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HISTORY AND THE PRESENT OF ENTREPRENEURIAL ACTIVITY

Summary

This article focuses on the problems of business development in Ukraine. Considering questions of state regulation and self-entrepreneurship, is illuminated the process of the development such concepts as «entrepreneur» and «entrepreneurship». In particular, attention concentrates on the emergence and understanding of the essence of entrepreneurial idea and business potential, development of the business sector and forms of self-organization of business subjects. Determined factors of the influence on emergence of the entrepreneurial idea. Specified the dependence between the development of entrepreneurship in the state and the innovation and investment direction of the state policy. There are considering features of motivation of entrepreneurs and business development in general in Ukraine. It is proved that cooperation between an enterprise and a type of external environment should be formed on the basis for establishing a balance of technical, practical and industrial interests. For the enterprise functioning in the current market conditions it is not enough to have only «land, labour, capital», but also harmoniously combine financial, industrial and social environment, that is to contribute to the stability and sustainability of development, actively collaborate with partners, customers, suppliers and even competitors. And the most important is to fight actively for «a place in the market.» So in this article we discuss a set of conditions that are necessary for the development of enterprise in today's market environment.

Introduction

In current market conditions of business arises the question of the development of enterprises and entrepreneurship in Ukraine. It is needed to know what are the objectives of creation and functioning of companies and in which business areas they are based. To find a reasonable balance between government regulation and market self-regulation is one of the key objectives of the restructuring of the Ukrainian state.

At the stage of market economy formation the state faces the following tasks. Firstly, the formation of a new system of property relations those are inherent to compound, mixed economy. Secondly, the formation of the basic elements of market infrastructure. Thirdly, promoting the establishment of the company. In addition, the formation of this sector of economy can not be started up to chance, and requires a clear initiation, management and support from the state.

It should be noted that the most important function of the state is the development of legislation and enforcement of laws, that is – legal regulation. This, in fact, defines the role of government in a market economy.

Formation and development of domestic enterprise largely depends on the establishment of an appropriate legal framework that would stimulate entrepreneurial activity and fair competition.

Today the company regulation is made by numerous regulatory acts, both general and special character. However, a slowdown in the number rate of enterprises, number of employees indicates the failure and imperfection of the legal framework of the development of company, which should be a fundamental principle, a foundation (base – in the full sense of this word) the formation and development of subjects of business activity.

The legal base of the enterprise is a set of laws, regulations and instructional documents that determining the procedure of establishment of enterprises, registration of individual entrepreneurs, their legal and organizational forms, organization of production, providing it with the necessary resources, marketing, taxation, relations between the state and entrepreneurs, subjects of business activity among themselves and give to entrepreneurs some legal guarantees. Forming the legal basis of the company is the main precondition of its formation and development. Legislation in sphere of enterprise should be a single system for the mutual consistency of standards and the integrity of the normative and legal regulation of business activity.

World experience shows that for the successful development of the company must be created a legal basis for its functioning, to provide appropriate law attaching the rights and permanent legal support from the state, which guarantees the protection of the legitimate operation of the business, contributing to its development. International practice of management argues that the company can not exist without clear and effective legislation.

Today is completed the work on a significant reduction in the list of activities that are licensing. Adapted for the ultimate goal to reduce by at least 40 percent of the list, leaving only the licensing of economic activities that are of an increased danger for life, health, environment or related to state security.

One of the priorities of the Government of Ukraine is to ensure the dialogue between the government, business and civil society, to increase the investment attractiveness of the national economy.

In order to improve the regulatory environment in economic activity, improving the investment climate and to create favourable conditions for business development the Cabinet of Ministers will continue taking measures aimed at reforms in the licensing system, entry and exit from business, sphere of oversight and control.

Therefore, the formation of favourable conditions for doing business is impossible without taking and real action of such laws that could clearly define the conditions of realization of entrepreneurial activity.

Part 1. Theoretical explanation of the concept of entrepreneurship

In Roman law, «entrepreneurship» was considered as occupation, business, activity, especially commercial. Reasonably simple and very volumetric definition of entrepreneurship gives V.I. Dal. In particular, he writes, that «do» means «venturing, to decide on executing any new job, start to implement something significant»: hence the «entrepreneur» – one that «did» something [1].

In modern economic literature clearly definition of the essence of entrepreneurship does not exist, the essence of this phenomenon is replaced by the purpose of business activity. For example, the Great Dictionary of Economics edited by A.N. Azriliyan gives the following definition: «Entrepreneurship is initiating independent activity of citizens, aimed at making profit or personal income, carried out by yourself, under your

financial responsibility or on behalf of and under the legal responsibility of legal person» [2].

Entrepreneurship is an independent organizational and commercial innovation on the basis of different possibilities to issue new or old products by new methods, opening up new sources of raw materials, outlets and so on for profit and self-fulfillment of your own goal [3].

