type of a congress hotel. Due to that the capital and major cities of Ukraine are dominated by representatives of business circles, businessmen who come to negotiate or on business trips, there is a need in hotels with large conference rooms, banquet and negotiation facilities, located not far from offices and business centers.
5. Expansion of the market for hotels rated at 2-3 stars and hotels of lower categories, as there are too many hotels rated at 4-5 stars.
6. Development of local hotel chains.

In recent years, the hotel sector enterprises have developed under negative conditions, which led to a decrease in tourist and business activity, financial underpayment, the lack of hotel complexes attractive for construction, land plots, long payback period of such projects, etc. Only those hotels that are staffed with highly skilled specialists can withstand competition, which is why one of the ways to solve the problems related to the development of hotel industry in the regions of Ukraine is the professional training of personnel. In addition, enhancing the activities to promote the hotel industry in Ukraine will, to some extent, reduce external competition. In addition, the entities of tourism business under current tourist market conditions in Ukraine should emphasize the formation of extra service as an element of organizational culture, that is to meet the needs of the consumer to outperform his expectations, and that necessitates continuous development and personnel training.

We believe that an important factor for the successful development of a hotel is the formation of its brand and the network. In Ukraine, national brands have only started to emerge. The most powerful national network is Reikartz Hotels & Resorts – a chain of hotels rated at 3 and 4 stars, located in big cities and attractive resorts of Ukraine. The network has 5 brands: VitaPark, Reikartz, Reikartz Collection, Optima, and Raziotel, 36 hotels in total located in 24 cities and regions (Fig. 5).

Based on data from the official websites of hotel chains, we have compiled a rating of hotel brands, which compares national and international hotel brands in terms of the number of accommodation facilities available in the tourist market (Table 1). Premier Hotels and Resorts is the first hotel chain in Ukraine, a collection of hotels rated at 5 to 3 stars. The chain "Black Sea Hotels Group" includes 7 hotels in Ukraine.

In Ukraine, the rating system based on stars is not very popular. For example, according to the website booking.com, only 95 % of all represented hotels have been rated based on "stars" (Table 2).

Given this, both small hotels and hotel chains have to focus on the development of organizational and cultural resources that would provide a tourism business entity with competitor advantage and match the trend of current tourism market. The concept of organizational and cultural resources and the development of organizational culture as one of the components in the Ukrainian tourism business have not taken a proper place in the list of the most important categories operated by top managers.

The organizational and cultural resources in tourism business are understood here as the integrated set of cultural values and organizational resources, whose specific arrangement affects the management system of a separate entity, which, under condition of high reactivity and adaptation to the external environment, gives a competitive advantage to a tourism business entity by forming a unique image, improving competitiveness and investment attractiveness. Among the elements of organizational and cultural resources of tourism business we highlight the phenomenon of organizational culture, which manifests itself through the identification of an employee's own goals with the goals of the organization and of the organization in general. Thus, in turn, the organizational objectives and organizational culture of an individual entity are identified with the goals and strategy of the development of tourism business through the creation of generally accepted cultural norms and values.

Thus, we believe that the organizational culture of a separate tourism business entity is the value-forming element of the organizational and cultural resources of the international tourism business in general, which is why we shall focus our further research on studying the status and specificity of development of the organizational culture of tourism business entities.

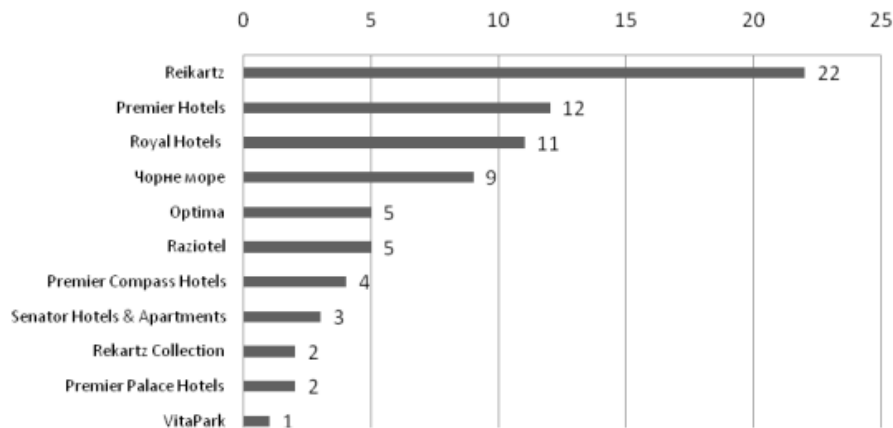


Fig. 5. National brands of hotels in Ukraine, number of hotels, 2018)*

*Source: compiled based on official websites of hotel chains.

Table 1

Rating of national and international hotel brands based on the number of hotels in Ukraine*

Nº	National brands in Ukraine	Number of hotels in Ukraine	Parent company	Nº	International brands in Ukraine	Number of hotels in Ukraine	Parent company
1	Reikartz	22	Reikartz	1	Radisson Blu	3	Rezidor Hotel Group
2	Premier Hotels	12	Premier Hotels & Resorts	2	Hotel IBIS	3	Accor
3	Royal Hotels	11	Royal Hotels & Spa Resorts	3	Ramada	2	Wyndham Worldwide Corp
4	Black Sea	9	Black Sea Hotels Group	4	Hilton	1	Hilton Worldwide Holdings
5	Optima	5	Reikartz	5	Renaissance Hotels	1	Marriot International
6	Raziotel	5	Reikartz	6	Hyatt	1	Hyatt Hotels Corp
7	Premier Compass Hotels	4	Premier Hotels & Resorts	7	Sheraton	1	Starwood Hotels & Resorts
8	Senator Hotels & Apartments	3	Senator Hotels & Apartments	8	Aloft	1	Starwood Hotels & Resorts
9	Rekartz Collection	2	Reikartz	9	InterContinental	1	Intercontinental Hotels Group
10	Premier Palace Hotels	2	Premier Hotels & Resorts	10	Design Hotels	1	
11	VitaPark	1	Reikartz	11	Park Inn by Radisson	1	
				12	Holiday Inn Hotels & Resorts	1	Intercontinental Hotels Group

*Source: compiled based on official web sites of hotel chains.

Table 2

Distribution of hotels rated based on "stars"

Rated based on stars	Number of hotels	Share, %
1 star	8	0,08%
2 stars	30	0,31%
3 stars	278	2,86%
4 stars	170	1,75%
5 stars	43	0,44%
Not rated	9196	94,56%
Total	9725	100,00%

*Source: compiled based on official web sites of hotel chains.

Organizational culture is expressed in the interaction between a tourist company and a client. This includes all the elements that characterize the features of contact between the enterprise and external environment: the capability to make their voices heard, to attract attention, to elicit sympathy. This certainly includes advertising activities and the work of public relations specialists at a tourism organization, etc. Of great importance in the formation of culture is the existence of the image and brand of the organization.

The image is in other words a psychological image and a "good" name of a company that are created in the external environment. This is one of the most important components of successful development of a tourism company, the aim of which is not so much to ensure popularity, but to form trust to a company, its activity and the resulting product.

A hotel network is a long-term mutually beneficial association of hotel businesses, as well as firms in related industries, into a single structure and the system of strategic cooperation with the aim of creating common distinctive competencies. The development of cooperation is promoted by the unified strategy and joint mutually beneficial strategic actions (especially marketing activities) based on a general system of information communications (including unified reservation systems and global distribution systems) and a strong network brand, which leads to the mutual strengthening of competitive positions and brands of hotels and firms in related industries and to the formation of complementary assets within an entire network. Companies enter the network in order to develop and transfer to each other the new competences, which is accompanied by the creation of key drivers in the competitiveness of a hotel network and communication rents.

To assess the specificity of the development of organizational culture among the components of organizational and cultural resources in the tourism business in Ukraine, we have devised a procedure for rapid evaluation of the level of development of organizational culture (Fig. 6).

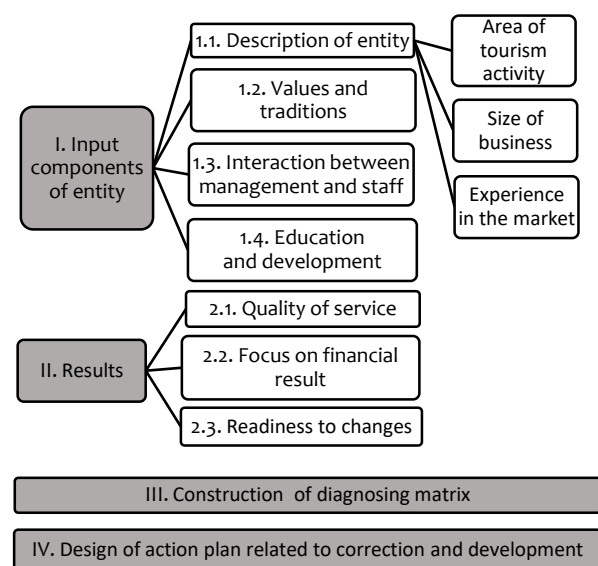


Fig. 6. Algorithm for the express evaluation of the level of development of the organizational culture at tourism business entities*

*Source: compiled based on (Kalnitska, 2018).

Based on the specified algorithm, a questionnaire was compiled, which similarly consisted of a two-stage analysis – input data and the results of activities by a business entity.

The survey was conducted among the tourism business entities from Dnepropetrovsk oblast – hotels, hotel-entertainment centers, cafés, restaurants, travel agents, insurers, and carriers. The survey engaged both managers at different levels of administration and average staff. We received and processed more than 180 questionnaires. An analysis of the results will be interpreted in the diagrams listed below.

Thus, first of all, a pattern has been identified implying that the longer a tourism business entity in the market the higher the overall index of its organizational culture (the level of organizational culture development) (Fig. 7). However, it is a clear trend that over the period of a company's activity, at the stage of development of approximately 7–10 years, it undergoes certain critical changes, which leads to a reduced level of organizational culture and, as a result, decreased organizational and cultural

resources. Such a phenomenon can be explained by phases in the development of a firm. In particular, this may be due to a crisis in leadership (Yang, 2007), when the leader's knowledge and skills are not enough, and the organization requires professional management and delegation of authority, or to the crisis of autonomy when the organization, as a result of its growth, experiences internal conflicts between the higher and lower levels of management.

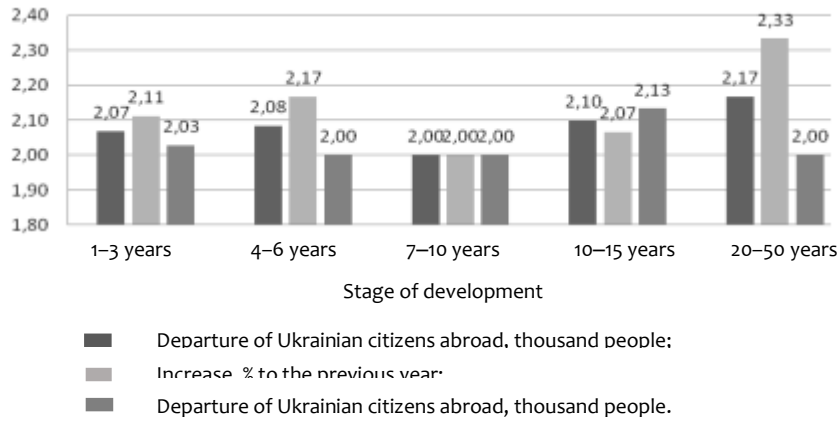


Fig. 7. Indicators of the overall index of organizational culture depending on experience of a tourism business entity in the market*

*Source: compiled based on Author's calculations.

Development of organizational culture occurs simultaneously with the development of the organization. Similarly to an organization that undergoes certain stages of its life cycle during the process of its development takes, the organizational culture of any organization also passes certain phases in the process of its development. The stages in the life cycle of organizational culture coincide with the stages of the life cycle of the organization, while the formation and development of organizational culture occurs only in the process of setting up and further activities of the organization (Shein, 2016).

In addition, an analysis of the sub-index "Performance results" shows that at the beginning of their activities companies demonstrate higher indicators, which can explain the focus on the desire to enter the market with the best product and win over their own customers. However, the greatest attention to effective indicators of the organization is paid to over the period of 10–15 years (Table 3), which can relate to the fact that during this period special attention is paid to the performance of organizational culture, all business processes and key indicators of employees' performance (KPI) are compiled.

Table 3
Results of calculating the index of organizational culture of tourism business entities*

Entity experience in the market	Overall index of organizational culture	Sub-index "Input data to render services"	Sub-index "Performance results"
20–50 years	2.17	2.33	2.00
4–6 years	2.08	2.17	2.00
1 to 3 years	2.07	2.11	2.03
10–15 years	2.10	2.07	2.13
7–10 years	2.00	2.00	2.00
Total	2.08	2.12	2.04

*Source: compiled based on Author's calculations.

Second, the findings of our research illustrated the direct dependence: the more employees an Organization employs, the higher the overall index of its organizational culture (Fig. 8).

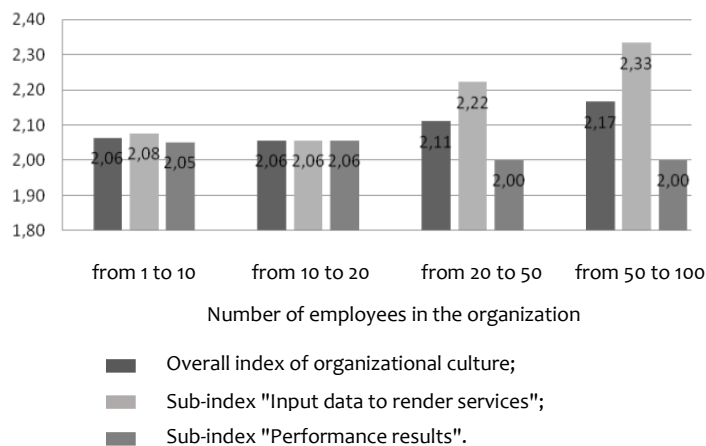


Fig. 8. Indicators of the overall index of organizational culture depending on the number of employees*

*Source: compiled based on Author's calculations.

Third, a direct interdependence was identified between the turnover of a company and the level of development of its organizational culture (Fig. 9).

Fourth, the study showed that the highest level of organizational culture had been demonstrated by tourism business entities that render restaurant services (Fig. 10). They are followed by hotels and tourist and entertainment centers.

As regards the characteristics of labor force in Ukraine's tourism sector, according to expert estimates (Noonan, 2017), labor market in tourism sector faces a real "hunger for human resources": travel companies lack about 50 % of middle-management employees and 80-90 % employees in higher management. At the same time, over 20 thousand of young professionals graduate from the specialized higher education institutions (HEIs) each year.

In tourism, a manager is a profession that enjoys the greatest demand. Especially popular are professionals that major in hotel and tourism business, tourism management, financial management in tourism, tour management, management of sports tourism, management of sanatoriums and resorts. Typically, managers work at companies – tour operators, engaged in the development and creation of tours. The main task of manager is to find and offer to experienced travelers new sights for exploring and relaxing, to create a route, to select closely located hotels, to determine which transportation means can deliver tourists (plane, train, etc.), to consider excursions. A future manager studies management subjects. These can be general ("marketing", "management", "HR") and specific, that is, directly related to the activities of travel agencies ("organization of inbound, outbound and domestic tourism", "quality of tourism services"). To train students to properly handle conflicts, one third of the schedule is devoted to psychological trainings and business games. For example, the situations that simulate an "angry customer" or a "client that distrusts you" are trained.

One of the most important factors in the attractiveness of investment into innovative activity of tourism industry is the

development of a clear-cut strategy for the competitiveness of Ukraine, as well as its business entities. In addition, all the components and elements of tourism activities should tap into the scientific and technical progress. Only such interaction among all elements in tourism industry can lead to substantial synergies, to be expressed as growth in tourism sector (Botha E., 2018). The winner in the end is the first one among competitors that will provide its tourism product with new consumer quality and properties and will be of interest to a consumer due to these innovations.

Innovative changes in tourism create internal energy of efficient growth. These changes disrupt the balance, but they create a basis for further development, a system's transition to the new quality. Therefore, professional introduction of innovations underlies the development of different fields. Modern experts in the development of society argue that none of the problems that businesses face these days is more important and more difficult than the challenge of innovations. In addition to the drivers in external environment that impede innovation processes in the development of tourism industry, a lot in the development of organizational culture and establishment of organizational and cultural resources depend on the internal environment. The factors of internal environment include:

- policy and strategy of a tourism business entity;
- the presence of a leader in the team;
- unconditional support for innovative ideas by top management;
- comprehensive promotion of innovations by managers and staff;
- the use of motivational systems that include various forms of rewarding creative and innovative activity;
- the presence of the innovation group;
- the required level of financial capabilities;
- developed communication systems;
- organizational and technical readiness for the implementation of innovation, a clearly planned system of personnel management, their intellectual potential.

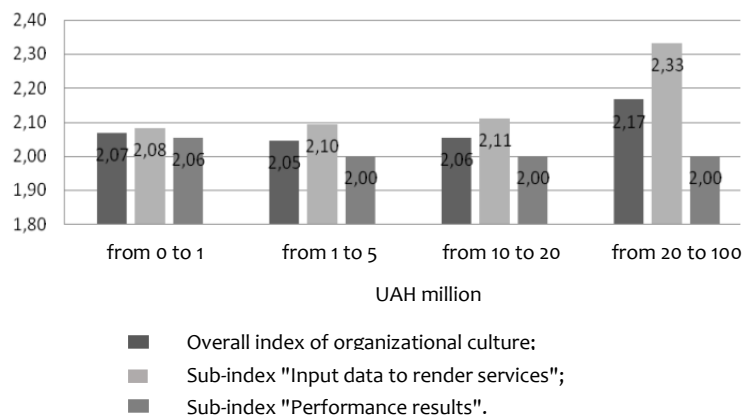


Fig. 9. Indicators of the overall index of organizational culture depending on the turnover of a company (UAH million)*

*Source: compiled based on Author's calculations.

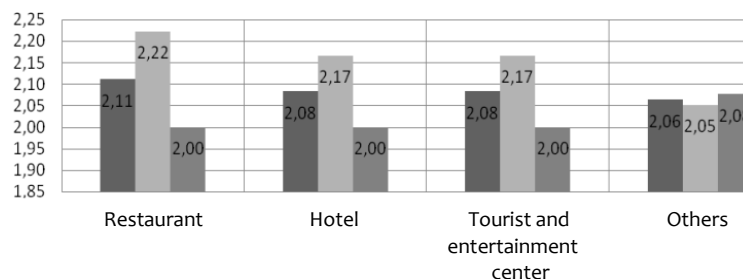


Fig. 10. Indicators of the overall index of organizational culture depending on the type of company business*

*Source: compiled based on Author's calculations.

In our opinion, in order to develop tourism in Ukraine, it is necessary to perform a series of tasks, which are as follows:

- a substantial extension of the network of tourist facilities and infrastructure;
- support for small businesses in the tourism sector;
- the development of international cooperation in the tourism sector;
- economic stimulation of material assets, tourism infrastructure, by attracting non-government sources, in particular foreign investment, for renovation and new construction of tourist objects;
- improvement of the system of information support of tourism industry, creating a local information and referral system for tourism, conducting active publicity activities;
- improvement of the system of training, retraining and advanced training of tourism personnel;
- conducting the necessary scientific research in the area of tourism;
- development and support of private sector.

In the process of market reforms in Ukraine, hotel businesses began to attract the attention of large corporations, various associations, as well as smaller companies and private entrepreneurs. Integration processes of the development of hotel business in the country are related to the activities of international hotel chains. Market research shows that the most popular type in the market of hotel services are so-called mini-hotels, rather than big hotel complexes. In this regard, many owners of houses, cottages, different buildings start to consider the idea of converting their real estate to small mini-hotels with a capacity from 7 to 50 rooms (Fernandes, 2018). In this case, they prefer both the facilities located in environmentally clean areas far away from the city noise and downtown hotels for business travelers. However, despite all the progress in the development of hotel business, there is a series of problems: the instability of business environment, bureaucracy and corruption, legal insecurity, lack of incentives to voluntarily categorize private accommodations of the hotel type. Business flounders when planning even in the short term, thus complicating the process of formation of organizational and cultural resources of tourism business in general.

Conclusions

We have analyzed the current market of tourist services and identified the main trends of development, which show that the tourism industry in Ukraine and in the world is actively developing. We have illustrated the trend in the further development of this industry and identified an active increase in the number of accommodation facilities, specifically hotel chains. The rating of hotel brands has been compiled, which compares national and international hotel brands in terms of the number of accommodation facilities available in the tourist market. We have presented an authentic definition of the organizational and cultural resources in international tourism business and the position of organizational culture of business entities in the process of their development. An express algorithm has been proposed in order to assess the state of development of the organizational culture of a tourism business entity, which consists of two stages – assessment of an enterprise's input data and the results of its activities. Based on a given algorithm, we have compiled a questionnaire for the evaluation of the level of development of the organizational culture of a tourism business entity, sent out to the electronic addresses of tourism business entities in Dnipropetrovsk oblast. The results of the survey were processed, the following indicators of assessment were selected: the overall index of organizational culture, the sub-index "input data for rendering services", the sub-index "Performance results". The findings are summarized in the graphic material.

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UDC classification: 658

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Strategic company management in the digital business environment

M. G. Nikolaev[†]

Purpose – to analyze strategic company management in the digital business environment.

Design/Method/Approach. General scientific methods are applied: systematization, comparison, generalization, analysis, and synthesis.

Findings. The essence of strategic management and its significance to a company has been analyzed. The relationship between strategic company management and digital business environment has been elucidated. Basic trends for doing business in the digital environment have been defined.

Theoretical implications. Theoretical significance of the research is in the advancement of opinion on the strategic company management in digital business environment.

Practical implications. The practical value of the research is in the possibility of applying the results obtained by both international and domestic companies for strategic management in the digital business environment that emerged as a result of the Fourth industrial revolution.

Originality/Value. The main trends of modern business in the digital environment have been identified. The choice of strategies of multinational companies has been identified, as well as the areas of their application in digital business environment.

Research limitations/Future research. The prospects for further research are to study the strategic management of international companies and analyze the impact of digital business environment on their development.

Paper type – theoretical.

Keywords: strategic management; digital economy; management; digital environment; adaptation.

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Стратегічне управління компанією у цифровому бізнес-середовищі

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Мета роботи – проаналізувати стратегічне управління компанією у цифровому бізнес-середовищі.

Дизайн/Метод/Підхід дослідження. Застосовано загальнонаукові методи: систематизації, порівняння, узагальнення, аналізу та синтезу.

Результати дослідження. Проаналізовано сутність стратегічного управління та його значення для компанії. Роз'яснено зв'язок між стратегічним управлінням компанії та цифровим бізнес-середовищем. Визначено основні тенденції ведення бізнесу у цифровому середовищі.

Теоретичне значення дослідження – розвинуто думку щодо стратегічного управління компанією в цифровому бізнес-середовищі.

Практичне значення дослідження. Результати дослідження можуть застосувати як міжнародні, так і вітчизняні компанії під час стратегічного управління в цифровому бізнес-середовищі, яке виникло внаслідок Четвертої промислової революції.

Оригінальність/Цінність/Наукова новизна дослідження. Виділено основні тенденції сучасного бізнесу у цифровому середовищі. Визначено вибір стратегій міжнародних компаній та їх напрямки застосування у цифровому бізнес-середовищі.

Обмеження дослідження/Перспективи подальших досліджень. Вивчати стратегічне управління міжнародних компаній та аналізувати вплив цифрового бізнес-середовища на їх розвиток.

Тип статті–теоретична.

Ключові слова: стратегічний менеджмент; цифрова економіка; менеджмент; цифрове середовище; адаптація.

Стратегическое управление компанией в цифровой бизнес-среде

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Цель работы – проанализировать стратегическое управление компанией в цифровой бизнес-среде.

Дизайн/Метод/Подход исследования. Применены общенаучные методы: систематизации, сравнения, обобщения, анализа и синтеза.

Результаты исследования. Проанализированы сущность стратегического управления и его значение для компании. Разъяснена связь между стратегическим управлением компании и цифровой бизнес-средой. Определены основные тенденции ведения бизнеса в цифровой среде.

Теоретическое значение исследования. Развито мнение о стратегическом управлении компанией в цифровой бизнес-среде.

Практическое значение исследования. Результаты исследования могут применить как международные, так и отечественные компании при стратегическом управлении в цифровой бизнес-среде, возникшее вследствие Четвертой промышленной революции.

Оригинальность/Ценность/Научная новизна исследования. Выделены основные тенденции современного бизнеса в цифровой среде. Определены выбор стратегий международных компаний и их направления применения в цифровой бизнес-среде.

Ограничение исследования/Перспективы дальнейших исследований. Изучать стратегическое управление международных компаний и анализировать влияние цифровой-бизнес среды на их развитие.

Тип статьи – теоретическая.

Ключевые слова: стратегический менеджмент; цифровая экономика; менеджмент; цифровая среда; адаптация.

Introduction

Current turbulent conditions for the development of business environment require that companies should perform continuous monitoring and analysis. The business environment, in turn, is characterized by a high degree of dynamics, informational uncertainty, as well as the non-predictability of events, which requires that traditional approaches to the formation of strategic company management in the global digital space should change. Under conditions of postindustrial development, competitiveness of companies is formed through the use of digital technologies in their activities. At the same time, the economic behavior of companies undergoes changes owing to their implementation of digital economy technologies. That is why interest in companies' development and management in the digital business environment has been growing from both scientific and practical point of view.

The issues related to the development and existence of companies under conditions of digital business environment were actively discussed even in the last decade of the past century – when the Internet became available both to business entities and private individuals. Specifically, digital technology contributes to improving the effectiveness and efficiency of decision making (Molloy, & Schwenk, 1995).

The importance of strategic management was emphasized by the outstanding scientist and so-called "father" of strategic management I. Ansoff, who believed that the successful company management implies performing a constant monitoring of the external and internal environment of the firm (Ansoff, 1989). The purpose of the strategic analysis of international business environment is to identify the current and prospective state of its components, trends in change of drivers, opportunities, and threats to an enterprise based on expert assessments. The choice of a particular analysis method is predetermined by the level of uncertainty in the external environment, by research goals, by capabilities of information support, the degree of experts' preparedness, etc. (Frolenko, 2012).

The impact of the Fourth industrial revolution on business environment is the inevitable shift from trivial propagation of digital technologies that are characteristic of the third industrial revolution towards more complex forms of innovations based on a combination of different technologies in a new way. That requires that all the companies should reconsider their methods of doing business, adopting various forms of management in the digital business environment. This "world of now category" implies companies' immediate feedback in real time, wherever they are and wherever their customers or consumers happen to be (Schwab, 2019).

As stressed by O. Dzhusov and S. Apalkov, those companies that invest in information technology can expect that those countries where it is adopted will soon accomplish the economic growth and prosperity owing to the use of modern technologies. One of the imperatives in the digital economy is the capability to predict global market shifts in real time. Efficiency in managing companies under modern conditions manifests itself through the speed of digital changes and considerable spending by states and companies for research and development in the area of robotics, ICT, informatization, cloud platforms, "big data", nano- and micro system technologies, renewable energy sources, energy storage mechanisms, etc. (Dzhusov, & Apalkov, 2017). However, despite numerous scientific publications, the issues related to strategic company management and its development in the digital business environment remain insufficiently studied.

Problem statement

The aim of research is to explore and analyze strategic company management under conditions of the digital business environment.

Results

An analytical review of publications on dynamical processes in the global business environment makes it possible to identify characteristic changes in the theoretical substantiation of the impact of its state on determining the strategic competitive objectives for companies development and on selecting models of their implementation.

The classic definition of the concept "business environment" was provided by Y. Rubin, according to which business environment is "a set of external conditions, factors in activities and features of environment for each business entity, which directly or indirectly influence the formation of content for the activities of a given business entity and its mutual relations with other business entities" (Rubin, 2003). The existing business environment of companies is a direct result of the fundamentals for the establishment and functioning of states' economic mechanisms. Each country has its own business practices, which may have certain deviations from rational methods, because one way or another the world is changing, thereby altering the terms and conditions for doing business. The economic growth of a state and its economic security depend on the effective functioning of entrepreneurial structures, because their activity has a significant impact on employment, the pace of economic development, structure and quality characteristics of the internal gross domestic product, restructuring of the economy, etc. (Papp, 2013).

However, according to some studies (Melnik, 2007), one can highlight current trends relating to the business world in general. First, business environment is part of the social environment and, under condition of a positive status, acts to increasing national wealth and well-being. Second, a function of the business environment quality is the effectiveness of economic processes in a country. Third, no less important feature is that the business environment has properties of territorial integrity, within which relationships and relations among business people, nation, and institutions (government, financial-credit, etc.) are created.

Scientific and technical progress makes it possible and necessary to manufacture products with a market novelty while new digital resources contribute to that communication process engages people from most countries of the world. The trends toward revolutionary transformation of technologies, first of all, information and digital, predetermine the increase in the impact of globalization and monopolization in the international business.

