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INFLUENCE FACTORS ON FOREIGN ECONOMIC ACTIVITY OF UKRAINIAN MACHINE-BUILDING ENTERPRISES

The article discusses the state and trends in the development of export activities of the machine-building of Ukraine. The main aim of this article is to help Ukrainian businesses to develop their export potential. There are also analyzing of such influence factors on the foreign economic activity of Ukrainian machine-building enterprises in this paper. The author allocates these factors to the list and designates the main of them, which hinder the development of the machine-building enterprises of Ukraine. This article provides an analysis of the current state of export of the Ukrainian machine-building enterprises and there is a compare of this and total export of the country. The author hopes, that the results of her studies will be application in the next planning of the foreign economic activity of the Ukrainian machine-building enterprises.

Key words: Foreign economic activity, machine-building enterprises, factors of influence, development, export.

Foreign economic activity is currently an integral part of the economic activities of practically all Ukrainian machine-building enterprises. The domestic market is not enough capacious, so most engineering enterprises of our country are looking for additional distribution channels abroad or completely orients its activities for export to other countries. If you want enterprises export to be effective and bring enough income you expect, you must firstly properly organize foreign trade activity management mechanism of enterprise and develop enterprises' output strategy for foreign markets.

Many enterprises still not mastered the output mechanism on the external markets and daily faced problems regarding the export of its products. Liberalization of foreign economic activity of the enterprises of the Ukrainian economy began since independence of Ukraine. But after nearly 25 years, many businesses have not established an effective export of its products abroad and still straggle for market share at foreign markets. One of the main reasons that Ukrainian enterprises of machine building still have not taken up their market share of the world market of machine building and continue to be enterprises with low competitiveness, is an incorrect approach to the management of foreign economic activity on these enterprises.

That is why todays theme of this article is sufficiently relevant and will help to solve at least some of the problems in the organizing of the foreign economic activity of the machine building enterprises of Ukraine or at least mark the main problems and tasks that should be solved in the near future.

Analyzing the foreign economic activity of the machine building enterprises of Ukraine, first of all it is necessary to compare the dynamics of exports over the past few years. Determinate major trends in export of the machine industry of Ukraine, and on this basis, to identify the main problems and prospects.

Machine building complex of Ukraine covers practical all machinery industry. It consists of more than 20 specialized industries and includes approximately 1500 enterprises and organizations, which includes almost 1.6 million persons. Machine building of the Ukrainian economy takes a leading role in foreign trade.¹ Approximately 15% of the total export of Ukrainian economy periodically takes machine-

¹ Накотенко, В.О., Якимчук, Т.В., Вольвач, І.Ю. (2013). Аналіз та прогнозування інноваційного розвитку машинобудівного підприємства. *Економічні інновації*. Одеса: ІПРЕЕД НАН України, Вип. 54, 170-178.

building industry. This figure lagged far behind compared with most developed countries. For example, in Germany the figure is 53.6%, in Japan is 51.5%, in the UK is 39.6%, in Italy is 36.4%, in China is 35.2%. About 50% of the machine industry productions of Ukraine is exported, but the import of the same industry exceeded exports twice.

Clearly the share of Ukrainian exports of the machine building can be seen in figure 1.¹

Foreign economic activity of the most machine-building enterprises carries the elemental character, not stable and logically not regulated, that is greatly weakens their competitive advantages on the international markets.

Therefore, to ensure effective economic activity the company needs a single strategic direction of development, according to which it will be able to achieve long-term competitive advantage.

The figure 2 shows the position of the machine-building industry of Ukraine in foreign trade among a range of other industries in the year 2014.

Further analyze the dynamics of exports of industries. In order to see the changes in the year 2014 in relation to the year 2013 we can look at the figure 3.²

And to see the dynamics of export growth of enterprises production from different sectors of the economy of our country we look at the figure 4.³

From this analysis, make conclusions that engineering enterprises have a number of problems in the running of export activity. The wrong organization of foreign economic activity is the reason of the export recession on background of constant demand on the world market.

Coming back to introduction of foreign economic activity of enterprises,

it should be noted that there is a big variety of ways to enter foreign markets. For example, Didkovskiy in his book, foreign-economic activity of the enterprise clarifies the following basic ways of the introductions to the foreign markets: exports (indirect, direct), joint business activities (licensing, contract manufacturing, contract management, enterprise of joint ownership) and direct investments.

Each of these ways of the introductions to the foreign markets, certainly has a number of advantages and disadvantages for businesses.⁴

For the company, which decided to go to the foreign market, it is necessary to take into account the existence of a multitude of restrictions and obstacles in international trading, both in the market of the country it wants to enter and in the own one. Such restrictions include: customs tariffs (fiscal and protectionist), foreign exchange control of the Country, non-tariff barriers. International marketing is very complex, because it covers not only sales, but also other areas of business, including manufacturing, procurement, finance, and etc. Also here required a deep understanding of the socio-economic and national-cultural conditions prevailing in the country where the enterprise intended to carry out their activities. The difference in distribution channels, methods of transportation and storage, the legislative and the judiciary, the customs rules can take place.⁵ All these features significantly increase the overall commercial risk of business activities on the international market. Therefore, the company needs carefully choose the way outs on foreign markets.

