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**Organizational-economic
mechanism of management
innovative development of
economic entities**

**Collective monograph edited by
M. Bezpatochnyi**

Higher School of Social and Economic
Przeworsk (Poland) 2019

**Mechanizm organizacyjno-
ekonomiczny zarządzania
innowacyjnym rozwojem
podmiotów gospodarczych**

**Monografia zbiorowa
pod redakcją naukową
M. Bezpartochnego**

Wyższa Szkoła Społeczno-Gospodarcza
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The authors of the book have come to the conclusion that it is necessary to effectively use modern approaches the management of innovative development the economic entities in order to increase the efficiency of activity, to ensure competitiveness, to intensify innovation activity. Basic research focuses on assessing of the level competitiveness and economic security of enterprise, innovative ensuring of economic entities, analysis of human capital, estimation of alternative sources financing of innovation activity of economic entities. The research results have been implemented in the different models of formation the innovation policy of enterprise, mechanisms of innovative processes management of economic entities, introduction of crowdfunding, and improvement of the tax system for innovation development, integration of education, science and production. The results of the study can be used in decision-making at the level the economic entities in different areas of activity and organizational-legal forms of ownership, ministries and departments that promote of development the economic entities on an innovative basis. The results can also be used by students and young scientists in modern concepts and mechanisms for management of innovative development the economic entities in the context of efficient use the resource potential and improvement of innovation policy.

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INTRODUCTION

Progressive institutional and structural transformations of the economy require intensive updating and provision of programs, plans and projects for the management of innovative development the economic entities, positive changes, significant improvement of the regulatory environment, creation of appropriate conditions for modernization of industries and enterprises on the basis of latest technologies. Providing innovative development the economic entities is impossible without reorganization and improvement of the theory and practice of development of management systems of these processes.

In order to ensure the development of economic entities on an innovative basis in modern conditions of activity the necessary foundation is to intensify innovation processes in all spheres of activity and to direct the efforts of all elements of the organizational structure to the implementation of the tasks. The effectiveness of innovative development the economic entities is determined by the ability of the management system to influence on all business processes of the enterprise and to coordinate its internal capabilities with the challenges of the environment in order to ensure competitiveness and strengthen market positions.

The purpose of writing this collective monograph is to substantiate theoretical-methodological foundations and development a management system of the development of economic entities in a globalizing environment, taking into account transformational changes in the international economic environment.

The object of the authors' research was the process of management the development the economic entities in conditions of resource constraints, the specifics and trends in the development of economic entities under the influence of factors of the internal and external environment, the generalization of world experience in the management of development the economic entities in order to improve efficiency of the formation and use of the resource potential and innovative activity the economic entities in various spheres of the national economy in conditions globalizing.

The subject of research were various processes of formation and effective use of innovative potential the economic entities; formation of organizational-economic mechanisms for management of innovative development the economic entities; use of credit-financial and investment instruments to stimulate innovative development the economic entities; improving of intellectual and personnel potential of innovative development the economic entities; consideration of practical aspects of innovation development management in different sectors of the economy.

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**CONCEPT OF
WORKABLE
COMPETITION
BASED ON SYSTEM
APPROACH AND
FIRM PERFORMANCE**

Economists have been investigated the linkage of performance and competition for more than a century. Contemporary theories and concepts in the firm's economy actualise the need of increasing the firm performance taking into account the features of current competition. This area needs analysis because of the limited economic resources and the desire of economic entities to get the greatest effect at the lowest cost. Regarding competition, it sets the criteria for performing the company on the market and serves as a source of getting an economic effect along with production and management activities.

In our study, we first analyse approaches to determining the categories of "performance" and "competition", and then try to find the conceptual relationship between them.

To determine the nature of the category "firm performance", it is necessary to clarify what does the economic category 'performance' contain and the requirements that apply to its criteria and indicators.

The need to show the results of how the productive forces function in a particular system of industrial relations arose as soon as the production developed. So, the term 'efficiency' first appeared in economic research.

Within the framework of praxeology (that is, the theory of the effective activity organisation [1]) the term "efficiency" at the end of XIX century lost its economic content and assessed various types of human activity. The concept of "efficiency" reflects the relationship between the different characteristics of human activity: the result and costs (economics, which in content is close to the concept of economic efficiency), the result and goals (target efficiency), the result and needs (necessary efficiency), result and values (cost-effectiveness).

