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Research paper



Synergistic Catalysts of the Region's Entrepreneurial Potential Realization in Conditions of Ukraine's Integration into the European Union

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Abstract

In the article theoretical approach of the region entrepreneurial potential identification was proposed. As well authors suggested a base structure of the region entrepreneurial potential. Analyse of entrepreneurial activity in Ukraine was done and it was showed that small and medium-sized enterprises do not have strong state and regional support and that is why their position on market is changeable and occurs on their profitable activity. Authors defined catalysts that influence on the level of the entrepreneurial potential realization and prescribed their synergistic influence. Also methodical approach that helps to identify the realization level the entrepreneurial potential of each region was proposed. Psychological aspects of entrepreneurial potential was determined and investigated.

Keywords: *enterprise, small and medium-sized enterprises (SME's), entrepreneurial potential of the region (EPR), adaptive model, strategy of adaptive behavior.*

1. Introduction

The specificity of Ukraine's integration into the European community is based on the revision of existing views and approaches to the formation of economic key areas and socio-environmental policy of the state. Adaptation of Ukraine's legislation into European standards, change of "game rules" in the market with consumer orientation and social responsibility implementation, improvement of payment and working conditions of the worker, as well as social situation of the population, requires revision of role scientific and practical approaches to the entrepreneurship in this process.

Nowadays, entrepreneurship is not only a key player in the market of goods and services, but also affects the political, economic, legal, social and environmental situation in the whole country. Without entrepreneurship development the state's development is not possible, since entrepreneurs, after creating their own businesses, provide new jobs, pay local and state taxes, generate population purchasing power at the expense of paying high wages, affect the ecological situation in the region, and during implementation of main principles of social responsibility they help community, form special funds, introduce innovations.

2. Theoretical framework of the entrepreneurial potential of the region

That is why one of the topical issues that need attention and new approaches to its solution is determining the entrepreneurial potential level of the region formation, as well as finding effective ways to increase its realization level.

Entrepreneurial potential provides not only the development of entrepreneurial activity but also economic, social, ecological, and innovative development of the entire region [2, P. 61]. In order to assess the entrepreneurial potential of the region (EPR), it is necessary to know the real status and structure of the region entrepreneurial potential, which depends to a large extent on changes in its quantitative and qualitative characteristics. We propose such structure of entrepreneurial potential of the region – EPR (Fig. 1).

We propose include into elements of EPR: quantity and quality of resources; available and latent possibilities of productive forces; risks and restrictions of the entrepreneurial activity. Each of these elements affects the entrepreneurial potential of the region at a certain level: state, regional and local [13].

In the context of European integration, there is a painful process of perturbation of the stereotypes of business activity traditional forms, which makes it necessary to study ways of developing entrepreneurial potential from the standpoint of professional and personal components at entrepreneurs' consciousness level, when there is a synergy of conditions and entrepreneurial activity features in the professions of self-consciousness in general. Changes that occur in the structure of entrepreneurial potential sufficiently characterize changes in the attitude of the entrepreneur towards himself as a professional on the motivational-need, cognitive, emotional-volitional and behavioural level.

Entrepreneurial potential of the region is a complex system, which consists of certain elements, which functioning in their aggregate allows to provide a synergistic effect. That is why it is really im-

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portant to open up all possibilities of the enterprise through research of some components of its potential.