The scientific literature puts more emphasis on the perception of business environment in the global dimension. At the present stage of the business environment development, as noted by the head of the Ukraine's Association of doctors of philosophy D. Lozovitsky, one can formulate the ten global trends in business that fundamentally alter the essence of the concept of management (Lozovitsky, 2017). Development of modern business environment is characterized by a rapid growth in the rate of change and intensity of competition, which strengthens the dependence of entrepreneurial structures on the level of information awareness and the adaptive capabilities of companies (Marchenko, 2013). Global companies, in particular, need to accelerate their businesses and adjust processes, strategies, and business models in proportion to the course of events. In a world where markets are in constant motion, the strategies for searching and advancing a product must restructure very fast. At the time when digital technologies disrupt the dynamics of markets, they also bring solutions for companies that are forced to work at the speed of the Internet networks.

Therefore, the first trend in the modern business of the 21st century can be described as: "the future comes faster than management expresses a desire to say goodbye to the present".

The essence of the second trend is in the statement: "the capability to adapt is the evolutionary feature of business efficiency, and the ability to adapt quicker than others is a competitive advantage of the future". The distinctive features of modern world are a high

degree of uncertainty, enhanced dynamism, globalization, tough competition. Under these conditions, there is no any single universal method of management that could ensure that a specific company adapts quickly, since its state depends on many factors (the potential of the company, demand for products, behavior of competitors, state of the economy in general, etc.), which is why each company must devise its own strategy for survival and development, based on the general principles of strategic management (Babiy, 2016).

The third defining trend (Lozovitsky, 2017) is the need to not just predict or plan a company's activities, but its clear, profound, multi-variant, current and future forecasting, under continuously variable conditions". In the classical management theory, scientists have no consensus on defining the role of forecasting in the strategy of a company and in the system of strategic management. Thus, for example, D. Shandle and K. Hatgen believe that strategic management is the "process of determining and establishing a relationship between the organization and its environment, consisting in the implementation of the selected goals and in the attempt to achieve the desired state of relationships with the environment by resource allocation, which would make it possible for the organization and its units to function efficiently and effectively (Schendel, & Hattch, 1972). J. Higgins understands this concept as "a management process aimed at implementing the mission of the organization by managing the organization's interaction with its environment" (Higgins, 1983). According to I. Ansoff, strategic management is "a multi-faceted, formally-behavioral management process that helps formulate and

implement effective strategies, which contribute to balancing the relations between an enterprise and the external environment, as well as achieving the defined goals" (Ansoff, 1989). O. Vikhansky and A. Naumov argue that strategic management is such a management of the organization, which relies on the human potential as the foundation of the organization, directs the production activities to consumers' needs, providing flexible regulation and timely changes at the enterprise, which match the challenges from the environment and make it possible to achieve competitive advantage" (Vikhansky, & Naumov, 1996).

Authors K. Coyne and C. Subramaniam note that strategic management, rather than "the ability not to go off the chosen course", has transformed into a process of active continuous management of strategy development depending on changes in the sectoral conditions (Koin, & Subramanym, 2011). P. Drucker believes that modern idea of management and its methods are applicable to all structures of society and provide a sustainable existence and development under conditions of uncertainty, variability in not only market environment, but also non-commercial activities in the social and scientific areas of society (Drucker, 1999).

The external environment of a company is characterized by complexity, variability, and uncertainty, and, typically, it defies direct control. The theory of strategic management distinguished four levels of uncertainty in the external environment of the company, which are formed by different combinations of its complexity and variability (Table 1).

Table 1

Characteristic of uncertainty levels in a company's external environment*

Uncertainty level	External environment state	Characteristic
Low	Simple and steady	If external conditions are quite certain, they can be anticipated, controlled, and taken into consideration in advance when making decisions.
Moderate	Complex but stable	The elements of such an environment do not change very quickly or unexpectedly.
Rather high	Simple and unsteady	Even though such a company is affected by a small number of elements from the external environment, their effect is very difficult to predict because they suddenly interfere in the activities of the company and destroy its plans. Rapid changes create difficulties for management team.
High	Complex and unstable	In such a situation a company faces a large variety of factors from the external environment that are changing extremely rapidly and unpredictably. In some cases, such an environment poses a threat to the existence of the company.

*Source: compiled by author based on (Yuriy, 2015).

In order to determine the level of uncertainty of the external environment of the company, a management team will need to answer two questions: first, how many external elements are important for the activities of a given company, and, second, whether these elements change slowly and predictably or frequently and unpredictably.

Comparing the approaches by different researchers to defining the content aspect of strategic management, one can state that the complexity and dynamic nature of companies complicate the development of a model of the strategic management process.

Underlying the classic models of strategic management are the principles by I. Ansoff, H. Minzberg, M. Meskon and others (Gerasimchuk, 2000). At present, when there is a substantial transformation of the external environment, it is very important to not only change the management mechanism, but to study the feasibility of adjusting the adopted strategy.

Thus, researcher A. Babayevsky proposed, for structuring the activities of a management team, a matrix of management actions depending on the level of change in the instability of the company's external environment (Table 2).

Table 2

Matrix of management actions depending on the level of change in the instability of the company's external environment

Change in the environment instability	Management actions depending on the level of changes		
	Essential	Moderate	Negligible
Growth in instability	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Stability of mechanism for strategy implementation
Decline in instability	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Possible adjustment of mechanism for implementing the strategy	Stability of mechanism for implementing the strategy

*Source: compiled by author based on (Babayevsky, 2016).

Thus, to decide on the adjustment of strategy or a mechanism for its implementation, the primary task is to identify the cause of failure to meet the strategic parameters of the company's development (Skoruk, 2016).

Thus, as noted by researchers M. Nebava and O. Ratushnyak (Nebava, & Ratushnyak, 2012), strategic management should become the basis and, at the same time, a tool for effective long-term development of company in any industry, as well as a tool for solving prospective economic tasks and accomplishing socially-relevant results.

The advantages of the strategic company management under condition of change in the external environment, according to scientists, include several arguments, namely V. Dykan (Dikan, Zubenko, & Makovoz, 2013). notes that the great advantage of strategic management is reducing to a minimum the negative effects of occurring changes, as well as factors related to "uncertainty of the future". According to the author, it is the strategic management that provides an opportunity to consider the objective (external and internal) factors that lead to changes, to focus on studying these factors, to compile relevant information databases, etc. According to O. Kovtun, the feasibility of implementing strategic management has the following positive aspects: first, the strategy, by reflecting the system of values, the views of senior management of the company, its vision of the future, would help refocus staff towards right direction; second, the formed strategy would become the tool of coordination, which would ensure the alignment of goals, and, in the event of contradictions, contribute to the achievement of compromises, would help analyze activities of the enterprise, determining the causes of deviations between results and objectives (causes of strategic gaps) (Kovtun, 2006). Scientists O. Berezin and M. Bezpartochny believe that ensuring the long-term competitive advantages and a long-life cycle of an enterprise are not less important as advantages of strategic management (Berezin, & Bezpartochny, 2010).

Consequently, strategic management has quite a lot of positives; it should be noted that it is owing to it that a company's management team can ensure effective solutions to the success and sustainability of the company.

It should be noted that possibilities of strategic management are not unlimited; this type of management, similarly to all others, is not universal for any situations and tasks (Petukhova, & Stavitsky, 2015). The systematization of reasons why strategic management, under conditions of changes in the external environment, is not applied by companies' management teams has made it possible to identify three groups of factors: the lack of professional skills for building a successful company, focus on "short-term" business projects for local market and too much focus on current affairs.

A review of existing scientific approaches to strategic management and the choice of a marketing strategy shows that studies by both foreign and domestic researchers contain many opinions on the diversification of management models. Thus, based on the above definitions, one can conclude that in order to implement its objectives a company must manage the process of its interaction with the external environment, first and foremost, by building an effective system to control the accomplishment of strategic goals. However, the scientific papers do not include conceptual provisions regarding the patterns in the formation of development strategies of companies in a global digital environment.

In this context, it is advisable to note the generalization of practical experience of successful international companies and countries focused on creating the digital economy in a globalized world.

Speaking at a private breakfast, organized by CII and BCG during annual meeting of the World Economic Forum in Davos (Switzerland), Mr. Prabhu pointed (Press release, 2018) that "India opens up like never before. We welcome investors in all sectors and invest money in removing old obstacles to doing business. We

believe that there is no alternative to be part of a globalized society. By forming a new globalized system, we also solve the problems of globalization for the benefit of our culture, economy, and society".

Modern globalization underwent several different stages. The global economic crisis gave way to the new phase in the digitization of the economy and society – the integration of data, businesses, and communities within the global space. A tireless pace of ongoing digital evolution has specific development drivers: digital economy, industry 4.0, the Internet of Things (IoT), including cloud computing, intelligent systems, open standards, and cyber-security (*The Changing Competitive Environment: Standards and the Digital Economy*, 2016). Inclusive digitization will be a strong incentive for the united new globalized world.

Underlying the support to digital economy are the new technical standards. The standards of doing business have shifted to the new plane: from technical problems to positions that are of strategic importance. Success in the digital economy will require both an understanding of the standards and processes of digitizing business and participation in the process of the evolution of standards, which promote the development of digital evolution (*The Changing Competitive Environment: Standards and the Digital Economy*, 2016).

A characteristic feature of the digital business environment is that it relates to the on-demand economy, which implies, rather than selling goods and services, an access to them at the moment you need them. Orders are placed online while their delivery is offline. The benefits of such a digital business environment are, first of all, the high speed of obtaining the necessary services or goods; decrease in their price to end user by reducing the number of intermediaries; simplification of finding consumers by suppliers of goods and services.

Digitization is accompanied by a transformation of business processes: from robotics in manufacturing goods and services of mass consumption to new industries to create products with individual characteristics for each customer.

Examining the impact of digitizing the business environment on the overall innovations of international companies, a group of experts (Press release, 2018) established that those companies that invest heavily in digital technology demonstrate even stronger relationships between diversity and innovation. In addition, these companies reported an even bigger percentage of revenue from new products and services. "If companies want to accelerate growth, it is important to take advantage of the digital business environment," said Mickey Tsusaka, a senior partner at BCG and coauthor of the report. "Our research indicates that those international companies that invested in digital technology and the development of employees' skills demonstrate the largest advantages over other business groups. They are able to take advantage of the wealth of new ideas that can be created by these teams of professionals".

According to study (Lozovitsky, 2017), in today's global business environment, among the significant trends that affect the choice of strategies by international companies are the following: the shift from mass market to a changing market of individual or micro groups of customers with the focus on a constantly increasing speed of products output to the market, with a simultaneous trend towards decreasing the life cycle of products and their quick replacement.

It should be noted that international companies in the global digital environment must constantly monitor dozens, even hundreds, various factors that influence their activity, as well as dynamically prioritize their responses to these factors.

All the above trends relate to business at any country in the world, including the business in Ukraine, whose present stage of development undergoes a serious shift in terms of stimulating entrepreneurship. Of particular importance in this context is the development of small and medium business entities, which,

without requiring large starting investments and ensuring a high rate of resources' turnover, are capable to quickly and economically solve the problems related to restructuring the economy, the creation of market and its saturation with consumer goods and services (Papp, 2013).

The importance of the effective functioning of small and medium businesses is emphasized in the Act on small business for Europe, which is a program document for the EU countries in terms of policy for development of small and medium-sized businesses, where it says: "Our ability to use the potential of the development and innovation of small and medium enterprises will be crucial to the future prosperity of the EU. In a global context, characterized by permanent structural changes and increased pressure of competition, the role of small and medium enterprises in our society has become even more important. They create jobs, as well as play a key role for the welfare of local and regional communities. Vigorous small and medium enterprises are able to make Europe more resilient to the uncertainty that is inherent in today's globalized world" (Commission of the European Communities, 2008). But, despite this, the legal entities in Ukraine operate at present under rather adverse conditions in the external and internal environments. Factors such as the rapid devaluation of the national currency and, as a consequence, the drastic reduction of investment attractiveness of the Ukrainian economy, the military activities in the east of this country, as well as other destabilizing factors, negatively influenced and continue to affect the activity of legal entities, predetermining the additional threat to their commercial activities (Skoruk, 2016).

The sector of small and medium entrepreneurship is a very important part of the market economy, as well as an integral element of the competitive mechanism. However, despite this, the Ukrainian economy has been traditionally characterized by a

relatively unfavorable business climate, which has always created, and still does, obstacles for the development of small and medium legal entities in particular.

According to the results of research, including such international ratings as "Doing business" and "Index of global competitiveness", the business climate in Ukraine lags its neighbors and similar economies. However, the results of these studies argue that the situation was rapidly changing over the past years (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

For example, in the report "Doing business" in which the rating of favorable business conditions includes 189 positions – and the higher a country's position in the rating, the more favorable the business environment is for starting and operating an enterprise (Mazy, 2015) – Ukraine climbed from position 152 (2012) to position 80 in the 2017 ranking. Such dynamics indicate that Ukraine has significant potential and is currently introducing positive changes, however, the country still needs to implement a large number of measures to improve its business climate (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

Fig. 1 shows the position that Ukraine holds based on the "Doing business" rating, compared with neighboring economies in the region. All countries in the group are ahead of Ukraine with Poland being the leader of the group (position 24). Ukraine lags the region in general in terms of the number of points to the first position in the ranking, that is, the country that leads the ranking (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

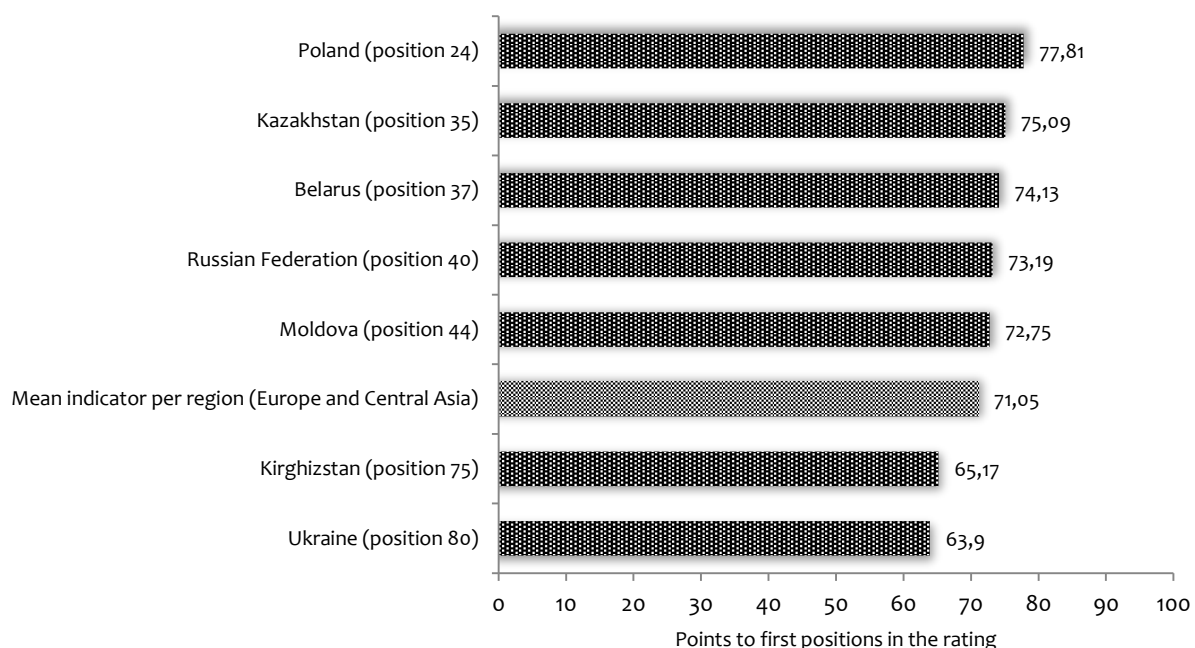


Fig. 1. Rating of Ukraine and similar economies based on the index "Doing business – 2017" *

*Source: compiled by author based on WB Doing Business 2017.

Fig. 2 shows positions of Ukraine according to the basic points from the rating "Doing business". Thus, for business in Ukraine, the most difficult issue is to restore solvency (position 150), and the easiest one is lending (position 20), which could be a consequence of the presence of international lending and financial resources from

different international financial organizations. However, the access to financing has remained a substantial problem for small and medium legal entities (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

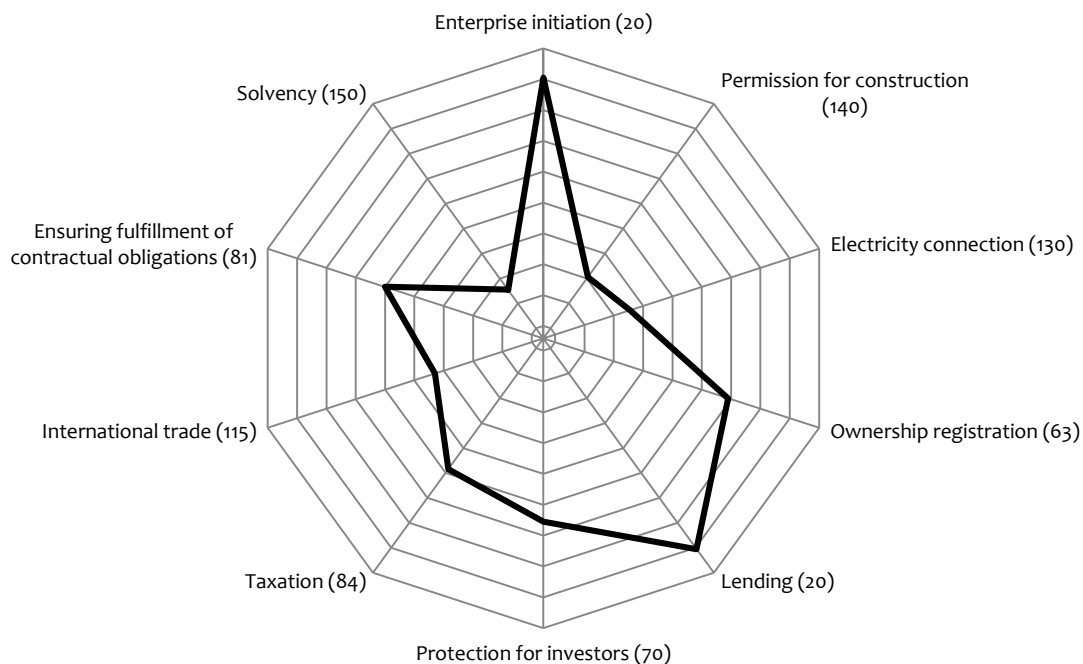


Fig. 2. Ukraine in the rating "Doing business"*

Scale: rating 189 – center, rating 1 – outer network.

*Source: compiled by author based on (WB *Doing Business* 2017).

These indicators do not demonstrate the level of digitization of Ukraine's business environment. However, according to a separate study (Chmeruk, & Kralich, 2018). Ukraine has been systematically creating its own digital infrastructure. Ukraine had started at basic technologies, the basic data transfer rate, and then gradually developed more robust network to connect rural areas. More importantly, this process, which is also aimed at the eradication of poverty, requires major government initiatives and financial support for infrastructure. On the contrary, the EU countries face another problem of digital infrastructure, which is to provide a very high-speed infrastructure for more common areas. The EU has a very advanced statistical system for tracking progress in bridging the digital divide, which helps EU politicians to develop more targeted programs to address the discrepancies among the EU countries.

According to the report by Factum Group Ukraine (*Ukraine Factum Group Ukraine, 2018*), which was published by the Ukrainian Internet Association, the increased quality level of digital skills of Ukraine's population is a significant factor in the formation of the national digital environment. Taking into consideration a decrease in the total population of Ukraine, the Internet penetration over the period from 2016 had increased and, as of May 2018, was 64.9 % (the number of the Internet users per 100 inhabitants). In 2018, the Ministry of Economy attracted technical assistance from the US Government worth of USD 78 million, of which USD 23.6 million were intended to improve the legislative and strategic environment according to European standards, improvement of functions of public monitoring and public participation in the processes of governance, to enhance the level of accountability of the Ukraine's Government to citizens and to comply norms of the rule of law (*State Statistics Service of Ukraine, 2018*).

The largest share among enterprises belongs to small businesses (94.28–94.45 %), which are the integral components of modern entrepreneurship. Therefore, supporting these legal entities by the state would greatly affect the prospects of the development of

domestic enterprises in general. According to a research provided by the Institute for socio-economic transformation (Stricun, 2018), Ukraine demonstrates negative trends in the development of small and medium-sized businesses. The situation for private entrepreneurs that work legally had significantly deteriorated since the beginning of 2017, after the introduction of obligatory monthly payment of a unified social tax regardless of the actual revenues from entrepreneurship (at the time of this work – UAH 819, in 2019 – UAH 919). About 400 thousand entrepreneurs from 2 million of those registered had closed their businesses – they either stopped activities or entered the "shadow" economy. The burden of taxation in terms of paying a tax on revenues and a unified social tax on employees directly increases for micro- and small businesses.

Thus, about 80 % of micro-entrepreneurs, on average, believe that a tax on revenues and a unified social tax are too high for doing business.

Based on the results from "Annual evaluation of business climate" (2015), the index of business climate for small and medium legal entities was rather low even at that time (*Program USAID Leadership in Economic Governance, 2015*), (Fig. 2). Out of four of its components, the index of business environment (short-term) had a negative value (–0.26), the other two – the index of business activity (long-term) and the index of changes in regulatory environment – had positive values (0.17 each), and the fourth one – the index of business activity (short-term) – had a conditionally negative value, close to zero.

An analysis of components in this index shows that despite the unfavorable conditions in the business environment and economic situation in 2015, there was a tendency to a slight revival of business activity in the short-term, which had a relatively high chance to become sustainable in the long term under the condition for a change in the business environment.

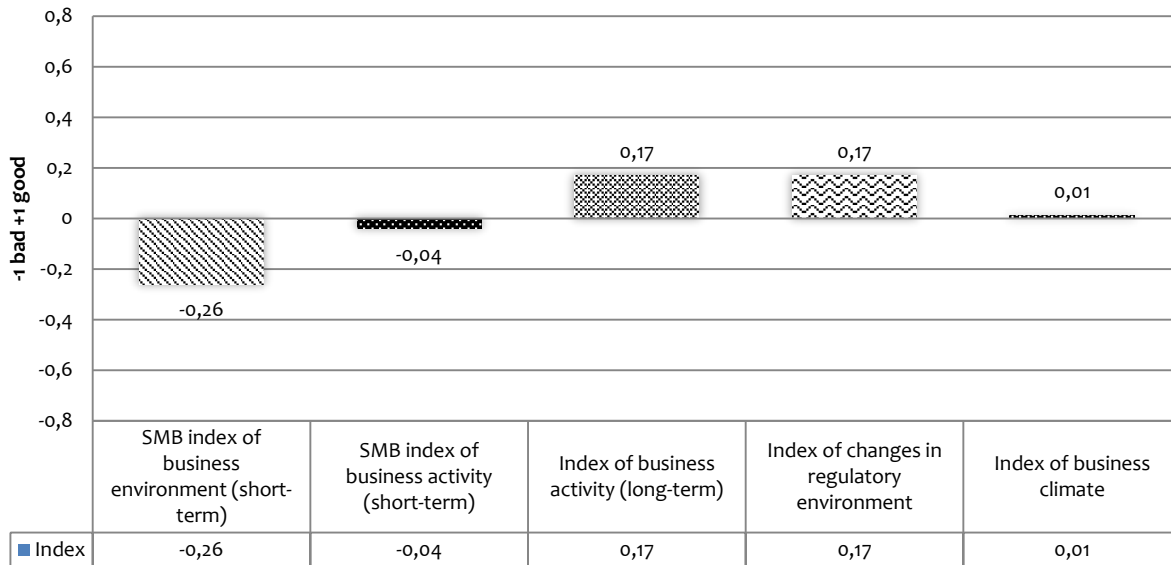


Fig. 2. Index of business climate for small and medium businesses in 2015 and its components*

*Source: compiled by author based on data from (Program USAID Leadership in Economic Governance, 2015).

However, still, there are more negative aspects in the field of Ukraine's entrepreneurship than positive ones, and, judging by the Ukraine's position in a series of world rankings, these are the systems problems that exist in both the business environment and in public administration (Boyda, 2016). And some of them are so global in character that handling them calls for fundamental economic reforms (Skoruk, 2016).

Based on the undertaken study, N.G. Mazyi notes that one of the most significant problems in business climate is corruption (Mazyi, 2015). Corruption is considered to be one of the key reasons for the slowing growth of the Ukraine's private sector, low diversification of the economy and exports, as well as low productivity. In 2015, according to data by Transparency International, Ukraine ranks 123 out of 167 countries in the Corruption Perception Index (Program USAID Leadership in Economic Governance, 2015).

In addition to the common problems of business environment, the development of small and medium-sized businesses is inhibited by specific factors and problems that are inherent to this sector of the economy, in particular the limited access to financial resources, to markets, as well as technological barriers, that is, the limited access to innovations and research (Popsky, 2015). All the above problems exert an extremely significant destructive influence on the formation of effective business environment.

Despite a number of challenges that complicate the activity of enterprises, their elimination was addressed by the Government that has already executed the following significant activities (Skoruk, 2016): it organized procedures for inspecting legal entities by administrative bodies and reduced their quantity; it followed first steps to protect domestic businesses from illegal seizures (raiders); it simplified mechanisms for obtaining permits; it carried out significant work to prepare legislative acts in the field of deregulating business activities; it introduced a unified simplified procedure of state registration of legal entities and private entrepreneurs, as well as rendering other administrative services; it created a unified State Register of legal entities and private entrepreneurs, which is open and public, it introduced electronic registration of legal entities, etc.

Based on the characteristics of the state of business environment and opportunities, the Government of Ukraine defined six strategic goals for the development of small and medium businesses (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, (2017): 1) the improvement of the legal, institutional and operational

environment for small and medium legal entities; 2) the improvement of access by small and medium enterprises to financing; 3) simplifying tax administration; 4) promoting entrepreneurial culture and the development of competitive human capital and entrepreneurial skills; 5) promoting export and internationalization of small and medium legal entities in the context of the Association Agreement and the Agreement on free trade area; 6) improving the competitiveness and innovation potential of small and medium businesses.

An analysis of accomplishment of the set goals is correlated with the strategy for creating digital economy for the member countries of OECD, which should be implemented until 2020. A review of the status of implementation of the planned measures (Organisation for Economic Cooperation and Development, 2017). indicates that the progress in the implementation of strategies of digital development in 2016 amounted to 66 % in the field of infrastructure development, 78 % – in the public sector, 56 % – in providing access to the Internet, 62 % – in the use of digital technologies, and 52 % – in the implementation of programs of e-commerce and introduction of digital business processes.

Effective management of a company in the digital business environment could include several stages that are closely related and complementary. At the first stage, the company must implement common software for use in different departments at the enterprise; harmonize operational processes in the corporate center and at production units; introduce certain pilot digital management technologies. The next stage of company management implies the development of organizational processes at all its structural units. A rapid, unified, secure, and convenient general system of data exchange is extremely important in order to activate innovative development, especially for operational decision-making, flexibility, and operating efficiency. At this management stage, the key areas include the technological automation of business-processes; automation of business communications; deep development of IT infrastructure; implementation of a budgeting system and the unified electronic document circulation; providing companies' offices with modern IT tools and mechanisms.

Thus, it is worthwhile to note that changes in the global digital environment and business environment have common trends for the development of international companies in local and national markets. Under these conditions, most companies choose the digital environment for rendering services, to sell products, to

obtain alternative sources of financing via crowdfunding platforms (Dzhusov, & Apalkov, 2016). New strategies for international business development and innovation entrepreneurship demonstrate attributes of employing cloud-based offices, resources and business models of electronic commerce (Scorpio Partnership Global Private Banking Benchmark, 2016).

Conclusions

A general conclusion drawn by most authors is that the business environment is a rather complex concept and, in order to substantiate the causal effect that its state exerts on strategies in the development of companies, it is necessary to take into consideration the scale of its impact both within a national market and within the global economy. However, the impact of digital transformations in the global economy on the structural changes in the global market is not commonly accepted as the object of research.

The conditions of global digital business environment change basic classic rules of strategic management on the hierarchy of decision-making. Traditional organizational "heavy" structures are substituted with flexible business models. In the new economy, "heavy organizations" would eventually die out, while those "light" – would survive because they can change easier and adapt to the dynamic conditions of the digital economy. The traditional hierarchy of decision-making is too slow for the realities of the global digital environment; therefore, the new management approaches are needed. Classic theories of strategic management do not provide answers to these questions. Most of the systems related to business processes management are not designed to support the high-speed mode of decision making.

Based on the results from an analysis of existing publications, one can highlight several characteristic trends in the choice of development strategies by international companies. The fourth industrial revolution (Industry 4.0) for industrial enterprises has shifted their strategic directions, and the transition to the digital economy has led to the creation of new cyber-physical complexes, which are combined in a unified digital ecosystem. For many companies in the fast-moving industries, such as financial services and retail and consumer goods, the lack of tools for business intelligence in real-time is one of the greatest risks for their strategic planning.