The concept of «entrepreneurship» as a scientific term in the early 18th century used a French banker and economist Robert Cotillion. Since that time to entrepreneurs attribute people with unfixed income, which are engaged in economic activities in terms of instability and uncertainty of prices. The main feature of the entrepreneur is the readiness to economic risk. Western economists especially marked out the innovative components and active role of the entrepreneur in using advanced machinery and technological processes. This term refers to the result of creative activity aimed at the development, creation and distribution of new kinds of products, technologies, application of advanced organizational forms and management methods [4; 5; 6; 7; 8; 9].

Works of Austrian-American economist and sociologist Y. Schumpeter are considered as the peak in the development of the theory of entrepreneurship. Studying the economic theory of capitalism, in the centre of the «human factor,» he put the entrepreneur, who invested in the best social and cultural values of businessman, which became a lever for economic and scientific and technical progress in the 20th century. Entrepreneurial function Y. Schumpeter identified with the function of economic leadership and innovation [10].

As defined Peter F. Drucker, who devoted to the study of business more than forty years: «Entrepreneurs are not capitalists also in the literal sense of the word, although, of course, they need capital for their economic (and non-economic) activity. They are not and investors. They are certainly at risk, but no more than any other person engaged in economic activity. Further, the employer is not the employer» [11]. He is not always the owner.

Currently, entrepreneurship is seen from different perspectives: as a style of management, as a process of organization and of realization activity in the conditions of a market as the interaction of subjects of the market, etc. Entrepreneurship is a free initiative of people in business, a way to organize economic forces. In other words, it is tested in the world practice way of effective method of production. The existence of Entrepreneurship is a compulsory condition for functioning of the market [12; 13; 14].

Entrepreneurship is advisable to define from such items as:

- activity aimed at maximizing of profits;
- initiative activity of citizens that is to develop products and services aimed at making a profit;
- direct function of property implementation, its main production function;
- process of organizational innovations for profit;
- actions aimed at capital growth, development of production and profit;
- specific activity directed at the constant search for changes in the existing forms of life in companies and societies, persistent realization of them.

All positions mentioned above can be used to increase the competitiveness of service enterprises. If a service company provide competitive services, it receives additional income, develop service activities. On the one hand, entrepreneurship is a special kind of economic activity, which is based on a number of conditions and requirements (freedom to choose the direction and methods of work, autonomy in decision-making, responsibility for the decisions taken, focus on achieving commercial success). On the other hand, entrepreneurship is a particular style and type of behaviour, the components of which are the initiative, the search for unconventional solutions, the magnitude and the risk, business acumen. Thirdly, entrepreneurship is a special function that performs in the economy ensuring of the development and improvement of the economic mechanism, constant updating of the economy, creating innovative environments [15; 16; 17; 18].

Entrepreneurship – this is not just business, this is a style of management, which is characterized by the principles of innovation, antibureaucracy, ongoing initiatives, focus on innovation in production processes, marketing, distribution and consumption of goods and services. While the business is a reproductive activity in the sphere of organization, production, distribution and sale of goods and services without innovating, there are no initiations in development of the innovative processes. This is performance or organization from year to year the same production, sales, distribution or other activity within proven technologies, standards and regulations to meet the needs that exist. Evolution of terminological, substantive essence of entrepreneur and entrepreneurship is linked with the history of formation of the exchange, production and distribution of goods and services, with the level of scientific and technological progress (Table 1) [19].

Evolution of the concepts of «entrepreneur» and «entrepreneurship»

Date	Author of definition	Content of definition
1	2	3
Middle ages	–	Entrepreneur is a person who is responsible for the implementation of large-scale construction or production projects
XVII century	–	Entrepreneur is a person who has entered into a contract with the state due to the cost and takes full responsibility for its implementation
1723	Commerce General Dictionary, Paris	Entrepreneur is a person who undertakes to manufacture or construction of facilities
1725	Richard Cotillion – founder of the theory of entrepreneurship	Entrepreneur is a person who makes decisions and meets his needs in the face of uncertainty. Income of the entrepreneur – is a premium for the risk
1770	A. Turbot	Entrepreneur must possess not only a certain information, but also a capital
1776	Adam Smith	Entrepreneur is the owner of the company and implementator of risky business ideas. The main function is organization and management of production within the ordinary business activity
1797	Bodo Carnot	Entrepreneur is the person responsible for the case that is: one who plans, supervises, organizes and holds the enterprise. He must have a certain intelligence that is various information and knowledge
1830	Jean-Baptiste Say	Entrepreneurship is a rational combination of production factors at given point of the market space. Entrepreneur is a person who organizes people within the production unit. Businessman stands in the center of the process of production and distribution, and in the base of the entrepreneurship is the ability to organize production and product merchandising
1876	Francis Walker	Entrepreneur is the one who receives income due to his organizational skills
1890	Alfred Marshall	Not everyone who wants to be an entrepreneur. «Natural selection» of entrepreneurs occurs in nature due to the natural selection, opened by Charles Darwin