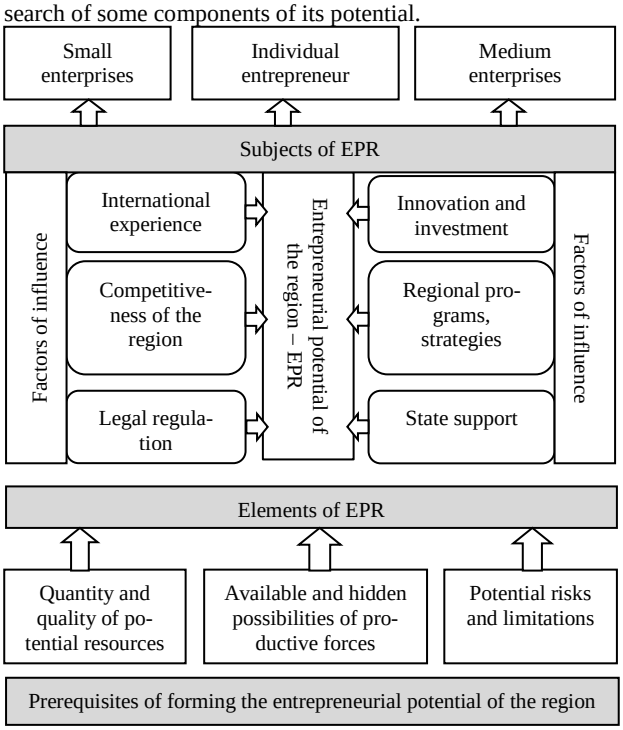


Fig. 1: Structure of entrepreneurial potential of the region

After systematization of the study results [2, 11], using the principle of invariance, which determines the measure of stability-variability of structures, type of source determination of the particular phenomenon, we understand, the entrepreneurial potential of the region as a complex, dynamic polystructure system, which has certain development patterns and are characterized by such basic features [10]:

1. Entrepreneurial potential of the region is characterized by real / potential opportunities of entrepreneurs in a certain activity sphere to produce products, provide services that may be implemented or not implemented for any reason.
2. Entrepreneurial potential of the region is characterized by a certain amount of resources that are involved in production or are prepared for its use.
3. Entrepreneurial potential of the region is characterized by the level of personnel qualification in production of goods, provision of services (works), ability to maximize profits, and ensure the efficient functioning and sustainable development of the production and commercial system.
4. Entrepreneurial potential of the region has a three-level influence: national, regional and local (each of these levels has its own integral characteristic and certain elements).
5. Level of entrepreneurial activity development in the region depends on the personal level of readiness to open a new business by potential entrepreneurs (for example, attract unemployed, active youth, people with low income to open their own business) and motivation for the transition of small businesses into medium or large-sized businesses.
6. Entrepreneurial potential of the region is a dynamic polystructure system that develops within a defined region and affects its socio-economic situation, as well as the level of stagnation and stagflation.

Based on the proposed theoretical approach to identification of the entrepreneurial potential, it is possible to identify catalysts that affect the realization level of the entrepreneurial potential of the region:

- nationwide level (catalysts: institutional, demographic, personnel and intellectual, technical and scientific, industrial, infrastructure, natural and resource, informational, innovation-investment, foreign economic);
- regional level (catalysts: structural-functional, spatial-temporal, financial, socio-cultural);
- local level (catalysts: educational, qualification-motivational, psychophysiological, marketing, reserve and latent potential of entrepreneurs).

Entrepreneurial potential in each region could be realized: sufficiently or partially or fully. Its realization completeness depends on the synergy of all catalysts of entrepreneurial potential realization. The most positive will receive region that will be able to take into account the influence of each catalyst, to determine their influence degree (positive / negative) on the base of the received information to form a strategy for the entrepreneurial potential realization in the conditions of European integration of Ukraine.

The catalysts synergy influence on the formation of entrepreneurial potential of the region (on the basis of certain components and attributes) significantly depends on the potential resources, entrepreneurs professional and personal capacities, and on coordination interactions at the regional level that can increase region competitiveness in the context of European integration processes. Proposed model reflects the peculiarities of the catalysts influence on the entrepreneurial potential formation on the micro, meso- and macro levels. Therefore, the synergy of the determinants of the region entrepreneurial potential realization should be taken into account from three perspectives:

1) from the position of the EPR object – characteristic of exogenous and endogenous factors of influence at the state, regional and local levels;
2) from the position of the EPR subject – what principles, normative professional model and professional culture / subculture are implemented in the region;
3) from the position of the EPR content – what constituent elements, mediators, catalysts and the completeness of their realization determine the formation of entrepreneurial potential of the region.

3. Analysis of entrepreneurial activity in Ukraine

Investigation of the entrepreneurship development dynamics in Ukraine and business situation analysis and business climate in the regions showed [7] that currently, number of small and medium enterprises (SME's) in Ukraine prevails over large enterprises (Fig. 2). Although SMEs amount 96% of the total number of enterprises, small and micro enterprises from 2008 till 2017 (Fig. 3) do not receive income from their activities in general and medium-sized enterprises have started to receive profit since 2016 (Fig. 4). The forecast line shows that if the current economic situation does not change, the number of bankrupt enterprises will only increase. Such a situation will influence the number of unemployed people, and worsen the socio-economic situation in the country.

