

## DEVELOPMENT OF ECONOMIC INTEGRATION AS A MEANS OF AGGREVIATION OF ENTERPRISE COMPETITIVENESS

Palyvoda O. I., Ph. D, associate professor

Palokha D., student

Kyiv National University of Technology and Design

Increased competitive pressures on businesses in today's business environment requires continuous expenses reduction and technological renovation. The necessity to strengthen the market position of enterprises leads to the search of new behavioral strategies aimed at increasing the scale of activity, extension of geographical representation and diversification. The practice of management shows that the success of the most companies appears from their ability to establish and maintain integration links with their partners.

The study of integration processes at the enterprise level makes it possible to confirm that integration — is a coordinated development and common addition in the interests of a more efficient use of resources and better meet the needs of stakeholders in the relevant goods and services. Integration of enterprises is caused by a set of different motifs presented in Table. 1.

Motives of the economic integration of enterprises

Motives	Characteristics
Production	The need to attract production resources, that doesn't have enterprise, but which are necessary for efficient activity; creating of economic conditions for reducing of all types of costs.
Marketing	Attempts to gain new competitive advantages, develop new market segments, strengthen positions in already developed markets.
Administrative	Efforts to streamline management by focusing a group of people, elimination of duplication of administrative functions and improvement of company staff.
Innovative	The need for additional resources for research and development, commercialization of innovations, the formation of consortia and networks.
Informative	The need to exchange information, knowledge, experience, the need for the formation of stable communication links.

Economic integration of companies can be statutory or contractual. The first includes cooperation on the basis of the newly created company, which may result from mergers or acquisitions, and by forming a joint venture, for example in the form of strategic alliance. Subjects of integration relationship in this case interact not as legal entities, but as structural units of the company. The possible variant is to provide the status of legal entities to the components of enterprises and their transformation into a corporation.

As for contract form participants retain economic integration and independent legal personality, but at the same time completely subordinate their activity or its segment to common interests. Indisputable advantage of the contract integration is its high flexibility, mobility and efficiency. However, the ultimate goal of economic integration in the contract form to a great extent depends on the ability of managers to develop effective mechanisms for coordination and harmonization of activities.

For SMEs contract integration is considered to be the most appropriate. It is explained by the fact that only within it the scope of cooperation can be quite easily changed with the appropriate correction of the number of participants and volume of mutual obligations, which is especially important during volatile market conditions. Organization of contract signing requires much less time in comparison with the formal procedures peculiar for other forms of integration. The nature and depth of interaction on the basis of contract also are easily regulated.

Functional areas of economic integration depend on the purposes and selection of object of integration and aimed at achieving an optimal balance between efficiency and stability of positions on the market. For example, economic integration in marketing is aimed at the creation of joint supply and sales. The object of production integration is a product produced by the company and technology of its production. Financial integration involves the formation of such capital structure in which the liquidity and solvency will meet the requirements of the market, there are made prerequisites to attract more credit resources and reduce the risks associated with their repayment.

Management economic integration includes consolidation of efforts of management of several companies to eliminate duplication of management functions and improve their performance. The goal of economic integration in the field of innovation is the mutual organization of research work and prevention of failures during the transfer of innovations. In social integration the actions of personnel of enterprises are coordinated, with its focus on the competitive operation of enterprises. The object of environmental integration is combination of mutual efforts in order to prevent negative consequences for the environment.

Thus, economic integration of companies appears in establishing engineering and manufacturing and management relations by consolidating concert parties based on certain principles, which leads to mutual resource sharing, pooling of capital, sale of manufactured products for creating conducive conditions for conducting business, increase of competitiveness and gaining profit taking into account interests of each participant and distribution of responsibilities.

The positive effects of the integration of small and medium enterprises in the market economy are: adaptation to adverse circumstances; achieving financial and economic benefits; change of ownership and organizational-legal status, technology and management methods; taking advantage of relationships with contractors and with government.