1910	Max Weber	Entrepreneurial business is the embodiment of rationality. (Under the rationality he understood functional efficiency, obtaining of maximum benefits from using the invested funds and efforts, etc.) At the core of entrepreneurship is rational protestantism ethics and ideology, morality render essential influence on the activity of the entrepreneur
1911	Josef Schumpeter	The main thing in entrepreneurship – innovative activity and enterprise ownership is not an essential feature of business. Entrepreneur can be anyone who executes new combinations of factors of production: the employee of stock society, the public official and the manager of the enterprise of any form of ownership. The main «... do not do what others do» and «... not as others do.» Entrepreneurial status is unstable as a subject of a market economy is an entrepreneur only when performing functions of innovator and loses that status as soon as replaces his business on the track of a routine process
1911	I. Phon Tiunen	Entrepreneur is the owner of the special qualities (able to take risks, to adopt non-standard solutions and to be responsible for their actions), and therefore claims to unplanned (unpredictable) income. The entrepreneur should obtain income both for the risk and for the business art. (However, I. Tiunen believed that an entrepreneur should not necessarily be the innovator)
1921	F. Knight	Manager becomes an entrepreneur when his actions are independent, and he is ready to personal responsibility. Entrepreneurial income is the difference between the expected (forecasted) cash earnings of the company and its real value. Despite the uncertainty of the future, the entrepreneur can «guess» the main parameters of production development and exchange and get the additional commercial effect

1936	John Maynard Keynes	Entrepreneur is a peculiar socio-psychological type of business executive for which the main «... not so much rational calculation of Weber or innovations of Schumpeter as a set of specific psychological qualities.» Basic business skills: the ability to correlate consumption and savings, the ability to take risks, spirit activity, confidence in the prospects and so on. The main reasons for entrepreneurship – the pursuit of a better, to independence, the desire to leave an inheritance to heirs
1961	David McClelland	Entrepreneur is energetic person acting under moderate risk
1964	Peter Drucker	Entrepreneur is a man who uses every opportunity with the maximum benefit
1975	Albert Shapiro	Entrepreneur is a person who takes the initiative, organizes socio-economic mechanisms acting at risk, taking full responsibility for the possible failure
1980	Karl Vesper	Entrepreneur looks differently in the eyes of economists, psychologists, and other businessmen and politicians
1983	Gifford Pinchot	Intrapreneurship is internal business in a one company. Intrapreneur operates in the existing company, unlike the entrepreneur, which is creating a new company
1985	Robert D. Hisrich	Entrepreneurship is the process of creating something new that has value and entrepreneur is a man who spends on all this the necessary time and strength, assumes all financial, psychological and social risk, achieving a reward money and the satisfaction
1988	M. Allais	Entrepreneur takes a leading role in the market organizing of economy
1993	T.Yu. Horkova	Entrepreneur is a central figure in the business, its aim is to connect all the factors of production into a single economic process

According to the authors, if entrepreneurship is inherent in search of something new, then this is what are potential possibilities or competitiveness. Search of improvement of goods, services or technology requires from the manufacturer exactly the market competition. If the service enterprise will be competitive that it will improve its services in comparison with analogues and meet the growing demands of consumers. The entrepreneur should constantly be in search of new ideas and strive for continuous updates and improvements. Competitive enterprise easier to survive in the difficult conditions of uncertainty because it is trying to provide opportunities for further development in several directions and a few steps forward. Business structure is always competitive; otherwise the basic requirements of business are not fulfilled. The entrepreneur must constantly find potential or obvious opportunities to improve results of his management and activity. If gained result is negative – all the same it's result. Entrepreneurship it is an independent, proactive, systematic, at your own risk economic activity that is carried out by economic entities (entrepreneurs) to achieve economic and social results and to get profit [20].

Analyzing different points of view on this issue, it can be concluded that entrepreneurial activity is the realization of individual special abilities, which is expressed in a rational connection of factors of production at the basis of innovative risk approach. Businessman uses the latest production techniques and technology, organizes labour in a new way, or corrects, resulting in lower individual costs of production, based on which is set the price, that is, using its competitive abilities. The entrepreneur builds the most efficient marketing activity. He better than others defines market where it is cheaper to buy means of production, exactly «guesses» on which product, at what time and at which market segment will be the largest purchasing power. As a result, he gets more profit than ordinary businessmen. In addition, the entrepreneur is constantly at risk. He does not avoid the risk, as is usually done, and goes at it consciously to get more income than the rest – a kind of compensation for this risk.