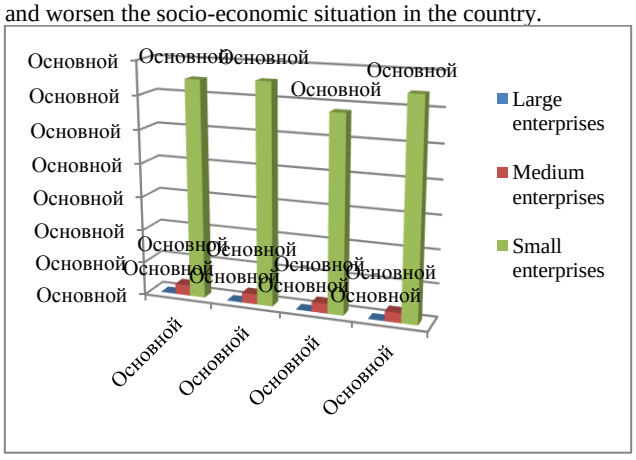


Fig. 2: Dynamics of large, medium and small enterprises number in Ukraine in 2014-2017, units

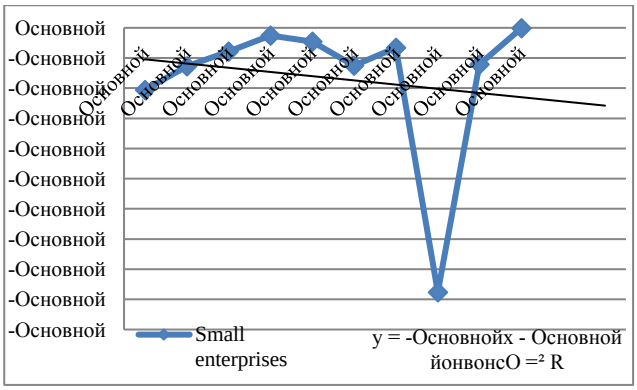


Fig. 3: Retrospective analysis of small enterprises financial results, million UAH

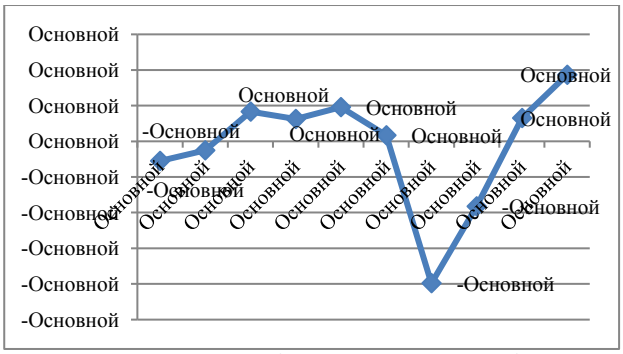


Fig. 4: Retrospective analysis of medium-sized enterprises financial results, million UAH

Unprofitable activities and the lack of strong state support for the business affect the population emotional readiness to open their own business, since risky activity and profit lack reduce population desire to be realized themselves as an entrepreneur.

Basing on the results of scientific and economic research [8, 12, 13], we note that entrepreneurial potential can be considered as fully realized if 70 % of the total population amount carries out entrepreneurial activity, which in turn significantly influences on the increase of regional indicators (Gross added value, Gross Regional Product, increase of foreign investment number and innovative climate improvement in the region) and ensures effective economic development.

4. Methodology for assessing the level of realization the entrepreneurial potential of the region.

On the basis of our conclusions and current views on the methodology [5, 6] for the calculation of entrepreneurial potential, we consider taking into account the degree of stability / variability of investigated elements that depend on each other.

Invariant model of EPR is a model that takes into account the resilience-variability of mediators and catalysts of potential resources and their coordination interaction at the national, regional and local levels. Naturally, the content of an entrepreneurial potential invariant in a particular form may differ in each individual region. That is, we can talk about national, regional and local mediators of influence on this process. Incorporation of the invariant model of EPR into the economic development model in the region makes it asymmetric, since there is a certain dominant mediator. We offer such methodology for assessing the realization level of the entrepreneurial potential of the region [10]:

$$EPR = G + R + L, \quad (1)$$

EPR – formation level integral indicator of the entrepreneurial potential of the region;

G – the nationwide level integral indicator;
R – the regional level integral indicator;
L – the local level integral indicator.

Calculation for each entrepreneurial potential levels of the region is based on the following formulas:

а) for the nationwide level calculation formula:

$$G = (N + GRP + I) / 3, \quad (2)$$

N – region's position by an economically active population aged 15-70;
GRP – region's position by GRP per capita;
I – region's position by the inflation index.

б) for the regional level calculation formula:

$$R = (SME's + Q + F) / 3, \quad (3)$$

SME's – region's position by the number of small and medium-sized enterprises (SME's);
Q – region's position by the volume of SME's sales;
F – region's position by financial performance of SME's.

