“Factors of enterprises’ strategic selection of participation forms in integration formations”

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FACTORS OF ENTERPRISES' STRATEGIC SELECTION OF PARTICIPATION FORMS IN INTEGRATION FORMATIONS

Abstract

The competitiveness of the national economy is ensured by mutually beneficial cooperation of various business activities and industrial specialization of business units. The purpose of this article is to identify the main motives of the economic behavior of business units in Ukraine, which predetermine structural changes in the industrial sector and agro-industrial complex, and to develop an algorithm for substantiating the strategic choice of participating forms in integration formations for the business development. The economic and statistical analysis has identified trends in structural changes in the industrial and agricultural sectors of the Ukrainian economy. By generalization of scientific views on the content of integration processes, there were identified the influence of institutional factors on the development of forms of integration interaction and maintaining the stability of integrational entities, and the factors of technological and logistic expediency on the formation and development of business networks. There was formed the algorithm of substantiation of strategic decisions regarding the choice of enterprises of the forms of participation in the integration formations of different types. The differences in the positions of the initiators of the business network creation and the participants involved in them were identified regarding the composition and relationships in the network that affect its sustainability. The application of this algorithm will ensure that the management of enterprises makes more substantiated decisions on the creation of an organizational framework for the implementation of competitive strategies in promising areas of inter-sectoral cooperation.

Keywords Ukraine, industry, agro-industry, types of business networks, competitive strategies, transaction costs

JEL Classification D23, L11, L22

INTRODUCTION

Strengthening the processes of globalization in the 21st century and strengthening the economic influence of the leading market participants on the processes of demand and supply formation confirm that the world economy is developing in the direction of creating a single economic space, where the main economic entities are not the countries, but large integrational entities – corporations, concerns, strategic alliances, etc. They "draw" small and medium enterprises in the processes of creation of consumer values developing various forms of integration with them and maintaining the overall positive economic dynamics.

Modern trends in the development of the world economic space show that the influence of leading manufacturers of industrial products on global markets continues to grow. Confirmation of this is the dynamics of mergers and acquisitions, which in recent decades is characterized by large scale. In the Ukrainian politics, there is an idea that using the benefits of a large business created on the basis of consolidation of

capital through capitalization of profits and accumulation of property will allow Ukrainian companies to withstand competition in the world markets, since large corporations are the most efficient and competitive.

However, this conclusion, which is fair from the point of view of the world experience of the economic development of many countries, does not find its confirmation in the practice of management in Ukraine. The main reason for this is that the accumulation of property (in this context, it is better to use the term "accumulation of resources") in the process of corporatization (integration) in the post-Soviet space took place not in the context of attracting resources that can create new consumer values, responding quickly to market needs, but in the context of access to cheap resources. The proof of this is mainly raw material orientation of Ukrainian exports (the share of high-tech products in total exports is less than 1%).

For these reasons, large enterprises, turning into joint-stock companies (that is corporations in their organizational and legal form and the peculiarity of management), in their overwhelming mass could not become effective subjects of management, lost their former positions in the market, and some even ceased to exist. Although with the development of market relations in Ukraine, large industrial structures have become again an important element of the national economy, the problem of the effectiveness of their work (and hence the effectiveness of their management) remains relevant.

One of the solutions can be the expansion of organizational forms of cooperation between large companies and smaller market participants in order to optimally combine the benefits of small, medium and large businesses. It is precisely because of such a combination that the United States is a leader in the share of GDP in world GDP, a leader in the growth of competitiveness and productivity. In Ukraine, the existing forms of integration of business structures do not provide such a result, which indirectly indicates the inefficient use of the economic potential of participants in integration entities in our country and actualizes the search for solutions to this problem. An important part of such a search should be the analysis of factors that induce domestic business entities to choose the forms of participation in integration formations, taking into account the peculiarities of economic and social processes that take place in the Ukrainian economy.

1. LITERATURE REVIEW

Many researchers are engaged in the study of the trends and results of the development of integration processes under the conditions of globalization. The theoretical foundation for such research was formed by the works of such famous scientists as Allais (1943), Myrdal (1956), Balassa (1962). In their studies, they considered integration processes at the interstate level and in the macroeconomic context, emphasizing the positive impact of powerful corporations on overall economic growth. In modern studies, the main motive of these processes is the increase in the influence of Transnational Corporations (TNCs) on the state and development of world markets, including the influence due to the growth of resource opportunities in complementary spheres of activity. Thus, the study of the specificity of mergers and acquisitions (M&A) processes in mechanical engineering, the manufacture of electronic products and logistics processes by Bauer and Matzler (2014) has shown a decisive influence on the success and sustainability of the integration formation of strategic complementarity (in the resources, goals and principles of doing business), and cultural compatibility (tolerance) of participants.

