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Надійшла до редколегії 12.06.14

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### ОРГАНІЧНЕ ВИРОБНИЦТВО В УКРАЇНІ: ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ У КОНТЕКСТІ СОЦІАЛЬНОЇ ОРІЄНТОВАНІСТІ ПІДПРИЄМНИЦТВА

*Статтю присвячено дослідженню діяльності українських підприємств сфери виробництва органічної продукції в контексті зміщення акцентів з економічної орієнтованості на соціальну орієнтованість бізнесу. Визначено зовнішні і внутрішні фактори, а також чинники, що сприяють розвитку органічного виробництва. Надано рекомендації щодо стимулювання соціальної відповідальності підприємств та формування моделі, що поєднує інтереси споживачів і виробників.*

*Ключові слова: сталий розвиток, соціальна орієнтованість підприємництва, органічний продукт, органічне виробництво.*

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### ОРГАНИЧЕСКОЕ ПРОИЗВОДСТВО В УКРАИНЕ: ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ В КОНТЕКСТЕ СОЦИАЛЬНОЙ ОРИЕНТИРОВАННОСТИ ПРЕДПРИНИМАТЕЛЬСТВА

*Статья посвящена исследованию деятельности украинских предприятий сферы производства органической продукции в контексте смещения акцентов с экономической ориентированности на социальную ориентированность бизнеса. Определены внешние и внутренние факторы, а также факторы, способствующие развитию органического производства. Даны рекомендации по стимулированию социальной ответственности предпринимателей и формированию модели, объединяющей интересы потребителей и производителей.*

*Ключевые слова: устойчивое развитие, социальная ориентированность предпринимательства, органический продукт, органическое производство.*

Bulletin of Taras Shevchenko National University of Kyiv. Economics, 2014, 6(159): 72-76

UDC 334.72

JEL O 310

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### INNOVATIVE INFRASTRUCTURE OF ENTREPRENEURSHIP DEVELOPMENT

*The article deals with the actual issues of such forms of innovative infrastructure development as venture capital and clustered formation. Particularities of their functioning in the market conditions and problems of their existent are analyzed in the article.*

*Keywords: innovative infrastructure; clustered formation; innovative cluster; venture entrepreneurship; technopolis.*

**Problem statement.** Nowadays, one of the main tasks of the modern economics is an activation of innovative processes and a transition to the innovative development in prospect. Development of the innovative infrastructure, reinforcement of competitiveness and innovative activities speed-up are an economics occurrence that allows standing against global concurrency and allows matching the claims of national and regional development.

Clustered formations and venture capital can become the main organizational forms of innovative infrastructure.

**Latest research and publications analyses.** The problems related to the clustered formations functioning are highlighted in the national scientific literature by the following national scientists: Varnalii Z.S., Hamashova O.P., Yanenkova I.H., Velyka K.V., Dolhova L.I. et al.

**Aims of the article.** The main aim of the article is to research and analyze innovative tools for business entities development in the market conditions, such as clustered formations and venture capital.

**Unsolved part of the general problem.** However, the aspects of innovative infrastructure elements' development in market economy are still not researched.

**Main research subject treatment.** An economics of post-industrial society is based not only on the telecommunication systems and the Internet, but also on the new organizational forms. Such forms are appeared from unions and complexes and transformed to clustered formations and network structures. Forms and methods of this structures management are different but always determinate by the particular object [1, p.186].

The main task of the clusters formation and support is to increase the labor productivity with minimal investments. Clustered approach is one of the leading approaches in countries' competitiveness strategy formation under the modern international economics conditions. The main difference between clustered formation and territory-producing complex (one of the organizational forms of producing used on regional level in formed USSR) is the shop-floor initiative. Taking to account the principles of market, it can be efficient only in case of shop-floor initiative, when the

enterprises themselves come to unification into the cluster to increase their competitiveness.

The main condition of the new generation research producing creation is the constant process of retraining of the new cluster's managers and developers. That allows considering it as educational organization that provide into production a new institutional schemes of activities.

Forming the cluster's structure assumes several operations in the following functional areas. Technological one assumes the choice of technology which can be created-basing on the fundamental knowledge. This in turns involves necessary methods of interaction between fundamental science representatives and complex technological solution developers. Organizational-producing one assumes the choice of the serial production type, that should be created based on the experimental engineering samples. Marketing one provides the definition of the possible demand on particular product (service) or technology infrastructure, positioning of such enterprises group on market, creating conditions for the work with dealers in the marketing networks systems. Investing one provides the evaluation of project's prospects of making the product (service) or technology, setting of the whole set of organizational projects and alternatives options for particular projects as a

part of the mega-project, risk analyses for the every project and every stage of implementation, constant analyses of stable demand impact on the project implementation result that depends on product cost. While cluster forming the creation of special engineering company for operation implementation is expedient. Staff one assumes training workers which able to work under highly undetermined conditions and technological flexibility of production.