According to research, companies and their clients now require tools in real time, capable to provide insight and useful information at the right time. Most companies face a problem on processing the vast array of data whose amount is growing in the global dimension. Increasingly, the competitive advantage and the price to attract a client will be acquired by gathering market information from a wide range of sources, including social networks and Web analysis tools. Despite the need to work in real time, a significant number of companies still do not have a proper business environment to implement it.

Global digital environment changes the economic processes. The infrastructure of modern business is the share of total economic infrastructure, which is used to support e-business processes and to conduct e-commerce. It includes hardware, software, telecommunication networks, support services, and human capital, all of which are employed in electronic business and trade. Basic business processes are carried out owing to cloud-based technologies and include purchasing, sale, production management, logistics, as well as services for internal communication and support. If a company is not able to adapt to technological development, then, most often, the economic and financial indicators of its activity quite dramatically change towards negative because of the high competition in the market. Of increasing popularity in today's society is the use of social networks. Thus, in the global digital environment, the competitiveness of countries, sectors, and companies undergoes profound changes. These include the fundamentally complex business and personal transactions, as well as strategic,

technological and innovative solutions, and the new state policy. It is expected that the impact will be widespread and devastating, affecting all sectors of the economy, including services and goods, as well as the involvement of jobs, innovations, and global competitiveness.

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UDC classification: 331.5

JEL Classification: J63, D91, O57, C30

Dynamic Capabilities in the German financial services industry

T. Oeser[†]

Purpose. The purpose of this work is to investigate processes constituting to Dynamic Capabilities in companies of the German financial services industry.

Design/Method/Approach. Exploratory with a qualitative approach and a multiple case study method.

Findings. The results indicate a connection of Dynamic Capabilities and the dynamism of the environment. The actual Dynamic Capabilities seem to operate in business model related activities, such as distribution channels, but not in product development.

Theoretical implications. Suggestions are given for the development of a comparative measurement concept for Dynamic Capabilities. furthermore, the inclusion of environmental dynamism in the research is emphasized.

Practical implications. Firms can use the structure of sensing, seizing and reconfiguration and apply the dimensions for the relational measurement to evaluate their innovation activities.

Originality/Value. Connections of Dynamic Capabilities to the environmental dynamism were found. Furthermore, the process lens of this research makes the theoretical concept of dynamic capabilities more graspable and gives suggestions for an operationalization.

Paper type – empirical.

Keywords: Dynamic Capabilities; innovation; financial services; industry dynamism.

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Динамічні здібності в німецьких фінансових компаніях

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Мета роботи – дослідити процеси, що утворюють динамічні здатності в німецьких фінансових компаніях.

Дизайн/Метод/Підхід дослідження. Експлоративний якісний аналіз емпіричних даних методом множинного ситуаційного аналізу (multiple case study)..

Результати дослідження. Результати свідчать про взаємозв'язок динамічних здібностей з динамікою зовнішнього середовища компанії. На даний момент динамічні здібності виявляються в операціях, пов'язаних з основною бізнес моделлю. Наприклад, вони присутні в розвитку каналів поставки послуг, але не виявлені в розвитку продуктів.

Теоретичне значення дослідження. Запропоновано рекомендації з розвитку концепції порівняльного вимірювання динамічних здібностей. Підтверджено взаємозв'язок з динамікою зовнішнього середовища компанії.

Практичне значення дослідження. Компанії можуть використовувати структуру sensing -> seizing -> reconfiguration і використовувати дані виміри (dimensions) для порівняльної оцінки своїх інноваційних операцій.

Оригінальність/Цінність/наукова новізна дослідження. Підтверджено взаємозв'язок динамічних здібностей з динамікою зовнішнього середовища компанії. Процесуальний підхід зробив теоретичний конструкт динамічних здібностей більш зрозумілим для вимірювання. Запропоновано шляхи операціоналізації конструкту динамічних здібностей..

Тип статті – емпірична.

Ключові слова: динамічні здібності; інновація; фінансові послуги; динаміка зовнішнього середовища.

Динамические способности в немецких финансовых компаниях

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Цель работы – исследовать процессы, образующие динамические способности в немецких финансовых компаниях.

Дизайн/Метод/Подход исследования. Эксплоративный качественный анализ эмпирических данных методом множественного ситуационного анализа (multiple case study).

Результаты исследования. Результаты свидетельствуют о взаимосвязи динамических способностей с динамикой внешней среды компании. На данный момент динамические способности проявляются в операциях, связанных с основной бизнес моделью. Например, они присутствуют в развитии каналов поставки услуг, но не обнаружены в развитии продуктов.

Теоретическое значение исследования. Предложены рекомендации по развитию концепции сравнительного измерения динамических способностей. Подтверждена взаимосвязь с динамикой внешней среды компании.

Практическое значение исследования. Компании могут использовать структуру sensing -> seizing -> reconfiguration и использовать данные измерения (dimensions) для сравнительной оценки своих инновационных операций.

Оригинальность/Ценность/Научная новизна исследования. Подтверждена взаимосвязь динамических способностей с динамикой внешней среды компании. Процессуальный подход сделал теоретический конструкт динамических способностей более понятным для измерения. Предложены пути операціоналізації конструкта динамических способностей.

Тип статьи – эмпирическая.

Ключевые слова: динамические способности, инновация, финансовые услуги, динамика внешней среды.

Introduction

One of the essential questions in strategy literature is how firms create a sustainable competitive advantage. At the heart of this question is the generation of future cash flows which are the foundation for corporate valuation (Teece, 2014). The search for an answer proves to be extremely difficult and has fittingly been compared to the quest for the Holy Grail (Helfat, & Peteraf, 2009). It is further strained by depictions of a dynamic economic environment where long-term success might stem from a firm's ability to constantly reinvent its sources of wealth creation (McGrath, 2013). But what constitutes to such an ability?

The Dynamic Capabilities approach shall provide an explanation for sustainable success of firms especially in dynamic market environments (Teece et al., 1997). Dynamic Capabilities are argued to enable a firm to modify or renew its resources to address market changes and can thus explain intra-industry differences in firm performances. They supposedly reside with managerial and organizational processes which comprise sensing, seizing and reconfiguration (Teece, 2014). Yet the research remains mostly conceptual and output-oriented without sufficient explanations of the mechanisms behind these three clusters (Ambrosini, & Bowman, 2009).

This paper investigates how Dynamic Capabilities look like in the German financial services sector. Qualitative case-based methods are applied to identify processes which underlie sensing, seizing and reconfiguration in multiple financial services firms under consideration of the market environment. Thus this paper is an attempt to open the lid of “the Elusive Black Box of Dynamic Capabilities” (Pavlou, & El Sawy, 2011, p. 239) in order to facilitate operationalization and give graspable guidance for practitioners.

Research question

This paper endeavors to answer the research question *How do Dynamic Capabilities look like in the financial services sector?* In particular, processes of banks and insurers in Germany which underlie the clusters sensing, seizing and reconfiguration are investigated in order to substantiate Dynamic Capabilities (Eriksson, 2014). Multiple firms are explored to identify commonalities, as researchers were urged to do (Wang, & Ahmed, 2007).

Theoretical background

Origins and development of Dynamic Capabilities concepts

The early works develop the Dynamic Capabilities approach to explain sustainable competitive advantage especially in high-velocity environments characterized by rapid technological change (Teece, & Pisano, 1994; Teece et al., 1997). Accordingly, capabilities embody a firm's potential for a competitive advantage. They are embedded in managerial and organizational processes which are shaped by asset positions and available future paths. Sustainability of a competitive advantage stems from the potential idiosyncrasy of capabilities (Teece et al., 1997). Dynamic Capabilities, the “ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions” (Teece et al., 1997, p. 516), can thus be a source of sustainable competitive advantage (Teece, 2014). They are initially defined as “the firm's ability to integrate, build, and reconfigure internal and external competences” (Teece et al., 1997, p. 516), i.e. processes and routines (Teece, & Pisano, 1994; Barreto, 2010).

Several definitions arose as well as discussions about the potential of Dynamic Capabilities to create a sustainable competitive advantage (Eisenhardt, & Martin, 2000). An attempt to integrate and unify the different viewpoints was made by Helfat et al. (2007)

who define a Dynamic Capability as “the capacity of an organization to purposefully create, extend, or modify its resource base” (Helfat et al. 2007, p.4). The authors explicate the role of managers and organizational processes. Asset-orchestration is emphasized as an especially relevant managerial function in dynamic markets, besides traditional coordination and adaptation functions of managers. This asset-orchestration includes the design of business models, configuration, orchestration and coordination of co-specialized assets, selection of investments in situations of uncertainty, selection of structures (organization, governance, incentives), and nurturing of processes for change and innovation. Antecedents to these managerial functions are information gathering and analysis, possibly by organizational routines (Helfat et al., 2007).

To understand Dynamic Capabilities it is argued that processes which relate to the firm's resource position must be understood since not the capability itself is observable, but rather the constituting processes. These comprise both managerial and organizational processes which support change in the firm, explicated as processes for search, decision-making and change-management. This process lens effects research: The focus shifts from content-oriented ‘what’-questions (e.g. what defines Dynamic Capabilities, what is their outcome) to process-oriented ‘how’-questions (e.g. how does change occur, how are decisions implemented) (Helfat et al., 2007). Teece (2007) built a framework which disaggregates Dynamic Capabilities into the capacities “(1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets” (Teece, 2007, p. 1319).

Wang and Ahmed (2007) emphasize a recurring character of Dynamic Capabilities. Furthermore, they claim that Dynamic Capabilities might display common features across firms at a general level. Similarly, Ambrosini and Bowman (2009) acknowledge that the routines of Dynamic Capabilities might resemble one another from firm to firm, but that “the dynamic capability in practice, would display subtle but important differences across firms” (Ambrosini, & Bowman, 2009, p. 44).

Helfat and Winter (2011) reemphasize to consider market dynamism in the research and suggest to include markets without rapid change. Since capabilities can be built, firms that operate in dynamic environments might be more prone to develop Dynamic Capabilities than firms in more stable markets. Conceptualizations of industry dynamics still display “serious deficiencies” (Hauschild et al., 2011, p. 438). A possible definition includes technological changes, changing customer preferences, and varying demand for products or supply of production material (Jansen et al., 2006). Hauschild et al. (2011) developed a measurement concept which captures frequency, magnitude and irregularity of changes in customer preferences, competitive situation and technology.

An attempt to reconcile the research on Dynamic Capabilities and integrate the different perspectives acknowledges that Dynamic Capabilities alone will not ensure superior firm performance but that “the joint presence of strong Dynamic Capabilities, VRIN resources, and good strategy is necessary and sufficient for long-run enterprise financial success” (Teece, 2014, p. 334). Whilst strategy should identify and determine ways to deploy VRIN resources, Dynamic Capabilities allow the firm to perform these activities repeatedly and thus serve as an enabler for strategy by providing the firm with the necessary flexibility (Teece, 2014).

Understanding of Dynamic Capabilities in this paper

Dynamic Capabilities are regarded as the firm's capability to react to or create changes in the market. Their input is an opportunity or threat and their output the firm's reaction, possibly including a change of its resource base. As capabilities, they can be a source of a sustainable competitive advantage if they

work effectively and display idiosyncratic elements. Especially but not exclusively in highly dynamic markets they are likely to be relevant for firm success.

Regardless of the degree of environmental dynamism, Dynamic Capabilities might be an enabler for the firm's strategy. This is recognized by the disaggregation into sensing, seizing and transformation/ reconfiguration: Dynamic Capabilities can enable the firm to sense opportunities and threats in the market environment, to seize these opportunities, and to transform firm resources if required. As capabilities themselves, these three clusters are likely to be created and put into use through processes. In order to investigate Dynamic Capabilities, it is thus necessary to observe processes that constitute to sensing, seizing, and reconfiguration.

For sensing, the input is an opportunity or threat that exists in the market environment. The output are options for the firm, i.e. the *sensed* opportunities or threats. These options are the input for seizing. The output is an option that is *seized* through a decision, a modified business plan, or the like. This decision or formalized plan of action is the input for reconfiguration. The output is a *transformed or reconfigured* resource, i.e. a changed process, a new technology, a new location, an innovative product, a modified governance, and so on. Dynamic Capabilities deal with change in a firm and should not be understood as static entities. The underlying processes are also prone to change as the firm develops. Thus their observation is always contemporary.

It seems possible that the observed processes display commonalities between firms, especially in the same industry. Managerial skills and the actual integration of the clusters sensing, seizing and reconfiguration still allow for idiosyncrasy, even in the hypothetical case that the underlying processes were completely identical. Thus it is necessary to examine multiple firms of an industry.

Methodology

Research design

This paper answers requests from scholars for more qualitative field investigations on Dynamic Capabilities (Ambrosini, & Bowman, 2009; Wang, & Ahmed, 2007; Helfat et al., 2007). The chosen industry is the German financial services industry, which has been described as interesting for research on innovation (Jansen et al., 2006). The investigation is twofold: Industry characteristics are considered, and at firm level activities and processes of the three clusters identified.

Methodologies used for process research are applied, as suggested by e.g. Helfat et al. (2007). An aim of process research is to gain an understanding of the temporal evolution of things ('how') as well as to provide an explanation for such an evolution ('why') (Langley, 1999). In line with this, this study's purpose is exploratory and descriptive. The use of the three clusters adds a deductive element. However, since no a priori hypotheses are drawn and tested this paper remains mainly inductive (Saunders et al., 2009).

"To get a feel of what was going on" (Saunders et al., 2009, p. 126), case-based research is applied (Eisenhardt, 1989; Yin, 2009). A phenomenon of contemporary nature is investigated in its real-life context and it is possible that the boundaries between the observed phenomenon and its context are blurred. For process research and its focus on 'how'-questions, case studies are an applicable and prevalent methodology (Helfat et al., 2007; Yin, 2009).

Dynamic Capabilities can be an enabler for a firm's strategy. Thus the research is conducted on firm level, in contrast to e.g. examining single departments. To identify commonalities multiple firms are included. This results in a holistic multiple-case design (Yin, 2009).

(Semi-structured) interviews with experts are used as a major source to collect case study evidence (Yin, 2009; Gioia et al., 2013). Observation at the site of the firms, a standardized questionnaire and documentation, either publicly available or handed out by the interview participants are further used for data triangulation (Yin, 2009).

The questionnaire aims at identifying the participants' assessment of the market dynamism on a 7-point Likert scale. The questions concerning dynamism were guided by the matrix customers, competition, and technology; as well as frequency, magnitude, and predictability of change. Regulation was added since several regulatory measures influence the German financial system (IMF, 2016).

Two strategies are used to theorize from the process data: Narrative strategy to give a feel for the context in which the respective firms operate; and synthetic strategy to allow for cross-case comparisons (Langley, 1999).

Population and sample selection

Single organizations serve as cases. The sample should resemble characteristics of the German financial services industry (Behr, & Schmidt, 2015). In 2015, around 70% of the institutions were banks, 15% insurances, and the remaining companies were funds (IMF, 2016). The German Central Bank lists 1.689 reporting banks which are divided into three so called pillars, namely commercial banks, savings banks, and cooperative banks which differ in their legal ownership structure. Different business models operate in all three categories (Koetter, 2013; IMF, 2016). Savings and cooperative banks represent more than three quarters of institutions and their business models often require a dense regional coverage. However, direct banking plays an increasingly important role (Deutsche Bundesbank, 2015).

The cases were selected for the following criteria: Resemblance of banks from all three pillars, resemblance of the variety of business models, resemblance of different sizes of banks, focus on cooperative and savings banks, and inclusion of at least one direct bank. For further comparison an insurance company was included.

Since firms are the cases, the interview partners must be in a position which allows them to gain an understanding of the processes at firm level. Directors, first and second level management of certain departments were identified as suitable informants. Promising departments comprised strategy, innovation, market research, in-house consulting, business development, product development, organization and operations.¹

Sample

Eight companies were selected as the cases. This sample comprises four cooperatives banks, two commercials and one savings bank as well as one insurance company. In each company at least one of the interviewees was a member of first or second level management with regular contact to the directors. Wherever possible, multiple interviews per firm were conducted.

¹ Operations might seem surprising. However, as one interview partner put it, in an industry such as banking operations might serve as the main intelligence of a company. Furthermore, Teece (2014) recognizes that

"many discussions of operations strategy drift into what I think of as dynamic capabilities" (p. 331).

Research procedure

A guide was prepared for the semi-structured interviews. After each interview, a protocol was completed to capture the environment and any occurrences during the appointment.

The interviews were led with open questions. In the progress of the interview phase, information from the already conducted interviews were used when appropriate, e.g. an example to keep the flow of the interview when participants struggled with a question.

Table 1

Selected cases

Institution	Pillar	Business model specifics (simplified)	Rank in this research (largest = 1, smallest = 7)	
			Balance sheet total	Number of employees
Bank A*	Cooperatives	Provides basically one product	6	6
Bank B	Commercials	Connected to manufacturer	2	1
Bank C*	Cooperatives	Building association	3	4
Bank D	Cooperatives	Focused on occupational group	5	5
Bank E	Cooperatives	Regional retail bank	7	7
Bank F	Commercials	Direct bank	1	3
Bank G	Savings	Regional savings bank	4	2
Insurance A	(n/a)	All-sector insurer (life and non-life)	(n/a) medium-sized firm	

* Note that these two institutions do not have the legal form of cooperatives (“eG”) but are part of a cooperatives’ group structure in which the institutions act independently.

13 interviews were conducted. Six participants requested telephone interviews, the other seven took place face-to-face at the site of the firm. All interviews were conducted by the author during three weeks in July and August 2017. 11 participants gave their permission to record the interview, and for two participants extensive field notes were crafted. The appointments lasted on average one hour, with an average interview time of 50 minutes. After the interview, the participants were asked to fill in the questionnaire. 11 participants returned the questionnaire, including all face-to-face participants. Further data was collected from company publications and secondary literature. Transcripts were prepared by the author. All interview data was analyzed following the procedure laid out by Gioia et al. (2013). A basic structure for codification was already laid out by the three clusters. Further identified themes include industry and company characteristics. The above mentioned narrative and synthetic strategies were applied to draw conclusions.

Limitations

Since this paper applies case-based methods it is inherently not meant to be representative, but shall give a look and feel of what is going on. However the validity of the findings might be further limited. Case-based data are prone to subjectivity from the researcher. This might occur in the design of questions and in the interpretation of findings. To overcome this limitation, the interview guide was based on a rich theoretical foundation and the questions designed in a non-specific way. Interpretations are rarely used in the presentation of the findings to allow for a neutral assessment by the reader. For discussion, the strategies to theorize from process data allowed for a step-by-step interpretation of the transcripts.

Another limitation might stem from the limited sources of data. This paper did not aim at getting the finest-grained process data of a single firm, but to find out how Dynamic Capabilities look like in an industry. The selection of cases and the collected data appeared suitable for this endeavor. Additionally the interview partners have a rather high seniority which might increase the data validity.

Results

Industry characteristics and dynamism

A decline of more than 50% in the number of banks took place in the last two decades, mostly due to mergers and acquisitions (Koetter, 2013). The participant from a banking association reports a “high cost pressure” on banks, and the industry is characterized as efficiency-driven with an “OPEX-tradition”.² Prevailing business models of banks and insurance companies are vulnerable to the monetary policy of low interest rates which adds to an overall low profitability (IMF, 2016). The increased M&A-activity as well as the still high number of firms, the low profitability and efficiency orientation indicate strong competition and saturated markets (Jansen, 2006). A decline in the number of branches points to a shift of business models towards activities that do not require a dense network of local agents, e.g. by nurturing other distribution channels such as online-presence (Deutsche Bundesbank, 2017; Koetter, 2013).

The responses to the questionnaire indicate an ongoing dynamism of the market environment. Especially the magnitude of changes is perceived as strong. Whilst the frequency of changes also indicates a dynamic environment, all changes seem to appear rather predictably. Statements by the participants underline the changes which currently stir the German financial services industry and might lead to a future where “banking will be needed. But not banks”. The traditional role of banks as a “risk intermediary for financial allocation” might no longer be a differentiator but a prerequisite. The actual success will stem from the banks’ ability for “relationship management” for which it will be key to make the “intangible financial services” comprehensible.

The main reported drivers for dynamism are technological changes. In line with this, all interviewees mentioned digitization initiatives which are either efficiency-oriented or aim at “chances related to the customer interface”. Interestingly, changes in customer preferences for products and services are perceived comparatively small.

² OPEX stands for ‘operational excellence’. For the chapter ‘4. Findings’, quotation marks indicate direct quotation from a participant.

This might either indicate a well-functioning customer centricity which was mentioned as a key decision making parameter by several participants, or that the customer needs are misperceived. As one participant put it, financial services providers “believe to know what the customers think. Without actually asking them”.

Another explanation might be that the actual financial products and services remain rather stable, whilst the channels to distribute and provide these services change: An app or online loan application is not a new product, but a technological change. This observation is even more apparent for insurers: The “home and content insurance did not change for 115 years. This product survived the First, the Second World War, the ‘Wirtschaftswunder’, the hippie period, the ‘Generation Golf’, September 11, it survived everything”. Thus innovation might not be found in products and services, but in the underlying infrastructure (technology, processes, etc.) to provide and distribute these services.

Regulatory changes have a high frequency of occurrence and a strong impact but a rather high predictability. Yet, their implementation seems very capacity-intensive as these topics “certainly need the most in terms of resource management”. Competitor-induced changes add to a dynamic environment for financial services but only rank third, despite the competitive environment.

Case Bank A

Bank A is a deposit-taking credit institution of the cooperatives sector and belongs to a holding. The bank distributes a narrow range of retail products through the branch network of other cooperative banks in Germany and online channels. In terms of balance sheet total and headcount it is a smaller bank and the second smallest institute in this research. The assessment of the environmental dynamism was the highest of all cases. Bank A experiences a growing market for its core product with strong competition in which the bank was able to increase its market share.

The structure for future development is laid out in strategic guidelines by the directors which are reviewed on a yearly basis. Several channels carry stimuli for changes into the bank. This is somewhat unstructured and ideas “are coming from everyone”. However, in order to be recognized for implementation a project profile must be created. This is “no scorecard, therefore not quantified”.

The first selection is carried out by a transformation management unit and includes checks for a strategy-fit and an IT-fit. Afterwards the idea is proposed to a management circle of “all those who report directly” for further discussion. The final decision remains with the directors.

For realization, formal planning of the implementation and different formats for employee participation shall ensure a formal and cultural stabilization of the changes. The formal planning involves the identification of required employees of the affected departments and providing required documents and guidelines. Standards include a change of the organization manual and other governance-related documentation. Transformation management serves as a knowledge memory and provider in all these activities.

Involvement of the concerned parties shall increase the willingness to change. Every project must have a target which consists of a problem and the solution to encourage the employees, e.g. “to look forward to a new CRM system which will facilitate your work”. A high employee participation is intended: For example, to spread the strategy the employees were asked to propose slogans that they connect with the current target vision for a company-wide poll. Furthermore, the most heavily affected department usually acts as sponsor in the steering committee to “reduce surprises” and also “establish commitment within the departments”.

Case Bank B

Bank B (group) comprises several financial service providers that belong to a world leading manufacturing group (parent). It aims at sales promotion of the parent’s products by offering financing and insurance solutions. The bank in the group is a deposit-taking credit institution and belongs to the commercial sector. It is the second largest in this research in terms of balance sheet total and largest in headcount.

The assessment of the market dynamism yielded the second lowest perception of all cases, possibly due to the connection to the parent. Changes mainly stem from regulations. Bank B is characterized as not very agile and has a low grade of digitization with “IT that is 50 years old”. Ideas for initiatives are mainly developed on top management level. This results in an idea development which mostly derives “from its own terms”.

Initiatives can be divided into strategic projects from the parent and others. Projects of the former are pushed into the organization top down but the actual completion involves the internal or external customer. In a digitization initiative, for example, “the prioritization of the order of products was developed together with the customer”.

Discussion and prioritization of all other initiatives take place every four to six weeks in a “decision-making circle” of managers from different departments. Decisions are generally reached rather flexible, “sometimes formalized in a business case, with all the trimmings, and sometimes from a gut feeling”. The final decision remains with the directors.

Participation and engagement are central to create a willingness to change. Yet in large projects “participate maybe two, three employees, but it affects 500”. This shall be mitigated through different communication formats but to “reach an extensive willingness to change at project start is rather not the case”. In a large and successful restructuring project which started last year, involvement of the management levels in “every detailed process” proved as a success factor. On employee level a willingness to change exists at least with regard to technology due to the old IT. Customer feedback plays an integral role for the employees to accept a change or not. If an external customer signalizes support for an idea, the implementation and stabilization at employee level are more likely. Vice versa, negative external feedback results in blaming the management: “They have decided it”.

Case Bank C

Bank C is a deposit-taking credit institution of the cooperatives sector. As one of the largest German building associations Bank C is specialized on building society savings and real estate financing for retail clients. Its products are distributed via branches. In terms of employees it is the fourth largest bank in this research, and third in balance sheet total.

Bank C reports a challenging market environment, especially driven by the low interest rate environment. However, the perceived market dynamism was lower than the average of all banks. The bank is rather traditional and did not experience many changes in the past decades due to ongoing success and a strong market position. Yet the bank currently has to undergo a cultural “change in thinking and procedure” towards a more agile organization: An ongoing strategic re-orientation into a field of business with fiercer competition requires quicker responses.

“No concrete channel exists” where ideas enter the bank and “no standardized process exists to pour these in”. The responsibility remains with the line managers “to collect and channel” ideas. In order to identify needs and discuss ideas, two circles come together every month. Furthermore, a department for innovation management was set up two years ago to actively look for new technological solutions and increase acceptance from the business department by “pre-thinking solutions”.

Whilst every department has their own budget for smaller initiatives, larger scale decision making remains with the directors. The yearly strategy process develops strategic guidelines. During the year ideas require a proposal to the directors.

For prioritization, the promised benefit is central. Key questions for its evaluation are “do we need this, do we want this, or does the customer want this?” The bank “rather tends to take too long than to be too fast” to make decisions.

Changes concerning the business model are embedded into a standardized and established “new product development process”. Smaller ideas are “cut up small, tested, and if they work out well many arguments exist for scaling”. This shall ensure that multiple ideas can be tested at once without overstressing budgets.

The tardiness to change originated on management level. Success factors for the ongoing transformation are an awareness of the necessity to change in all managers, and to make new initiatives graspable. On employee level transparency is important and a higher degree of personal responsibility. Tools such as “creative zones”, design thinking workshops, and the like are regarded ineffective. It is believed that “today’s organizations are not yet made for such freedoms” and thus stimuli from the outside are important.

Knowledge management remains heterogeneous across the departments which act quite independent in “their own small principedoms” once the budget is allocated. Whilst certain degrees of freedom are important for an entrepreneurial spirit, the current situation is considered negative since company-wide interests seem to be neglected.

Case Bank D

Bank D is a deposit-taking credit institution and one of the largest banks in the cooperatives sector. Unlike other cooperatives the bank does not have a regional footprint but operates more than 80 branches all over Germany. It is specialized in banking for an occupational group and regards its business model as unique in Germany. The offering comprises solutions for retail and wholesale clients. It is the fifth largest bank in terms of headcount and balance sheet total in this research.

Bank D reports a strong market position and favorable business environment of its target group. The assessment of the environmental dynamism was the lowest of all banks. Still, technological and regulatory changes are the most frequent and have the strongest magnitude. All changes seem to appear predictably, and the bank is able to “purposefully gather information” from its environment and also to evaluate these information, but the realization is often hampered by unavailable capacities which are bound by regulatory topics.

The main initiatives stem from the bank’s directors and top management who “notice what is going on in other houses, or in FinTechs”. Ideas concerning new fields of business derive from the departments as these have the deepest knowledge of their respective market.

The directors are the main decision-making body. Strategic guidelines are reviewed and developed on a yearly basis. “Project portfolio circles” in the bank “evaluate and prioritize strategic-structural projects on a quarterly basis”. The participant calls this procedure “the classical, bureaucratic way”.

Perfectionism appears inherent in the bank’s culture. A low error rate persists and traditionally the whole industry has a low tolerance for mistakes. This perfectionism is not regarded as positive as “possibly things need a little longer or chances are

seldom seized”. Therefore, “the directors sent out the clear message” that the employees should more actively test out ideas with pilot projects, e.g. in single branches.

Ideas for changes are realized in projects. The project structure is usually “very classical” which shows a rather centralized approach, confirmed by the participant with regard to politics which emerge in the headquarters.

Case Bank E

Bank E is a deposit-taking credit institution and part of the cooperatives’ sector. It is a retail bank with a strong regional footprint and has retail as well as corporate clients. It is the smallest bank in this research. Besides its network of more than 20 branches, the bank is accessible for customers through online channels and regards itself as a pioneer in online banking.

The assessment of the market dynamism yielded one of the highest results in this research. Main drivers are technological changes. Interestingly, Bank E is the only bank that does not regard the occurring changes as predictable.³ In line with this, the participant mentioned that “nowhere happens this teasing out, this hunting for good ideas”.