The research by Atallah (2004) emphasizes the need for a more reasonable choice of integration forms not only through mergers and acquisitions, but also in the form of dynamic network structures (integration is pursued by cooperation on a temporary basis, with the aim of developing technological capabilities of participants and overcoming information asymmetry). Mitchell, Keane, and Coles (2009) consider the benefits of complementing existing competencies, achiev-

ing resource or market synergy in the process of building consumer value. Advantages of integration processes for improving the market opportunities of small private entrepreneurs are explored by Wildt, Elliott, and Hitchins (2006). The motives and tendencies of the development of integration processes in the developed countries and at the interstate level are studied by Kolmykova, Lukianykhina, Baistriuchenko, and Lukianykhin (2015). They emphasize the fact that integration expands the resource capabilities of the participants, and this improves their ability to produce productive innovation and promotes the innovative development of the national economy.

Bylorus (2013), Maksymenko (2013), Melnyk (2014), Sabadash and Hontar (2015) set their task not only to determine world trends, but also to find out the reasons for their poor performance in Ukraine. Thus, Manojlenko and Strokov (2014) see the main reason in the lack of a common innovation infrastructure in integration formations; Melnyk (2014) emphasizes the need to provide an effective institutional basis for interstate integration processes; Derhachova and Trykhlib (2013) consider the competitive advantages of participants in integrational formations that they can derive from different vectors of integration; Babenko, Petuxova, and Sidorov (2016) emphasize the need to forecast the integration results in different scenarios and offer tools for this, and so on. However, the problem of the choice of the forms for participation in integration formations by the enterprise management remains relevant and requires adequate methodological support for the adoption of well-founded decisions. It should be considered as a macroeconomic position (for the effective management of these processes in the cross-sectoral context and taking into account the defense of national interests in the implementation of the Association Agreement with the EU), as well as the positions of economic interests of individual market players (the micro level) as this precisely determines their strategic choice. It determined the purpose of this study.

The purpose of this article is to develop an algorithm for substantiating the enterprises' strategic choice of participating forms in integrational entities for the implementation of competitive strategies and business development.

2. RESEARCH METHODOLOGY

The results of the Ukrainian enterprises' activities of various types (small, medium, large) and sectors of the national economy (industry and agriculture) with the determination of their contribution to the general results in the dynamics of 2012–2016 years are investigated by methods of economic and statistical analysis. The methods of logical generalization highlight the key trends in the development of modern market space, identify the determinants of the development of integration processes in Ukraine, as well as generalize the transaction costs in business networks at various stages of its functioning.

3. RESULTS

The national economy of any country is a complex multilevel entity that unites economic entities different by fields and scales of activities, organizational forms and legal status that realize their social and economic purpose, producing goods and services. The leading role is played by large corporations that dominate in most sectors of the national economy, forming consumer trends and attracting small and medium-sized enterprises.

Small and medium-sized enterprises (SMEs) make a significant contribution to the creation of public welfare in any country. In particular, in the EU countries, it includes the predominant number of business entities and provides up to 40-80% of GDP (Audretsch, Van der Horst, Kwaak, & Thurik, 2008). Its main advantages are high mobility and sensitivity to market changes, it is because of this that they manage to take their place in the market. Yet, trade turnover (market share) and labor productivity are the highest at large enterprises. Moreover, small businesses are mostly engaged in services.

In Ukraine, the situation is similar despite the increased activity of SMEs in gaining consumers' interest to their products, they occupy only relatively free niches with a small capacity and mainly in the service sector. This is confirmed by the following figures: small enterprises in Ukraine make up 95% of the total number of business entities and provide 17.8% of the total output. And in the indus-

trial sector, the share of small businesses in the total number of enterprises is almost 88%, but their contribution to total industrial production is only 7.4% (State Statistics Service of Ukraine, 2017).

Of course, this is a logical explanation. In order to create a competitive business in the field of manufacturing of industrial products, along with an innovative idea, a rather significant investment of capital is needed. Taking into account the high price of credit resources in Ukraine, as well as the significant risks connected with bringing innovative products to the market, it is difficult for an average entrepreneur to take a risk of creating their own business in this area. However, from the point of view of the general public interest, the development of industrial types of economic activity is not only filling of the market by mass or individual consumption, but also new jobs, which contribute to solving many social problems. Therefore, from the point of view of social security/state stability, it is important to create favorable conditions for the development of productive economic activities, and not only in the large-scale format, but also taking advantage of the benefits of the SMEs.