It is important to produce institutional-organizational aspect of cluster formation. In particular, typical cluster assumes co-organization of at least 4 major technological groups, that makes its technological base: leading scientific labs – research productions that developed the fundamental basis of new technologies; development centers that creates working prototypes and technology previews for testing on experimental productions; production-technological groups that able to produce a series of products; marketing groups that able to promote a new type of product on the market and form constant demand [2, p.327].

It should be noted that given classification can be used for practical clustering policy, thus it assumes clusters evaluation from the long-term competitiveness point of view including their branch characteristics.

**Table 1. Types of innovative clusters**

Type of innovative cluster	Description
Truncated	Consists of technologically related enterprises fields, sometimes geographically isolated. The activity is restricted by the set of typical functions (getting resources, processing, etc.). Modern but not leading technologies are used. New technologies are come into production as ready for use product.
Branch	The group of companies working together, that produces typical products or services. Use of new technologies is restricted by quality control and personnel management.
Innovative-branch	The group of companies working together, that produces products or services, that need constant restoration, quality improvement, new functional possibilities implementation. There is permanent cooperation with research centers and educational institutions.
Pro-innovative	Innovative companies' cluster oriented on fast getting necessary knowledge and technology to increase current competitiveness.
Innovative-oriented	It is the companies' cluster that defines industrial, investment and social infrastructure of the region. It creates dynamic companies' groups which use leading knowledge and technologies, involve talented workforce all over the world, consumes and generates venture capital, defines and aims scientific researches of universities and other educational institutions.

Source: [2, p. 328]

Therefore, productivity increasing and activation of innovative activity of small and medium enterprises in clusters' structures makes regions and country able to increase the competitiveness at whole. Among the characteristics of modern clusters are maximum territorial nearness, related technologies, community resource basis, and availability of innovative part. Principles of cluster functioning are economic independence, and responsibility of entrepreneurs, availability private ownership, stability of monetary turnover, competitiveness and free pricing [3, p. 330].

Experience of clusters in foreign countries shows that the results of this process is very significant and lead to stimulation of regional labor productivity increasing, budget incomes increasing, investments returns, and finally gross national product growth.

Innovations and entrepreneurship are the forces of development and growth of the clusters. Most of the clusters had been formed by the entrepreneurially-inclined staff already worked on some employers purposely for diversification of supplying chains, creation of the new market potential or as a back action on staff reduction or companies' liquidation. Despite the fact that educational processes and cultural norms of the region have huge impact on innovations and entrepreneurship, they can be improved by means of reasoned supporting strategies developed and implemented by the government.

Venture enterprise is an important part of the Ukrainian economy that developed by means of venture financing principles usage that based on venture capital. Development of the venture capital inspires innovative and investment processes, that in turn is the factor of growth of scientific-technical progress (STP) speedup. In the period of market transformations of economy wide usage of venture financing mechanisms during the investments processes implementation not only activate innovative activity but inspires economy's structural transformations, deepening of economy's integration processes, and creation of additional workplaces.

As a result of venture capital investments venture investor does not have those guarantees that take place in more traditional forms. Under the conditions of markets globalization prevailing today, Ukraine can make a big step forward through the implementation of existing scientific and technological potential. Development and support of innovations by the government would solve many of the problems arising from the current state of the economy, but a lack of aimed and state finances and domestic investment resources is the motive for the development of a new kind of entrepreneurship activity. As a result, the market has a new type of investors. In this case this is the investors engaged in the financing of innovative projects and at the same time is a part of the venture entrepreneurship.

Venture enterprise is the mechanism that aims to implement that latest researches and achievements of STP into production. Venture entrepreneurship is an activity in the innovative area that directed to risk projects implementation (creating and implementing new technologies, goods and services into production) and their promotion to the market to gain profit as a risk premium.

Elements of venture entrepreneurship are an investor and an enterprise that creates a specific product – innovation. Organizations as well as individuals that provide their capital for venture capital funding can act as an investor.

In abroad sources an investors are so-called venture capitalists because they provide medium and long-term financing in exchange for a part of the share capital of enterprise in which investments are directed. The companies receiving venture capital are often the small and medium enterprises. Venture capitalists do also sometimes not want to participate in the management of invested companies can provide a "quasi-funding", i.e. loans or bonds that entitle the share capital authorized only under certain circumstances. We can speak about the profit of venture capitalist after a few years only, when he will be able to sell the property it shares increased by several times the price compared to the original investment.