The search for new ideas is “distributed among the shoulders of the management”. This supposedly results in a pre-filter since every idea is evaluated under consideration of the impact for the respective manager’s department. However, the participant described the relationship between the department heads and also the directors as trustful and a weekly exchange takes place across all management levels. Large ideas and strategic changes such as massive changes of the business model usually originate on director’s level. The participant exemplified the concentration on “media channels for customer sales” that was triggered by one director.

An idea must promise some kind of measurable benefit in order to be decided upon. “Operands” for measurability can be monetary or qualitative. All projects are reviewed, the operands measured and the project declared successful or not.

The decision-making speed is evaluated as part of a yearly poll on management level and always “yields values better than 2 in the school grading system”.⁴ Furthermore, the poll assesses project realization and the crucial success factor appears to be resource availability.

For project staffing, the person responsible publishes the required knowhow and all employees can apply to participate. Thus “a project organizes itself in an appropriate structure”. Rejected candidates are frequently integrated into quality assurance tasks. This leads to employee involvement which is regarded as the central success factor for the implementation of changes. Besides involvement, another success factor for the implementation of changes is transparency as “I can only participate if I know what’s going on”. Furthermore, the participant regards it as essential that each employee must have the feeling that autonomous work is desired by the superiors: A basic attitude that “at our place, everything is always in progress” must be initiated by the directors and communicated “mantra-like” over all hierarchical levels.

A public forum for discussion on employee level does not generate much participation and rather serves as an informational tool. Similarly, attempts to establish the collection of best practices were not successful. A central department as a knowledge provider e.g. for project methods is therefore regarded as important.

³ Only changes in customer preferences are regarded as predictable.

⁴ The German grading system ranges from 1 to 6 with 1 being the best possible grade.

Case Bank F

Bank F is a deposit-taking credit institution that belongs to the commercial banks sector and operates as a direct bank which means that it does not have any branches. It is one of the largest retail banks in Germany and has a wholesale offering for corporate clients. In terms of balance sheet total, it is the largest bank in this paper and third largest in headcount.

The assessed market dynamism yielded above average frequency and magnitude of changes. Main drivers of both categories are technology and regulations. However, all changes are regarded as rather predictably.

Organizational agility appears as a key factor for the success of the bank. This topic is specified as the collaboration between business development units that operate in each department and the bank's IT. On a cultural level, an encouragement of personal responsibility and autonomy are regarded as central elements. Such agile elements are contradictory to the bank's original operations that derive from a "hard, or very stringent model, guided by Tayloristic principles" with "many small process sections". Yet the bank was able to establish a culture where changes "are almost always successful".

The classical entrance channel for ideas is that "some manager, director comes along, gets a stimulus, and carries that stimulus into the organization". Noteworthy is an organized "learning journey" in which companies of different industries and sizes visit each other, following a specific procedure, and take a look at certain solutions. The participant exemplified that Bank F received ideas for handling their call centers from a food logistics company.

Employees are another important entrance channel. The participant appraises that "a whole lot of employees wake up every morning with the thought what could be improved today". In order to achieve such a "self-supporting process with its own dynamics" it is important for the management to set an example of commitment.

Ideas from employees are captured by the respective manager or by an "idea management" platform. The former needs a level of trust and is inspired by regular visits from the manager. The latter is a tool to position an idea at an organizational level, followed by the necessity to find supporters. If enough colleagues "like" the idea, it is transferred to the business development unit of the affected department.

The bank tries to delegate the decision-making away from the top management levels. Three categories are differentiated according to their "impact on the overall development": Decisions on (1) large changes of the business model, (2) the business policy, and (3) products and services. The first might be that the bank opens up branches. In this case, the directors and probably the holding of the bank would make the decision. The second could be the introduction of an account maintenance charge, decided by the local directors. Considering these two categories "something of this kind only happens in very few moments".

Changes concerning products and services, such as the introduction of a new app to assess the value of real estate, are decided on a running basis by the "people responsible from the respective departments" and the directors are only informed, albeit possessing a veto power. For "all necessary decisions remaining" which mainly comprise changes with IT-impact or requiring larger-scale implementation efforts a "prioritization committee" meets every month. This committee consists of experts from business departments, process owners and people responsible for IT, "thus everyone having a stake in this game".

Prioritization criteria are "always the same topics: Employee satisfaction, customer satisfaction, costs, and efficiency" as the main drivers. Moreover, the effort needed for realization is considered and guidance is available to prepare a business case. The participant characterizes these criteria "very simple, but very clear".

The realization of an idea "is basically a part of the process intelligence: No matter what kind of change we have, the same mechanism must be triggered every time". This mechanism includes implementing the idea and monitoring its practicality. The participant evaluates that the realization of changes "works out extremely well".

Especially autonomy and personal responsibility constitute to a willingness to change. On management level this requires trust and tolerance for mistakes. Furthermore, the bank's structure is traditionally rather decentral with a lot of autonomy for the individual department heads. As for knowledge management, no "clean institutional approach" exists.

Case Bank G

Bank G is a deposit-taking credit institution and one of the biggest German savings banks. It is focused on retail customers and small and medium sized firms. Bank G operates in an economically strong region with a dense branch network of more than 150 physical access points. It is the fourth largest bank in this research in terms of balance sheet total, and the second largest in headcount.

The evaluation of the market dynamism is in line with the other banks. Yet, the magnitude of technological changes is higher, as well as of competitors' product offering and customer preferences. Furthermore, it is noteworthy that technological changes are regarded as rather unpredictable. The bank currently finds itself faced with changes "induced by the so-called digitization" that is regarded as less technical but as a "cultural or social development". This pressures the bank which "functions according to classical hierarchical processes". Thus it requires "an organizational development on management level which is running, smoothly, but in total too slow for the existing requirements of change".

The yearly strategy process is "the main gateway" to "identify needs of changes" and to decide on different options. Environmental analyses and "simply the intuition of managers" are the two main entrance channels for ideas into the organization. The latter is considered the stronger factor and mostly takes place on director's level in the strategy process as "the lower level managers carry a more operative responsibility". Employees' ideas are usually captured by their line managers. However, the bank does not have adequate systems and processes to unlock "many hidden potentials" in the workforce and ideas "develop from the strategic work of a handful of staff".

Depending on the assumed impact decisions are carried out by the directors or department heads. Minor changes of the business model, e.g. to target certain customer segments, or slight alterations of the product portfolio usually follow an informal decision-making process "where the success factor is simply a good culture of discussion". All other initiatives require board proposals which "used to be exclusively closed-job meetings", but are gradually opened up by including on-topic employees.

The aforementioned tardiness to change on management level is accompanied by a "protection mentality" on organizational level: In order to pursue induced changes, "many basic conditions must be very transparent and clearly described", indicating a low propensity to take individual responsibility. Additionally, the management struggles with giving up responsibility and does not yet have the ability to cope with "high uncertainty in processes, such as new services and so on, high uncertainty concerning market requirements, versus high certainty in project topics like a IT-migration". Once all parameters are clarified the bank is described as "highly energetic", indicating that an overall willingness to change exists.

Realization of changes is mostly conducted in projects. Success factors are directors' backing, unambiguous responsibilities, early involvement of the affected people, and cross-functional inter-hierarchical teams.

The rather centralized sensing and seizing of ideas is reflected in the organizational structure that is more hierarchical than process-oriented. This “silo way of thinking” also affects knowledge sharing with a prevailing “knowledge is power” attitude. Besides this cultural aspect another hindrance is supposedly the lack of an adequate central platform: At present, in order to access certain resources “you have to know the people”. Thus it is assumed that many knowledge resources remain isolated in the departments.

Case Insurance A

The insurance company is part of a foreign international insurance group. Private individuals and small and medium sized firms form the customer group. Excluding the home market, Germany is roughly the second largest market in terms of business volume. One participant classified the company as a medium-sized firm.

The assessment of the market dynamism was lower than for all banks. It appears that the insurance industry is less affected by changes in the market environment than banking and that technological innovations did not have a huge “impact on the insurance industry yet”.

Larger changes in the company are usually induced by the parent, including a centralized search for new fields of business. These stimuli enter the German subsidiary in form of guidelines. Initiatives originating from the German subsidiary mostly affect business policies such as new distribution channels and processing.

In the German subsidiary, sensing ideas rests with individuals of the firm and usually originates on management level. Internal changes such as process improvements sometimes stem from employees, yet the largest impact have the directors.

The directors are also the main decision-making body but the underlying process is “somewhat less than perfect”. Decisions are often induced informally and not always transparent. However, approachability induced by the rather small company size and an informal conversational culture are regarded as positive but the lack of formalization sometimes results in ambiguity of decisions.

The company is considered to be not very prone to changes. It is reported that the company is in very good shape which adds to the typical risk aversion of the insurance industry where “as of January 1st, 70 per cent of the earnings are already ensured” due to annual premium payments. As a result, “no one wants to float something which turns out to be a nonstarter” and the decision-making process tends to take long due to hedging behavior.

In order to increase the willingness to change it is important that the respective manager sets an example. Communication plays an essential role, especially validity of argument and speed. Employee participation and reduction of uncertainty were success factors in past changes, i.e. a post-merger integration.

Processes for the realization of changes are “average”. The company appears hierarchical and top management backing is important, underlined by the statement that “if the boss says turn left, the employees turn left”. The focus on individuals also applies to knowledge carriers. One participant exemplified that “if I am on holidays, education and training, I return and they say ‘all knowledge was gone’”.

Discussion and Conclusions

The findings suggest that customer preferences for financial products seem to remain rather stable, but change with regard to the provision and distribution of these products. Thus, changes in German financial services companies mainly occur in the distribution of products and operations. Product

development processes appear not to be an integral part of Dynamic Capabilities. Rather, Dynamic Capabilities operate in the integration of technology-related solutions and the adaptation of processes in the firm.

Environmental factors seem to influence Dynamic Capabilities. Banks in this research which are not as exposed to market changes or competition appear to have more difficulties to deal with changes than their peers: The manufacturer’s bank is “not very agile”, the building association reports that the company is too slow for the new field of business, the occupational bank reports resistance to change. The large savings bank also indicates difficulties in changes: An ongoing transformation might be hampered by the economically strong region in which the bank operates and past success of the business model. In contrast, the direct bank reports that changes are almost always successful, and the bank with the narrow retail product focus as well as the small regional retail bank report a high willingness to change. The insurance company generally reports a lower dynamism and also lower willingness to change.

Directors play an important role in the observed firms and Dynamic Capabilities seem to originate on top management level: Search, decision-making, and change processes are at least steered by managers, if not conducted discretely. Constituting organizational processes for search and decision-making are directed by strategic guidelines and strategy processes.

Processes underlying the clusters sensing, seizing and reconfiguration display commonalities in their basic structure, but are tuned to the specifics of the individual companies. This complicates an evaluation of the performance of these processes: Perhaps the occupational bank might not have an advanced employee suggestion scheme, but still senses all information relevant for its business. Maybe the manufacturer’s bank does not need a huge employee participation to effectively implement its initiatives. Exemplary, the insurer stated that it does not need a huge radar to observe market changes, but that it needs effective decision-making to capture the right chances as it is too small to allow for too much experimentation.

However, certain common characteristics and goals might facilitate a comparative measurement. Sensing is mostly described as an unstructured and possibly discrete activity. Units for market research seem to surveil only defined areas. But the evidence suggests that a connection between the predictability of changes and the verbal assessment of the companies’ sensing capabilities exists. Thus predictability might be one dimension for sensing. Additionally it is reported that ideas might get lost or do not even enter the firm as channels are not clear or not accessible. Thus unambiguity and accessibility of entrance channels could serve as further objects for an evaluation of sensing activities.

Seizing activities happen informally every day, as depicted by the direct bank, but are also embedded in formal structures such as strategy processes. They include decision-making in the firm where speed, validity, and clarity seem important. Again, these categories should not be regarded in absolute terms, as for example Bank A states that four weeks are too long, whilst the insurer reports that three months “are nothing”. Thus an indication of perceived speed of decision-making is more promising. For validity, it is important to consider if the taken decisions are fruitful in the eyes of the participants, i.e. if they were right in retrospectivity. This will not ensure the effective functioning of future decision-making but could be used as a proxy to evaluate contemporary capabilities. Clarity is another factor: At the direct bank, the criteria are said to be simple and clear which ensures effective decision-making, whilst the insurer reports that sometimes decisions are reached but it remains unclear what should happen afterwards.⁵ Thus clarity of decisions might be another component of a seizing capability. In addition to decision-making, resource availability is important for

⁵ Note that this does not mean that every decision needs all possible influence factors. It even seems favorable to take decisions on a broader

goal, such as customer satisfaction and define the details during the implementation. Rather, a decision should not leave ambiguity.

seizing. Regulatory requirements reportedly use up many capacities of the firms and to have available resources in terms of skill and manpower at the right moment seems to be a factor.

Reconfiguration in the investigated firms takes place in parallel to line activities or in projects. For larger changes, the latter is exclusively used. An assessment if decisions are actually realized can be used as a proxy for this category: Whilst the direct bank reports that decisions are realized very rigorously and successful, other banks report that realization is hampered.

Besides these possibilities for comparison the findings suggest success factors that can give guidance to practitioners. Firm culture and especially the role of leadership are emphasized again: Success of initiatives seems to originate on management level and is broken down the firm.

Sensing activities are divided in managerial sensing and employees' sensing. The former can firstly be reinforced if managers have room beside operational tasks. Second, an active exchange on management level, both formal and informal, has a positive effect. A common understanding of the future direction of the firm and trust are enablers, open space solutions and meeting points facilitate their development. Third, external stimuli should be gathered: This starts in internal units, e.g. service centers for customer feedback and market research for environmental analyses, and can be expanded by activities with e.g. startups, competitors, or companies from other industries. Sensing on employee level heavily depends on trust in the superior: The workforce must feel comfortable to express ideas and confident that their ideas might be implemented. Just as for the management levels, exchange intensifies ideas generation and can be nurtured by the premise design and the deployment of cross-functional teams: "Suddenly the right process experts sit together".

For seizing opportunities, it is promising to lead the decision-making or at least prequalification away from top management. Various strategies might be applied: Department heads might receive higher autonomy, templates for the input of ideas could be provided, or regular expert circles established. To ensure effective realization a description of the first steps after the decision should be included in prioritization. Reconfiguration is mostly conducted in projects, requiring methodological knowhow. To implement an initiative inside the firm the participants reported that it is especially relevant to include all affected stakeholders and to consider formal demands, such as regulatory requirements. Guides can provide orientation for these integrative and formal requirements.

Cultural factors affect all clusters. Participation and involvement are recurring themes on employee and management level, connected to personal responsibility. They start in sensing, e.g. to create teams with a semi-concrete task such as improved customer satisfaction, continue in seizing, e.g. by using a knowhow tender for project staffing, and carry on in the realization, e.g. through the use of agile methods. Personal responsibility is connected to feedback. The findings suggest that ascribing success and responsibility to employees is important for acceptance. This might be external through transparent production numbers, customer feedback, or the like, or internal, e.g. through integration of employees in top management meetings to present results. In terms of communication, speed and validity of argument are central elements. Directors' backing is once more important and should underpin these approaches.

In various firms of this research it proved successful to establish particular teams to deal with perceived difficulties in changes: The direct bank employs units in every department to connect IT with business, the building association has an innovation team to carry solutions into the departments, and Bank A deploys a transformation management unit to establish changes in the bank. In order to develop certain capabilities that do not yet function as required it seems promising to mandate units with specific tasks.

These teams serve as a knowledge accumulator and provider. Especially in their initiation a strong mandate from the directors is required. Regular exchange can expand the knowledge inside the organization. Tools for knowledge management such as a Wiki seem to be only supportive in the investigated firms. This also applies for employee suggestion schemes and forums for internal exchange: A cultural development appears to be a prerequisite for technological facilitators.

Further research could pick up the discussed categories and apply statistical methods. The survey for the perceived environmental dynamism can function as a tool to include market factors. Furthermore, an inclusion of a measurement of competition in the industry can be another section to test against. A more rigorous assessment of the companies' financial performance than conducted in this paper is advisable. Interviews appeared adequate to get a feel for the functioning of Dynamic Capabilities inside the firms but also for factors that are important in the industry. Thus a mixed method with an identification phase based on qualitative data and a phase for relative measurements appears promising to converge towards an operationalization of Dynamic Capabilities.

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Trajectory of marketing function – from traditions to innovations

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Purpose – to review modern marketing concepts, definitions of the constituent elements in the marketing system at enterprises and to substantiate the basic postulates underlying the development of innovative marketing at enterprises in order to improve competitiveness of products.

Design/Method/Approach. In the course of the study we used methods of theoretical generalization, reasoning and abstraction, as well as analytical, monographic, dialectic methods.

Findings. We have revealed the essence and content of the concept of marketing. It has been substantiated that the development of marketing support is a sophisticated dialectical process of interaction between factors from the external environment and the targeted influence of drivers associated with the production of competitive products that satisfy certain market needs. We have reviewed and substantiated the essence, objectives, basic tools and principles of marketing function. We have developed and scientifically substantiated organizational components in the innovative marketing at enterprises based on ensuring the coordinated interaction between their innovation and marketing activities. The essence, content, and principles of the term "innovative marketing" have been defined. We propose a classification of varieties of innovative marketing depending on their functional belonging.

Practical implications. Results of the study can be used in the development of proposals related to the effective formation and application of marketing at an enterprise.

Originality/Value. We have devised a classification of the marketing function at an enterprise. The basic principles of marketing function have been substantiated. We have defined the methodological provisions for studying the marketing function at an enterprise. The essence, content, and structure of innovative marketing have been determined as an important and integral component of conducting an economic activity by an enterprise, which implies the creation of a fundamentally new product (good, technology, service); the application of innovative marketing has been emphasized for improving business processes at an enterprise.

Research limitations/Future research. The task is to develop an effective mechanism for the efficient functioning of marketing under different situational and market-led fluctuations under conditions of market volatility.

Paper type – theoretical.

Keywords: marketing support; marketing environment; enterprise management; market research; innovative marketing.

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Траєкторія руху маркетингу – від традицій до інновацій

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Мета роботи – оглянути сучасні концепції маркетингу, визначити складники системи маркетингу підприємств і обґрунтувати основні постулати розвитку інноваційного маркетингу підприємств для підвищення конкурентоспроможності продукції.

Дизайн/Метод/Підхід дослідження. У дослідженні застосовано методи теоретичного узагальнення, аргументації та абстракції, аналітичний, монографічний, діалектичний.

Результати дослідження. Розкрито суть і зміст поняття маркетингу. Обґрунтовано, що розвиток маркетингового забезпечення – це складний діалектичний процес взаємодії чинників зовнішнього середовища і цілеспрямованого впливу чинників, пов'язаних з виробництвом конкурентоспроможної продукції, що задовольняє певні ринкові потреби. Розглянуто і обґрунтовано сутність, завдання, основні інструменти та принципи маркетингового забезпечення. Розроблено і науково обґрунтовано організаційні складові інноваційного маркетингу підприємств на основі забезпечення узгодженої взаємодії їх інноваційної та маркетингової діяльності. Визначено сутність, зміст і принципи терміну «інноваційний маркетинг». Запропоновано класифікацію різновидів інноваційного маркетингу у залежності від їх функціональної приналежності.

Практичне значення дослідження. Результати дослідження можна використовувати при розробці пропозицій щодо ефективного формування та використання маркетингу на підприємстві.

Оригінальність/Цінність/Наукова новизна дослідження. Здійснено класифікацію маркетингового забезпечення підприємства. Обґрунтовано основні принципи маркетингового забезпечення. Визначено методологічні засади дослідження маркетингового забезпечення підприємств. Визначено сутність, зміст і структуру інноваційного маркетингу як важливої і невід'ємної компоненти ведення господарської діяльності підприємства, котра, передбачає створення принципово нової продукції (товару, технології, послуги); виокремлено використання інноваційного маркетингу для вдосконалення бізнес-процесів на підприємстві.

Обмеження дослідження/Перспективи подальших досліджень. Розробити ефективний механізм раціонального функціонування маркетингу для різних ситуаційних і кон'юнктурних коливань в умовах волатильності ринку.

Тип статті – теоретична.

Ключові слова: маркетингове забезпечення; маркетингове середовище; управління підприємством; маркетингові дослідження; інноваційний маркетинг.

Траектория движения маркетинга – от традиций к инновациям

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Цель работы – обзор современных концепций маркетинга, определение составляющих элементов системы маркетинга предприятий и обоснование основных постулатов развития инновационного маркетинга предприятий для повышения конкурентоспособности продукции.

Дизайн/Метод/Подход исследования. В процессе исследования использованы методы теоретического обобщения, аргументации и абстракции, аналитический, монографический, диалектический.

Результаты исследования. Раскрыты сущность и содержание понятия маркетинга. Обосновано, что развитие маркетингового обеспечения – это сложный диалектический процесс взаимодействия факторов внешней среды и целенаправленного воздействия факторов, связанных с производством конкурентоспособной продукции, удовлетворяющей определенные рыночные потребности. Рассмотрены и обоснованы сущность, задачи, основные инструменты и принципы маркетингового обеспечения. Разработаны и научно обоснованы организационные составляющие инновационного маркетинга предприятий на основе обеспечения согласованного взаимодействия их инновационной и маркетинговой деятельности. Определена сущность, содержание и принципы термина «инновационный маркетинг». Предложена классификация видов инновационного маркетинга в зависимости от их функциональной принадлежности.

Практическое значение исследования. Результаты исследования можно использовать при разработке предложений по эффективному формированию и использованию маркетинга.

Оригинальность/Ценность/Научная новизна исследования. Осуществлена классификация маркетингового обеспечения предприятия. Обоснованы основные принципы маркетингового обеспечения. Определены методологические основы исследования маркетингового обеспечения предприятий. Определена сущность, содержание и структура инновационного маркетинга как важной и неотъемлемой компоненты ведения хозяйственной деятельности предприятия, которая предусматривает создание принципиально новой продукции (товара, технологии, услуги); выделены использования инновационного маркетинга для совершенствования бизнес-процессов на предприятии.

Ограничение исследования/Перспективы дальнейших исследований. Разработать эффективный механизм рационального функционирования маркетинга для различных ситуационных и конъюнктурных колебаний в условиях волатильности рынка.

Тип статьи – теоретическая.

Ключевые слова: маркетинговое обеспечение; маркетинговая среда; управление предприятием; маркетинговые исследования; инновационный маркетинг.

Introduction

Under conditions for the globalization of Ukraine there is the need to improve the effectiveness of marketing management in the formation and development of competitive advantages in economic systems at different levels of the economy, to create a modern institutional framework to ensure favorable conditions for the improvement of competitiveness of domestic producers in the local and international markets. At present, development of the economy depends on the feasibility and creativity of the marketing system, which is an effective means to solve a task on the quality management and competitiveness of goods and services.

Marketing activity integrates the function of management decision-making and is the basis of core competence at an enterprise, involved in the design of its profitability. Therefore, the operational efficiency of any enterprise in a market depends on the effectiveness of marketing activity, which contributes to the creation of new possibilities for its further development. That leads to the realization of the important role of marketing activity in the creation of techniques and mechanisms to regulate production and business processes at an enterprise.

Thus, it is necessary that the market concept of an enterprise should be completely aligned with the marketing strategy of development, because marketing at an enterprise is closely interconnected with its entire production and business activities. It is the use of market research that would make it possible to obtain full information for the production of certain products at maximum efficiency for the enterprise; in other words, marketing is one of the three most important components in the activity of any enterprise, along with production and financial management.

Marketing is a business philosophy that forms through formal education and a direct reflection on the experience; it is implemented as a set of activities (marketing-mix), aimed at improving the interaction between a company (or other economic entity) and a market, as well as consumers; it consists of: research; analysis; development and implementation of programs to form an offer and promote goods and services to consumers. Modern marketing requires, in addition to creating a product with high consumer properties, proper pricing, organizing an effective system of distribution of the product, that an enterprise should communicate with its actual and potential customers and buyers, that is, promote the product in the market. The ultimate goal of marketing activities is to make profit and expand business operations.

P. Kotler and G. Armstrong interpret marketing as a kind of human activity, aimed at meeting the needs of specific customers and target markets through exchange, defining not only the attributes of marketing, but its objective as well – to satisfy target markets through exchange. That is, marketing is the management of profitable relationships with customers. A twofold objective of marketing is to attract new clients by promising to maintain a high value of the product or service and to attract more clients by meeting their needs (Kotler & Armstrong, 2012, p. 4–5).

At the same time, the authors outline specific steps in creating value for customers and building relationships with customers by using the model of a marketing process (Kotler & Armstrong, 2012, p. 28–29).

It is also important to take into consideration a possibility to use marketing as an element (a subsystem) in the functioning of an organization (a system). A variety of interaction and dependence of elements that define their existence, the place and role in the system, indicate the presence of a relationship between elements.

In market research and assessment of consumers, the latter are increasingly referred to in theory as producers (Cova, Dalli, 2009). Some researchers emphasize that marketing currently faces a task to provide rational support to marketers in the form of necessary recommendations and procedures (Agic, Cinjarevic, Kurtovic, & Cicic, 2016; Cortez, Johnston, 2018).

Depending on the goals and methodology used by scientists, it is advisable to highlight certain approaches. Thus, according to definition by Jean-Jacques Lambin: "Marketing is a social process, aimed to meet the needs and desires of people and organizations by providing a free competitive exchange of goods and services that are of value to the buyer (Lambin, 1996, p. 4). J. Evans and B. Berman suggest that marketing in the classic sense is defined as a business activity that manages the promotion of goods and services from producer to consumer, or a social process through which the demand for goods and services is predicted, extended, and satisfied by their development, promotion, and sale (Evans, & Berman, 2004, p. 16). The American Marketing Association defines marketing as an activity, a set of institutions and processes, aimed at creating, communicating, delivering, and exchanging offers, which have value for customers, partners, and society in general (The American Marketing Association). L. Balabanova notes that marketing is the concept of enterprise management, the sales of goods and services with a focus on consumer, based on a systematic approach, and it meets the needs of the market, accelerates turnover and profitability in production and trade (Balabanova, 2001, p. 33). A. Voichak argues that marketing is a complex-systems approach to solving the problems in the market, which covers the stages of movement of goods, starting from defining the needs and demand, organization of production, rendering various services related to sales, and ending by organizing the after-sales service (Voichak, 2001, p. 42). P. Dixon believes that connecting the manufacturer and consumer, helping them find each other, thereby making the work of the former truly demanded and efficient is the main objective of marketing activity. The importance of implementing a global marketing approach, not only at the level of a division or structural unit, but also at the level of the entire enterprise, by each employee, is highlighted by foreign researchers of marketing activity (Dikson, 2009, p. 24).

German marketer H. Schwalbe notes that it can be argued that marketing has always existed: it was simply not termed that way (Schwalbe, 1990).

In the opinion of some scientists, marketing is a special case of human activity, aimed to meet the economic needs of consumers, which enables the balance between the needs of buyers and resources of manufacturers. From the perspective of a firm, meeting consumers' needs is the result of the marketing strategy it had adopted (Enis, Koks, & Mokva, 2001; Balaji, Roy, & Quazi, 2017; Haberstroh, Orth, Cohen, Maria, Corsi Bouzdine-Chameeva, Crouch, & De Marchi, 2018; Kasabov, 2015; Martin, Javalgi, & Cavusgil, 2017; Zhao, & Priporas, 2017).

At the present stage, marketing is interpreted not only as a management function, but as the marketing management of product competitiveness under market conditions. An analysis of the economic literature that was conducted (Balabanova, 2001; Berman, 2016; Dikson, 2009; Frösén, & Tikkanen, 2016; Kleber, Florack, & Anja, 2016) has made it possible to select the marketing approach as one of the most dominant approaches to the assessment of an enterprise's competitiveness. Therefore, the task related to the management quality of marketing and product competitiveness is universal in character. The degree of success at solving it affects the socio-economic situation of a country and any consumer. Thus, O. Bolotna believes that modern methods to manage the competitiveness of an enterprise by using marketing tools make it possible to ensure the timeliness of management decision-making aimed at improving resistance against negative impacts, achieving the target market positions while minimizing the level of business risk (Bolotna, 2013, p. 334).

Therefore, a constantly changing environment in which an enterprise operates requires that special attention should be paid to the effectiveness of marketing activities. Marketing is necessary to solve the following tasks:

- to coordinate the processes to create an idea, concept, design of a new product, its pricing, distribution, and promotion in the market;

- to segment potential consumers (taking into consideration the needs, expectations, perception, motives) and to create target markets;
- to position the innovative product;
- to ensure the competitiveness of an innovative product and the enterprise itself in target markets;
- to enhance customers' satisfaction and loyalty to an innovative product;
- to establish and maintain long-lasting and sustainable relationships with customers and other business partners (Neretina, 2009, p. 32–33).

An analysis of research results in the scientific sources has revealed the interpretation of general concepts of marketing, however, despite the importance of these studies, there remains a series of issues regarding the construction of a rational system of marketing at enterprises, the optimal structure of its constituent elements, which has necessitated our research.