Table 1 provides statistics for the estimation of the ratio of economic results to the size of enterprises in the context of two sectors of economic activity – industrial and agricultural, which are important for satisfying the public needs of every country. It is expedient to analyze such a ratio in the dynamics in order to outline the prospects for structural changes in the Ukrainian economy taking into account the processes of European integration and globalization.

As can be seen from the table, more than 40% of the production volume (and in industry – 55.4%) is produced at large enterprises, which account for only 0.1% of the total number of economic entities conducting economic activity (in the industry – 0.5%). In general, in Ukraine, the industrial sector in its contribution to total production is the most power-

Table 1. Quantitative indicators of performance of Ukrainian enterprises of different sizes and sectors in 2016 (State Statistics Service of Ukraine, 2017)

Indicators	All enterprises	Types of enterprises according to their size			
		Large	Middle	Small	
				All	Microenterprises
In general, the national economy (100%)					
Total volume of production, UAH billions	3884,6	1581,3	1613,3	690,0	218,3
Share of manufactured products by size of enterprises, %	100	40.7	41.5	17.8	5.6
Number of enterprises engaged in economic activities, units	306369	383	14832	291154	247695
Share in total, %	100	0.1	4.9	95.0	80.8
Production volume per one enterprise, mln. UAH*	12,7	4128,7	108,8	2,4	0,9
Value added at cost of production, UAH billions, total	1702,7	680,2	738,3	284,1	91,9
per 1 UAH of manufactured goods, UAH / UAH*	0.44	0.43	0.46	0.41	0.42
In the industrial sector (48.6% of total production)					
Total volume of production, UAH billions	1888,6	1046,3	702,6	139,8	32,1
Share of manufactured products by size of enterprises, %	100	55.4	37.2	7.4	1.7
Number of enterprises engaged in economic activities, units	38555	208	4652	33695	25024
Share in total, %	100	0.5	12.1	87.4	64.9
Production volume per one enterprise, mln. UAH*	49,0	5030,3	151,0	4,1	1,3
Value added at cost of production, UAH billions, total	651,9	355,3	256,2	40,4	10,4
per 1 UAH of manufactured goods, UAH / UAH*	0.35	0.34	0.36	0.29	0.32
In agriculture, forestry and fisheries (12.0% of total production)					
Total volume of production, UAH billions	465,01	57,66	245,5	161,82	51,15
Share of manufactured products by size of enterprises, %	100	12.4	52.8	34.8	11.0
Number of enterprises engaged in economic activities, units	44998	20	2501	42477	37457
Share in total, %	100	0.0	5.6	94.4	83.2
Production volume per one enterprise, mln. UAH*	10,3	2883,0	98,2	3,8	1,4
Value added at cost of production, UAH billions, total	186,9	19,8	96,6	70,5	21,9
per 1 UAH of manufactured goods, UAH / UAH*	0.40	0.34	0.39	0.44	0.43

ful. It produces 48.6% of the manufacturing of all products created in the national economy (1886.6: 3884.6). At the same time, in the sector of production of agriculture, fisheries and forestry, which is considered to be promising for Ukraine due to climatic conditions, a much smaller volume of production is created than in the industry – only 12% (465.01: 3884.6). This situation is explained by a significant share of agricultural production in the individual sector (households, farms), which is almost equivalent to the volume of production in the corporate sector. According to official statistics, agriculture is less attractive to large businesses, with only about 20 large enterprises operating there; their share in the production of agricultural products in 2016 amounted to only 12.4% of its total volume, which was provided by all types of agricultural enterprises. However, such data greatly distort the validity, since in Ukraine, from the point of view of optimization of taxation, it is quite unprofitable to conduct business on the basis of large enterprises. In practice, to reduce the tax burden and obtain privileges, agribusiness management measures are being developed to optimize business conduct, de facto within the existing organizational structure, with a common technical base and centralized management, but de jure in the form of a set of small and medium enterprises that are independent participants of the market. For this purpose, their re-registration is conducted, which changes their legal status.

On the other hand, in Ukraine large agro enterprises and their "modernized" organizational structures mainly work with export plants (grain, oilseeds, beans) and practically do not show interest in the development of livestock, horticulture and viticulture, first of all, due to their labor intensity and technological features that require significant investment for large-scale efficient production. This enables to develop the manufacturing of such products for small and medium-sized agricultural enterprises, farmers and individual households in small volumes, which need further aggregation to promote products to the market. It is advisable to integrate the efforts of individual producers, but to preserve their operational and economic (and not only legal) autonomy, which will develop competition between individual members of the integration formation, stimulating them to improve processes, to develop their resource base on an innovative basis.