Entrepreneurship serves as a special kind of economic activity, because its initial stage involves usually only idea – the result of intellectual activity, some time later to take materialized form (business). The best ideas improve competitiveness, but for improving the competitiveness is necessary to implement new ideas and advances to engage in entrepreneurship. Entrepreneurial kind of activity professes continuous search for new alternatives to make changes of the achieved state. Instability and

unpredictability of outdoor environment factors force the organization to carry out business activity with significant risk. Entrepreneurship also is not connected directly with profit. Ultimately, any company seeking to make a profit, because it is a source of covering costs, for further own development and creates conditions – survival. Entrepreneurship does not allow to make profit immediately, besides, it is not always ends successfully [7; 21; 22; 23].

Entrepreneurship is characterized by the presence of mandatory innovation component or manufacturing a new product, changing the profile of the activity or ground to create a new company. The new system of production management, quality, introduction of new methods of production or new technologies – are also innovative aspects that can be considered as competitive ability of the entrepreneur.

Entrepreneurs believe changes normal and even beneficial. They usually do not generate these changes, but they find them, respond to them and use as a source of success. Entrepreneurship as action is directed to breathe in the resources which are available, the goal of wealth. Moreover, in the process of innovation creates competitive advantage. At the present time innovations are defined as something that is in the area of demand, not supply, that is, it changes the value on the benefit that gets the consumer.

A successful entrepreneur, whatever could be his motivation – money, power, desire to become famous, the other – wants to create a utility and make appropriate investments. Entrepreneurs look to the future. They do not content just to improve or change that what already exist. They try to create new and different from existing values convert «stuff» into «resource» or find new more efficient using of existing resources. Entrepreneurial activity involves accomplishment of the following major functions of entrepreneurship [1; 5; 8; 12; 24; 25; 26].

1. *Resource function.* It is implemented in mobilizing of capital, labour, material, information and other resources for their productive use. The focus of entrepreneur on dynamic efficiency makes him to search constantly for additional resources. Many potential resources of society would be useless without their mobilization by entrepreneur.

2. *Organizing function.* Mobilized resources can benefit their owners, entrepreneur and society as a whole only if they are properly used. Therefore, the entrepreneur assumes the organizing function of production, sale, market research, scientific investigation, etc.

3. *Creative function.* Businessman constantly aimed at finding new solutions. The desire to maximize profits or another result that recognizes by

the entrepreneur as the objectives of his activity, does not allow to be satisfied with the situation that arised. He constantly seeks how to improve his work. The appearance of most original scientific and technical, economic and organizational decisions humanity owes to creative business function. Exactly this is function is used to achieve competitive condition of the enterprise.

Part 2. Entrepreneurial potencial

The term «potential» in its etymological meaning derives from the Latin word «potential» and means «hidden possibilities» that in business practice through the work may become a reality [27].

In domestic economic literature, this term is broadly interpreted as possibilities, existing power supplies, reserves, means that can be used or as a power level in any relation, a set of means needed for anything. Dictionary of Ukrainian language also understands by this term «hidden abilities, forces for any activity that may accrue under certain conditions» [28]. Potential – existing in economic entity resources, their optimal structure and ability to efficiently use them to achieve the goal [3]. The terms «potential», «potential (prospective)» means the presence for anyone (whether it is a single person, the original working group, society in general) hidden features that are not discovered yet, or are able to act in the relevant areas [27].

In today's dynamic conditions of a market economy orientation to the traditional preference for strategic planning capacity of the enterprise may be wrong. In this regard, according to I. Ansoff, the concept of strengths and weaknesses must be replaced by a more general concept of organizational capacity with the stress on potential of the general corporate management. In the range of potential opportunities he includes: marketing, production, «Research & Development» (R&D), finance and other functional components, as well as skills of general corporate governance (e.g. development management, diversification, expansion by acquiring other companies, staff management) [6; 7; 19; 14; 16]. This all shows that still dominates one-sided approach to the economic interpretation of the essence of the potential: or as a set of resources, or as to the ability of economic system to produce, or as to the possibility of productive forces to achieve a certain effect.

Having considered the definition of well-known scientists, we suggest the generalized definition of potential. Potential is an opportunity of the company to achieve the set goals, to develop response that meets the

requirements of the environment. In strategic management are being considered the financial, marketing, production, management and human potential. But no attention was paid to the business potential. The business potential is an opportunity of the company to find and to use new kinds of products, development of a new technique and technology, new forms of production organization and management; is the use of the offers of their own workers, copying the best practices of leading companies, specific developments for the company. The main resource for the entrepreneurial potential is people. Just people the source of finding business ideas and carriers of the root competencies. Typically, the best ideas can be found in our own company, but we need to motivate and engage employees.

Therefore, the entrepreneurial potential must be considered as an open system, because it is influenced by environmental factors: legislative framework, changes in foreign policy, development of priority sectors, levels of population education, quality of life and other; and internal environment: new developments, new sources of funding and others (Fig. 1).

The entrepreneurial potential that combines different varieties of characteristics, concentrates simultaneously three levels of connections and relationships:

Firstly, it reflects the past, i.e. the set of accumulated achievements by the system that can be implemented in the future or used as an experience.