Currently for Ukrainian enterprises of machine industry the most preferred method is exporting products abroad. All another types of foreign trade activities take place on various enterprises of machine building of Ukraine. All of them are used effectively, but advantages of exports goods to foreign markets compared to other methods of the introduction to foreign markets should be noted. We can mark three main reasons for choosing export as introduction to foreign markets: the first export requires minimal changes to the range of goods of an enterprise and in its structure, the second export requires minimal investment costs and ongoing financial obligations, the third - export provides minimal risk when entering the market and ease of exit.

Exist additional advantages of export operations. Increasing of sales - export helps to increase sales market. The increase in profit is the ability to manipulate markets and to increase income in a short period of time. Economy of scale is due to additional sales volume, reduced vulnerability. Diversification of

¹ Офіційний сайт Державної служби статистики України. <<http://ukrstat.gov.ua>> (2016, січень, 15)

² Офіційний сайт Державної служби статистики України. <<http://ukrstat.gov.ua>> (2016, січень, 15)

³ Ломійчук, В. 10 трендів в експорті України. *Finance.ua*. <<http://news.finance.ua/ua/news/-/347688/10-trendiv-v-eksporti-ukrayinu>> (2016, січень, 15).

⁴ Дідківський, М.І. (2006). *Зовнішньоекономічна діяльність підприємства*: навч. Посібник. К.: Знання.

⁵ Тюріна, Н.М., Карвацка, Н.С. (2013). *Зовнішньоекономічна діяльність підприємства*: навчальний посібник. К.: Центр учбової літератури.

markets avoids the risks of reducing demand in one market. New knowledge and experience that enterprises receive due to new ideas in the world markets. Global competition. Through participation in global production processes, companies are able to maintain their competitiveness.

Sum up the positive and negative moments of using the direct method of the introduction to the international markets. They are introduced in the table number 1.¹ Stop our attention at the direct way of the introduction to the foreign markets. It is the easiest and favorable form of the foreign trading for the Ukrainian machine building enterprises. Choosing the direct export many enterprises of machine building in Ukraine have already the department of foreign relations in their organizing structure. These departments are the separate parts of the whole staff management of the enterprises. The main aims and objectives of these departments at our machine building factories are not right qualified very often.² This problem hinders the foreign trading management and impedes the increasing of export the products of the machine building enterprises.

The main objectives of the foreign relations department are listed next.

1) Compulsory taking part at the making the foreign economic activity strategy of the whole enterprises.

2) Management of the export potential of the business and as an aim the increase of export.

3) Guaranteeing the realization of the obligations of the agreements.

4) Studying the foreign markets conjunctures and accumulation such information.

5) Organization the export and import and guaranteeing the effectively of these operations.

This list is only the example and it can be wider. The sizes of the machine building enterprises influences on these aims.

The marketing activities, advertising, organizing and others can be at this list if the factory plans to export its machine products to abroad.

There are many factors of influence on the aims and solving of the problems of the export activities of the Ukrainian machine-building enterprises. They are internal and external influence factors.

The list of the external influence factors:

The external factors are:

- influence factors of state machinery (executive, political, economic, structural, ministerial);
- factors of influence on the part of market mechanisms (economic, organizational).

On the factors from the state machinery enterprises themselves cannot have a significant impact. With regard to the factors of market mechanisms, the machine-building enterprises have the ability to change the strength of their influence, and even use these factors in their favor, in the conduct of foreign trade. These factors include:

- Economic (production of quality competitive products, reduction of production, improving the efficiency of business activities);
- Institutional (access to information, the formation of the competitive environment, the establishment of relations between the participants of foreign economic activity).

The factors of the internal environment, which can also affect the economic well-organized and foreign economic activities of the engineering enterprise include:

- Economic (pricing, investments, business planning, motivation, risk assessment);
- Organizational (formation of export potential, marketing, insurance operations, management, sales of products, calculations, production technology, resource provision);
- Socio-psychological (motivation in foreign trade activity, social protection and guarantees).

As a conclusion, after analyzing the advantages and disadvantages of entering foreign markets via direct exports, and given the factors of influence on foreign economic activity of the enterprises of mechanical engineering Ukraine, we can note the following points. First of all these factors can be attributed to the tasks that lie ahead in the workplace. Many of these tasks are designed to address the departments of foreign economic relations in enterprises. Secondly, we note that when choosing the direct method outputs machine-building enterprises of Ukraine to foreign markets, these and many other challenges enterprises should decide. Therefore, summing up the above, we note that in order to avoid errors and to improve the efficiency of export Ukrainian enterprises of mechanical engineering have a

¹ Топольницька, Т.Б. (2013). Теоретичні засади організаційно-економічного забезпечення зовнішньоекономічної діяльності підприємства. *Інноваційна економіка. Всеукраїнський науково-виробничий журнал*, 2(40), 84-88.

² Там само.

structure to organize the conduct and management of foreign trade activities. It should be better to develop a clear scheme effective management of export activities for the machine-building enterprises of Ukraine. And by choosing the direct method of access to foreign markets, not to save money on the highly qualified and experienced employees of the department of foreign economic relations. Be clear about the aims and objectives of each department responsible for conducting export operations. And also to coordinate all production and business activities with foreign trade.

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