It should be noted that the processes of disintegration and integration in the Ukrainian economy are a reflection of changes in regulatory acts, the reaction of businesses to deterioration of its conditions, especially in the field of taxation. Therefore, in recent years, there has been a tendency towards a decline in the share of large enterprises and in the production of all types of products. If in 2012, this share was 49.1%, then in 2016 – only 40.7%; during the same period in industry, the share decreased from 68.3% to 55.4%, and in agriculture from 13.3% to 12.4% (with the fact that in 2015 large agricultural enterprises raised 16,8% of the total volume of agricultural products). This comparative dynamics according to the State Statistics Service of Ukraine (2017) is shown in Figure 1.

However, if in the industry this was not the result of a decline in production in the large business sector, but was achieved at a faster pace of growth in the production of industrial products in the SME sector, then in agriculture in the last two years there was a very negative trend – declining volumes of production by large enterprises (from 68731.0 to 57660.4 million UAH). This was due to a decrease in their number (from 29 in 2015 to 20 in 2016). And this to a certain extent testifies that large industrial enterprises are not capable of ensuring the stability of competitive advantages laid down in larger scale of activity and conceding to advantages of a different nature – greater flexibility of the SMEs.

Confirmation of this is also data on specific amounts of value added at cost of production, created at Ukrainian enterprises of different scales of activity. This cost consists of living expenses and depreciation of fixed assets. As can be seen from the data in Table 1, it is the smallest at small enterprises – 0.41 UAH / UAH, and for large ones, it is only a little higher – 0.43 UAH / UAH.

This means that, due to the existing cost of living labor, the benefits of its productivity through the introduction of new technologies are offset by the cost of maintaining these technologies and overall costs even increase. The same pattern is observed in the industrial sector, although absolute figures are much better compared to the previous ones – 0.29 and 0.34 UAH / UAH, respectively. In agriculture, the ratio is different, in favor of large

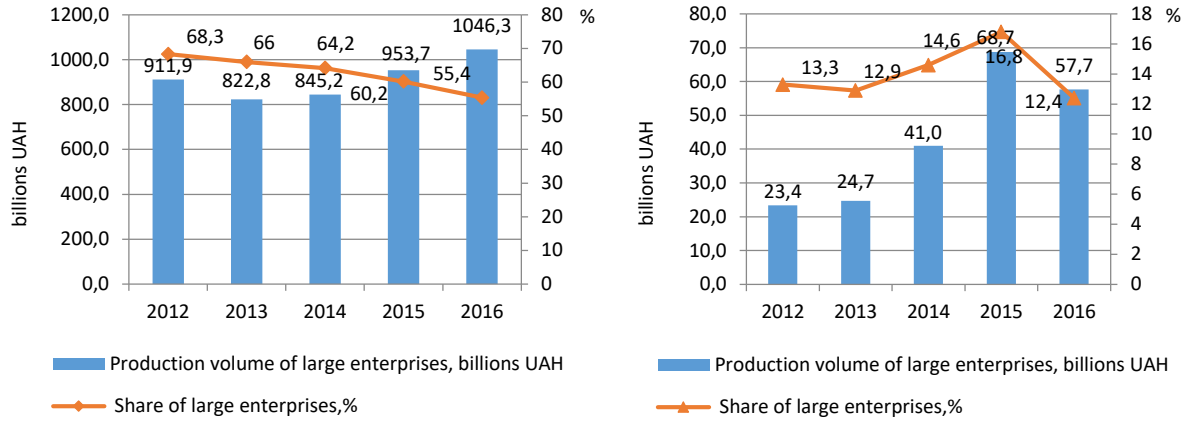

Figure 1. Comparative dynamics of quantitative results of large industrial enterprises activity (left) and agriculture, forestry and water management (right) in Ukraine

enterprises, with a significant difference – 0.44 and 0.34 UAH / UAH. That is, a small business in agriculture provides the result with a worse value-added ratio in terms of costs and profits.