In contemporary literature [2-4, 6], authors use the terms “productivity”, “efficiency”, “efficiency”, and “performance” to define the efficiency of management.

Hence, productivity is a complex category that combines efficiency and effectiveness. To overcome the problem of the multiplicity of results and resources in determining productivity, according to the study, the total productive factors of production (total factor productivity), multifactor productivity (productivity), the partial performance of factors of production (partial factor productivity).

S. Tangen [2, 3] analysed all the variety of efficiency definitions given in the works of Western scholars and identified the following ideas of effectiveness: 1) technological concept: the relation between volume of output and indices of cost of resources; 2) technical (engineering) concept: the ratio between the actual results got and possible outcomes; 3) economic concept: the optimal allocation of resources.

In addition, scientists relate the greatest differences in the category's content of effectiveness to the state of the economic system (equilibrium, uneven, important, and transformational). For a long time, they studied the category of efficiency in the framework of representations of equilibrium systems under the concept of the general economic equilibrium of L. Walras and V. Pareto on the identity of the conditions for the general equilibrium and maximum efficiency in economics.

The content of the category “efficiency” was reduced to the concept of equilibrium, and the problem of improving the efficiency of management, - to find conditions for the system to achieve a state of general equilibrium. Later, J. Von Neumann, K. Arrow, J. Debre developed the ideas of L. Walras and V. Pareto in their works, devoted to the problems of the actual equilibrium, and the relationship of the general equilibrium with employment, unemployment, monetary turnover, economic growth, efficiency, etc. They investigated not a real economic system, but its ideal model with different, rather strict restrictions and assumptions (such as the assignment of utility functions, the instantaneous change in prices, features of an imperfect competitor here.). But later, the notion of general equilibrium and maximum efficiency is more of a scientific abstraction than of actual characteristics of real economic states. The hypotheses about the unity of the market mechanism, which leads to general equilibrium, and complete rationality, have also not been proved since they are based on

the theory of rational behaviour of the individual which contradicts many facts, generalised by the behavioural economy.

In a market economy, the clarification of the content of efficiency is relevant because of the need to select criteria and indicators of efficiency, and, so, the ways to increase it at all levels of the economy.

In Ukrainian economic science, the concept of “efficiency” in its development has gone through several stages: from production efficiency to management efficiency. And this is because of the absence of market relations and in the conditions of the dominance of state ownership of means of production, the activity of enterprises was limited only to production, while economic decisions took place at the state level in the form of centralised planning. As the twenty-first century has started, the development of entrepreneurship contributed to the emergence of the concept of company effectiveness. As we see, the differences in the periods of the formation of market relations contributed to the fact that the question of the efficiency of the operation of the enterprise began to be considered by domestic scientists later compared with their counterparts from foreign countries, who have accumulated a solid experience of the firms functioning in a market economy.

In determining the essence of the category “efficiency of the firm operation” as a specific manifestation of efficiency should take into account the type of economic system in which the company operates, the target direction of production, the factors and production results, inherent in the enterprise as a hierarchical system, and the structure of social needs, degree of their satisfaction by the enterprise, the usefulness level of the manufactured product, etc.

The literature review [8-11] has made it possible to distinguish between such terms, which are used to denote the firm efficiency in economic research, and in research on the theory of organisation.

The research within the organisation's theory envisages such approaches: 1) economic (defines efficiency as a correlation between the costs and the results formulated by the representatives of the neoclassical school of political economy at the end of the XIX century, according to which the goal of the firm is receiving and maximising their profit; 2) sociological, according to which a commercial organisation is a collective social subject being engaged in socially oriented activities.

Modern views on the firm efficiency in the organisation theory's context in the Western economic sciences relate to P. Drucker's work

[12], which separates the actual economic concept of efficiency through the ratio of resource costs and the results got from their use (effectiveness), from the socio-economic category, which reflects the impact of the methods of organisation of work at enterprises on the level of their achievements (actual effectiveness).

K. Cameron [9] concluded that the problem of the firm efficiency is more applied to the subject than to the theory, since the key point in determining the effectiveness is to compare a specific model of efficiency with the situation at the firm at each moment of time. Thus, the content of the category “firm efficiency” depends on the context of its consideration.

In addition, within the framework of concepts that consider the impact of macro-deposits on the functioning and development of an organisation (for example, neo-institutional theory), the concept of “efficiency” differentiates depending on the level of analysis, for example, technical efficiency is the efficiency of the micro-level, then how the effectiveness of the enterprise at the macro level depends on whether significant institutional goals are achieved during its operation.