в) for the local level calculation formula:

$$L = (U + Emp) / 2, \quad (4)$$

U – region's position by unemployment rate;
W – region's position the number of people hired by SME's.

Obtained integral indicator allows to determine the realization level of the entrepreneurial potential in each region of Ukraine. The most fully realized entrepreneurial potential of the region if the indicators are low, and there is an increase in the number of people who wants and opens their own business, growth of the number of small and medium enterprises and number of people employed by them, and so on. If this indicator is high, then, accordingly, there are not available reserve capacities for realizing the entrepreneurial potential of a particular region.

Using the proposed methodology for assessing realization level of the entrepreneurial potential of the region, we carried out a ranking of indicators of the national, regional and local level in 2016, and based on the calculated integral indicator, we determined the ranking of the realization level of the entrepreneurial potential of the region (Table 1).

Table 1: Level of realization of the entrepreneurial potential of Ukraine's regions

Region	Rating	Integral indicator
	2016	2016
Kyiv	1	10,11
Kyiv Region	2	10,17
Dnipropetrovs'k Region	3	10,56
Kharkiv Region	4	10,72
Cherkasy Region	5	11,39
Poltava Region	6	11,72
Zaporizhzhya Region	7	12,06
Kirovograd Region	8	12,39
Lviv Region	9	12,44
Odesa Region	10	12,44
Vinnytsya Region	11	12,72
Mykolayiv Region	12	12,89
Khmelnytsky Region	13	13,72
Ivano-Frankivs'k Region	14	14,06
Sumy Region	15	14,39
Kherson Region	16	15,11
Zhytomyr Region	17	15,44
Zakarpattya Region	18	17,06
Chernihiv Region	19	17,17
Chernivtsi Region	20	17,56
Volyn Region	21	18,00
Ternopil Region	22	19,89
Rivne Region	23	20,28

Proposed integrated assessment also fully enables to take into account all regional indicators and the general socio-economic situation in the country. In the leading regions, the realization level of the entrepreneurial potential has following characteristics: the population strives to realize their entrepreneurial abilities, ready to open their own business, or stably involved in economic relations. It is positive that in these regions there is a sufficient quantity and quality of resources: demographic, financial, investment, which creates favourable conditions for the existence and establishment of business. In areas where the integral indicator is very high, the realization level of the entrepreneurial potential is insufficient and these indicators are worse on all levels than in more developed regions. This indicates the weak support for business development by the region's administration, insufficient or inadequate resource use, availability of risks and threats which influence on businesses, and also characterize low interest among the population in opening their own business that as a result causes the appearance of numerous latent entrepreneurs (shadow business).

An analysis shows that small and medium-sized enterprises (SME's), which are predominant in their quantity over the large enterprises, are only at the stage of their development and disclosure of potential because Ukraine has not created an effective mechanism for supporting entrepreneurship yet. In other countries of the world as well as in the European Union it has been proved that small and medium-sized enterprises are the key to economic development of the country, ensure the economy stability and maintain the social balance of the population.

5. Entrepreneurial potential psychological aspects

Particular attention should be required to the study of the entrepreneur's personality and self-consciousness and his level of readiness for opening own business unit. Often young entrepreneurs, using adaptive strategies to counteract risks and threats in their entrepreneurship activity, do not take into account the degree of their own willingness to business activities.

Therefore, the main condition for successful business conduct, counteraction to risks and threats is the willingness to engage in entrepreneurial activity, ability and skills of an individual to the effective actions in the economic space, that supporting and enhancing entrepreneurial potential, creating its competitive advantages. This approach to the definition implies taking into account existing readiness components and their ability to use [4].

A recent USAID study [14] has shown that mostly men try to start their own business than women. In the existing businesses, male-managers account for over 75%, and female-managers account for only 25% of the total. The average age of people who are small businesses owners of (registered as an individual entrepreneur) is about 30-39 years and the age of people who created middle and large businesses over 40-48 years. This situation shows that there are gender and age inequality between entrepreneurs. Women in our country do not yet feel confident in their abilities and do not have comprehensive support in setting up their own enterprise. Another key aspect is internal anxiety to remain without a family (without husband and children) because business requires a lot of resources: time, emotional, money, creative, and more [1]. Level of readiness for entrepreneurial activity should be considered through the emotional (personal and motivational attitude to entrepreneurial activity), cognitive (understanding of the essence and content of entrepreneurial activity) and behavioural (activity in realization of entrepreneurial activity and the style of communicative interaction) components [4].