This is not surprising, since the main amount of value added in the form of profit "precipitates" in this sector at the so-called "aggregators" – those entities that collect products from small producers for their further processing and sale, and because of their quasi-monopoly positions dictate purchasing prices. This desire is understandable of small agricultural producers to integrate in order to defend their interests in the agricultural production chain. However, in the industrial sector, small businesses are also interested in joining efforts in order to improve their competitive abilities, especially those that lie in innovation in high technology. They open up new opportunities in the field of industrial processing of agricultural products, since, in Ukraine, most of the processing enterprises in their production activity receive the main resources from agribusinesses. In particular, according to our calculations based on Derzhkomstat (2016), the share of products of only those industrial enterprises engaged in the production of food products, beverages and tobacco products in the total volume of the products of the processing industry in 2015 was 34.9% and continued to grow (in 2011 – 25.3%, 2012 – 28.2%, 2013 – 30.9%, 2014 – 33.5%).

In large quantities, agricultural products are used as raw materials, and industrial enterprises of other sectors of the processing industry (textile production, apparel goods, leather goods and other materials, manufacture of wood stuffs, manufacture of chemicals and chemical products, manufacture of pharmaceutical products and drugs; production of rubber and plastic products), as well as enterprises producing gas and electricity. Such interdependence serves as the basis for the further development of agro-industrial integration in Ukraine not only on the basis of technological expediency, but also economic, on the basis of reduction of transaction and logistic costs, lowering the production cost, use of potential of new technologies for industrial production of products with high value added.

Indeed, in Ukraine, integration processes have acquired a special scope in the agro-industrial sector, where a significant number of vertically integrated holdings has been formed. Ten most powerful Ukrainian agroholdings with branched networks of participants in value created chains are Kernel Trade (UAH 19.24 billion), Cargil (UAH 7.47 billion), San Trade (UAH 6.36 billion), "Myronivsky Hliboproduct" (UAH 4.95 billion), Delta Wilmar (UAH 2.8 billion), Allseeds Group (UAH 2.37 billion), BAZ (UAH 2.13 billion), Optimus Agro D@I Evolution (UAH 1.87 billion), AgroInter (UAH 1.52 billion) in 2016 provided the main volumes of production and export of agricultural products (LATIFUNDIST.COM, 2017).

Unfortunately, the vast majority of Ukrainian agro-industrial vertically-integrated structures are oriented towards the food industry and are not yet ready to invest in other fields of process-

ing and use of agricultural products (for example, those whose technological processes are the latest innovative developments and require not only technical and technological re-equipment, but also work with the market for positioning of new products). Because of this, the chain of creation of consumer value in these agroholdings ends mainly with products of primary processing, which serves as a commodity for raw material export. The budget of Ukraine loses the possibility of additional revenues from value added processes in related industries whose enterprises could be integrated into the agro-business network based on new possibilities of modern information and biotechnology.

The integration processes radically change the conditions of the enterprises. In the integrational entities of different types there are so-called "internal markets", in which the level of structuring of relations between the participants is much deeper than the traditional market transactions. Accordingly, this changes the economic behavior of participants in such markets. Instead of aggressive competition for markets within the network, a cooperation is developed, based on the mutual benefit of long-term economic relations (Table 2). As can be seen from the table, the marketing function, in particular, through the technology of marketing of partner relations and marketing of interaction, plays an extremely important role in maintaining the stability of integrational entities. The former enable to coordinate the positions of the participants in the dynamics and thereby create a favorable environment for cooperation in the business network (which has institutional features as it contains rules for cooperation common to all participants, which allows them to minimize their transaction costs). The technologies of marketing interaction allow joint participants to improve business processes and open new areas of activity.

From the point of view of maximizing public use, cross-integrated structures that function in the form of dynamic networks deserve the greatest attention. Within these structures, the struggle for the consumer of smaller participants gives way to the struggle for participation in the chain of creation of consumer value. The right to choose partners belongs to the principal – the owner of key resources – who forms the business model of network interaction, focusing on maximizing the resource and market synergy of the joint activity and, at the same time, striving to consolidate the main positions in the creation of value added (given the uniqueness of competencies).

The distinction between stable and dynamic networks lies precisely in the fact that in the latter the structure of the process of creating a consumer value can change over time, and the place of one of the participants of the network is taken by the others, those who can offer a better option of the fulfillment of a part of the business process. For this purpose, marketing tools are used to assess the functional value of partners (active or potential) in alternative network development projects.