The approaches to the definition of firm efficiency are not limited to economic parameters reflecting the profitability of production through the correlation of the volume of output and the corresponding costs or performance, but also includes a variety of characteristics of the relationship for example, fulfilment of obligations, adaptability, interaction with competitors, presence of external negative and positive influences, etc. Thus, clarification of the content of the category “firm efficiency” is still on-going.

In the proposed discussion, it should be noted that at the time of the development of a market economy in the post-industrial countries, the global target function of production changes, which characterises not the quantity of manufactured specimens, but the number of different “essences”, that is, qualitatively different economic benefits. The indicators of factors involved in the production are not quantitative but qualitative characteristics of resources (*i.e.*, the availability of certain, qualitatively unique elements of resource benefits). Thus, one of the most important resources is information that relates to the technology or organisation of production and appears as the result of intellectual labour. Considering the rethinking of the role of the firm in society, in particular the awareness of its institutional role as the subject of concentration and restoration of resources, the formation of future needs and trends, it becomes necessary to consider, besides technical and

economic, also institutionally The general effectiveness of the firm as realisation of its institutional role in the community.

With the neoclassical economic theory, the analytical basis of the pre-study of market processes is the paradigm of “structure-behaviour-result”. In theory, it allows us to assess how structural factors (such as rising demand, input barriers in the industry) affect the behaviour of market participants (for example, pricing) and their economic performance, and the efficiency of the industry.

The relationship between structure, behaviour, and outcome is not unidirectional. With this approach, companies can assess the impact of their activities on structural factors in the industry, and ultimately, on the results of their own work.

Features of the market structure are an important factor in terms of the possibilities of competitive mechanisms functioning in the relevant commodity market. However, they do not exhaust such a complex and multi-faceted phenomenon as economic competition. In particular, they do not take into account the peculiarities of the behaviour of market participants, which, even in its competitive structure, can lead to restrictions of competition as a dynamic process of competition. Market-friendly competition is a necessary but insufficient condition for effective competition.

The economic mainstream under the neoclassical approach mixes the concepts of the market and competition, because of which the market appears to be complementary to the understanding of competition [14]. As stated [13], this creates confusion between economic efficiency as a result of the market and competition as business behaviour.

The market as a special economy pattern has a strong set of characteristics, as follows: a market is a special form of exchange; goods for sale are being exchanged regularly; market transactions are mutually advantageous and made on a reciprocal basis; market agents are striving for equivalent exchange; market exchange is voluntary; - there is a rivalry on the market as for that kind of exchange.

However, competition is a criterion of a market as a specific economic form. In other words market is a broader concept than a competition.

The author [15] proves that competition as a systemic multilevel phenomenon manifests itself at the macro, meso, micro, and nano scale levels. At the macro level (the economy), competition appears as the principle of functioning of a market economy, on the meso level (a separate branch) - as a mechanism of interaction of market economy

agents, at the micro-level (grocery market) - as a way to achieve economic goals, at the nano scale - as a way of gaining competitive advantages. Each level of this system is a form of competition existence, a certain subsystem which provides one of the functional designations of competition.

One can assess the competition effectiveness only in relation to each of its subsystems. Between the subsystems of competition, there is subordination. Their efficiencies subordinate as well. An efficiently operating macro subsystem produces favourable conditions for the efficient operation of the meso- and micro subsystem, and its ineffectiveness will cause the ineffectiveness of subsystems in its subordination.

Consequently, according to approaches for interpreting competition such as behavioral, functional, structural competition can function: as the degree of competition in the market; as a self-regulating element of a market mechanism; as a criterion for determining the type of market structure. The classical interpretation of the category "competition" interpreting by structural approach is that the focus is not a rivalry of business entities, but the establishment of the fact of the fundamental possibility (or impossibility) of the influence of an individual business entity on the overall level of prices in the market. Since it is competition that shapes and influences the market structures of the market, it is necessary to give it a separate place in our study.