Unlike other forms of investment venture form has some specific features:

- direct or indirect shared participation of the investor in the company's capital;
- providing funds for the long term on the basis of irreversibility, charge less, without any guarantee or security;
- active investor role in the management of a project funded [4, p. 47].

The main particularity of venture financing is a high probability of non-returning the funds that are invested in the project if the investment project will not bring the expected results from its implementation.

The object of venture funding is to create an enterprise, technology development and initial marketing strategies for new products (e.g. to market), the launch of commercial production, expansion, acquisition of production facilities in another company and sell the company.

Among the objects of venture financing high-tech company are leading, but the investment structure is constantly changing. Today, the bulk of venture capital investments aimed at sectors such as software, biotechnology, telecommunications, healthcare, retail, internet technology, computers and peripherals, the production of intermediate goods, energy, environmental protection, financial services, electronics, and business services.

Often the need for venture capital occurs in small businesses, researchers and developers that are not able to realize their mercantile interest, a desire to obtain a higher returns on invested capital compared to the interest on a bank deposit or other forms of investment, as the limit of profitability at the level of implementation of innovations is 30-40% on average, thus paying for the risk.

The term "venture (risk) financing" is used in the broad or narrow sense. In a broad sense – it is all contributions to the risk in terms of financial results, projects, primarily in the field of high technologies. In a narrow sense, venture capital – a long- or medium-term investment in the form of loans or investments in shares taken by venture capital funds in order to create and develop small promising companies [5, p. 163].

There are two types of venture capital: external and internal. The external venture capital – is the one that goes into a small venture entrepreneur-intensive company, which was founded by the author of the idea or who owns the rights to patents on certain know-how.

Domestic venture capital is the capital that does not exceed the large enterprise, and is directed only at certain specialized unit whose function is to develop and implement risk ideas or projects.

Venture capital is characterized by the fact that the investor does not receive anything that would guarantee a refund. Typically, small and medium enterprises simply do not have such guarantees; it is therefore unable to use the bank lending. As the guarantee is absent, the investors are more interested in the future return on invested funds right now (i.e. the result of implementing innovations), but not the financial performance of the company over the period. The only "guarantee" for the venture investor is his own ability to correctly assess the risks associated with the transaction [6, p. 88].

The venture capital has been mostly extended and developed in the United States. The US is the home of venture capital where it's appeared in the mid 50's of last century in Silicon Valley. The peak of increasing was observed in the 80 – 90's: the accumulation of venture funds rose from \$ 3.5 billion. in 1978 to over 30 billion dollars. in 1988 In the period 1990-2000 there is observed rapid increasing (30 times) of investment from 3.25 billion dollars. in 1990 to 94.79 billion dollars in 2000 [7, p. 172].

First in Europe the technologies and principles of venture financing have been applied in the UK. In 1979, total venture capital investments in the country amounted to 20 million British pounds. By 1987, this amount increased to 6 billion pounds. Over the past decade, the venture capital business in Europe has accumulated 60 billion EUR, which invested in two thousand private companies. In the twenty European countries there were 500 venture capital funds and companies. The total amount of capital for new funds that were used in a business venture in Europe amounted to 8 billion EUR. And 15% of all investments were directed mainly outside Europe in the so-called "emerging markets", which includes Ukraine [8, p. 34].

Formation of venture financing institutions in Ukraine began in the last decade of the twentieth century and took place very slowly. The feature of venture capital funds has become a large share of foreign capital in the structure of investment flows, sometimes these funds are financed entirely by the capital from other developed countries.

The largest venture capital companies operating in Ukraine are IC Ineko, Euroventures Ukraine Foundation, Dnipro Foundation, WNISEF.

One of the first prototype of venture capital funds in Ukraine was investment company Ineko.

IC Ineko was founded in 1994 as a company that invests in the energy sector. In 1997 the company received the status of an adviser of the Ministry of Energy of Ukraine and took an active part in developing the concept of privatization of the energy sector in Ukraine. Ineko's specialists made a series of presentations of energy complex of Ukraine in Kyiv, Leipzig and Berlin.

Since 1997, IC Ineko constantly included in the top ten investments and brokerage companies. At his own expense Energy Holding was formed, consisting of five companies. Activities of holding covers the entire cycle power plant maintenance, including repairs, construction, and installation works. Starting with energy, IC Ineko continued to develop successfully diversifying its range of investments.