Table 2. Main emphases in market interaction within various integration formations

Types of integration formations	Characteristics of market relations	The content and conditions of the process of sharing resources and goods	The main emphasis on working with consumers or partners
Holding, corporation (vertical integration)	It is the result of the vertical integration of enterprises within the technological chain	Products are sold by companies – members of the association	Internal marketing (high functional value of the services of participants in the domestic market)
Horizontally integrated structures (stable networks)	Contains a limited number of interconnected buyers and sellers who have long-term relationships	The products are sold on long-term contracts, it is difficult to attract new buyers	Marketing of interaction (optimization of the relationship of functional utility and price by reducing transaction costs in a stable network)
Cross-integrated structures (dynamic networks)	Combining smaller members around a strategic partner; within consortia, outsourcing (subcontract, contract manufacturing), franchising, joint venture	The terms of exchange are dictated by the organizer of the partnership	Marketing of networking partnerships (maximizing the functional utility and minimizing costs due to the competition of potential partners)
Transnational corporations	Groups of companies compete who are organized in the network	Relatively free choice of resources and goods by buyers	Global marketing with a cognitive dominant of consumer value formation

Such marketing assessment of the partnership should cover not only the technological component of the business process, which can be changed to more advanced, offered by another potential participant, but also logistics. The logistics component should be especially carefully analyzed when enterprises who are the central actors of the network are the initiators of the development of the product line, or production diversification. This requires significant organizational changes and leads to a breach of established logistic schemes, as a rule, in all functional cycles of logistics (supply, production and sales). Accordingly, this will affect the amount of transaction costs, in dynamic networks, they will approach the market, as they will support the interest of potential partners in the network. However, having the competing actors, such costs can be reduced.

At the same time, it is advisable to assert that the priority criterion for substantiation of the number of participants in the partnership network should be maximization of their functional usefulness. Functional utility is determined in the process of market research and analysis of the logistic expediency of updating business processes (or building new chains of creation of consumer value). Obviously, in the business network, this product is the result of the activities of all participants, so the analysis of market conditions must be carried out exactly with respect to it. And it is the end of the life cycle of the products of the existing network that calls into question the expediency of its further existence in this format and becomes the basis for its renewal, and the introduction of new participants.

The leading role in evaluating possible options of business network development is given to the marketing and logistics component of management. Given the rapidly growing number of technologies in the innovation market that open up new opportunities for manufacturing of industrial products, including from raw material produced in the agricultural sector, it can be expected that the development of the country's agro-industrial complex should be based on the creation of new processing, where bioeconomics will play a leading role. The market research will play a key role in determining the direction of the development of integration entities based on new technological feasibility.

Logistics, which today creates significant advantages primarily to large producers (and especially in agribusiness), may lose its vital importance in shaping the architecture of integrational entities. At the forefront will be the functional usefulness of network participants in creating consumer value (both innovative and technological, and cognitive-marketing), which will allow to gain competitive advantages for a particular version of the business network, depending on the specifics of the market and priorities in the structure of the consumer value of the final product. This will stimulate the innovative development of the participants of the integrated structures in the areas that will be formed under the influence of the latest information and production technologies and will ensure the implementation of competitive strategies inherent to large producers. This is usually a strategy of cost leadership (or a strategy of a violent) as to the technological and logistical excellence of the business processes formed in the network, or the strategy of an innovative monopoly (strategy of an exploiter), which is possible in the presence of a fundamentally new innovation positively perceived by the market. The algorithm of strategic choice of business network development for formation of new competitive advantages, which will ensure the implementation of different (depending on the characteristics and requirements of target markets) competitive strategies, is presented in Figure 2. It highlights the marketing, logistics and innovation factors that influence this choice and require skilled use of appropriate management technologies to ensure the maximum possible positive result in the process of implementing the selected competitive strategy.

We consider it necessary to emphasize that when planning a business network development, it is expedient to analyze the perfection of business processes by the resource-functional components of each of its participants in order to identify their key competencies and weaknesses that should be considered from the standpoint of a new state of market conditions. This should be the subject of SWOT analysis, which can be used to evaluate the existing market positions of this integration entity and to outline its strategic alternatives in the planned perspective.