Problem statement

The purpose of this paper is to review modern marketing concepts, to define constituent elements in the system of marketing at enterprises, and to substantiate basic postulates in the development of innovative marketing at enterprises in order to enhance competitiveness of products.

Methods and Data

The methods used in the study involved the theoretical and creative interpretation of the selected topic. The theoretical and methodological basis of this research is the provisions from economic theory, scientific papers by domestic and foreign researchers in the field of marketing. We have used the following research methods: monographic method – when studying the essence of marketing at an enterprise, a dialectical method of cognition – when studying the planning and justification of the concept of marketing; theoretical generalization and comparison – for the development of a conceptual apparatus and to examine marketing function; abstract-logical – to theoretically generalize the essence and methods in the mechanisms of marketing management. The information basis of this research includes monographic works and scientific publications in line with the chosen topic.

Results and Discussion

Marketing plays a certain role at every stage of the product life cycle, but the significance, volume, and the content of work at these stages are different. At the stage of product development, of importance is the coordinating role of marketing in forming an idea and a concept of product or service. In this case, important role belongs to the results of market research. Marketers must also participate in the development of an innovation strategy, product, and product range policy. The importance of marketing grows at the stage of project implementation when it is necessary to solve the tasks associated with the distribution and promotion of a product or service (Efrat, Gilboa & Yonatan, 2017).

Marketing concepts have their own evolution development, which can be divided into three main stages:

- the concept of classic marketing (1960–1980), which was formed based on production, commodity, and sale concepts: "4P" marketing mix, the concept of marketing myopia, the theory of consumer behavior, the concept of positioning;
- the concept of socio-ethical marketing (emphatic marketing) (1980–1995): social-oriented marketing, strategic marketing, the concept of marketing wars, the concept of integrated logistics, mega-marketing, competitive marketing;
- the marketing concept of interaction (the concept of relationship marketing, global integrated communicative marketing (1995

to present): a model of marketing relationships; a customer-oriented service approach, the theory of trust and affection) (Balabanyts, 2012, p. 10; Tankov, 2012, p. 182).

A modern marketing concept includes three main tasks, studying and development of which underlie a successful sale of the product:

- focusing on the consumer (his needs, requests, tastes);
- approach to marketing at the company-wide level, whose success depends on all functional units and requires their structural and organizational cooperation;
- focus on profits as the ultimate result of the entire production-economic activity that defines the specific selling technique (Broekhuizen, Bakker, & Postma, 2018; Kleber, Florack & Anja, 2016).

Y. Vdovenko argues that the comprehensive study of the consumer is important, but insufficient, factor for success, because other subjects of direct impact act in the market, in particular competitors, which might possess advantages in competition and be able to more adequately respond to different situations. Even though marketing primarily focuses on consumers, to elucidate who they are and what precisely they require from a product or service, work related to studying competitors is no less important because they define the criteria that need to be outperformed to achieve long term success. Thus, in the framework of an integrated market research, there is a need to analyze competitors in order to determine spheres of influence in the market and to weaken competition (based on the knowledge of needs and, at the same time, about actions of competitors, it becomes possible to find a niche in the market) (Vdovenko, 2011, p. 119–120).

In other words, marketing approach is implemented by studying the interests and needs of consumers and other counterparties of an enterprise, development of strategic plans, based on them, and their further execution. Formation of the competitive strategies for managing competitive advantages is based on the application of basic principles of marketing, aimed at development of the market, design of a new product, extending the existing market, finding new segments, diversifying the types of activities. Consequently, the quality of marketing management, as well as competitiveness of products, is the concentrated expression of the totality of possibilities for an enterprise.

The main marketing tools that underlie the development of a marketing mix are (Skrynkovskyi, & Protsiuk, 2013, p. 22):

- product (development of appropriate measures concerning the strengthening and improvement of the quality and competitive properties of goods);
- price (determining and setting such a price for products that would fully cover the cost of their production and provide enterprise with a profit);
- place (creating the appropriate channels to sell products in order to bring it to the end user);
- promotion (forming an appropriate system of communications and sales promotion).

The main characteristics of classic marketing are: need; desire; demand; product or service (object of exchange); the process of interaction and the emergence of a relationship that involves the stages of exchange and concluding an agreement; meeting the need by buying and using a good or consuming a service.

Thus, success of an enterprise in the market today depends on making the rational marketing decisions and their further effectiveness. All this is achieved owing to the marketing support.

Marketing support enables the optimization of channels "producer – market – consumer" and manages the flow of goods, services, and technologies. That is why a necessary condition for the effective activity of enterprises is to use marketing support. Development of marketing function is a sophisticated dialectical process of interaction between factors in the external environment and the targeted influence of drivers associated with the production of

competitive products that satisfy specific market needs. The concept of "marketing support" is used quite often and in different interpretations (for example, "marketing potential"), as well as an additional linguistic tool that specifies the semantic understanding of a phenomenon, ignoring the analogy with other areas of knowledge; they systematically use the term "support" as a concept apparatus, which is distinguished by its structural and systemic character ("legal support", "pension provision", "methodological support").

Therefore, in the theory and practice of marketing the term "marketing support" is used by specialists in various contexts when describing marketing activities, but, nevertheless, it can hardly be argued that it possesses a specific, coherent meaning and is unambiguously perceived, as is the case for such long-established marketing concepts as, for example, "a complex of marketing", "the process of marketing", "a marketing system", "a market research", etc. (Tatarenko, & Budrin, 2012, p. 210).

Marketing support implies the organization of a creative process that takes into consideration a series of external and internal factors:

- 1) main directions in the development of marketing support in the market;
- 2) trends and the state of development of market relations among the subjects of economic activity;
- 3) the level of relations between legal entities.

Marketing support is a set of methods, techniques, tools, which are used to address tasks related to maximum satisfaction of consumers and maximization of profits from the sales of products (work, services) (Prychepa, & Ohorodnyk, 2017). Therefore, marketing support is the set of all kinds of resources (both material and intangible) that comprehensively provides support for the adequacy of the system and the process of marketing. The system of marketing support is necessary for normal (high-quality and uninterrupted) functioning of the process of development and decision making in the network of relations between business entities involved in the process of exchange of values (goods and services) based on commercial or non-profit principles. A marketing support system implies a series of subsystems, the main among which being the subsystems of informational, organizational, legal, economic, technical, social support, as well as security. Therefore, marketing support as a system makes it possible to define the role and essence of the category of marketing, intended to neutralize the factors of risk and threats to the implementation of the vision (strategy), to determine the essence and structure. A system of marketing support as the subsystem of socially significant exchange relationships (with respect to that marketing is interdisciplinary in character) is formed taking into consideration the functional development and is the functional subsystem of management.

Marketing support evolves in the process of overcoming contradictions between the external conditions and the internal capabilities of an enterprise. Provided that marketing support enables the adequate estimation of actual market environment and is based on its scientific analysis, while not ignoring the peculiarities in an enterprise development related to the production of competitive products, it can effectively influence the process of need formation. The process of marketing support evolves through a combination of interrelations, interdependences between the objective and subjective, the market-led and internal.

The main objectives of marketing support are:

- to train, aimed at the possibility to apply marketing tools when undertaking a market research;
- to design, based on knowledge and market practices, the principles and programs of marketing activities;
- to constructively implement the philosophy and marketing toolset in the economic relations;
- to support and advance innovative activities.

The methodological principles for investigating marketing support

at enterprises are as follows:

- a view of the marketing support as the basis of management hierarchy.
- consolidation of actions of all functional divisions at an enterprise around its key interests;
- applying all the constituent elements of the marketing mix in combination;
- taking into consideration special features in the production of innovative products at enterprises;
- informational support as a key component of marketing support;
- innovation and creativity in the process of marketing support;
- consideration of current concept of the socio-ethical marketing as a means to achieve a balance between the main objectives of marketing – an enterprise profit, customer requests, and interests of society.

The basic principles of marketing support are the following:

1. The principle of benefit, that is decreasing the uncertainty related to the application of marketing means.
2. Principle of alternativeness. One needs to consider several alternative variants to apply marketing means thereby selecting the most optimal one for a particular situation.
3. The principle of operativeness, which implies the adjustment of a procedure to use marketing means with the aim of considering the terms for fulfilling mutually beneficial contractual relationships.
4. The principle of clarity and substantiation. This requires that the scheme for applying the tools of marketing should be clear to participants in the relationship, and all of its component parts should have economic and commercial justification.

The process of formation of marketing technologies implies: a choice of specific marketing techniques that make it possible to fulfill the set tasks; studying conditions and limitations in the use of specific technologies; the evaluation of capacities to implement specific technologies; adapting technologies to the needs and capabilities of an enterprise (Shymko, 2014, p. 97).

Considering the tasks that should be solved by marketing function at enterprises, it is expedient to form the following units in a marketing department:

1. Department (manager) of market research.
2. Department (manager) to handle a product range. It is known that the market success for enterprises engaged in the light industry largely depends on the way they treat the modification and extension of their own product range.
3. Department (manager) responsible for the distribution that directly interacts with end-users or intermediaries and can prove very helpful in the establishment of feedback.
4. Department (manager) of advertising, PR, and sales promotion.
5. Department (manager) responsible for pricing.
6. Department (manager) responsible for post-sale service (probably, a PR specialist or a conflict-manager).

Marketing activities as the most important function in the field of entrepreneurship should provide sustainable, competitive position of the subject of marketing system in the market of goods and services taking into consideration the state of the internal and external environment. In this case, marketing activity implies active market research and the development of a program of marketing activities that are used to improve the performance of a firm and the efficiency of meeting the needs of the end user or a client.

Special features in the marketing approach to the assessment of competitiveness of an enterprise, outlined by J.-J. Lambin, are the capability to meet the needs of consumers better than competitors do (Lambin, 2008, p. 66). Common is the approach to competitiveness as a set of consumer properties of the product to its value. In this case, it is assumed that low competitiveness leads to lower prices for goods and, on the contrary, enhanced competitiveness predetermines an increase in price. In this case, competitiveness is identified with the quality of products, although as only one of the factors of competitiveness.

Today, it is necessary to rely on new conceptual approaches based on the marketing management of competitiveness of an enterprise product. The greatest recognition among products designed to meet a public need is obtained by the one that meets it better compared with the goods-competitors. That distinguishes it from the total commodity mass, ensures success in the competition, in other words, it makes it possible to argue that the product is competitive.

In this case, it is necessary to strive for a shift from marketing management as one of the functional subsystems in the micro-economic system to the marketing management that provides integration, interaction, and continuous process of recreating sustainable competitive advantages.

The marketing approach to managing the business competitiveness of a legal entity makes it possible to accomplish a series of key objectives:

- to prevent the expenditure of all types of resources related to production and introduction of non-competitive goods to the market;
- to ensure that the current and strategic objectives of an enterprise are aligned with the potential opportunities in the market;
- to find the possibilities and resources to form a sustainable long-term competitive position.

The marketing approach aimed at solving these tasks implies the orientation of a management subsystem toward:

- improving the quality of the object to the needs of the consumer;
- saving consumer's resources by improved quality;
- saving the resources in production, selling, exploiting the effect of scale, scientific and technical progress;
- by implementing a quality management system.

Therefore, a key issue for marketing-led management of competitiveness of an enterprise's product is the target orientation and comprehensiveness, the integration of all functional subsystems into a coherent system, functioning in the interests of the entire enterprise, which ensures a unified process of reproducing sustainable competitive advantages. Consideration of competitiveness as an object of the marketing-led management significantly changes goals in economic systems. In this case, the main objectives of marketing-led management of an enterprise are: to achieve high competitiveness of products, the creation and formation of sustainable competitive advantages over competitors. The concept of marketing-led management of enterprise competitiveness must consider not only the identified factors of competition and a limited range of needs by customers, suppliers, competitors, manufacturers of products-substitutes.

Y. Vdovenko proposes studying competitors in the following sequence:

- to detect and categorize competitors, to build a data bank on competitors;
- to analyze performance indicators of competitors;
- to identify strengths and weaknesses of competitors' activity (Vdovenko, 2011, p. 120).

From a systems position, the process of managing the competitiveness of an enterprise should be considered as a set of interrelated actions, the aim of which is to ensure its stable market position. Criteria for achieving an objective in specific cases, depending on the initial position and established strategic goals, may include: an increase in sales volume, territorial growth of the market, increasing the profitability of sales, increase in profits, as well as other market, economic, or financial indicators for an enterprise operation. The elements of this set (a system to manage competitiveness) include almost all structural subdivisions of the enterprise, among whose production functions one must specially select those whose implementation directly defines the market position of an enterprise. Such a choice forms the organizational structure of the system, that is a system of relationships among

structural units of the enterprise with regard to cooperation when managing competitiveness. When determining the functional composition of the system that manages the enterprise's competitiveness, one must consider the fact that it should represent all the functions of management.

Thus, a marketing approach to managing the competitiveness of an enterprise makes it possible to prioritize the factors, methods, guidelines, and other tools in their entirety, in order to establish the rational ratio and improve the substantiation of resource allocation.

The evolution of marketing makes it possible to argue that it is a process of its consistent introduction to various spheres of economic activity. This process manifests itself in the formation, extension, deepening of the marketing function, in general patterns, trends, and specific features of its development. Current challenges necessitate the revision of concepts, theories, approaches, and enable the detection and utilization of the newest marketing opportunities.

Marketing support depends in the innovation policy chosen by an enterprise. It implies continuous introduction of innovations to products with a fairly modest market success. Work with such goods is based on the established production technology and knowledge about the requirements and requests of consumers. An enterprise thus successfully exploits its main capabilities. Such new (and, in fact, improved) products do not significantly alter the market and the enterprise, but, in combination, ensure a stable, profitable enough activity of the enterprise. At present, most Ukrainian enterprises implement such an innovative policy (Kuznetsova, Yu. A. (2012, p. 373).

The classic definition of innovative marketing is considered to be the innovative marketing based on knowledgeable marketing, according to which an enterprise should constantly introduce real improvements to its products and marketing function (Kotler, 2006). The modern idea of innovative marketing is considered within the concept of innovation management. Thus, L. Ogoleva believes that the term "innovative marketing" is broader than the concept of "marketing of innovations". Innovative marketing includes a mission of the organization, the philosophy of thinking, a field of scientific research, management and behavioral style (Ogoleva, 2001). Innovative marketing is the area of activity of an enterprise directed towards forming new markets and other needs by potential and actual users (needs that are based on the development and creation of innovative potential).

Some authors understand innovative marketing as a concept of doing business, which implies the creation of the improved or fundamentally new products (technology, service) – an innovation – and the application, in the process of its creation and dissemination, of the improved or fundamentally new – innovative – tools, marketing forms and methods, in order to more effectively meet the needs of both consumers and producers (Agic, Cinjarevic, Kurtovic, & Cacic, 2016; Bozhkova, & Illyashenko, 2009, p. 35).

Innovative marketing is understood by N. Illyashenko as the concept of doing business, which implies the creation of the improved or fundamentally new products (goods, technology, service, a management decision) – an innovation – and the application, in the process of its creation and dissemination, of the improved or fundamentally new – innovative – tools, marketing forms and methods, in order to more effectively meet the needs of both consumers and producers. In other words, an enterprise produces innovations, above all those that satisfy both the needs of consumers and its own needs, and applies innovative approaches for the implementation of the principles of marketing (Illashenko, 2011, p. 32). Innovative marketing is a systematic approach of producers to managing the production of innovations, as well as intermediaries (sellers) to managing the implementation of innovations, as well as buyers to managing the acquired innovations. This is a process, which includes planning of innovation production, market research, establishing communications, setting prices, promotion of innovations and the

deployment of service departments (Nianko, 2014, p. 229). In the opinion of some authors, innovative marketing is, on the one hand, a large proportion of risk, but on the other hand, it is a higher return provided the course is properly selected. Marketing function always incurs expenses from the budget of a company, so while allocating them it one must calculate possible risks. Innovative marketing can bring the company to a new level of development, help conquer a new niche, then the cost will pay off. However, if all the allocated funds are invested in innovative ideas that do not work, the company runs the risk of losing a certain share of its clients (Starytska, & Starytskyi, 2014, p. 245).

The major goal of marketing in the market of innovations can be stated as determining the magnitude of demand for a new product, expressed in terms of volume of sales and its share of the market, which contributes to its achievement. The marketing function is to examine and form reproduction processes, ensuring their continuity, cost reduction and efficiency level, sufficient for the development of an enterprise. Thus, it becomes particularly important to study and apply the strategy for development of enterprises employing the concept of marketing as the innovative approach in this area. An important part of the overall strategy of an enterprise is its innovative strategy, which determines the focus and essence of innovations that are adequate to the needs and changes in the external environment, and, ultimately, to the interests of the consumer (Gugelev, 2008, p. 165).

The main characteristics that could distinguish innovative marketing from the classic one are:

- marketing activities aimed at the creation, accumulation, dissemination and effective application of knowledge in all forms of its manifestation;
- the specificity of the product, whose consumer value is determined not only by supply and demand, but also by a set of marketing efforts to promote it in the market;
- marketing of new information technologies at businesses, government and municipal structures.

Thus, at the current stage of modern historical development, we highlight the following distinctive features of innovative marketing:

- 1) strategic focus on searching for and meeting the new needs suggests that innovative marketing should be used not only at the "output", but at the "input" of management of innovative activity;
- 2) organization and management of innovative activity of an enterprise is carried out through the prism of interaction with the market, which assumes the use of a network theory and studying modern forms of relations at the innovative market;
- 3) the subject of the study and the product in a market are not the finished product, but rather an idea that predetermines the application of methods for using and assessing intellectual property.

Innovative marketing is the marketing that is associated with the promotion of innovations to market. The innovative potential of an enterprise is the capability to perform the tasks that ensure the achievement of the set innovative target, that is a measure of preparedness for the implementation of a project or program of innovative changes. The innovative goal, towards which management of changes is oriented, acts as a global strategy for the organization, as a means of achieving its higher goals, as well as a means to implement the mission of an organization. Thus, for example, most of the products in the stores are in excess. The reason for this is that the largest part of them is made without regard to the innovative resource; even when something is modernized, it mostly refers to partial improvement of a product. It is in this direction that marketing activity is executed; even when an innovative constituent is observed, it is difficult to detect it among a huge mass of products offered in the market. The innovative component of marketing activities is not yet present well enough in the market. Therefore, a change management as a means of achieving an innovative goal at enterprises is part of the marketing function, thereby implying the implementation of a series of activities (Table 1).

Table 1

Description of stages in the consumers' perception of innovations*

Stage title	Stage characteristic
1. Initial awareness	Consumer learns about a new proposal in the market of goods or services (an innovation) but does not have enough information to assess possible benefits
2. Knowledge about a product or service	Consumer expresses interest in the new thing, can search for more information about innovations (advertising, booklets, references)
3. Brand promotion	Connection between the brand and the consumer is carried out by different means; by phone, by mail, over the Internet, via a personal contact. Communication channels should be open to the buyer so that he could easily communicate with the brand.
4. Identification of the new product or service	Consumer starts comparing a novelty with personal needs and needs
5. Assessing the possibilities to use the novelty	Consumer decides on testing a new thing (product or service) in a daily practice
6. Novelty approbation	Consumer tests a novelty in the field of application of goods or services
7. Making a decision	Based on the results of tests, consumer makes a decision about buying an innovation in the form of a product or service; there may be a decision about investing in the creation of a novelty

*Source: adapted by Author based on (Iliashenko, 2011; Nianko, 2014; Starytska, & Starytskyi, 2014).

At present, winning and retaining a consumer is challenging. Thus, marketing support for the implementation of designed innovations is one of the priority areas in the activity of innovative enterprises. Given the uniqueness of an innovative product and the uncertainty of demand for it in the innovative market, the proposal has to play an important preemptive role. Research into what is needed in the market, identification of its capacity and the real solvency when competition in markets gets tougher must become an integral part of the processes for development and introduction of innovative products at enterprises.

This is exactly the reason why innovative marketing is characteristic of enterprises that build their activities on the principles of business and innovation competition, introducing products to the

market with fundamentally new consumer properties. Within the innovative marketing, behavior of a buyer is dramatically transformed, it becomes more active, the buyer directly takes part in forming not only the demand and the idea on buying, but he is also involved in product creation, in the improvement of its production, as well as in selling it. Capabilities of marketing function as an institutional sphere of legal entities in innovative development can be more productive at large enterprises, because they possess significant material and financial resources that enable them to organize wide-range comprehensive marketing activities.

Today, the market of household and industrial products, similar to any other market, specifically services, seeks to maximize

consumer loyalty, because commitment by a consumer provides additional possibilities for an enterprise to maintain and increase its market share. That leads to an increase in the enterprise's competitiveness and creates conditions for its future development. This can be achieved through a variety of innovative tools, in particular the creation and support of a sustainable marketing system in the structure of an enterprise, using its resources to model a system of marketing business processes in the market. The effectiveness of marketing function within the structure of an enterprise should be interpreted as a degree of market power, a level of capabilities to ensure the implementation of the chosen marketing strategy, which are predetermined by marketing resources at the disposal of the enterprise and by the ability of the enterprise to move forward, which is predetermined by its following features: quality, that is the level of mobilization of the marketing potential, external and internal quality of enterprise's marketing strategy, methods, and culture in the application of the totality of factors that provide for the marketing function at the enterprise, as well as time – a match between the reaction of marketing activities and the character of competitive situation, the rate of marketing changes.

Marketing function should be guided by the principle that satisfaction and keeping a consumer are the key success factors for entrepreneurs while consumer satisfaction is the basis of customer loyalty. P. Kotler defines two ways to keep customers: creating conditions that inhibit contacting other sellers, and complete satisfaction of the consumer who would not be tempted by lower price or other incentives proposed by competitors (Kotler, 2006). Another way to obtain a consumer loyalty is his involvement in the process of creating a new product at all stages of design, that is the search for ideas for new products, their selection and diagnosing, as well as the development of the concept of a product, the design of the product and a modern brand, assessment of product quality, its competitiveness, and development of selling techniques. Thus, the consumer perceives that he creates what he would use. There are several types of commitment to a given product:

- for self-assertion, a consumer achieves it by influencing the life of a given product, thereby enhancing his self-esteem;
- differentiated, based on the consumer's awareness of the benefits of a product; – as a result of awareness, which is the result of consumer knowledge about the product.

The main systemic principles underlying innovative marketing in the commercialization of processes to create and development new equipment are:

- compliance with acting laws regarding innovative processes;
- high culture of service to consumers of highly technological goods;
- optimality of commercial decisions when entering the market of high technologies;
- profitability and ROI of innovative products;
- the competitiveness of goods and services produced in compliance with scientific advances and achievements.

in science-intensive industries;

- high-quality and timely implementation of contractual obligations of contractors in the market of highly technological industries.

Given the necessity for further innovative development, there are requirements to new approaches, techniques and methods that would make it possible to ensure the appropriate development of innovative marketing. An effective method of innovative marketing under conditions of competition is to create small innovative firms within companies, the base of which is the development of a risky science-intensive project, which implies the need for a systematic update of the nomenclature of products that are made under tougher competition from other firms. Additionally, an important role in sales channels belongs to factors of the non-price competition (quality, design, reliability), while the implementation of innovations is achieved at the expense of rapid replacement of products that are made, which predetermines the application of innovative marketing over a transition period. Thus,

the system of innovative marketing is aimed at ensuring the acquisition of information about current demand in the market, the development of a strategy for determining the expected demand for innovations in the future.

Selecting the innovative approach to solving the task on improving the efficiency of functioning of a marketing system within the structure of an enterprise makes it possible to draw a conclusion about its leading role in the implementation of strategic marketing management of the enterprise. The degree of use of the innovative approach in the system of marketing management characterizes the competitive status of an enterprise, its competitive power, as well as the degree of application of innovative marketing toolset in the implementation of the chosen strategy. For example, employing innovative approaches to the promotion of products in the market of consumer and industrial products, for instance, the establishment of customer clubs, gives certain warranties in the short term, while the use of innovative component in the creation of a brand platform guarantee its further successful re-positioning to other market segments. One can use this type of a system as the fundamentally new marketing approach to create and sell innovative goods or services.

Therefore, innovative marketing prepares introduction to the market of an innovative product, service, or technology. It also exploits a range of tools and methods that enable an enterprise, in a timely and proper manner, to assess its existing chances in the market and to implement an innovative product at maximal efficiency.

All this leads to the emergence of the concept "a set of systemic innovations in marketing". A set of systemic innovations in marketing implies improving the quality of meeting the needs of buyers by treating them in a friendly manner by providing them with a system of values, based on the primary basic communications, selecting and adjusting them based on the wishes of clients, creating new values and obtaining the effect of multiplication. In this case, this a system of creation and maintaining a customer base that satisfies the needs of customers in line with the principle "give the people what they want in a new and unexpected form. In this case, such an innovative marketing system at the input will possess a customer base, and at the output it successfully achieves the target – making a profit.

The task of marketing is to influence production, enhancing the management in a change of making a product. In this case, the solution to this task should be based on the joint efforts of marketing and management functions, in this case, the marketing function, based on the undertaken market research, defines the main directions for innovative development in the production of appropriate goods while the goal of management function is to employ the organizational-engineering solutions for the implementation of appropriate innovative developments into an actual practical result. In this case, innovative products are characterized by the following features:

1. Short life cycles, not exceeding 3–5 years. The life cycle of most industrial goods covers 10–15 years.
2. Creative approach to the application of new technologies, that is, a technology creates a new market.
3. Volatile competitive environment. The result of constant dynamic phenomena by competitors is the high technological uncertainty.
4. Innovations are based on the long-term target and strategic planning;
5. The size, structure, and financial resources of an enterprise promote the diffusion of innovation;
6. An enterprise must have sufficient competitiveness in the field of the applied technologies and products in the market;
7. The permanency of relationship with consumers and experts for the timely consideration of change in needs;
8. A distinction between own "product" of innovation and that by competitors (Table 2).

Table 2

Basic concepts and forms of implementation of marketing approach*

Basic concepts	Form of their implementation and results
<p>Focus of innovation organization on marketing strategy. Development of specific strategies for innovative marketing: strategy of competitive advantage, import substitution, leadership in costs, expansion to new markets. Development of a strategy for introducing an innovation to the market. Operational, tactical, and innovative marketing. The choice of the type of marketing. Forecasting and planning the costs and revenues if marketing.</p>	<p>Focus of enterprise' activity, its subsystems, structures and personnel, on the commercialization of innovations with regard to the requests by customers. Comprehensive market research. Analysis and forecast of market conditions. Research into capacity, structure, market segmentation. Research and forecast of demand, behavior of competitors, types and forms of competition. Goal setting, selecting a variant and time to introduce innovation to the market. Design of activities and stages to position an innovation. Design of concrete measures to introduce an innovation to the market. Activities related to conversion, creative, stimulating, and other types of marketing. Formation of sales channels. Organization of advertising campaign, exhibitions, presentations, trial direct sales, warranty service. Analysis and forecast of sales of innovation, assessment of marketing revenues. Defining price elasticity of profit. Studying the pricing policy of competitors. Setting a pricing policy for innovations. Analysis of marketing costs. Determining the expenses to promote innovation in the market.</p>

*Source: adapted by Author based on (Kotler, 2006; Illiashenko, 2011; Ogoleva, 2001).

Thus, at all stages of marketing management, one of the main factors is an innovative component. This means that an innovative approach to the management of a marketing system at enterprise becomes a leading element of strategic management. Therefore, any implementation of a strategic decision is innovative in character. However, in practice, most enterprises employ only a small part of modern marketing toolset, which can be explained by that individual tools are not used under current conditions, and by low qualified marketing managers at an enterprise. Therefore, the need for innovative renewal of the marketing component is predetermined by the urgent need of the market, as well as certain enterprises. That would facilitate the selection of functional areas within a marketing complex in a single target market, which will make it possible to reveal hidden reserves in the activity of every enterprise in the market with the aim to improve the efficiency of its activity, and, therefore, increase the return from the better substantiated application of modern marketing toolset.

We propose the following basic approaches and principles of positioning in the framework of promotion of innovative products in the domestic and international markets:

- accent on positioning the innovative products based on quality and functional benefit for consumers and producers;
- differentiation of positioning the innovative products for price at each of the market segments;
- the use of positioning of innovative products in the point of sale;
- differentiation of positioning the innovative products for various trade channels.

The base of a program for the promotion of innovative products in markets must be a diversified platform of marketing communications, adequate to the intersectoral character of innovative products. At the same time, all its components have to be integrated into a coherent whole.

The concept of innovative marketing of interaction is based on the principles of deep market research and an active search for new strategies in order to diffuse innovations within new market segments, which will make it possible to flexibly analyze market conditions and to select the desired niche in the market and to model demand, taking into consideration the behavior and wishes of a particular client. A key factor in the innovative strategy is to predict the demand for a new type of product and its positioning in the market, which would predetermine, when implementing an innovative project, the product, the quality, and the type of a client that should be proposed, considering meeting his future wishes.

According to R. Koch, the process of forming the concept of innovative marketing of interaction is predetermined by the

following shifts in the global economy (Koch, 2000):

- the importance of international business networks;
- the establishment of the privileged positions of developed economies;
- the development of the Internet;
- a change in the structure of global economy and value chains.