Now IC Ineko works in four main areas directly related to investing activities:

- Organization of investments in enterprises of Ukraine;
- Asset management using capital market instruments;
- Restructuring;
- Work in corporate and financial matters for stock companies.

The company carries out the acquisition of controlling stocks in private companies that dynamically developed by means of buying shares (buyout), or by means of the increasing the share capital of the company. In this case, priority is given to companies operating in traditional industries and has significant prospects for further development, or players who take certain market and need capital for development, and strategic management for full disclosure of the potential.

Funding of development, IC Ineko provides capital to enterprises that are rapidly developing in the form of direct investment to expand operations or through financing acquisitions of competing companies ("horizontal investments") to consolidate market share and create a company leader in the sector. The maximum term investments ranged from 1 to 3 years, depending on the type of financing and development stages of each company. Thus in IC Ineko minimum and maximum volume of the investment is not fixed.

Venture entrepreneurship in Ukraine is quite promising today, as evidenced by the activities of the venture fund Western NIS Enterprise Fund. However, to form an efficient market of venture entrepreneurship in Ukraine the number of complex problems need to be solved, both in terms of legal (statutory definition of venture enterprise, its maintenance and regulation) and in terms of forming an effective infrastructure for venture business. According to venture companies there are more than \$250 million of venture capital investments are already done into Ukrainian companies. Amounts in the coming year that can be directed by venture investment companies, ranging from \$20 million to \$100 million. Considering the availability of large number of markets growing, according to experts, that amount is very small. In the near future the possibility of significant receipts of foreign capital in Ukraine remains low. Some domestic companies that usually do not call themselves venture also try to use the tools of venture capital investment. However, they do not have enough funds for the creation of specialized funds.

Managers of venture capital funds have concluded that over the past two years, the conditions of their operation at the Ukrainian market have changed significantly:

- First, venture capital, which by its nature has specialized in the acquisition of small (49%) of shares after repeated losses of small blocks, had to switch to the control. This in turn led to a significant increase in the amount of one investment (from \$1-3 million to \$7-10 million) and reduced the number of transactions.

- Second, faced with serious problems to ensure the effectiveness of investments, as of late, none of the known Ukrainian market operators could give an example of a large company selling its strategic investor. Venture capital funds today are oriented to work only with companies that have already formed. And so, who can soon become leaders in their markets and thus future simplify the search for a strategic investor.

- Third, most experts are not particularly risk and invest venture capital in Ukrainian enterprises only for 2-3 years. High political, legal and macroeconomic risks in Ukraine does not allow the use of venture capital investments in long-term projects (over 5 years), but venture capital needed most innovative enterprises of Ukraine for implementation (commercialization) of scientific developments it for the long term.

Venture funds now have to work at a relatively small size markets, that at this stage characterizes low competition among producers of goods and services, and enough low solvency of the population. This primarily relates to consumer markets, such as food and building materials, as well as the retail trade. It is therefore necessary to involve Ukraine in the

capital of private and institutional venture capital investors as venture capital stimulates the development of scientific and technological progress and helps accelerate the introduction of new science and technology into production.

However, Ukraine does not have to repeat all the way to the development of venture business for 20-25 years that passed by Western Europe. Using the accumulated international experience, examples of business venture in Western Europe and the U.S., and effectively implementing the necessary reforms, Ukraine could well form a business venture market in 10 years. For example, Finland developed the venture capital and technology in just 10 years, and Israel in 15 years [9-12].

**Conclusions and suggestions.** So, it should be noted that although Ukraine still lags behind foreign countries in terms of venture capital, venture business in Ukraine is growing but very slowly. Investments made by venture funds feed the country's economy and promote the development of research, development and implementation of new ideas and technologies.

As venture capital directed mainly at small and medium enterprises, it can be argued that venture promotes the formation and strengthening of cooperative relations companies. Venture capital market in Ukraine has great potential – large number of academic institutions with highly qualified and extensive experience in developing new technologies in various fields of science and technology; improved legal security at the capital; improving the legal framework in the field of entrepreneurship. There is no highest element of governance innovative infrastructure such as technopolis, also the elements of financial innovations such as innovative banks and venture funds are still not developed enough. Besides, latest ones don't make their main activity because of legislative restrictions and market conditions in Ukraine. But on the other hand, there are certain conditions that scare foreign venture capitalists to cooperate with our entrepreneurs. The main reason is the lack of guarantees from the government about the fairness and transparency of business activities. In this respect, the law should be modified to makes conditions for investment into Ukrainian enterprises more attractive not only for foreign investors but also to domestic owners of capital.