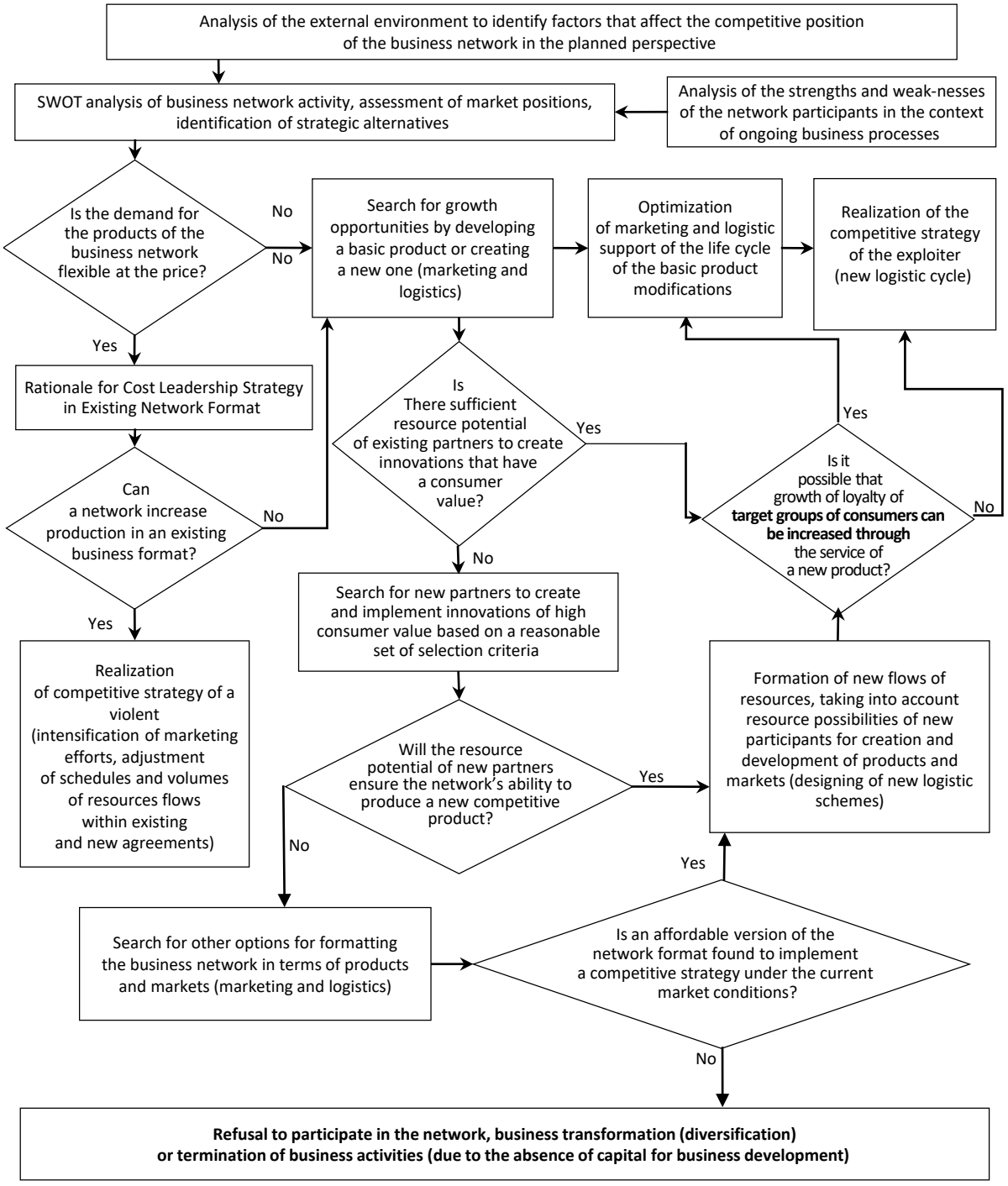

Figure 2. Algorithm of strategic choice of scenarios for the development of an integration entity (business network) for the implementation of competitive strategy and growth

However, in the case of the emergence of a new technology (in particular bio-technology) that extends the use of primary raw materials (after its processing), the network may be supplemented by other partners, or its composition may change altogether as a result of creation of new business processes. The network is turning into a dynamic one, and other market participants compete to be its part. They may use their resource to provide a different direction to the value or offer another form of organizational structure that increases the efficiency of network interaction. If the resource potential of the network (primarily innovative) is sufficient to create a new product that can be val-

uable to a wide range of consumers, its innovative strategy can turn from a niche strategy to offensive strategy, allowing to implement a competitive strategy of an exploiter, based on an innovative monopoly on a product that has a high consumer value. Moreover, access to investment in integration entity is facilitated, and innovation is rapidly entering the market and benefits all participants who created and commercialized this innovation.

It should be emphasized that the emergence in the market of a new actor that can offer a better alternative to a particular resource (or process) that are part of the existing organizational structure of the network also creates a situation for changing of its composition. Considering the significant impact of transaction costs on the value of the final product in the business network, it is necessary to analyze them in a comprehensive way when making decisions about changing partners in dynamic networks. In this case, all types of transaction costs in the network should be divided to the internal and external costs, taking into account their value before the participant's entry into the network and after joining it. It is also advisable, in the process of analysis of internal transaction costs, to distribute them among the actors of interaction, as well as determine the degree of impact of transaction costs on the decision to enter the network. Obviously, the change in the composition of the business network requires not only an analysis of changes in the transaction costs of its future operation for the sake of their minimization, but also estimates of those costs that relate to the stage of preliminary selection of potential participants and the search of information about their key competencies that can provide the advantage to the entire business network in its new format, checking its reliability, assessing the loyalty of future partners in past transactions, etc. (Table 3).