The term "internal structure of the market" was proposed in 1906 by V.Voyitinsky, which corresponds to the English term "market structures", the German "market Formen" (market forms), the French "types de marche" (market types); Also often used is "market morphology" or simply "economic morphology", and in English and French it is called taxonomy, or classification, markets. The author of the dissertation in the study of imperfect competition used such terms as a market model, structure, form due to their different content and the inability to use as equivalent concepts. For the first time, the theory of the market structure was formulated by H. Stackelberg [1], where the main classifications were the number of sellers and the number of buyers, on the basis of which formed oligopoly, oligopsony, etc. The number of buyers and sellers contained three categories: many, several, one. The next retrospective was the classification by Edward Hastings Chamberlin [16] and Joe Staten Bain [17], which also determined the type of structure of the market in the presence of perfect, monopolistic competition, oligopoly (homogeneous and heterogeneous);

Complementary classification features were also: interchangeability of goods, interconnectedness of enterprises and conditions of entry into the market (industry). Currently, the typology of markets is generally accepted, similar to that proposed by Walter Eucken [18], where, as a criterion for classification, there are no signs of a competitive structure in terms of supply and demand, and the factors that underlie it, in particular, the number of sellers and of buyers.

Filyuk G. [19] noted that the market structure is an internal market organization characterized by a plurality of factors of quantity (the number of firms operating on the market, as well as the ratio of their market shares) and qualitative (the degree of product differentiation, the nature of the input and output bar the nature, and the specificity of the hierarchical, network and horizontal links between economic entities that affect the type of socio-economic relations between them. Thus, the concept of "type of market structure" can be defined as a generalizing theoretical model (construction) of markets, characterized by the necessary set of essential features for their grouping. That is why this notion is more likely the result of a typological description (typology) of the market. From here, we can propose the following definition of types of market structures: a set of market structures that share the common features that manifest themselves in the unity of patterns and trends in their functioning and development on the basis of similar interactions and interdependencies between economic entities.

The author's definition according to the structural approach is the following competition - this is the degree of dynamics of changes in market structures and the internal structure of the market (thus determining the competitive state - based on the static approach). It is during the change in the redistribution of market shares and the construction of the internal structure of the market competitive conditions are formed (these conditions include the conditions for typing the market structures of imperfect competition formed by Joseph Stigler [20]) the functioning of enterprises in the market.

Considering the competition from the behavioral approach, we consider it necessary to carry out an etymological analysis and to differentiate derivatives and identifiable words from the English language. It can be argued that the analysis of this concept is rather complex and ambiguous, especially in the treatment of post-Soviet and Soviet scholars. The etymology of the concept of "competition" allows us to establish that this term derives from the Latin "conarrenta", which means "collision", "competition", "rivalry". However, experts, for

example, who study the issues of economic competition theory, suggest differentiating the terms "competition" and "rivalry", thus denying their synonymy. The different content of these concepts is a feature of not only Ukrainian and Russian languages. Considering the meaning of the term "competition" in the main European languages, the following conceptual equations can be established: competition-rivalry (Russian), competition-rivalry (English), concurrence-rivalite (French). Studies show that the terms "competition", "konkurrenz", "concurrence" originate from one word "concurro", which means "coincide", "collide" (con - together, curro - run). The English word "competition" comes from the Latin "competitionem" (com / con petition - the desire to achieve anything). The English word "rivalry" and the French "rivalite" come from the Latin "rivalita", which means rivalry. The German word "wettbewerb" comes from a verb, which means a competition, to achieve something. It is necessary to draw attention to the fact that in the German economic terminology the term wettbewerb is used, despite the fact that in German there is a word with the same etymology of the same content of the concept as the English word "rivalry", the French term "rivalite", Namely rivalitat.

Jean Tirole emphasized [21] the need to focus on the study of the functioning of markets in terms of the diversity of their various structures; Accordingly, the economy of the sectoral markets has as its main task the study of the functioning of markets, the interaction of markets and enterprises, as well as explores the economic policy of the state associated with the management of markets and market structures. Thus, the economy of the markets structures can be regarded as a branch of economic science devoted to the study of markets that can not be analyzed using standard models of perfect competition. The field of studying the modern theory of the organization of industrial markets covers three groups of questions: the theory of the firm itself (size, scale and scope of activities, organization and behavior), imperfect competition (under the conditions of market power acquisition, the forms of its manifestation, factors of its preservation and loss, price and non-price rivalry, etc.), the policy of a society about business (that is, what should be the optimal business policy - antitrust, market regulation policy, deregulation, liberalization of the conditions of entry into the industry, privatization, stimulation I technological and product innovation, competitiveness).