Therefore, the development of innovative marketing now is a leading concept, which will help enterprises achieve a rational breakthrough in their activities and move to a qualitatively new level of development. That will make it possible for domestic enterprises to get out of the crisis that they face now, and catch up with the size of turnover and profits of foreign enterprises, which operate in a similar field, and, after a certain time, to win leading positions in the market or new niches in the market (Bozhkova, & Illiashenko, 2009, p. 35).

Thus, in order not to lose innovative opportunities, managers must permanently seek out innovative approaches. In modern society, which is dependent on the resources and production factors, it is impossible to create an innovative product that would consist only of a scientific-technical achievement. Innovative marketing is essential as a factor that accompanies its development. The processes of adaptation of products to their commercial use require innovative marketing solutions and adjustment of existing marketing concepts.

Conclusions

An analysis of works by foreign and domestic researchers allows us to select key management concepts that can be accepted in the activity of enterprises: the concept of improving production; the concept of improving products; the concept of integrated marketing; the concept of knowledge marketing; the concept of marketing management; the concept of strategic marketing; the concept of marketing agreements; the concept of marketing relations; the concept of competitive rationality; the concept of mega-marketing.

In this case, marketing control over the competitiveness of products by an enterprise is aimed at ensuring the coordination of interests and goals of economic systems of at least three different levels:

- the interests of individual enterprises and firms (microeconomic systems) and regional interests (meso-economic systems of territorial level and corporate associations of micro-economic systems);
- the interests of meso-economic and macro-economic systems;



- the interests of macro-economic systems and the interests of individual enterprises, which are the representatives of micro-economic systems.

The basis of all marketing services, the starting position for market research and for selecting a competitive strategy of an enterprise, is the concept of innovative marketing. That relates to that one of the main conditions for the introduction of product innovations today is the existence of an effective sales and marketing system, which connects the enterprise and end-users aimed to constantly identify new requirements by buyers to the quality of manufactured goods. Development and implementation of a marketing mix for new products makes it possible to introduce innovative products to markets, ensuring their appeal to the target audience and profitability for the manufacturer, which makes this area of marketing activities by an enterprise one of the most relevant ones.

Innovative marketing is the area of activity of an enterprise directed towards the formation of new markets and other needs by potential and actual customers. The rational application of technologies associated with innovative marketing reduces the risks related to the development of an innovation, because they make it possible to estimate the potential demand, define the target market segment, and provide an answer to the question on continuation of the product or its termination. Experience confirms that most enterprises that gain success in their markets attribute this success to innovations.

Thus, an innovative approach to current marketing studies implies the selection of a new subject of research – the values and value preferences of consumers. The innovation should be understood as a purposeful change, which introduces into the implementation environment new stable elements (innovations), causing the transition of a system from one state to another.

Innovative marketing has been used previously as a term to describe the process of market-led research and development. Now, the concept of innovative marketing is applied much more widely: as the principles underlying the introduction of new products to the market in general. The innovative marketing refers to the marketing concept, under which an enterprise must continuously improve the products and methods of marketing, that is, it represents a set of market research and measures aimed at commercially successful implementation of products, technologies and services developed by an enterprise.

Among the factors that hinder the development of innovative marketing, it is advisable to highlight the following:

- the lack of professionally trained personnel that could apply innovative marketing;
- the undeveloped market of innovations;
- the lack of competition and competitive advantages of enterprises as a result of innovation;
- the shortage of funds to finance innovations;
- poor information support to marketing system;
- psychological unpreparedness of personnel to implement the marketing of innovations;
- inadequate funding of market research at the entire stage of the life cycle of innovations.

Resolving the above-mentioned problematic issues would make it possible in the future to move the innovative marketing to the higher and more qualitative level.

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Identification of the theoretical aspects of enterprise reputation

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Purpose – to identify the theoretical aspects of enterprise reputation.

Design/Method/Research approach. Authors applied a structural-functional method in the course of systemic investigation and substantiation of the methodological toolset of enterprise reputation assessment and the method of logical generalization when analyzing the evolution of scientific views on the nature of the notion "reputation". The information base of this research is the monographic works and scientific publications on relevant subjects.

Findings. Authors have substantiated the theoretical aspects of enterprise reputation, according to which the reputation of an enterprise is formed under the influence of both intangible and tangible factors. Approaches to defining reputation of an enterprise were systemized, with their new classification proposed, which distinguishes the immanent-functional, value, emotional (image), monitoring, market, and integrated approaches. Current methodological toolset of enterprise reputation assessment has been analyzed, and the scope of its application has been determined, as well as the main advantages and disadvantages. An algorithm for evaluating an enterprise reputation has been developed, in accordance with the proposed theoretical approach, a market share, and the totality of consumers values.

Practical implications. Results of this study could form the basis for forming a policy of an enterprise concerning the activation of reputation management processes with the purpose of strategic development of the enterprise and in order to faster meet the expectations of its stakeholders, which would provide a synergistic effect.

Originality/Value. It has been proposed to define the essence of the notion of an enterprise "reputation", which, in contrast to existing interpretations, focuses on the cognitive-contemplative characteristic of an enterprise, which is formed based on the results of comparing the totality of tangible, intangible, personal, and social values, inherent to its external and internal stakeholders; changing them in time and space indirectly affects positioning of the enterprise in the market as a result of change in the way its stakeholders perceive it.

Research limitations/Future research. Results of this study should be laid at the basis of the implementation of the proposed algorithm for assessing reputation in the process of enterprise management.

Paper type – theoretical.

Keywords: image; identity; reputation capital; assessment algorithm.

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Ідентифікація теоретичних аспектів репутації підприємства

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Мета роботи – ідентифікувати теоретичні аспекти репутації підприємства.

Дизайн/Метод/Підхід дослідження. Застосовано структурно-функціональний метод під час системного дослідження та обґрунтування методичного інструментарію оцінювання репутації підприємства та метод логічного узагальнення під час аналізу еволюції наукових поглядів на природу терміну «репутація». Інформаційною основою дослідження слугували монографічні роботи та наукові публікації за відповідною тематикою.

Результати дослідження. Обґрунтовано теоретичні аспекти репутації підприємства, згідно яких репутація підприємства формується під впливом як нематеріальних, так і матеріальних факторів. Систематизовано підходи до визначення репутації підприємства та запропонована їх нова класифікація, яка виокремлює іманентно-функціональний, вартісний, емоційний (іміджевий), моніторинговий, ринковий, інтегральний підходи. Проаналізовано сучасний методичний інструментарій оцінювання репутації підприємства та визначено сферу його використання, основні переваги та недоліки. Розроблено алгоритм оцінювання репутації підприємства відповідно до запропонованого теоретичного підходу, частки ринку, сукупності цінностей споживачів.

Практичне значення дослідження. Результати дослідження можуть стати основою для формування політики підприємства щодо активізації процесів управління репутацією з метою його стратегічного розвитку та прискореного задоволення очікувань його стейкхолдерів, що забезпечить синергетичний ефект.

Оригінальність/Цінність/Наукова новизна дослідження. Запропоновано визначення сутності поняття “репутація” підприємства, у якому, на відміну від існуючих трактувань, зосереджено увагу на когнітивно-споглядальній характеристиці підприємства, що формується за результатами зіставлення сукупності матеріальних, нематеріальних, особистісних і соціальних цінностей, властивих його зовнішнім і внутрішнім стейкхолдерам, зміна яких у часі та просторі опосередковано впливає на позицію підприємства на ринку внаслідок зміни його сприйняття стейкхолдерами.

Обмеження дослідження/Перспективи подальших досліджень. Результати дослідження мають бути покладеними в основу імплементації запропонованого алгоритму оцінювання репутації в процес управління підприємством.

Тип статті – теоретична.

Ключові слова: імідж; ідентичність; репутаційний капітал; алгоритм оцінювання.

Идентификация теоретических аспектов репутации предприятия

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Цель работы – идентифицировать теоретические аспекты репутации предприятия.

Дизайн/Метод/Подход исследования. Применены структурно-функциональный метод при системном исследовании и обосновании методического инструментария оценки репутации предприятия и метод логического обобщения при анализе эволюции научных взглядов на природу термина «репутация». Информационной основой исследования послужили монографические работы и научные публикации по соответствующей тематике.

Результаты исследования. Обоснованы теоретические аспекты репутации предприятия, согласно которым репутация предприятия формируется под влиянием как нематериальных, так и материальных факторов. Систематизированы подходы к определению репутации предприятия и предложена их новая классификация, которая выделяет имманентно-функциональный, стоимостной, эмоциональный (имиджевый), мониторинговый, рыночный, интегральный подходы. Проанализирован современный методический инструментарий оценки репутации предприятия и определена сфера его использования, основные преимущества и недостатки. Разработан алгоритм оценки репутации предприятия в соответствии с предложенным теоретическим подходом, долей рынка, совокупностью ценностей потребителей.

Практическое значение исследования. Результаты исследования могут стать основой для формирования политики предприятия по активизации процессов управления репутацией с целью его стратегического развития и ускоренного удовлетворения ожиданий его стейкхолдеров, что обеспечит синергетический эффект.

Оригинальность/Ценность/Научная новизна исследования. Предложено определение сущности понятия «репутация» предприятия, в котором, в отличие от существующих трактовок, внимание сосредоточено на когнитивно-созерцательной характеристике предприятия, формируемой по результатам сопоставления совокупности материальных, нематериальных, личностных и социальных ценностей, присущих его внешним и внутренним стейкхолдерам, изменение которых во времени и пространстве опосредованно влияет на позицию предприятия на рынке вследствие изменения его восприятия стейкхолдерами.

Ограничения исследования/Перспективы дальнейших исследований. Результаты исследования могут быть положенными в основу имплементации предложенного алгоритма оценки репутации в процесс управления предприятием.

Тип статьи – теоретическая.

Ключевые слова: имидж; идентичность; репутационный капитал; алгоритм оценки.

Introduction

In today's changing business environment one of the most important and key intangible assets is the reputation of an enterprise. Numerous studies prove that the loss of business reputation is a significant strategic risk for business and emphasize the importance of reputation management (Deloitte, 2014). In addition, Allianz Risk Barometer and AON Global Risk Management Survey point out that the loss of reputation is one of the ten most important business risks (Allianz, 2016, 2018; Aon, 2017). The loss of confidence by investors, analysts, customers, and other interested parties has been recognized as a potentially destructive to the stability of business in the long run (Resnick, 2004), which is why it is important to properly control and manage this intangible asset, because over the last two decades the role of intangible factors in business development has fundamentally changed. Their contribution to the cost of an enterprise significantly exceeds specific weight of key balance sheet assets. In the consumer goods and information-intensive sectors it may account for up to 90 % of the cost (Resnick, 2004).

Reputation of an enterprise reflects the perception by numerous interested parties and is a key factor for forming the trust within society (Baur & Schmitz, 2011; Mahon & Wartick, 2003, Roper & Fill, 2012). Positive reputation among various interested parties is a driving force in a changing, hostile business environment; this is an important source of goodwill in crisis situations; this is an additional competitive advantage, enabling an enterprise to attract the best workers and ensure their loyalty (Foreman & Argenti, 2005). Corporate reputation is a valuable asset that provides businesses with stable competitive advantages and that impacts their financial performance (Rindova et al., 2005, 2006, 2007). Thus, positive corporate reputation has a strategic importance for an enterprise (Roberts & Dowling, 2002). Customers choose products supplied by enterprises with a positive reputation, and they are ready to buy these goods at higher prices (Fombrun & Shanley, 1990). In addition, enterprises with high reputation get more potential vacancies (Fombrun & Shanley, 1990), they may find a wider circle of communication connections (Schwaiger, 2004; Fasaei et al., 2018) and financial resources (Chun, 2005; MacMillan et al., 2005). Studies show that the reputation of an enterprise is directly proportional to its success (Lange, Lee & Dai, 2010; Roberts & Dowling, 2002). Accordingly, reputation is considered to be a valuable intangible asset that helps businesses improve stable competitive advantages in the market (Rindova, 2016; Boyd, Bergh & Ketchen, 2010; Fombrun, 1996). In addition, it has become one of the most important components in forming the cost of a corporation (Beheshtifar & Korouki, 2013). Market challenges tend to contribute to the process of formation and management of reputation (Goldstein, 2010); In other words, corporate reputation can also be a critical factor in the response to a crisis (Schnietz & Epstein, 2005).

Despite the presence of quite a large number of works and studies in the field of reputation management, opinions of their authors significantly differ not only in the field of interpretation and differentiation of such notion as reputation, but also in the area related to the systematization of approaches to defining the reputation of an enterprise and methods for its assessment as a core construct of current business environment. All this predetermines the unquestioned relevance of this research and its scientific novelty.

Problem statement

The aim of this work is to identify the theoretical aspects of enterprise reputation.

Methods and Data

We have applied a structural-functional method in the course of a systemic investigation and substantiation of the methodological toolset for an enterprise reputation assessment and a logical generalization method during analysis of the evolution of scientific views on the nature of the term "reputation". The information base of this research is the monographic works and scientific publications on relevant subjects.

Results and Discussion

Under current economic conditions, business reputation of an enterprise acts as the most valuable strategic asset of the enterprise and the most effective tool of competition. Business reputation is a multi-aspect concept, which is why this term has a lot of synonyms and interpretations, similar in content, such credibility, trust, recognition, popularity, image, brand, respectability, and others. Before the middle of the twentieth century the notion "reputation of an enterprise" came down to the popularity of its owner, while today it is interpreted much broader and refers to the enterprise itself.

Academic interest to corporate reputation started with the literature on branding in the 1990s and literature on organizational identity (Martin, Beaumont, Doig, & Pate, 2005). Corporate reputation is structurally closely related to the theory of stakeholders as the perceptual perception and evaluation of an enterprise based on its various components (Winn et al, 2008; Bromley, 2000; Meijer & Kleinnijenhuis, 2006). Reputation is also seen as social expectations, that is, how consumers perceive an enterprise (Berens & Van Riel, 2004).

As noted by authors Barnett, Jermier & Lafferty (2006, p.28), when considering corporate reputation such concepts as identity, image, and reputation are examined, which are very often used as synonyms. Walker (2010) summarized the differences, established between the terms, by a systematic review of the literature on corporate reputation over a 27-year period (Table 1).

Thus, corporate reputation is based on the external and internal perception of the way an enterprise carries out its business (Table 1). Given that corporate reputation is built on current perceptions by external and internal interested parties (stakeholders), it can be both positive and negative. In this sense, it can be differentiated based on such concepts as identity and image, which are conceptualized by only one type of stakeholders (identity for internal participants and image for external). Corporate reputation can be studied as a function of both image and identity (Tkalac & Vercic, 2007). Identity is built within an enterprise, it is based on the culture of the enterprise. It consists of current practice, history, values, and behavior (Melewar, Karaosmanoglu & Paterson, 2005).

Table 1

Differences between identity, image, and reputation

	Identity	Image	Reputation
Stakeholders (internal/ external)	Internal	External	Internal/ external
Perception (actual/ desired)	Actual	Desired	Actual
Emanation (internal/ external)	Internal	Internal	Internal/ external
Positive/ negative perception of enterprise	Positive/ negative	Positive	Positive/ negative
Responds to ...	"Who are we and what do we believe in?"	"What/ who do we want to think of us?"	"What do we want to see?"

Image is built by external stakeholders, in accordance with their temporary impression about the enterprise, formed by a direct or indirect experience: the way they perceive the identity of the enterprise at a certain time (Balmer & Greyser, 2002; Melewar, Karaosmanoglu & Paterson, 2005; Hatch & Schultz, 1997). Corporate reputation is built over time (the historical aspect) that empowers it with relatively more stable and long-term nature than image. Both concepts are interlinked, corporate reputation is considered as the accumulation of image over a long period of time (Gotsi & Wilson, 2001; Mahon, 2002; Brown et al., 2006).

The concept of reputation of an enterprise is complex and rather ambiguous, it is differently understood in different countries and in various industries, the differentiation of this concept was the focus of many scientists (Logsdon & Wood, 1999). Within the paradigm of reputation there is no up to now any source that would cover a coherent concept of reputation (Chun, 2005). Dictionaries define reputation as beliefs or opinions about someone or something, and it is widely believed that someone or something has a special characteristic (Soanes & Stevenson, 2005). Study by Gabbioneta et al., (2007) defines reputation as a general perception, which is a level of respect and loyalty to an enterprise. Reputation is a set of collective views on the capability of an enterprise to meet the interests of its stakeholders. The leading consulting enterprise in the field of reputation studies Reputation Institute (Reputation Institute, 2018) interprets the corporate reputation of an enterprise as a cognitive representation of an enterprise's capability to meet the needs of interested parties (stakeholders) of the enterprise.

Corporate reputation is a multidimensional concept, it has a number of aspects and differs depending on the different groups of stakeholders (Bouchikhi & Kimberley, 2008). Fombrun (1996, p. 37) defines corporate reputation as "the overall assessment, in which a particular enterprise owns its different components". Schwaiger (2004) argues that the corporate reputation should be viewed through the prism of attitude to affiliates. Zyglidopoulos (2001, p. 418) defines reputation as "the totality of knowledge and emotions on the part of different groups of stakeholders in terms of their attitude to the enterprise and its activities". Corporate reputation is also a collective task for a corporation, which is based on the assessment of financial, social, and environmental consequences (Barnett et al., 2006, p. 34). Doorley & Garcia (2007) in their book "Reputation management" use a different approach to defining reputation. They acknowledge that reputation is a set of beliefs and opinions about an enterprise by various interested parties, defining reputation using a simple formula: Reputation = Sum of Images = (Performance and Behavior) + Communication. This formula explains how ideas about an enterprise and its behavior form.

Reputation is regarded by Schwaiger (2004) as:

- a result of corporate branding in the field of marketing;
- a signal about future actions and behavior;
- integrity in the reported documents;
- a manifestation of a corporate identity in the field of theory of organization;
- a potential barrier to enter the market in the field of management.

Corporate reputation also makes it possible to compare enterprises (Dowling, 2004). The most noticeable difference in defining reputation: a perception of the likelihood that it will protect its markets and those working in marketing and strategic directions and is defined as the accumulation of impressions by the enterprise's interested parties. Reputation is regarded as a valuable intangible asset in terms of accounting, for example, the revaluation of profits and use of financial methods, which enables businesses to accumulate debt, without revealing them in their balance sheets. Unfair accounting practices could threaten not only the reputation of an enterprise, but also those accounting

firms that verified financial statements of the enterprise (Chun, 2005).

For centuries, the belief that corporate reputation positively influences the efficiency of an enterprise was documented (Iwu-Egwuonwu, 2011). Strong corporate reputation helps win the "war" for talent and contributes to keeping employees (Schwaiger, 2004). Thus, the reputation of an enterprise is related to its financial indicators (Duhe, 2009). There is also a large body of empirical evidence that establish a positive link between a positive perception of the public reputation of an enterprise and its financial and stock market indexes (Iwu-Egwuonwu, 2011). Fombrun (1996) noted that those enterprises that manage corporate reputation have additional competitive advantages.

In a study by Gorin (2006), reputation of an enterprise is considered as a general formed opinion on the quality, advantages and disadvantages of the enterprise in the field of business activities, which determines the external environment's attitude to it and can generate additional profits. Work by Blank (1999) regards the reputation of an enterprise as a set of measures aimed at increasing its profits without a corresponding increase in assets through the use of better management capabilities, the dominant position in the market of products (operations, services), new technologies, etc. As one can see from the definition, the consequences of the built reputation include achieving a dominant position in the market (increasing sales, improving the quantitative and qualitative composition of staff at an enterprise, etc.) and increased profits – important components in the economic security of the enterprise.

Study by Harris (1988) defines reputation as the perception of representation of the past actions of an enterprise and the future activities, which describe the full appeal of its components compared to the leading competitors. Work by Davies & Miles (1998) considers business reputation to be a function of the development of the enterprise's organization. In addition, Tirole (1996) proposed to consider reputation as the aggregated reputation of group's members. This approach assumes that reputation management is a dynamic process, that is, it has a memory. One should assume that reputation cannot be changed instantly, a certain time must pass. In contrast to this opinion, study by Grebeshkova & Shimanska (2007) proposed a model of reputation with forgetting. This means that the loss of reputation is only temporary, provided further support to a good reputation. The above authors regard the essence of reputation as the existence of a single positive opinion by contractors regarding the activities of an enterprise/legal entity. In this case, reputation can be both positive and negative.

It is obvious that building a reputation implies many different tasks (Weber, 2007). It is clear that reputation occurs as a result of various activities related to profession (Iwu-Egwuonwu, 2011). In the case of family businesses, reputation is an integral part of the business that affects the identity of the enterprise (Dyer & Whetten, 2006). Since family businesses tend to have a long life, while the family that owns one identifies itself with the business, the family seeks to create a unique image and build a good reputation (Dyer & Whetten, 2006). Very often family businesses have the best reputation (Deephouse & Carter, 2005), confirming the importance of image and reputation. However, the relevance of image and reputation are not limited by their influence on corporate success; they also affect the related non-financial objectives, such as social status and family interests (Dyer & Whetten, 2006).

Despite numerous publications, one of the obstacles on the way to building an effective reputation management system is the lack of simplicity in the terminology. Therefore, the systematization of approaches to defining the notion of an enterprise reputation is an important aspect of enterprise strategic management in terms of forming a positive reputation (Table 2).

Table 2

Approaches to defining the notion of enterprise reputation*

No.	Approach	Key postulate	Supporters
1	Immanent-functional	Business reputation is a general awareness about the activities of an enterprise, which encourages customers to continue to use its products and could bring additional profits.	Blank, 1999; Gorin, 2006; Deephouse, 2005; Bergh, 2010; Ketchen, 2010; Beheshtifar, 2013.
2	Cost	Business reputation is a key intangible asset that has a significant value, a non-material object that has a cost representation, that is, in essence, is a financial or economic asset.	Scott, 2000; Lane, 2000; Grebeshkova, 2007; Shimanska, 2007; Chun, 2005; Duhe, 2009
3	Emotional (Image)	Business reputation is a general awareness about the activity of an enterprise as a social object that does not involve deep criterion analysis and evaluation, and is based on the views of the appraiser.	Roberts, 2002; Dowling, 2004; Tirole, 1996; Rindova, 2005; Martins, 2012; Petkova, 2007
4	Monitoring	Business reputation is a certain knowledge, obtained by direct involvement of target groups in the assessment of an enterprise's state, based on own experience or opinions by third-party experts.	Wartick, 1992; Davies & Miles, 1998; Fombrun, 1996; Gioia, 2000; Schultz, 2000
5	Market	Business reputation is a general awareness about the activity of an enterprise based on a comparison of success in the market.	Harris, 1988; Fombrun, 1996; Shenkar, 1997; Riepina, 2012; Kovtun, 2012
6	Integrated	Business reputation of an enterprise is its main intangible asset that has significant cost and is formed at the expense of such enterprise's assets as reputation, brand image, and financial stability of the enterprise.	Lange, 2010; Lee, 2010; Dai, 2010; Fasaei, 2018; Tempelaar, 2018; Jansen, 2018

*Source: systemized by Authors.

Thus, within the context of our study, reputation is considered to be an integrated cognitive-contemplative characteristic of an enterprise, formed based on the results of comparing a totality of tangible, intangible, personal, and social values, inherent to its external and internal stakeholders, whose change in time and space indirectly affects positioning of an enterprise in the market as the result of a change in its perception by stakeholders.

Note that the existence of a positive reputation of an enterprise makes it possible to (Dowling, 2004):

- raise prices on goods, adding a value of its reputation to goods' prices;
- improve competitiveness of the enterprise;
- have expanded access to market capital;
- improve organizational assessment by employees, partners, potential investors and consumers;
- provide for a buffer zone of reputation capital;
- reduce marketing expenses;
- involve highly skilled workers;
- seek to increase customer loyalty.

In the United States, 96 % of executives believe that positive reputation is important to their companies; 77 % believe that it helps sell products or services; 61 % – it makes it possible to attract better employees; 53 % – improves the credibility to the enterprise in crisis situations (Davies et al., 2001).

In view of the above, we can conclude that reputation in the first place influences sales volumes, contributes to attracting highly qualified workers, helps adapt to circumstances that do not depend on the activities of an enterprise in crisis, as well as positively affects the degree of confidence in the enterprise. Trust is the hope that people on which we depend would live up to our expectations (Davies et al., 2001).

One of the most successful world investors in securities markets, billionaire Warren Buffett said: "If you lose the company money, I take it with understanding. If you lose its reputation, you will not be pardoned" (Dowling, 2004). Under actual conditions, the reputation of an enterprise, which is part of the intangible assets of an enterprise, can be estimated in a monetary equivalent. And the better the reputation the higher the price. For example, the cost of tangible assets by "Coca-Cola" company is only 2 % of the total value of the enterprise. And the remaining 98 % account for the value of intangible assets, including its reputation, and image (MacMillan et al., 2005).

Although the concept of corporate reputation has already evolved over decades, the attempts by empirical literature to assess it were not always successful. The assessment of corporate reputation is

based on events, communication, and symbolism, which represent information about activities of an enterprise. Strategic reputation management implies that reputation can be assessed in time and space. Thus, an enterprise can control the relationship between internal and external stakeholders' groups (Tkalac & Vercic, 2007). Regular tracking of the position of an enterprise on the map of reputation could also help identify potential problems (Carroll, 2011). In addition, the most frequently used tools do not have the intercultural reality that would make it possible to provide for international comparability (Fombrun et al., 2000; Mahon, 2002; Ponzi et al., 2011).

Corporate reputation is a complex or an overall assessment of groups of people at an enterprise that goes beyond the estimates for individual features or qualities (Shenkar & Yuchtman-Yaar, 1997). Often, the constructs used to characterize corporate reputation do not cover all its scope and conceptual attributes. Consumers cannot always clearly elucidate positions in financial reports. In this case, the external signals of image (for example, a corporate reputation rating) can come in handy and help businesses to assess their own performance based on external perception (Sarstedt & Schloderer, 2010; Smith et al., 2010). Some researchers, when assessing reputation, distinguish its two components: emotional identification and competence (MacMillan et al., 2005).

The most recognized and such that can be considered standard is the procedure by the Reputation Institute, termed the Global RepTrak™ system (Reputation Institute, 2018; Barron & Rolfe, 2011), which is standardized in the United States. Underlying this procedure is Scorcard, a tool that tracks the attributes of reputation of an enterprise, which are influential in determining the effectiveness of relationship with customers (Fig. 1). Some of them belong to the emotional (respect, sympathy, trust, self-esteem), while most – to the rational factors to support the reputation of an enterprise (effectiveness, product quality, innovative activity, corporate culture, social responsibility, management, leadership). The essence of the procedure implies that ordinary citizens vote, by using the Internet or a telephone, for companies that operate in their country, according to all the criteria; the results form the rating of the enterprises chosen by consumers.

The advantage of a given procedure is determining the current level of an enterprise reputation, simplicity in conducting a survey, the lack of pressure on respondents due to the anonymity of the survey, as well as the degree of sample representation. The disadvantages of the procedure are in that the assessment of reputation is given as a weighted average of all listed factors, but consumers probably point to the most important and the most significant factor in the choice of the enterprise among many others, so the score is more comprehensive than directed.

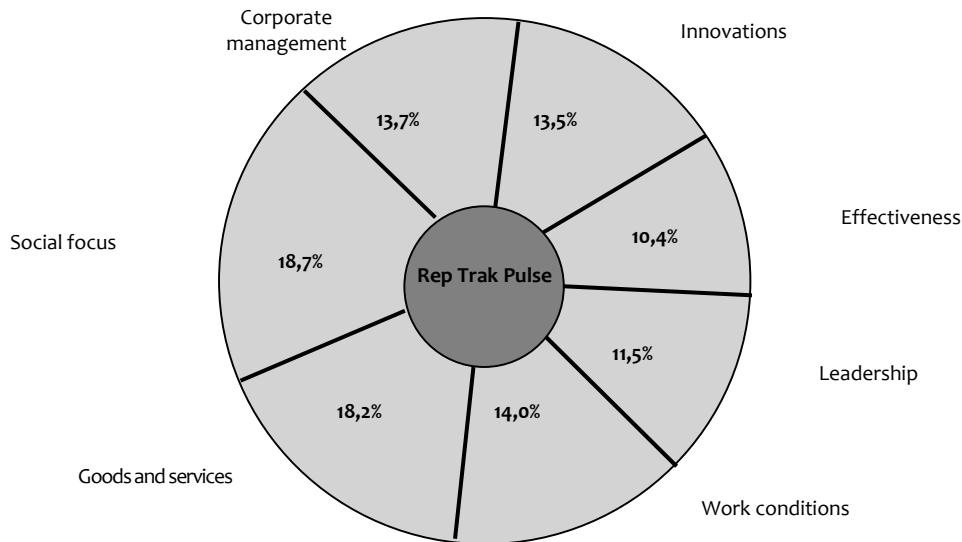


Fig. 1. Significance of rational factors that shape an enterprise reputation

In addition, the estimate is given to all businesses, notwithstanding whether they belong to the same industry, or to a different; neither production capacity nor accessibility of enterprises are taken into consideration. Furthermore, another shortcoming of the analyzed procedure is that the assessment of reputation disregards internal assessment, which is also extremely important.