To reduce the transaction costs of the network (in particular, the costs associated with overcoming opportunistic behavior), it is important to develop a mechanism for coordinating the interests of network participants, since their role in the new business format (and, consequently, the economic outcome of the activity) will change with a high

Table 3. The matrix of transaction costs in dynamic network of agro-industrial complex

	Stage	Explicit costs		Implicit costs
		Direct evaluation	Indirect evaluation	
Before the participant joins the network	Searching by the initiator of network participants on the principles of technological and economic feasibility	Representative costs, advertising costs	Costs for finding members	The cost for collecting information about a potential participant
	Conducting negotiations with potential participants	Representative costs	Expenditure on preliminary evaluation of the participant	
	Definition of the network composition and creating its organizational structure	The cost of developing rules for organizational interaction in the network	Costs for reconciliation of positions and conclusion of contracts	
	Assessment of the training needs and adaptation of participants to the conditions of the network	Expenditure on training to ensure the effectiveness of organizational interaction	The cost of preventing opportunist behavior of actors	
After the participant joins the network	Network operation according to the selected membership	The costs of information about the value created in the network	Costs for coordinating the participant and ensuring his interaction with other participants	Costs for evaluating the participant's activity and determining his share in value added
	The member's exit from the network	The cost of finding and instructing a new member of a network (to replace the participant who left the network)	Losses from the expulsion of the participant, compensation of expenses to the participant	Monitoring of the influence of the excluded participant on the competitive positions of the network

probability in the process of functioning of the network. As noted by Stadnyk and Zamazii (2015), for each enterprise that decides to join the business network (the chain of creation of consumer value), it is important that as a result of the implementation of a set of operations for the creation and sale of the final product on the market, its economic results were better than in the case of its functioning as an individual market player. Based on this assumption, it is expedient to conduct a negotiation process as to participation in the network.

Moreover, the limited resources (not only financial, but also intellectual or technological) of many Ukrainian enterprises – both industrial and agricultural – do not enable them to work independently and in significant volumes to develop new products or processes. And these market actors can become participants in a dynamic partner network (in the form of a consortium, a strategic alliance, or in another organizational structure of network interaction, including inter-industry structure). Since in the construction and functioning of the network two groups of participants (actors) are involved – the initiator (s) and other participants (agents), then each of them will have different functional responsibilities and objectives. The main task at the same time is to find such participants whose goals and opportunities will coincide. Solving this problem requires both the development of marketing tools (especially for identifying new areas of business process formation) and new solutions in the field of organizational behavior management (to coordinate the interests of the members of the partner network).

CONCLUSION

The analysis of the performance of business entities of various sizes (small, medium, large) and sectors of the Ukrainian economy (industry and agriculture) in the dynamics of 2012–2016 showed significant changes in the ratios of the contribution of these groups to the overall results. In industry, there is a clear downward trend in the contribution of large enterprises to total output (the share decreased from 68.3% in 2012 to 55.4% in 2016), and in agriculture there is a stable growth over 2012–2015 (from 13.3 to 16.8%) changed sharply in 2016 – to 12.4%. At the same time, calculations have shown that small business in the industrial sector provides the result with the best value added in the field of expenditure (respectively, 0.29 UAH / UAH for small and 0.34 for large enterprises), and in agriculture the indicator is the worst (0.44 and 0.34 UAH / UAH, respectively). Nevertheless, in 2016, large agricultural producers became one third less than in 2015.

It is noted that the main determinants of disintegration in agriculture are institutional factors, in particular, changes in the current legislation. Institutional factors determine the choice of forms of participation in integration entities – vertical, horizontal and cross-(dynamic) business networks. The differences are distinguished in the positions of the initiators of the business network creation and their participants involved in the structure and relationships in the network that affect its stability. The role of partnership relations marketing and marketing interaction in maintaining the stability of integrational entities is described. The algorithm of strategic choice of scenarios for the development of integrational formations, which can be practical in both industry and agroindustrial complex of Ukraine, as well as in inter-sectoral cooperation, is developed. Transaction cost matrix of the business network is formed, which can serve as the basis for constructing effective business models of integration interaction of participants in agro-industrial dynamic or stable business networks.

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