By examining and analyzing the notion of competition and the conditions of behavior of enterprises in the market, the primary results

of the analysis are microeconomic short-term equilibria in the market firms in the conditions of perfect competition and imperfect competition: monopolies, oligopolies, monopolistic competition. The role of margin analysis and short-term equilibrium of the firm in different forms of competition is inseparable and significant for economic theory and history of economic thought. If we proceed from the definition that competition is only the competition of enterprises in the market and the antagonistic struggle for existence on the market. This definition defines competition based on a static approach. Then indicators of competition are only indicators of concentration, for the study of competition and the market enough microeconomic analysis and the theoretical achievement of mainstream, but this concept of the theory is not presented by modern representative markets. Defining competition for a static approach reduces the concept of competition and does not reflect the essence of the concept. After all, the structure of the market is formed not only by market shares of enterprises and the main driving forces of the market, but also the behavior of firms in the market and their interconnections. In the theory of competition, there has still been no change in the overall comprehensive concept. We, as a rule, do not level off the significance of Ukrainian, Russian and foreign scholars who made a significant contribution. But the works of these scholars have a fragmentary character and unfortunately do not compete with the mainstream.

Consequently, from the point of view of the behavioral approach, competition is a process of formation of a market that, in its development, takes place in stages. The concept of competition theory should illustrate interconnections, the influence of competitors on each other and market behavior on the market (competitive process - the research is based on a dynamic approach). Since competition is at the junction of several sciences, we consider it necessary to consider competition in the study of competition in terms of psychology, sociology, and ecology (biology). At the moment, it becomes increasingly relevant to modeling economic phenomena as socio-ecological. Let's make an amendment to the fact that in the modern sense of the first approach, competition should be considered not only as a process of competition in the market, but also in the process of interaction, therefore, it will be more accurately reflected as a process of interaction. We emphasize that, in our opinion, competition is one of the forms of market interaction. Accordingly, we believe that the viewpoint of scientists about the identification of competition with market relations

and market interactions is incorrect. Interaction is the process of functioning of enterprises in the market, expressed in their behavior and stages of development of competitive interaction. Accordingly, competitive interaction is the coexistence of enterprises and the impact on each other in a competitive environment presented on a specific market. This term more broadly reveals the concept of competition, which can be expressed through a series of variations: struggle, neutrality, cooperation, etc. The use of the term "competition" in the traditional context means focusing only on the antagonistic struggle, which is at least an incomplete version.

From the author's behavioral concept: interaction - comparing the competitive capabilities of enterprises, which in the future will produce the maximum result; counteraction - use of all resources of competition for the purpose of losses of a competitor, comparison of efforts of competitors. Competitive interaction of market participants often involves a combination of the impact on and opponents of rivals, as well as the impact on some rivals and counteraction to other rivals. The nature of the competitive interaction of business entities reflects the degree of acuteness of the conflict of interest between them at the strategic level. Competition in its development in terms of behavioral approach as a competitive process can take the form of three classes: antagonistic struggle (competition); neutrality or stage of inactivity; competition we believe that the exact state of competition corresponds to the stage of market development. The authors believe that the presence of competition in the market leads to the development of the market, but depending on the stage of interaction between actors in the market.

According to Filyuk G.M. [22], markets with effective competition according to the given criteria include markets with perfect competition, ineffective markets of monopolistic competition, oligopolies and monopolies. Although the economic literature and the previous paragraphs mentioned that it is oligopolistic markets that are considered to be effective, since they have the best investment and develop NTPs. In our opinion, this criterion are criteria for assigning to one or another type of market structures and does not take into account the most important principle of the effectiveness of the market structure. It is a principle of cooperation, achievement of results not only of the firm, but also improvement of market results, improvement of conditions for consumers, improvement of not only economic status, but also ecological.

The criteria for the effectiveness of a structural approach to competition are quantitative criteria for assessing a market structure: the number of competitors, the dynamics of market share, information evaluation, criteria of price and non-price competition, etc. Criteria for the behavioral approach are qualitative and quantitative criteria for forming a functional competitive behavior of the firm on the market, which in the future will lead to market functionality. We also note that such traditional methods for assessing the state of competition as concentration indices and their derivatives (based on assumptions about the number of competitors as a sign of competition) can not serve to directly assess the state of competition. In any case, if their application is possible, then only indirectly and with a number of reservations, when calculating deviations (differentials) from the "reference" state of the free competition market, even then in the initial phase of its formation. Thus, the fundamental position in determining the state of competition is the attitude of competitors to the needs of consumers, and not their total number in the market. If the structural approach takes into account the criteria for assigning one or another structure in the morphological market, then in the behavioral factors that influence the competitive behavior are taken into account. But at the same time, these two approaches do not take into account the complexity of the phenomenon of competition.