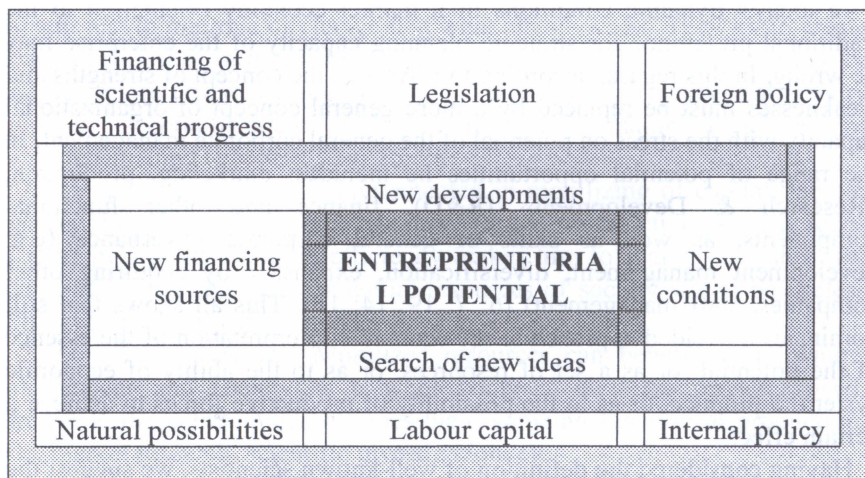


Fig. 1. Dependence of entrepreneurial potential factors

Secondly, it characterizes the level of practical application and the use of existing capacity. This is a combination of root competencies with available opportunities for obtaining competitive advantage.

Thirdly, it focuses on the development (for the future). You can always improve or perfect something.

The level of potential, describing the current state of the system, is caused by the close interaction of all these three states. The potential of the company has the following main features.

The first feature. The business potential of the company is determined by its real possibilities in a one or another field of socio-economic activity, and not only implemented, but also unrealized for any reasons.

The second feature. Opportunities any company largely depends on the availability of resources and reserves (economic, social), not involved in the production. Therefore, the business potential of the company is also characterized by a certain amount of resources, both involved in the production and not, but which are prepared for use.

The third feature consists in that the entrepreneurial potential of the company is determined not only and not available opportunities, but also by the skills of different categories of personnel concerning the use for production of goods, services (works), to get the maximize revenue (profit) and to ensure the effective functioning and sustainable development of industrial and commercial system.

The fourth feature. Level and results of the realization of business potential of the company (volumes of the manufactured production or the revenue (profit)) are defined also as a form of entrepreneurship and its adequate and organizational structure of management.

Based on the main characteristics of the potential of the company, it can be argued that its model is defined by:

- the amount and quality of available resources (number of employees, the main production and non-production assets or tangible inventories, financial and intangible resources – patents, licenses, information, technology);

- capabilities of managers and other staff categories to create certain kinds of products, in other words, by their education, qualification, psychophysiological and motivational potential;

- management capabilities to use optimal the available resources of the enterprise (by professional training, talent, ability to create and update organizational structures of the enterprise);

- information capabilities, that is by capabilities an enterprise to generate and transform information resources for their use in industrial, commercial and administrative activity;
- innovative capabilities of the enterprise to update technical and technological base of production, switching to production of new competitive products, the use of modern forms and methods of organization and management of business processes;
- financial capacities to raise funds that they lack (creditworthiness, internal and external debt in finance sphere).

All together these features form the aggregate entrepreneurial potential of the company that reflects its level of competitiveness.

The main instrument of entrepreneurship, and hence of entrepreneurial potential, is an innovation in which they use the changes as a favourable opportunity to implement their ideas in business sphere. The main task of entrepreneurs focuses on purposive seeking new sources of innovation and changes and their symptoms that indicate reaching success.

The way is to a whole new and previously unknown build changes. Thus, a systematic innovation process is purposeful and organized search for changes and systematic analysis of potential of these changes as a source of social and economic innovation. There are three conditions for the existence of the business potential.

Entrepreneurial activity this is work. Search for new (innovations) requires a large amount of knowledge. Sometimes there are geniuses, but this is more the exception than the rule. Enforcing innovation into a life this is a persistent and purposeful work. Thus, the entrepreneur should be persistent, dedicated and focused. If these qualities are absent, then neither creativity, nor talent and knowledge will help.

To succeed, entrepreneurs must come from their own strength and abilities. Entrepreneurs begin with, considering all the innovative features. Then they evaluate their own strength. This is determined by liability of the innovative solution and the related risk. If there is a clear goal of innovation, you can see a concrete result that promises great benefits for the entrepreneur, and then appears wishes to invest in a dedicated case conceived and hard work.

Part 3. Entrepreneurial ideas

Innovations impact on the economy and on society. They carry changes in consumer behaviour. Innovations also affect the process of human activity.