There are other methods to assess reputation. Conditionally, they are split into quantitative and qualitative (Barron & Rolfe, 2011; Chun, 2005; Duhe, 2009). The quantitative ones include a method of excess profit, a method based on the magnitude of an indicator for the volume of product sales, a method of surplus resources, as well as the analytical, qualimetric, "multiplier", and statistical methods. Among the qualitative ones, there is a method of sociological surveys, the rating and expert models (Barron & Rolfe, 2011; Chun, 2005; Duhe, 2009).

Based on the interpretation of an enterprise reputation proposed in the study, such reputation has exogenous and endogenous fields. Fig. 2 shows that in accordance with the procedure for estimation by Reputation Institute the assessment of reputation covers in full only the upper part of the so-called "iceberg" and leaves almost without attention a significant component of an enterprise reputation, which is formed by internal stakeholders, the so-called reputation capital. As exhibited in Fig. 2, the main components of an enterprise reputation, located in the exogenous and endogenous fields, are its reputation capital and image. A reputation capital, which forms the endogenous field of an enterprise reputation, has a value dimension, although determining its overall magnitude may cause certain difficulties because of the need to use not only direct calculations, implied by financial reporting, but the indirect as well, for example, when determining the value of intellectual potential of the enterprise's managers.

An exogenous field of an enterprise reputation is represented by image, whose nature is responsible for a set of its contemplative characteristics, which are consequently difficult to formalize.

The contemplative-value nature is the main reason for the difficulties arising in the course of research into an enterprise reputation, because completely different approaches to the measurement of exogenous and endogenous fields make it hard to derive a uniform overall assessment of reputation. The procedure for obtaining such an assessment can also be complicated due to changes in the ratio of exogenous and endogenous fields of reputation (dashed lines in Fig. 2): at a sufficiently high reputation

capital, the image of an enterprise can be quite low, and vice versa. In addition, the reputation's both fields are largely influenced by the factors in external and internal environment of the enterprise.

The main disadvantage of many methods for the estimation of reputation is that they do not take into consideration the specificity of an enterprise and the focus is on the financial component of the enterprise's reputation, while this study considers an enterprise reputation as its complex cognitive-contemplative characteristic. Therefore, in the course of the study we have developed a specific algorithm for the estimation of an enterprise reputation, taking into consideration the approach, chosen in this research, to its definition that combines an object component, which is a market share, and its subject part, which is a set of consumer values.

Thus, in order to build an algorithm for the estimation of an enterprise reputation, one should pay attention to this specific combination, as well as apply all knowledge, gathered about the enterprise in general, and its stakeholders in particular. Note that the sequence of assessment of an enterprise reputation should include both quantitative and qualitative methods of analysis, as well as, at the final stage, one must use the statistical processing of data acquired. By analyzing the qualitative and quantitative methods of reputation assessment, in the study we have chosen, among qualitative methods, an expert poll method, which helps identify the set of values of the enterprise's stakeholders. In order to identify the totality of values inherent for its internal stakeholders, the experts selected are the employees of the enterprise; in order to define a set of values inherent to its external stakeholders – consumers of the enterprise's products.

Among the quantitative methods, we have chosen in the present study a survey method, which is the most appropriate to assess an enterprise reputation. Given that in this study an enterprise reputation consists of two parts (the external and internal components of an enterprise reputation), one should conduct a survey involving both the external and internal stakeholders. When constructing questionnaires for the most important groups of stakeholders, one combines a Scorcard toolset, developed by Reputation Institute, and underlying the reputation assessment method Global RepTrak reputation (Reputation Institute, 2018), and the system of reputation assessment TRI*M, proposed by the research company Kantar TNS (Kantar TNS, 2018). The attributes of the enterprise's reputation are the key task when constructing the questionnaires for different groups of internal and external stakeholders (Table 3).

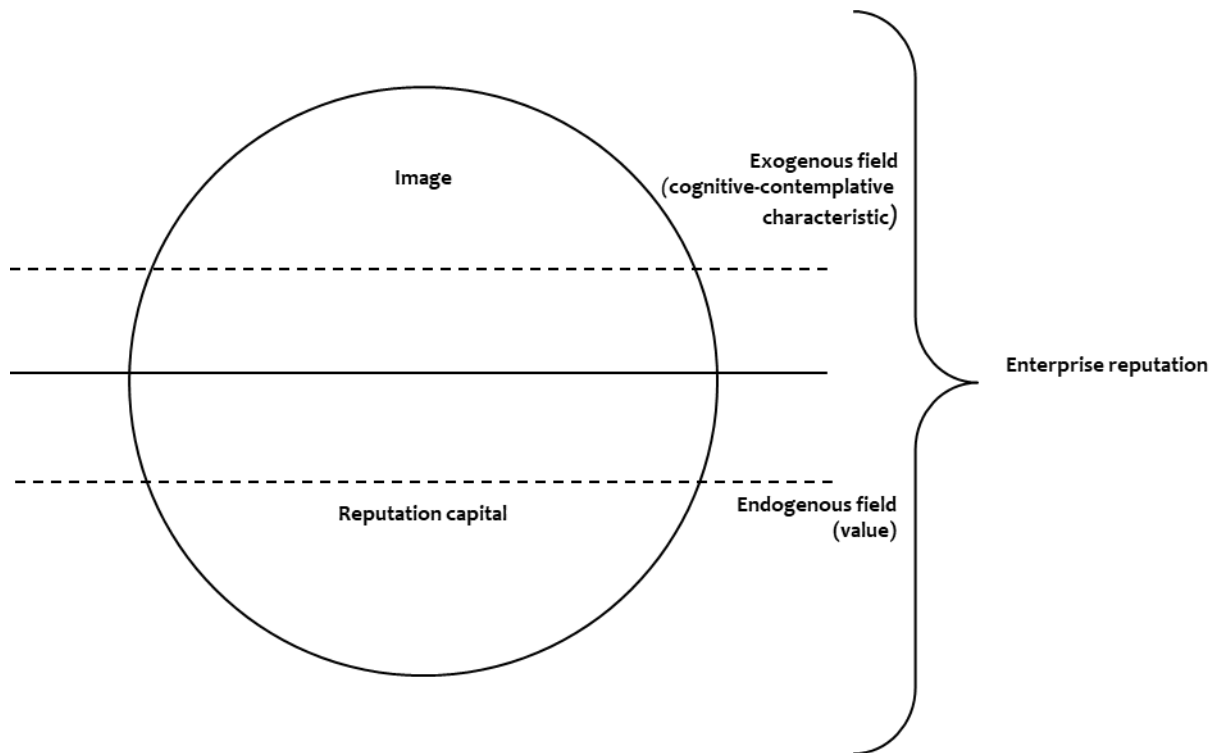


Fig. 2. Content components of enterprise reputation

Table 3

Key attributes of an enterprise reputation for different groups of internal and external stakeholders

Attributes of reputation	Characteristic	Attributes of reputation	Characteristic
Goods/services	High quality of goods/services	Social focus	Responsible attitude to environment
Goods/services	High price of goods/services	Social focus	Support to social initiatives
Goods/services	After-sale service	Social focus	Positive impact on society
Goods/services	Meets requirements and expectations	Leadership	Strong and honest leader of enterprise
Innovations	Innovative enterprise	Leadership	Clear vision of future
Innovations	Fast adaptation to changes	Leadership	Close communication ties
Innovations	Continuous improvement	Leadership	Excellent management
Work conditions	Fair and transparent remuneration	Effectiveness	Enterprise profitability
Work conditions	Care for safety and health of employees	Effectiveness	Financial results exceed expectations
Work conditions	Equal opportunities for employees	Effectiveness	Prospects for better effectiveness
Corporate governance	Openness and transparency of enterprise	Corporate governance	Honesty and compliance with legal norms
Corporate governance	Compliance with ethical norms		

Based on Table 3, we have constructed a questionnaire consisting of socially responsible questions in order to assess an enterprise reputation by a group of external stakeholders, which are in this study are the enterprise's consumers (Annex 1). The questionnaire includes a single main question on the general perception of an enterprise by respondents (promotion of social, economic, and ecological improvement of society as stated in the questionnaire) and six other constructs that characterize an enterprise reputation: existence of high-quality products/services, relationships with consumers, emotional component, leadership and innovation, the internal environment, ethical norms at an enterprise and practices of social responsibility. They all must be evaluated by a respondent according to six points at a Likert scale (1 – fully agree, 6 – fully disagree).

After conducting a survey, such information should be processed using statistical methods. We have chosen as the most acceptable method within this part of the study a compatible statistical analysis method. The specified method is designed to measure and compare the attributes of products in order to identify those that affect the decision to purchase the products of the enterprise. A consumer cannot easily state his own system of values. Thus,

instead of forcing respondents to think about each attribute separately, within the framework of analysis a system of values is defined that underlies their choice, and consumers judge on their own about the product in general. Next, based on the results of analysis, one gives an estimate to the "usefulness" of products, that is, its capability to meet the needs of consumers.

Thus, by analyzing the existing methods for reputation assessment, we propose the use of a specific method that must be comprehensive in character, taking into consideration the quantitative and qualitative characteristics of the enterprise reputation at the same time. In order to construct an enterprise reputation assessment algorithm, it is required to:

- select key external and internal values for stakeholders of the enterprise (methods of qualitative analysis, preliminary expert survey) with the help of experts;
- construct a questionnaire with respect to the values of the enterprise's stakeholders;
- to conduct a survey of the enterprise's external stakeholders, using a questionnaire that is intended for the enterprise's external stakeholders (methods of a quantitative analysis, preliminary surveys);

- to conduct a survey of the enterprise's internal stakeholders, using a questionnaire that is intended for the enterprise's internal stakeholders;
- to process statistically the data acquired and to evaluate the enterprise reputation (using methods of statistical analysis and the method of expert polls).

Thus, by applying all these recommendations, we have developed an algorithm for enterprise reputation assessment, which includes three stages (Fig. 3).

According to the proposed algorithm (Fig. 3), at the first stage, one performs the internal identification of the enterprise reputation. To this end, top managers of the enterprise should identify the most significant characteristics for the enterprise reputation, which could affect the formation of values by different interested groups, as well as to identify possible outcomes of the impact of individual characteristics for the enterprise reputation on the reputation of the enterprise itself.

Given the fact that various interested groups have different relations with the enterprise, and, as a consequence, render its reputation a different content, therefore, the most important groups of stakeholders are determined. These groups include: the staff of the enterprise, owners, shareholders, suppliers, consumers, general public (potential consumers), the state and the legislature. All the specified groups pursue their goals during their interaction with the enterprise. That is why an important task for the leadership of the enterprise is to identify possible types of relationships between stakeholders and the enterprise. Therefore, in addition to known methods of qualitative analysis, one should apply a method of focus groups, aimed to interview representatives of the different groups of stakeholders. Thus, at the first, opening, stage of enterprise reputation assessment, the enterprise leadership should pay attention to the self-analysis of the enterprise activities.

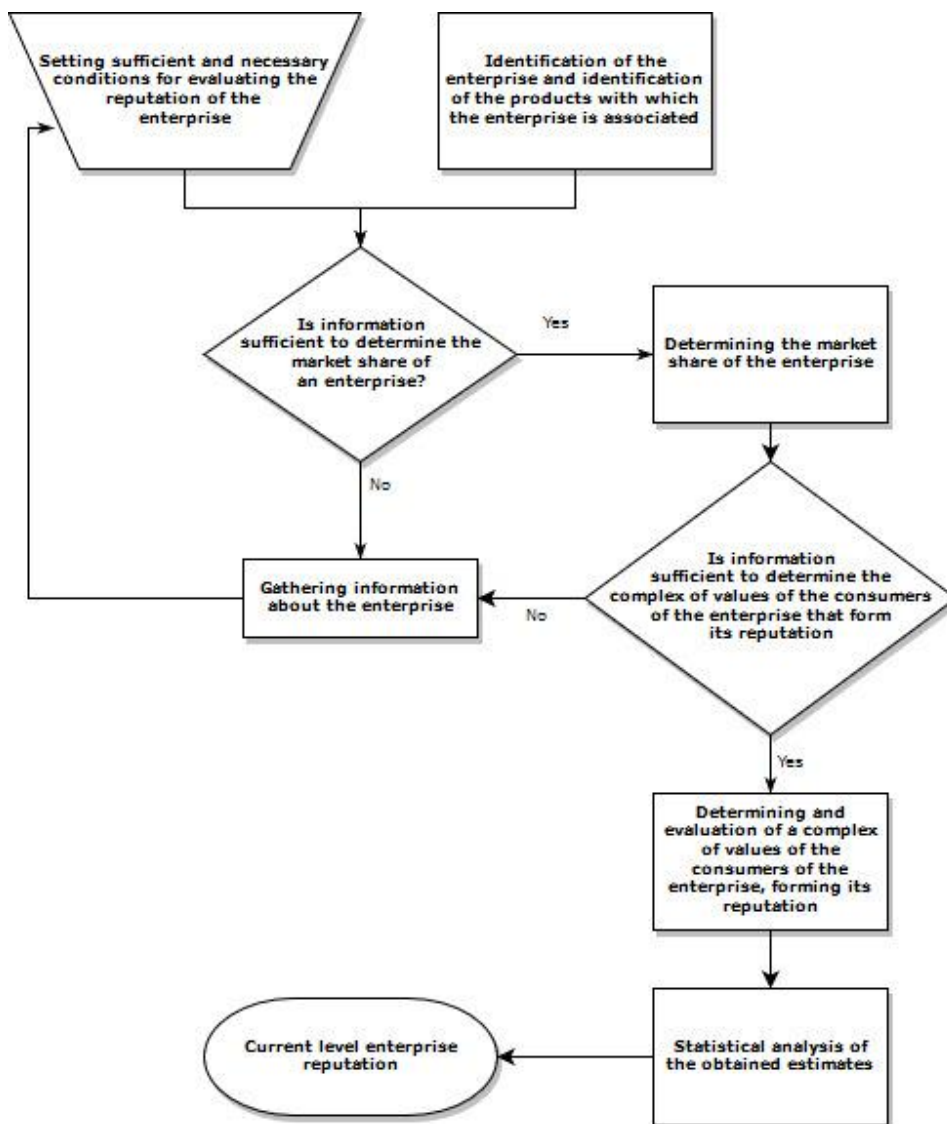


Fig. 3. Algorithm for enterprise reputation assessment

At the second stage of enterprise reputation assessment, one must use one of the methods of quantitative analysis to find out the opinion of consumers about both the enterprise and in relation to its competitors. When applying quantitative research methods, information is collected by various means: by means of telephone interviews, the Internet online surveys, survey of the place of residence or work, etc. The choice or a combination of methods depends on the specificity of the enterprise and its products. Note

that given all existing differences between the specified methods, they have a common element – a questionnaire (a system of questions interrelated by the research task).

Prior to a questionnaire construction, Noel (1978) proposes to describe the ideal enterprise. Since a person, when answering a question, might differently interpret what he read (or heard, depending on the form of a survey), the given analysis will help correctly formulate questions whose answers are of interest to the

enterprise. One should particularly carefully prepare those question that relate to the management of the enterprise, evaluation of the enterprise financial activity, results of the enterprise leaders' activities and their reputation, quality and product range, its brand, and the values that stakeholders give to the enterprise. A comparative analysis in such matters will help a person answering a question to draw a parallel between the activities of the enterprise and the activities of direct competitors. That would help the enterprise develop an action plan aimed at improving its state and raising the level of its competitiveness. The volume of questions is also a key factor of success during questioning. A very small number of questions will not be able to fully characterize an attitude towards the enterprise, too large – will exhaust a person answering a question. Moreover, there is a risk that a respondent might refuse to participate in the survey: he could be worried by a large volume of questions, or he would not be able to allocate the required amount of time to calmly contemplate responses (Noel, 1978).

At the third stage of enterprise reputation assessment, one should focus on a statistical analysis. This stage is very important for providing a quantitative assessment of an enterprise reputation under current situation. At this point, one should pay particular attention to a comparative analysis of the enterprise reputation assessment, obtained at the first and second stage of the algorithm.

The suggested algorithm for an enterprise reputation assessment (Fig. 3) can be considered as the basis for an enterprise reputation assessment. However, when assessing reputation, there is a series of reservations that it is advisable to consider when applying the proposed algorithm: a bias of the certain groups of stakeholders. Selection of respondents and evaluation criteria is typically biased. In addition, one should avoid problems related to the representativeness of the sample of stakeholders as respondents. Therefore, to assess reputation, one must first define which group of interests the enterprise intends to consider, and at what stage it plans to evaluate the reputation. Thus, consideration of the incompatibility that occurs when comparing perceptions by different groups of stakeholders may limit the comprehensiveness of the proposed algorithm, although it improves its effectiveness. The condition for taking into consideration the values of consumers of the enterprise's products is necessary when assessing an enterprise reputation because it makes it possible to refine the quantitative expression for the reputation of the examined enterprise taking into consideration the current situation in the market where the enterprise acts. In addition to the objective accounting for the technical and economic indicators of the examined enterprise, experts estimate their weight with respect to the values of consumers. Such clarification is the necessary condition during evaluation, because its quantitative characteristics should account for the values of stakeholders that indirectly affect the state of the enterprise's economic security and its competitive position in the market.

Conclusions

At present there is no doubt that corporate reputation is regarded as a key variable in improving the attractiveness of an enterprise and its ability to keep both clients and investors. However, it is difficult to move in this direction without a clear and universally agreed definition. Therefore, based on the theoretical generalization of results of scientific research into the issues related to reputation of an enterprise, we have proposed a more precise definition of the notion of corporate reputation and elucidated the differences between reputation, image, and the identity of an enterprise. Although the suggested definition is not comprehensive or integrative among a multitude of definitions that exist today, it reflects the modal claim expressed by scientists that paid attention to decisive issues. And it is also consistent with lexicology of the word reputation, which reflects a judgment or assessment.

Owing to the built reputation, an enterprise obtains a significant advantage whose essence implies the coherence of the enterprise's interests. The interests of an enterprise are largely related to the improvement of its economic condition, increasing its competitiveness, expanding a sector of the market. Every enterprise chooses its certain ways to achieve such a state depending on its capabilities, size, condition of development, however, regardless of the enterprise characteristics listed, a certain link that would guide an enterprise to the state of economic security could be the enterprise's reputation. In this sense, the proposed algorithm for enterprise reputation assessment could be regarded comprehensive (taking into consideration a number of caveats) since, first, determining an index of reputation is preceded by a deep qualitative analysis of values of internal and external stakeholders of an enterprise, and, second, it includes quantification using a survey of internal and external stakeholders of an enterprise concerning the eligibility of relationships with the enterprise (both direct and indirect through products of the enterprise), and, third, it includes a qualitative indicator that reflects the way an enterprise reputation could change in the future. Therefore, reputation becomes a management tool that enables businesses to improve and strengthen their market positions in key areas.

Thus, the main steps to building a positive corporate reputation are:

1. Statement of a strategy of corporate reputation and key factors for the stability of business.
2. The integration of communication and social responsibility into the corporate strategy of enterprise reputation.
3. Development of a crisis management strategy to protect against threats to reputation.
4. Coordination of the corporate history with internal and external stakeholders.

Undoubtedly, corporate reputation can become a key success factor for an enterprise. Therefore, the issues of building a positive reputation as a factor of stability of the enterprise are primary and relevant. Filling a scientific gap between a knowledge base concerning corporate reputation and empirical developments on its assessment confirms the fact on that the meaning of the conceptual construct of corporate reputation exists separately and independent of the scientific efforts on its evaluation.

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Annex 1.**A sample questionnaire used in the study when assessing an enterprise reputation**

Enterprise: XXX

Using the scale below, please indicate how much you agree with the following statements regarding enterprise XXX.

	fully disagree	do not fully agree	disagree in some ways	agree in some ways	agree almost in everything	fully agree
The enterprise is socially responsible. The enterprise takes an active and voluntary participation in social improvement, promotes the development of economic and ecological social situation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise offers products/services that meet the needs of consumers and the criterion of "quality-price".	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise is responsible to the consumer (customer focus). The enterprise carefully treats customers, communicating with them and taking care of their safety and health.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise evokes positive emotions. The enterprise generates respect, admiration, and trust.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise is the leader and innovator in its field. The enterprise is a recognized leader, it is innovative and committed to continuous development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise with a high level of corporate culture. The enterprise has acceptable working conditions, well-developed social infrastructure, and a high level of corporate culture.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The enterprise has a high degree of ethics. The enterprise adheres to the values that are consistent with the law, transparent, and based on respect for people and the environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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JEL Classification: C25, C M12

Economic component in the causes and consequences of emergencies

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Purpose – to elucidate the «economic nature» of an emergencies, to expand the list of reasons for the formation and consequences of the emergencies, taking into account the economic component, and to provide a description of their interrelation in this process.

Design/Method/Approach. This work evaluates and summarizes studies that provide economic characteristics and assess the causes and consequences of a emergencies.

Findings. An analysis of previous studies on emergencies pointed to a limited focus on economic issues associated. In this paper, the authors substantiated the feasibility and proposed to highlight the economic component in the management of prevention of emergencies, in the management of minimizing negative consequences and to consider this component in the classification of types of emergencies. This work focuses on the causal link between economic costs for the prevention, elimination and elimination of the effects of emergencies (economic losses) in the emergency management system. The examples have proved that all of the emergency preceding processes are economical, that emergency actions are limited to an economic factor, and that emergency situations can have economic consequences. An economic component can be both a cause and a consequence of an emergency. At the same time, the economic causes of emergencies directly affect only the economic consequences (inflation - impoverishment of the population), and their impact on the remaining consequences - indirect, due to the impact of other factors-consequences.

Theoretical implications. This research identifies a new classification group "economic circumstances" in the classification of types of emergencies for the causes of the emergence and spheres of manifestation of the consequences.

Practical implications. The isolation and systematization of the economic component of emergencies allows us to take into account the economic factor in the development of appropriate prevention algorithms, actions in emergencies or actions to eliminate the negative effects of these events.

Originality/Value. The originality of the work is to illustrate the connection between the cause of emergencies and each of its manifestations with the help of the fan matrix. This approach has allowed a clearer outline and a clear indication of the causal relationship in the processes associated with the emergency situation. For example, a causal relationship with the types of emergencies based on the economic component is illustrated with the aid of a fan matrix.

Research limitations/Future research. This research is the basis for further improvement of approaches to the estimation of economic indicators of emergencies taking into account the proposed classification groups of types of emergencies.

Paper type – theoretical.

Key words: classification, fan matrix, causal relationship, expenses for overcoming of consequences, insurance, management.

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Економічна компонента в причинах і наслідках надзвичайних ситуацій

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Мета роботи – з'ясувати «економічну природу» надзвичайних ситуацій (НС), з урахуванням економічної складової розширити перелік причин формування та наслідків НС, описати їх взаємозв'язки у цьому процесі.

Дизайн/Метод/Підхід дослідження. Оцінка та узагальнення досліджень, які надають економічні характеристики та оцінюють причини та наслідки НС.

Результати дослідження. Аналіз попередніх досліджень з питань НС вказав на обмежене зосередження на економічних питаннях. У даній роботі обґрунтовано доцільність і запропоновано виділити економічну складову в управлінні запобіганням НС, в управлінні мінімізацією негативних наслідків НС і розглянути цей компонент в класифікації видів НС. Зосереджено увагу на причинно-наслідковому зв'язку між економічними витратами на запобігання, ліквідацію та усунення наслідків НС (економічних втрат) в системі управління НС. На прикладах доведено, що економічний характер мають усі процеси, що передують НС, що дії під час НС обмежені економічним чинником, а також що НС можуть мати економічні наслідки прояву. Економічна компонента може бути як причиною, так і наслідком НС. Разом з тим, економічні причини НС прямо впливають лише на економічні наслідки (інфляція – зuboжіння населення), а їх вплив на решту наслідків – побічний, через вплив решти факторів-наслідків.

Теоретичне значення дослідження. Виокремлено нову класифікаційну групу «економічні обставини» в класифікації видів НС за причинами виникнення та сферами прояву наслідків.

Практичне значення дослідження. Виокремлення та систематизація економічної компоненти НС дозволяє враховувати економічний чинник під час розробки відповідних алгоритмів запобігання, дій під час НС або дій з усунення негативних наслідків цих подій.

Оригінальність/Цінність/Наукова новизна дослідження. Зв'язок між причиною НС і кожним її проявом проілюстровано за допомогою віялової матриці. Такий підхід дозволив більш чітко окреслити та наочно показати причинно-наслідковий взаємозв'язок у процесах, пов'язаних з надзвичайною ситуацією. Для прикладу за допомогою віялової матриці проілюстровано причинно-наслідковий зв'язок типами НС з урахуванням економічної компоненти.

Обмеження дослідження/Перспективи подальших досліджень. Це дослідження є основою для подальшого удосконалення підходів до оцінки економічних показників НС з урахуванням запропонованих класифікаційних груп типів НС.

Тип статті – теоретична.

Ключові слова: класифікація; віялова матриця; причинно-наслідковий взаємозв'язок; витрати на подолання наслідків; страхування; управління.

Экономическая компонента в причинах и последствиях чрезвычайных ситуаций

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Цель работы – выяснить «экономическую природу» чрезвычайных ситуаций (ЧС), с учетом экономической составляющей расширить перечень причин формирования и последствий ЧС, описать их взаимосвязи в этом процессе.

Дизайн/Метод/Подход исследования. Оценка и обобщение исследований, которые предоставляют экономические характеристики и оценивают причины и последствия ЧС.

Результаты исследования. Анализ предыдущих исследований по вопросам ЧС указал на ограниченное сосредоточенность на экономических вопросах. В данной работе обоснована целесообразность и предложено выделить экономическую составляющую в управлении предотвращением ЧС, в управлении минимизацией негативных последствий ЧС и рассмотреть этот компонент в классификации видов ЧС. Внимание сосредоточено на причинно-следственной связи между экономическими затратами на предотвращение, ликвидацию и устранение последствий ЧС (экономических потерь) в системе управления ЧС. На примерах доказано, что экономический характер имеют все процессы, предшествующие ЧС, действия во время ЧС ограничены экономическим фактором, а также ЧС могут иметь экономические последствия проявления. Экономическая компонента может быть как причиной, так и следствием ЧС. Вместе с тем, причины ЧС прямо влияют только на экономические последствия (инфляция - обнищание населения), а их влияние на остальные последствия - побочный, из-за влияния остальных факторов-следствий.

Теоретическое значение исследования. Выделена новая классификационная группа «экономические обстоятельства» в классификации видов ЧС по причинам возникновения и сферами проявления последствий.

Практическое значение исследования. Выделение и систематизация экономической компоненты ЧС позволяет учитывать экономический фактор при разработке соответствующих алгоритмов предотвращения, действий при ЧС или действий по устранению негативных последствий этих событий.

Оригинальность/Ценность/Научная новизна исследования. Связь между причиной ЧС и каждым ее проявлением проиллюстрировано с помощью веерной матрицы. Такой подход позволил более четко определить и наглядно показать причинно-следственную взаимосвязь в процессах, связанных с чрезвычайной ситуацией. Например с помощью веерной матрицы проиллюстрировано причинно-следственная связь типами ЧС с учетом экономической компоненты.

Ограничения исследования/Перспективы дальнейших исследований. Это исследование является основой для дальнейшего совершенствования подходов к оценке экономических показателей ЧС с учетом предложенных классификационных групп типов ЧС.

Тип статьи – теоретическая.

Ключевые слова: классификация; веерная матрица; причинно-следственная взаимосвязь; расходы на преодоление последствий; страхование; управление.

Introduction

Modern statistical data prove that the number of emergency situations (ES) has increased in the world recently. The reasons for this are climate change, the advent of new technology and growing demands for this technology control as a result of scientific and technological progress, increasing world's population and changing ecosystems, increasing the number of military conflicts and the occurrence of new hybrid threats. Separately, one must distinguish an economic reason. Increasingly there is information about the underfunding of preventive measures to prevent the onset of man-made disasters. In addition, more and more often the very economic reasons lead to the occurrence of new emergency situations. Thus, attempts by the French government in autumn 2018 to raise fuel prices triggered mass protests that had become riotous and resulted in emergency situations.

The situation in the big spheres is demonstrated in extraordinary situations. Thus, the Tohoku region, North-East Japan, was struck by the gigantic earthquake that happened in the Pacific Ocean near Tohoku, and subsequently hit by a giant tsunami. These dangers inflicted enormous damage on the eastern coast of Japan. Such a loss had a strong impact on both recovery and economic activity in the country as a whole (Mimura, Yasuhara, Kawagoe, Yokoki, & Kazama, 2011).

Every new emergency effective control mechanisms for the rapid emergency situations resolution and development of measures to prevent the occurrence of new emergency situations. This, accordingly, requires some economic expenses.