In terms of competition, one of the most effective means of small and medium sized enterprises development is their association in clusters. Cluster structure is a flexible form of integration and cooperation and can provide higher rates of innovation. All this contributes to the competitiveness of enterprises, which form a cluster and a whole country.

So, the development of innovation infrastructure consists of two components and at the stage of its formation today. The main causes of the problem and even critical state of the innovation infrastructure is the legislative provision. Namely, there is no effective mechanism to stimulate the parts of the production, financial and innovation infrastructure subsystems; weak demand on innovation (research and development) from the manufacturing sector, which makes it inappropriate to establish and develop individual elements of innovation infrastructure.

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Надійшла до редколегії 29.04.14

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### ІННОВАЦІЙНА ІНФРАСТРУКТУРА РОЗВИТКУ ПІДПРИЄМНИЦТВА

*В статті досліджуються актуальні питання розвитку таких форм інноваційної інфраструктури як венчурне фінансування та кластерні утворення, розглядаються особливості їх функціонування в ринкових умовах, аналізуються проблеми їх існування.*

*Ключові слова: інноваційна інфраструктура; кластер; інноваційний кластер; венчурне підприємництво; технополіс*

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### ИННОВАЦИОННАЯ ИНФРАСТРУКТУРА РАЗВИТИЯ ПРЕДПРИНИМАТЕЛЬСТВА

*В статье исследуются актуальные вопросы развития таких форм инновационной инфраструктуры как венчурное финансирование и кластерные образования, рассматриваются особенности их функционирования в рыночных условиях, анализируются проблемы их существования.*

*Ключевые слова: инновационная инфраструктура; кластер; инновационный кластер; венчурное предпринимательство; технополис.*

Bulletin of Taras Shevchenko National University of Kyiv. Economics, 2014, 6(159): 76-81

UDC 331

JEL J 2

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### LABOR RESOURCE INTERNATIONALIZATION AS A FACTOR OF THE SUSTAINABLE COMPETITIVENESS

*The paper studies a role of labor resource in sustainably oriented international competitiveness. Economic development is now more driven by employment, labor resource and social conditions. That cause a change from economic to sustainably oriented competitiveness, reflecting the increasing role of labor resource and social conditions. Labor resource quality and internationalization n have a long-term influence on the sustainable competitiveness. CEE and NIS countries labor resource and social factors input into sustainable competitiveness are considering. The relevance of economic and social factors of Ukraine international competitiveness is assessed.*

*Keywords: labor resource, transitional economies, competitiveness, sustainably oriented competitiveness, competitiveness assessment.*

**Problem setting.** Economic performance is driven, among others, by the factors conditions, including labor resource. Labor productivity is one of the measures of economic efficiency and competitive advantages. The global development becomes more directed towards employment and social results. Social impact of economic growth became more desirable, labor markets reforms playing key role in the economic policies. Labor resource and comparative unit labor cost are important for industries location, global production chains, foreign direct investments and technology transfer. Simultaneously labor internationalization and talents mobility are spreading across countries and transnational corporations.

Respectively labor resource and social factors becomes increasingly important for the competitiveness on all levels. Competitiveness assessment also should take into consideration not only economic factors and become more socially adjusted. This requires new theoretical approaches to competitiveness, role of labor resources and social factors, advancements of the methods of their analysis.

**Analysis of the last research publications.** Competitiveness studies are conducted on different levels such as product, firm, industry and country. Modern researches are focused on the competitiveness factors, measurement, dynamics of the countries competitiveness and its economic implications.

Content, economic role and contradictions of competitiveness are studied by Ukrainian researchers V. Bazylevych, G. Fyliuk, D. Lukianenko, E. Panchenko, A. Poruchnyk, O. Shnyrkov, O. Shvydanenko, Z. Varnalij and others.

Factors, modern drivers, measurements and dynamics of competitiveness on micro- and macro-levels are studied by P. Levine, M. Mott, M. Obstfeld, M. Porter, D. Stiglitz, K. Shwab and others.

Researches outcomes are mostly related to competitiveness modern trends, innovations impact on competitiveness, production factors effective utilization, labor productivity, comparative assessment of countries international competitiveness.

**Not studied parts of overall problem.** Labor resource availability, cost and productivity of labor, employment, socio-economic factors and results become increasingly important for modern global and regional development. It raises an importance to study labor resource and social factors of competitiveness on all levels.

Competitiveness factors and measurements should be reconsidered with respect of labor and social factors, to be more socially adjusted. The overall theoretical and applied approaches should be studied in the long term view as sustainable competitiveness of the firm and country. This requires developing more comprehensive approaches to sus-