They should be market-oriented, focused on it and rigidly attached to it. The launch of business activity is carried out pursuant to a certain technology of business creation. One of the first stages of establishing a service company is searching a business idea. This is a very important and responsible task of the entrepreneur. At this stage, arises a problem: where and how to find business idea.

The entrepreneurial idea (from the Greek. idea) is form of displaying in the mind a phenomenon of objective reality. Comprehending reality, the idea includes consciousness of the goal of further knowledge and practical transformation of the world. The idea summarizes the experience of previous knowledge and serves as a principle of explanation of a phenomenon. Advanced (business) ideas faithfully reflect reality and express the interests of the people, promote the progress [1].

The idea is the highest form of knowledge of the outside world and thinking that not only reflects the object, but it aims to transform it [2].

Original ideas are born rarely. Search of the suitable idea for business development, is probably one of the most difficult and responsible problems. Ideas can not appear from nothing and spontaneously. They appear as a result of one of the seven mentioned sources of changes. Their carriers may be consumers, organisations that are acting, gained results of researches and development, decisions of governmental bodies (Fig. 2).

The boundaries between these sources are blurred and often these sources overlaps. *The main thing is that to notice the possibility appearing of the ideas is given not to everyone.*

Some people are looking for ideas analyzing different sources, others simply do not feel or do not want to see the changes that are taking place.

The first four sources can be attributed to internal; they are under a service company, service sector:

- an unexpected event (for companies or industries) – an unexpected success, an unexpected failure, an unexpected external event;
- not proper use – discrepancy between reality as it is our ideas about it («is that what it should be»);
- innovations that are based on the needs of the process (remedial action, «bottlenecks»);
- sudden changes in the structure of industry or market.

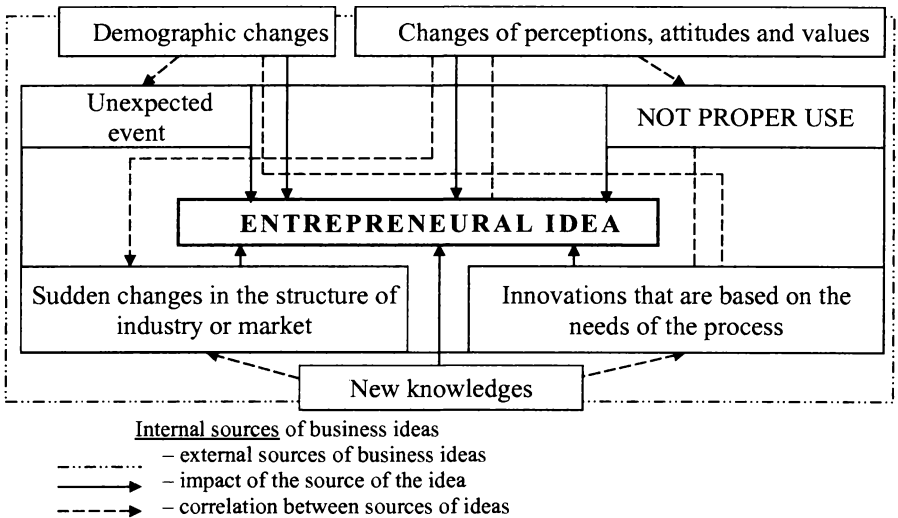


Fig. 2. Sources of business ideas

The following three sources of innovations rightly called external because they have their origin outside the service enterprise and industry: demographic changes; changing of perceptions, attitudes and values; new knowledge. If you can, but do not want to use favourable situation, then it will use your competitor and will have satisfaction. An unexpected failure leads to a broader research and more intensive analysis. An unexpected external event can be successfully used only under condition that it fits into the previously accumulated experience and knowledge. Large companies are better equipped to conduct innovative activities based on external unexpected events. Unexpected events occur often enough and associated with them opportunities arise frequently. These features carry great potential for development.

Innovative solution based on discrepancies must be subjected to strict definition. It should also fit into the existing technology and available resources. Such decision requires careful research elaboration. If the solution requires new research, then it is still not ready for use by the entrepreneur. If employees do not see any major flaws and «weak» places of activity in their organizations or intentionally do not pay attention to them – that is exactly

why innovative features are considered not fully open and hence are not used with the aim to competition.

Not proper use characterizes the situation for the industry in general, and innovative solution based on it often is specific and focused. In the basis of the discrepancy between the reality and the perception of it is an element of intellectual arrogance, puritanism, dogmatism. This source of ideas is specific and promising. Inconsistency in the middle of the process, its rhythm or logic, is not so difficult perceptible phenomenon. Users are aware of its presence. Not enough people who have listened carefully to all complaints and suggestions seriously and thought again of the allotment of goods or services intended to meet the needs of the consumer.

In fact, most innovative suggestions based on the need to process are identical. Inconsistency and demographic changes are the most common causes of process requirements. But there is another category or industry of innovative activity which is more complicated and riskier – software and case studies. In this case, to meet the need of the process new knowledge is necessary.