With this regard, there is a need to increase focus on economic factors related to emergency situations, which can cause them, or among other consequences, to distinguish the economic component of emergency situations in order to prevent and divert them.

Theoretical background

An overview of scientific research on emergency management and its economic basis allowed revealing the following.

Ukrainian researcher V. Yevdokymov with his colleagues characterized the management features of economic activities in emergency situations (Yevdokymov et al., 2016).

Also these problems are devoted to the work of foreign authors. The predominant subject of work of American and German researchers is the principles and construction of emergency management (e.g., Trainor & Subbio 2014), D. McElreath (McElreath et al., 2014) and M. Jansen (Jansen, 2010)). Chinese researchers led by K. Zhou (Zhou, Huang & Zhang, 2011), using fuzzy logic, determined the factors that have an impact on effective emergency management.

The issues of assessment and accounting of the economic component of emergency situations are not, in principle, new. Like in the whole world, in Ukraine, there are many researchers have been involved in recent years. V.O. Vasiichuk (Vasiichuk et al., 2010), V.V. Mogylnichenko (Mogylnichenko, 2008) touched upon the cost of civilian protection during emergency situations. The state of the accounting and analytical system for managing economic activity in emergency situations was considered by Hrytsyshen and Polyak (Hrytsyshen, & Polyak, 2016). E.V. Khlebystov conducted a comparative analysis of Ukrainian and international practices to assess the consequences of emergency situations (Khlobystov, Zharova, & Voloshyn, 2009). G. M. Ploskonos (Ploskonos, 2003) studied from issues of assessment to issues of forming mechanisms for minimizing the economic consequences of accidents and disasters.

Y. A. Opanasyuk proposed the assessment principles of ecological and economic damage from emergency situations in his works (Opanasyuk, & Melnyk, 2013), M. I. Bubyk has developed a

methodology for estimating industrial losses in industrial enterprises in a modern economy (Bubyk & Koropetska, 2012).

Summarizing this review, it can be noted that the main focus of the research was on approaches to emergency management, assessment of the cost of response in case of emergency situations and on elimination of consequences of emergency situations. In some studies, scientific articles and books, emergency reports separately indicate the economic factors of emergency situations and, separately, the economic consequences of the emergency situations occurrence. The causes and consequences of emergency situations associated with economic factors were not well studied. The relation between these two categories is not cached. Our analysis points to the facts that confirm the relation between economic causes and the economic consequences of emergency situations. And there are far more such facts than expected by the authors. Therefore, there is a clear need to determine the correlation between the economic causes and the consequences of emergency situations, especially in the context of limited actions in the prevention of emergency situations due to lack of funds.

Problem statement

Purpose – to elucidate the «economic nature» of an emergencies, to expand the list of reasons for the formation and consequences of the emergencies, taking into account the economic component, and to provide a description of their interrelation in this process.

Methods and Data

This paper includes methods, in particular, of general sciences: induction, deduction, analysis, synthesis, scientific abstraction and generalizations - for the formation, substantiation and development of the formalized conceptual-categorical apparatus of the research; a comparative analysis, a theoretical generalization of a causal correlation - to determine the differences between the causes of the occurrence and the consequences of emergency situations' demonstration; a system approach - for the development and substantiation of fan matrices system making; specific: semantic analysis - for analyzing the flow of publications to determine the methodological basis for determining the economic causes and consequences of emergency situations; processing expert information - to determine the key factors for fan matrices; project priority - for making fan matrices and the formation of conclusions based upon them. Information sources of research are the scientific papers of local and foreign scientists on the problems of assessment and management of emergency situations, regulatory documents and the legislative framework of Ukraine and other countries on the classification of emergency situations.

The distinction between the social and purely economic causes of emergency situations and the relation establishment between the types of emergency situations are identified in the Code of Civil Protection of Ukraine (Kodeks tsyvilnoho zakhystu Ukrainy, 2018), with the aid of a new feature, was carried out by a fan matrix (the Kordonskyi Matrix) (Kordonskyi, 2011).

"Fan matrix is a table used in methodology, semiotics, classification theory to describe taxonomies and ontologies" (Veyemaya matritsa, 2018). Its essence lies in the fact that such a matrix has a "level structure", that is, it allows the information in the form of a certain set of levels (by structure, management or functioning), allows considering each concept as the level of organization from the derivative of the fan matrix. In addition, the fan matrices are substantially limited, since the scope of their interpretation can not go beyond the limits defined by previous levels (organization, structure, management, operation). The fan matrices allow building ontologies of scientific pictures of the world; to predict the existence of concepts (objects, phenomena) and relations between levels of research; generate partial picture of the world, based on the basic picture of the world; to simulate (to set character sets) structures of different levels, to operatively

represent (solve) the so-called paradoxes of belonging. "Fan matrix is in the fact that its fragments, taken according to certain rules, unfold in derivatives from the original table of structure, which preserve its logic" (*Veyernaya matritsa*, 2018).

Results and discussion

An "Emergency Law" adopted in the United Kingdom defines an emergency situation as depriving a society of sources of vital needs and requiring special actions and opportunities (*Civil Contingencies Act*, 2004). This definition should meet the challenges, risks and threats faced by each state in the new millennium.

Based on the already existing definitions of military and man-made emergency situations (*Nadzvychna sytuatsiia*, 2018), under an emergency situation of an economic nature (economic emergency), we consider the situation as a result of the government's false economic actions, the use of economic sanctions by other countries, hybrid hostilities, inflation, impoverishment population and loss of savings, unemployment and bankruptcy of enterprises and organizations, investors outflow, depreciation of the national currency and securities.

To identify the economic nature, causes and consequences of emergency situations associated with economic factors, the authors of this paper have studied the emergency situations classification.

Classification is not only important for science, but is also one of the main components of thinking.

Separate results of the researches of emergency situations classification are presented in the papers of G. M. Kharamda (*Kharamda*, 2012), V. C. Zhidetsky (*Zhidetsky, Dzhyhyrey, & Melnykov*, 1999), V. S. Dzhigireya (*Dzhyhyrey, & Zhidetsky*, 2000), V. E. Goncharuk, S. I. Kachana, S. M. Orel and V. I. Putsylo (*Goncharuk, Kachan, Orel, & Putsylo*, 2004), Ya. O. Sierikov (*Sierikov*, 2007), D. Yu. Polkovnychenko (*Polkovnychenko*, 2014), D. Mladan and V. Cvetković (*Mladan, & Cvetković*, 2010) and many other authors.

G. M. Kharamda (*Kharamda*, 2012) proposes a classification of the emergency situations causes, which also highlights economic ones. Among such causes, he defined: "imperfection of technical means and technological processes, environmental change due to nature use (pollution, exhaustion of resources), poverty (wearing equipment, lack of funds for modernization, prevention)" (*Fig. 1*). However, this interpretation, in our opinion, is incomplete and controversial.

D. Yu. Polkovnychenko (*Polkovnychenko*, 2014) identified two groups of contradictions: "between nature and society and within society." In turn, in the latter group of contradictions, that is, within the society, it is possible to conditionally identify a set of socio-political, including military-political and socio-economic contradictions, on two levels: interstate (international) and in-state. " However, in the general author's definition of emergency situations, he does not distinguish economic causes: "Using such grouping and considering emergency situations as a consequence of the contradictions intensification in the absence or lack of effectiveness of the mechanism for managing the development of society, we can distinguish four classes of emergency situations: military-political and social-political conflicts; natural disasters; man-made disasters; emergency situations of the "combined type", that is, those with a mixed natural-technological (epidemic of oncological diseases, lung silicosis, etc., as well as landslides, desolations, etc.), natural-social (some mental illness) nature. "

D. Mladan and V. Cvetković (*Mladan&Cvetković*, 2010) proposed another approach to classification - the ability to manage emergency situations through means of prediction and influence (*Table 1*). However, this classification is not based directly on economic rather than on purely managerial actions.

The emergency situations in the world get classified and are at the legislative level, depending on the causes, scales, consequences, etc. Depending on the geographical location, the peculiarities of the legislation or customs of each country, inherent features of such classification (*Emergency*, 2018).

For example, in the UK, the types of emergency situations are distinguished according to the facility, which includes emergency situations: emergency situations that threaten life, health, property or the environment (*Emergency*, 2018).

Similar to British, there is the Chinese emergency situations classification, but unlike Britain, only three factors are taken into account: depending on the threats to life, health and the environment. According to the law, life threatening is considered to be an emergency situation with the highest priority, because "nothing is more important than human life" (*Jinji qingkuang*, 2018).

In the United States, there is no single federal classification. The type of emergency situations is different for each state, where local authorities manage emergency situations. For example, in Texas, emergency situations are classified into 4 levels depending on the impact degree (supervised by specialist personnel; uncontrolled, but occurring on small territory; an uncontrolled situation requiring an additional protection zone; a completely uncontrolled situation) (*Emergency Classification Levels & Responsibilities*, 2018).

In view of the significant upheavals in recent history of Serbia (military actions, significant population displacement) in that country, the criteria for emergency situations classification are: time (unexpectedness, rate of cases' development); social and ecological consequences (human sacrifices, epidemics, mass destruction of cattle, preparation of production, use of a significant amount of natural resources); social and economic consequences (big conflict, high risk, provoking internal political instability, domestic political cases, increasing inter-ethnic tensions, expressed international instability, economic consequences (significant economic losses and the threat to financial and material resources, violations of the regular transport system, the need for significant material costs and compensations, the formation of funds, the need to use a large number of methods to prevent situations and eliminate the consequences); the body Management (Unpredictable Situations in Management) (*Ванредна ситуација*, 2018).

Despite single emergency management body in the EU, the European Center for Monitoring and Information on Emergency situations, there is still no single emergency situations classification in the EU. For different countries, the classification varies.

In Germany, emergency situations are classified according to the principle of responsibility for resolving the situation, due to the fact that there are a large number of services in this country (civilian, military, and even volunteer) who should come to the rescue in case of emergency. In addition, the country's government distinguishes such groups of emergency situations as: general emergency situations for health, fires, accidents or water saving with a message by telephone 112; general emergency situations in other threats and accidents with police reports by telephone 110 or using the emergency call system 734; Emergency situations in the Alps with the alert of the mining rescue service; dangerous cases in railway transport with the notification of the emergency manager of DeutscheBahn, accidents in mines, emergency situations in underground caverns and caves; other disaster cases with notifications of it (*Notfall*, 2018).

A simpler classification of emergency situations is used in Finland: criminal offenses, natural disasters (fires, marine accidents, earthquakes, floods, tornadoes, tsunamis, volcano eruptions), man-made disasters (structures collapse through fires, explosions (terrorism) or bad design, air crashes, car accidents), administrative emergency situations (terrorism, war) (*Pelastustoiminta*, 2018). In the Czech Republic a multilevel classification of emergency situations is used, which classification types are given in *Table 2*.

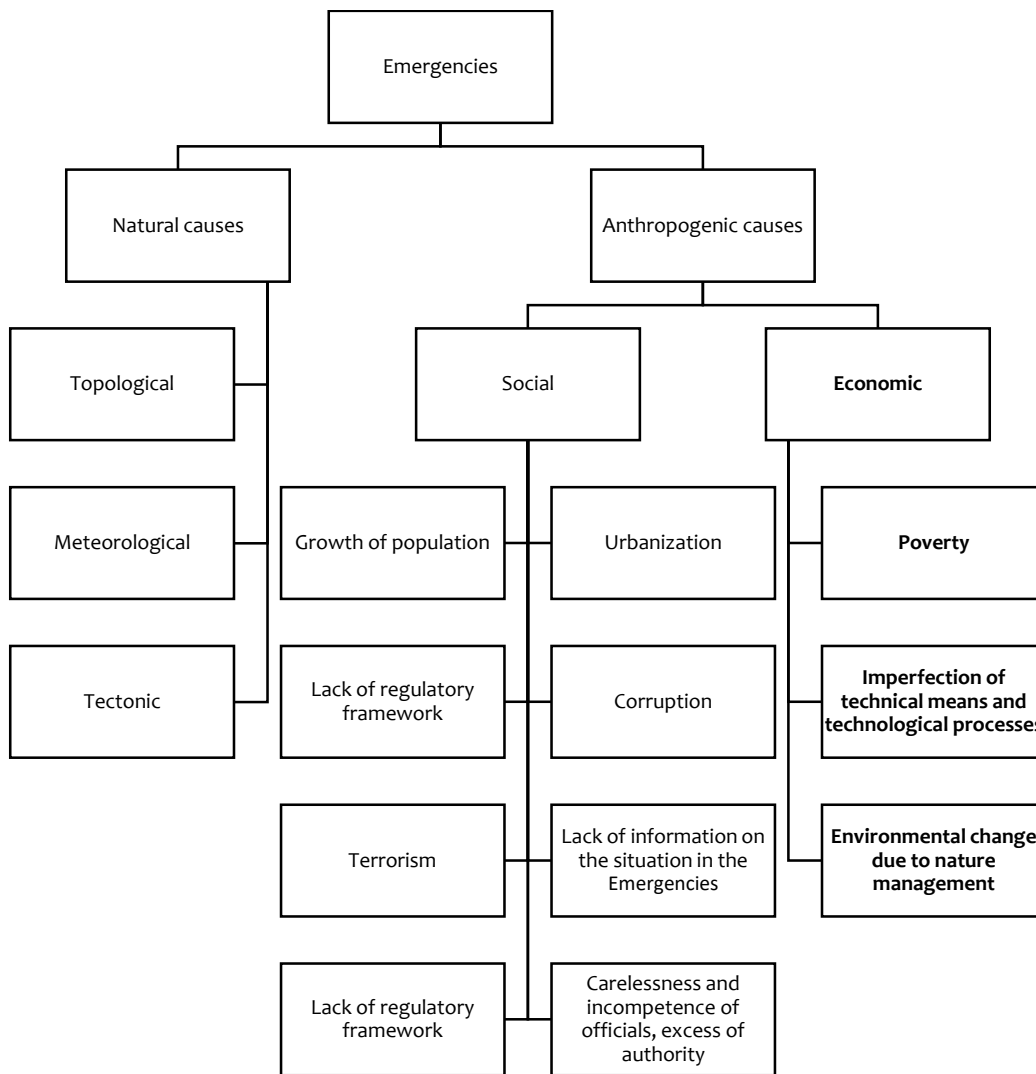


Fig. 1. Classification of the causes of emergencies by G.M. Haramda (Kharamda, 2012)

Emergencies classification, presented in the work of D. Mladan and V. Tsvetkovich

Table 1

Ability to predict	Possibility of influence on the ES	
	Controlled	Uncontrolled
Predictable	Traditional emergencies	Uncontrolled emergencies
Unpredictable	Unexpected emergencies	Unpredictable emergencies

Source: made on the basis of (Mladan & Cvetković , 2010).

Emergencies types in the Czech Republic

Table 2

Cases caused by natural phenomena	
local (flood, earthquake)	abiotic (storms, fires caused by natural phenomena)
global (e.g., super misfortune, pandemic)	biotic (epidemic, pest infestation)
extraordinary events caused by a person	
unintentional (technical failure, accident, negligence)	military (military attack of another state)
intentional (sabotage, terrorism, war)	non-war (unrest, social or economic reasons)
Emergency situations with mixed cause	

Source: made on the basis of (Mimořádná událost, 2018).

In Ukraine, the types of emergency situations are defined in the Code of Civil Protection of Ukraine (Kodeks tsyvilnoho zakhystu Ukrayiny, 2018) and the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Procedure for Classifying Emergency situations by their Levels" (Postanova Kabinetu Ministriv Ukrayiny, 2013), which distinguish four main types of emergency situations depending on the emergency consequences (Kodeks tsyvilnoho

zakhystu Ukrayiny, 2018) or territorial spreading (Postanova Kabinetu Ministriv Ukrayiny, 2013) (state, regional, local, object) and 4 main causes depending on the nature origin of cases that may lead to their occurrence (man-made disasters, natural disasters, social, military) (Kodeks tsyvilnoho zakhystu Ukrayiny, 2018).

At the same time, in the modern world, the fifth cause of emergency situations is becoming more and more significant - economic. After all, the sources of information show that inflation (for example, in Venezuela 2017-2018), the population impoverishment through financial pyramids (e.g., in Albania in the 1990's), depreciation or loss of savings (Russia, 1993), own miscalculations of government officials or false economic development strategies (Chile, 1973), hybrid economic challenges of neighboring countries (sanctions, boycotts, blockades, embargoes, etc.) (Libya, 2009-2011) can also be a source of emergency situations.

The causes of emergency situations are not always clear and often coincide (Spiegel, Le, Ververs, & Salama, 2007). For example, A. Sen (1999) argued that hunger is usually caused by a lack of purchasing power, but not necessarily by drought or as a consequence of a food shortage. But these factors can aggravate the low level of the population solvency (Sen, 1999; Spiegel, Le, Ververs, & Salama, 2007).

In many cases, effective response, impact and management of emergency situations prevention, emergency operations, and emergency response minimization are only possible with appropriate economic support for such processes, which differences in economic costs depend on the emergency situations

type. Depending on the emergency situations type, the economic costs of processes associated with them may vary.

However, from our point of view, in all these papers insufficient attention is paid to the study of the emergency situations nature, including their "economic nature", because:

- 1) the economic causes of the emergency situations are not clearly defined or included as social (social and political);
- 2) not all factors that may trigger emergency situations due to economic reasons are identified;
- 3) there are not clearly defined consequences of emergency situations, which, in their turn, can have both economic reasons and economic demonstration.

For a clearer delineation of social and purely economic causes for emergency situations, the authors attempted to relation those with all types of emergency situations (involving a new feature), defined by the Code of Civil Protection of Ukraine (Kodeks tsyvilnoho zakhystu Ukrayiny, 2018), by a fan matrix (the matrix of S. Kordonskyi) (Kordonskyi, 2011).

Such a matrix, proposed from the research perspective, is presented in Table 3.

Table 3

Emergencies types under the Civil Protection Code of Ukraine and the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Procedure for Classifying Emergencies by Their Levels"

By nature of origin (cause)	Territorial spreading			
	state level	regional level	local level	object level
economic (new feature)	+			
military	+	+		
social	+	+	+	
natural nature	+	+	+	+
man-made nature (technogenic nature)	+	+	+	+

Source: generated by the authors.

The matrix depicts a clear distinction between "economic" and "social" causes of emergency situations. Economic causes are a case of the state level, since their consequences will affect all citizens of the country, and the social cause of the occurrence can trigger an emergency situation in the territorial spreading of not only the state but also of the lower level - regional, local, or even object.

An example of such emergency situations in the world can be considered as follows:

- 1) Ulster crisis - social (more precisely, social and political), conflict of Catholics and Protestants in Northern Ireland (part of Great Britain) - regional level (*The Troubles, 2018*);
- 2) genocide of Tutsi nationality in Rwanda - social, but with the whole country's level spreading (*Rwandan genocide, 2018*);
- 3) the population impoverishment and power change in Libya (as a consequence of sanctions against the regime of Muammar Gaddafi) - economic cause (*Muammar Gaddafi, 2018*);
- 4) constant riots with human victims in the face of significant inflation in Venezuela due to the economic strategy of the country's government, the economic cause (*Economy of Venezuela, 2018*).

When conducting classifications of emergency situations, some scientists suggest taking these signs into account (Bereziuk, &

Lemeshev, 2011): "The general cause of occurrence, demonstration type, scope, consequences, timing and scale of occurrence."

Of particular interest is the category of "consequences" that results in occurrence of new emergency situations. Traditionally, the consequences of demonstration of emergency situations include technogenic, social and political, environmental, and economic (Bedriy et al., 1997). However, V.P. Kniazeva, N.S. Scanavy and T.V. Averchenko (Kniazeva, Scanavy, & Averchenko, 2002) also distinguish those as the ones that can be called historical. Historical consequences of emergency situations should be considered as leading to the decline and looting or distortion of cultural and historical heritage (destruction of architectural objects, loss of religious or cultural values, etc.).

At the same time, the economic consequences of emergency situations should be considered such that lead to direct material losses of the state, economic entities, communities, population.

The economic consequences can be resulted in cases of all consideration levels of emergency situations: state, regional, local, and even object due to the fact that at each level the case requires direct funds spending to eliminate it, it causes certain direct losses. At the same time, the expenditure amount depends precisely on the level of emergency situations (Table 4).

Table 4

The correlation matrix between the types of emergencies on the result of their demonstration and on the territorial of spreading

As a consequence of demonstration	Territorial spreading			
	state level	regional level	local level	object level
historical	+			
social and political	+	+		
man-made (technogenic)	+	+	+	
ecological	+	+	+	+
economic	+	+	+	+

Source: generated by the authors.

At the same time, we believe that the historical consequences of emergency situations can only be at the state level, since cultural heritage is the gain of all people and the whole state, because they are kept in state museums, are protected by the state, and some objects of cultural heritage are even recognized as the property of world civilization (*Cultural heritage, 2018*).

The expediency justification of the category on historical and economic consequences of the emergency situations can also be disclosed by the fan matrix, shown in the Table. 5, - a combination of emergency situations types as a consequence of their demonstration and types of necessary expenses.

Table 5

The emergencies types by the consequences of their manifestation and types of necessary expenses

As a consequence of demonstration	Types of necessary expenses			
	on insurance from the onset of a case	to cover direct damage from the case	for prevention (except for insurance)	for elimination of consequences
historical	+	+		
social and political	+	+	+	
man-made (technogenic)	+	+	+	+
ecological	+	+	+	+
economic	+	+	+	+

Source: generated by the authors.

So, from the economic point of view, the historical consequences of emergency situations are only direct losses, and it is almost impossible to determine the costs of preventing or eliminating the consequences. However, one can insure historical objects of cultural heritage for their (possibly partial) restoration. Although the newly constructed object will only be a copy of the historical, and the object of cultural heritage will be lost (as, for instance, St. Michael's golden-domed cathedral in Kiev). Instead, the economic consequences of emergency situations are not only a direct economic loss (e.g., savings depreciation) but can also be insured (by converting part of funds into other currencies or liquid assets). In addition, funds can be used to prevent the economic consequences of emergency situations (currency interventions on the interbank exchange to stabilize the national currency) and their elimination (subsidies, material assistance to the population, and subventions to local budgets).

The economic consequences of emergency situations are manifest in their demonstration. At the same time, one and the same problem may require a long time to solve, and can be solved

instantly. For instance, the steady growth of foreign exchange rate during 2014 in Ukraine was not quickly stopped by the government. Opposite panic in the currency market at the end of December 2018 was resolved in a few days. However, in our opinion, it is more interesting to combine by the fan matrix the classification of emergency situations "for the causes of occurrence" and "the consequences of their demonstration" and emerging (Table 6) the cause-effect correlation.

From the philosophical point of view, the "cause" and "consequence" categories generalize and distinguish one of the concrete and specific forms of such correlation. So, every phenomenon or group of interacting phenomena generates other phenomena. At the same time, the phenomenon that causes other phenomena to life, serves as a cause. In turn, the cause itself generates a consequence, because "the cause is a phenomenon, the thing that directly causes, generates another phenomenon, which is called a consequence" (*Nadolnyi, 1997*). Hence, there is a certain chain of cause-and-effect correlations between certain previously identified groups of emergency situations.

Table 6

The matrix of cause-and-effect correlation between types of emergency situations classified according to the causes of origin and the consequences of demonstration

As a consequence of demonstration	For cause of origin				
	military	social	man-made nature (technogenic nature)	natural nature	economic
historical	+	-	-	-	-
social and political	+	+	-	-	-
man-made (technogenic)	+	+	+	-	-
ecological	+	+	+	+	-
economic ones	+	+	+	+	+

Source: generated by the authors.

This combination allowed determining the direct and indirect effects of each cause of emergency situations on corresponding effects of demonstration. After all, the causes of maritime emergency situations (military emergency situations) can have only direct consequences: historical (destruction of cultural values), social and political (revolution), man-made (destruction of industrial objects), environmental (environmental pollution) and economic (inflation, population impoverishment due to the loss of property).

At the same time, the economic causes of emergency situations directly affect only the economic consequences (inflation - the population impoverishment), and their impact on remaining consequences is indirect, due to the impact of other factors-consequences. For example, due to the depopulation (economic cause), mass disorder begins (social and economic crisis) and robbery and destruction of cultural heritage objects (historical consequences). Or due to the population impoverishment (economic cause) there is a shortage of funds for education (social

and economic crisis), which causes technological, historical or environmental consequences of emergency situations. Direct effect in tabl. 4 is marked with "+", and the side one is marked with "-".

It should also be noted that the direct impact of emergency situations can cause not only negative but also (in some cases) positive effects (including in economic terms). For example, the change of tyranny by democracy as a result of revolution, the destruction of an environmentally harmful objects due to military actions, etc. While side effects have only negative consequences (e.g., the destruction of historical objects, trade facilities or property of people through mass riots, caused in turn by rising fuel prices in Paris in the fall of 2018).

Separating the economic component in emergency situations and informing the public hereof allows realizing economic risks, and this affects the decision-making and behavior of people.

The economic consequences of emergency situations are decisive in assessing such a macroeconomic indicator as the capacity of the state. After all, the capacity of the state should be evaluated, firstly, from the point of view of solving the main task of systemic transformations - deepening the market transformation of the economy and preventing the economic causes of emergency situations (Trush, & Litvinenko, 2008). The determinants of this process are the institutional provision of policy reforms, the completion of the process of forming a ramified market infrastructure, the establishment of an effective legislative field and stable rules of economic activity. Another problem is sharply eliminated - elimination of existing deformations in property relations, ensuring legalization of its main forms, political support and reliable state protection of private property, interests of business partners and lenders, national capital in general, since property issues often appear to be the main stimulus of popular discontent and occurrence of emergency situations (e.g. example, the crisis of car owners on a foreign registration). The state should actively interfere in this process, to assume the main burden of responsibility for its results. It is, in the end, about the formation of the necessary critical mass of reforms in the short term, which will allow the Ukrainian economy to develop in the long run on a self-sufficient market basis.

Secondly, the state's capacity should be assessed also from the point of view of its ability to provide (with all available tools, including regulatory means) the creation of economic, political and social preconditions for realization of existing (and potential) competitive advantages of the Ukrainian economy. In a situation where such advantages can not be realized on the basis of market self-regulators due to their absence, the state should act as an entity that strengthens the emerging market mechanisms to refine what the market is not able to do at the moment itself. By such steps the state can create new economic causes of emergency situations.

Thirdly, the competitive advantages realization must be realized in strengthening position of domestic market, the establishment of an innovative model for the development of the Ukrainian economy, energy saving mechanisms and structural policies, and overcoming the accumulated over the years of independence of reproductive deformations, because a stable internal market ensures elimination of both social and economic causes of emergency situations.

Fourthly, it requires reconsideration of the macroeconomic stabilization logic. It is also one of the determining factors of the state's capacity to act. In previous years, the macroeconomic stabilization rate was applied to monetary policy. However, Ukraine's own experience, as well as the experience of other post-socialist countries, demonstrates limited ability of reliable stabilization of money purely by monetary instruments. Increasingly, the social and even psychological factors contribute to the stabilization of the course of the domestic currency exchange rate.

Fifthly, strengthening of the state effectiveness is associated with a significant increase in its impact on the development of the social sphere. The basis of this is the reliable protection and state support for socially unprotected sections of population, as the main driving forces for social and economic causes of emergency situations.

Conclusions

The analysis of previous research on emergency situations revealed a limited focus on the economic issue. This paper proposes to identify the economic component in management of emergency prevention and emergency situations in order to minimize the negative consequences. The examples proved that the economic nature of all processes preceding emergency situations, actions in emergency situations limited to the economic factor, emergency situations can have economic consequences. An economic component can be both a cause and a consequence of emergency situations. At the same time, the

economic causes of emergency situations directly affect only the economic consequences (inflation - population impoverishment), and their impact on remaining consequences - indirect, due to the impact of other factors-consequences.

The practical significance of the research's results is that the isolation and systematization of the economic component of emergency situations allows considering economic factor in the development of appropriate prevention algorithms, actions in emergency situations or actions to eliminate the negative effects of such cases, to improve approaches to assessment of economic indicators of emergency situations with a focus on causal relation between economic costs, preceding emergency situations (costs of emergency situations prevention), economic costs of eliminating emergency situations and economic consequences of emergency situations (losses or costs of eliminating consequences of emergency situations) in the emergency management. All this will help ensure a comprehensive and coordinated response to the emergency situations.

The value of this research's results is that with the isolation of economic component of emergency situations, further development of methodological approaches to the emergency situations types classification. In the emergency situations types classification on the basis of "causes of occurrence," the authors proposed to consider the group of factors of the emergency situations occurrence - economic circumstances, and in types of emergency situations, classified by the "emergency response" - considering the groups - economic and historical. This grouping, unlike the existing one, allows focusing on the economic problems associated with emergency situations and to take into account the economic component in development of management decisions to prevent, eliminate, and minimize the consequences.

The results of the research can be applied at different government levels from the state to the object during the formation of policy and planning of economic costs for the emergency situations' prevention, actions during emergency situations and to reduce or eliminate negative effects of such cases.

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