According to our research that was conducted in recent years among young people in Poltava region in the amount of 70 respondents aged 21 to 25 years, high level of readiness for entrepreneurial activity manifests itself at an emotional level (in 80% of respondents), and on the cognitive and behavioural level there are discrepancies between the desirable and real. Only 20% of young people at the cognitive level and 40% at the behavioural level have a well-known and up-to-date entrepreneurial potential for introducing their own business. At the same time, young people define different spheres of the desired entrepreneurial activity (Fig. 5). The majority sees itself in the service sector, respondents chose as a possible option a cafe, a manicure salon, a tattoo salon, kindergartens, etc. To a lesser extent, they choose for themselves agriculture, tourism, and light industry.

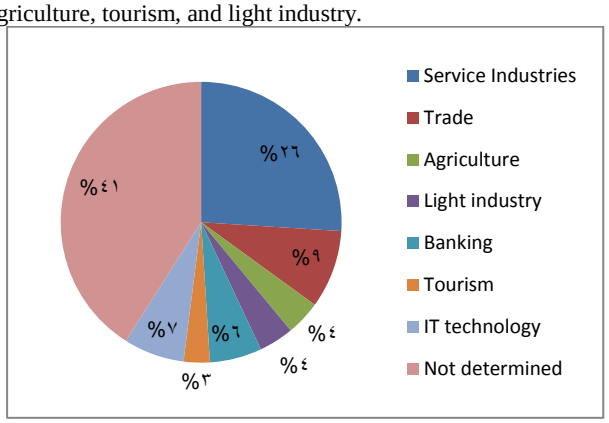


Fig. 5: Desired field of entrepreneurship among young people in 2016, %

Also, young people, as well as current businessmen, note that in their opinion nowadays there are unfavourable conditions for doing business due to the uncertain political situation and the UFO (united forces operation), changeable market conditions, a huge amount of risks and threats (currency fluctuations, non-execution of agreements and non-compliance current legislation, constant changes in legislation, activity of inner and foreign competitors, a small share of external investments, etc.). Future owners of small and medium-sized enterprises [8, 14] believe that the main obstacles to expansion their businesses are: unfavourable economic situation (almost 54%), lack of goods and services market (53%), inadequate financing and lack of available funds (44%), political instability (32%), fierce competition (26%), and lack of personnel qualification (22%). We can note that the fundamental condition for the development of the integral characteristics of the entrepreneurial personality development is the awareness of the need for changes in the needs-motivational and cognitive-behavioural levels, obtaining internal and external impulse to find new opportunities for realizing their potential in business activity, which significantly will influence on the professional consciousness level, self-awareness and their increasing [4].

It should be noted that the continuous process of improving conditions of business activity, as even international researchers point out, gives perspective for changing these indicators. Thus, the World Bank annually publishes the "Doing Business Report" [9, P. 208], which allows ranking countries for ease of doing business. Ukraine took only the 83rd place in terms of ease of opening a business in 2015-2016, in 2016-2017 80th place, in 2017-2018 76th place. Awareness of entrepreneurs of their potential opportunities, prospects of personal and professional growth often pushes them to make choices: feel free and take risks, on the one hand, and to feel responsible for everything that happens and will take place in business - on the other. Real entrepreneurial activity is more reproductive nowadays in Ukraine. Entrepreneurs retain and accumulate their professional experience, form a productive component that is aimed at beneficial changes in the normative professional model and professional culture / business subculture.

6. Conclusions

The conducted research showed that the entrepreneurial potential of the region is a complex system, which consists of certain elements, which, when functioning in their totality and could provide a synergistic effect.

Distribution of catalysts for the entrepreneurial potential realization at three levels - national, regional and local, allowed us to propose a methodology for calculating the level of entrepreneurial potential realization in each region of Ukraine. The implementation level of entrepreneurial potential is rather low, the positive situation is observed in Kyiv, Dnipropetrovs'k, Kharkiv, Cherkasy and Poltava regions. Different factors influenced on this situation, one of the main is the absence of a strategy for realization of the entrepreneurial potential taking into account all the catalysts of influence. Also, difficult political, economic and social situation in the country does not allow the population to fully engage in entrepreneurial activity. Lack of confidence in the future and self-sufficiency, weak regional support for the development of small and medium-sized enterprises, as well as low ease of doing business in Ukraine make it impossible to fully realize the entrepreneurial potential in the coming years. However, if it would be developed a policy of coordination between the state, enterprises, society, and scientific institutes it is possible to propose effective mechanisms for supporting small and medium enterprises development, which in turn will have a positive impact on the economic, social and environmental stability of the state.

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