Changing market or branch structure is a rich source of innovative ideas. Changes in the structure of industry demand the manifestation of traits of entrepreneurship from all groups and elements that form the industry. Each participant in the production process should be involved in finding ideas. Innovation based on changes in branch structure, most effective if in the industry and in the market dominates one, two or maximum three manufacturers. Even if the industry does not have a monopoly relations, major dominant manufacturers and suppliers are confident in its success and the lack of competitors, prone to displays of arrogance and complacency. If appears a beginner on the horizon, they do not pay attention to him, considering him absolutely safe. When the beginner starts proactive and gaining more market share in their branch, they will see that the adoption counteraction they need a lot of efforts and time. Under these changes the main producers left unattended segments of the market, the fastest growing. Therefore, innovation-minded companies get a wide field of action, almost without encountering competition. Innovative solutions in this case should be simple.

Sophisticated innovative strategies are always bad, especially if they are directed to use the favourable situation that emerged due to changes in the sectoral structure. Demographic changes are not taken into account by politicians, businessmen, state and other workers with the right to make

decisions and that is why these changes have the character of favourable opportunities in terms of entrepreneurial activity. Demographic changes are a high-performance and highly reliable source of innovation for those who are ready to conduct independent practical research of real situations, and listen to them carefully to analyze trends in the fields.

The leaders of service companies recognize the potential opportunity in changing the perception, but deny practical character of such innovations. At the innovators who want to use perception as a source of innovation, they look as at «eccentric.» In these cases, the time factor is very important. It is necessary to offer innovations timely. They should be able to be the first. Because of the uncertainty of this source of innovative ideas, due to the fact that it is very difficult to know in advance whether a new perception is the result of radical changes, or is it just a temporary increase, but also because of the possibility of predictions of small effects should be implemented gradually and be highly specialized.

Innovations, which are based on new knowledge, are «superhit» of an enterprise. These innovations become the object of attention and bring big profits. Innovations based on new knowledges, are different from all the others on the main characteristics: time coverage, percentage of failures, predictions and level requirements that apply to the entrepreneur. A characteristic feature of these innovations is that they are built on the convergence of several types of knowledges of various branches of science and technology. These changes become real when there are all necessary data and interests to use them. Trying to conduct innovative measures without prior analysis of available opportunities will lead to nothing. The nature of innovation based on new knowledge, is so that their initiators feel competitors at once. If these innovators stumble just once, they will be forestalled invariably. Also, these innovations are characterized by a high degree of risk. The perception to a particular innovation may be quite high, but to foresee the consumer response is quite difficult. Innovation can be perceived or not perceived hostility even in the case where there is a need in this.

Innovations, based on a brilliant idea have the largest number. Brilliant idea is the most risky and least reliable source of innovative features. The next step in creating own service businesses is a choice of the type of company and motivation purposes of entrepreneurial activity. There are two types of entrepreneurship: self-managed enterprise and entrepreneurial. *Self-managed* company is a type of company where the decisions of service company are made on a collective basis. *Entrepreneurial* – where the

entrepreneur performs a decision making function by himself. When deciding on the choice of organizational and legal form, the employer must determine appropriate level and scope of possible rights and obligations, depending on the profile and content of the future business activity, the possible range of partners, correlation the most appropriate form of enterprise and organization of service enterprise and possibilities provided by current legislation.

When creating a service company should be identified specific objectives of their work that is the final state of the entity, which service company hopes to achieve at some moment in the future. Selected targets should be specific and realistic, be formed and determined in certain indicators: profitability, productivity or efficiency, production, production capacity, personnel, market share.

The main component of a motivational mechanism is entrepreneurial interests. Revealing in the response their nature, we must show that it is a set of relations that are emerging in the activity of entrepreneurs and the state, between entrepreneurs and other market participants and designed to meet own needs. Entrepreneurial interests reflect much substantiated activity of an entrepreneur, market and socio-economic conditions of its realization. In the response is important to emphasize that for the entrepreneur his business activity does not sit outside and does not oppose to him as an expression of the will of others. Business activity is available in individual consciousness at the level of formed need, natural to being of a business subject and is implemented by a number of features:

- independence of activity;
- creative approach to business;
- innovation, search for unconventional solutions.

The structure of the business interest has cooperation between the two aspects – material and motivational, associated with market valuation of activity, rate of the reward in the form of income or profit and general economic, related to the implementation of individual abilities, by possibilities of full and differential manifestation of the need for independent initiative activity.

The ability of each entity to show their business interests largely depends on the actions that apologise the entrepreneurial activity. Formation of a dynamic business sector should be considered in unity with the performance of competitive mechanisms, the law of supply and demand. Also, keep in mind the state of transition economy, conditions that block creative and

productive business, lead the motivation of profit through speculative actions, the prevalence of unproductive entrepreneurship.

An important feature of entrepreneurship is the uncertainty of results of activity, riskiness of actions. This provides some stiffness to ways of achieving goals, evaluation of results, continuous aspiration to capture market situation, attempting to compensate for the risk and uncertainty in results of activity. The implementation of motivation can lead to differences in the nature of market behaviour and social criteria for recognition of the social importance of entrepreneurship; in the opposite case – to locking of entrepreneurial activity. In the table 2 presents the factors that determine the activity, independence and initiative of subjects of entities.

Table 2

Factors of entrepreneurial activity

Macroeconomic	Microeconomic
<p>Institutional factors connected with providing securities of entrepreneurship, openness of the access and ability to entry to this kind of activity through infrastructure provision.</p> <p>Economic policy of the country is the support for entrepreneurship at nationwide level.</p> <p>Areas of state regulation of business and their correlation with market self-regulation.</p> <p>Availability and condition of competitive market environment, forms of the right realization of ownership of the means of production, produced product and income.</p> <p>Methods of regional support and regulation of business.</p> <p>Place of the entrepreneurial sector in the economic system, the social landmarks of society</p>	<p>The presence of economics, education, business skills, training.</p> <p>Features of manifestation abilities of entrepreneurial activity in various fields and forms of business.</p> <p>Availability directed socio-economic and organizational conditions of realization of entrepreneurship.</p> <p>Complementarity and cooperation of proprietary and innovative functions of business.</p> <p>Possibilities of effective development of entrepreneurship in the long run.</p> <p>Focus on success, motivation of labour and remuneration depending on the final results.</p> <p>Forms of expressions creative and productive qualities of the individual in entrepreneurial activity</p>

It is clear that these factors do not reflect the full range of problems in deployment of business activity. In particular, there is some correlation between the level and character of use of the productive forces in society and the choice of the field of entrepreneurship by ways of a person's creative potential. During the transition period, there are attempts of employees of some professions not to develop their professional activity, but vice versa to cut their own possibilities by switching on those activities that ultimately lead to degradation of professionally significant qualities of the employee.

Therefore, it is advisable to argue that the main reason is in the lack of an effective market mechanism of work evaluation. Evaluation of business activity distorts the true situation, because the monopoly makes it difficult to develop stimulus for production and market directly evaluates not only and not so much the individual manufacturer, but the whole set of goods and services. Here emerges the conclusion, according to which real motivation of entrepreneurship, the same direction of development and implementation of economic interests of market subjects and the state of the market can only be under the conditions of the developed competitive environment, the existence of a crucial mass of entrepreneurs in most areas of economic activity.

Entrepreneurial motivation as the unity of the owners, management and innovative functions means the determinism of economic conduct of the participant of market relations depends on the level of dependence on these institutions. The interest of the owner creates economic activity in renovation of the object of an ownership, production, improvement of business organization. As a manager, an entrepreneur has to control the development of his own business, to manage separate links or activity in general. At the same time when the employer does not combine functions of the owner and the manager, his economic interest and responsibility are limited in shapes and sizes of remuneration of labour and income but not capital. This can reduce, in certain circumstances, the motivation for effective management.

The innovative function of the entrepreneur is noted by strong interaction of components in motivation for labour, material and moral incentives. Innovator differs by enormous creative and intellectual potential, the ability to generate ideas in any field of entrepreneurial activity under the influence of internal motivation to express them, to realize their own capabilities. The combination of innovation and entrepreneurship gives very often

«explosive», significant effect. The motivation of economic agents in a transition economy differs significantly from the incentives under normal market conditions.

Conclusions

In modern terms the company develops not independently, but in close connection with the environment (in this case the market). The factors determining the main directions of its activities affect on it all the time. The optimum set of factors and conditions should ensure efficient operation of the business and maximize profits.

Thus, the company is a leading and important part of the modern economy that provides market with goods and services, promotes healthy competition, meets the needs of consumers. Its work is based on own initiative of an entrepreneur in his own risk and aims to make a profit. Characteristic features or factors of sustainable development of an enterprise or organization are: financial stability and positive trend in profitability, return; the presence of customers, clients or consumers of products or services, that is the source of business income; comfortable work, competence, social security in providing personnel – i.e. factors that create competitive advantages in the performance of staff; positive impact on the performance of public consciousness in terms of environmental protection and energy consumption; positive evaluation of methods and ethics of the activity of an enterprise by community, by employees and business partners.

If under conditions of a developed market economy the profit maximization is the predominant motive in comparison with such goals as increasing of production volumes, the size of their own salary, preservation of the number of employees in the company, etc., then in a transition economy there is multivariate of the activity objectives. In particular, heads of many businesses structures see the main purpose of activity in maintaining their share in the target markets, entrepreneurs – the status of the entrepreneurship, its financial condition.

Thus, the mechanism for implementing of business interests in conditions of transition to the market needs to resolve these mentioned contradictions.

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