The effectiveness of competition in the system approach affects the identified interconnections:

Market dynamics → Competitive environment → Competitive behavior

In the system approach, competition is seen as a system that represents the unity of three components: the principle of market economy, the mechanism of interaction and the way to achieve the economic goals of competitors. Each component realizes itself as a separate subsystem with its inherent features of structure, functions and forms of existence, reflecting the process of development of the subsystem.

The criteria for determining the nature of market competition are based on studies of the interdependence between the market structure, the behavior of firms in the market and the functioning of the market. Thus, effective competition can be described on the basis of the following acceptable standards. The market structure, for example, is characterized by a significant number of competing producers, the absence of artificial barriers to entry into the industry, as well as

moderate and price-sensitive product quality differences. The behavior of firms in the market is characterized by intense competition and the lack of aspirations for collusion with the aim of establishing fixed prices, market segments, etc., by refusing tactics of rejection and coercion, which is aimed at causing damage to the competitor, the ability to respond quickly to differentiated consumer demand. The functioning of the market is characterized by the desire to minimize production costs, prices, corresponding to production costs, including "fair" profits depending on efficiency, risk, investments and innovations, rejection of excessive costs for sales promotion and the introduction of new technologies and new products. The criteria that characterize effective competition allow government agencies to develop and implement their competitive policies.

It is necessary to emphasize the logical dynamics of competition again as a universal phenomenon. Hence, any differences in competition lead to changes in the market situation in the broadest aspect of the latter: the formation of value added, profitability, social consequences of the functioning of the market and many others, that is, in accordance with the aforementioned set of criteria and indicators. In any case, it is positive or negative changes both for the market itself (its subjects), and for society, its ecological, cultural component, etc. In turn, it should be noted that the mentioned effects reflect and are fully described by the category of "functionality of competition" in the market, what should be understood as the degree of compliance with the competition (competitive environment) of the assigned functions. And in this aspect, pure, free, perfect competition becomes a benchmark for the implementation of such functions in the sense of what society expects from competition. In this way, expectations, societal demands define the "upper", the ideal stratum of what can compete in terms of achieving a possible positive effect. From these positions, perfect competition, always having, obviously, a specific socio-economic dimension (that is, this can be reflected in the aggregate of the corresponding indicators by the agreed criteria, as well as real, imperfect competition), is justified in the use of any margin analysis of the market. At the same time, the more appropriate content is the term "perfect competition", which eliminates the linguistic contradiction in the sense of the term "perfect competition". Deviation from such parameters (in general, as an objective phenomenon in any economic system) and is the basis for measuring the degree of functionality of competition. At the same time, competition leading to negative effects can be characterized as

dysfunctional, that is, one that does not perform the specified functions, or their performance is unacceptable to the society. We also emphasize that the assessment of real competition has an integrative, controversial content in view of the different assessments of the same situation on the market by different groups of recipients of such. The question of the correctness of such an assessment in itself requires a special scientific substantiation, which, apparently, can solve the problems of modern regulatory policies.

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CONCLUSION

In a market economy one of the most important factors in the effective functioning and development of economic entities is the successful implementation of their innovation activities. In turn, the spread of processes for the introduction of innovation by economic entities becomes a key condition for accelerating the socio-economic development of the country.

The results of the author's research in the collective monograph are devoted to solving problems of formation and development of an effective system management of innovative development and theoretical-methodical principles of organizational-economic management by choosing directions of innovative development the economic entities.

Innovative activities are usually carried out by economic entities from time to time, rather than on a regular basis, due to lack of financial and other resources, uncertainty and increased risk of innovation, lack of appropriate experience in innovation management and effective science-based tools formation of the mechanism management of innovative development.

The main advantage of the innovative way of development is ensuring economic growth without proportional increase in consumption of raw materials, formation of conditions under which investment into the creative and scientific potential of society becomes extremely advantageous. After all, innovative development the economic entities, based on the general principles of cyclical development of scientific-technological progress, determines the objective need for changes in generations of technology and technologies, provides of possible alternatives for the implementation of scientific-technological innovations, etc.

The presented results of the research in the collective monograph reflect the theoretical and practical aspects of the introduction of mechanisms for the management of innovative development the economic entities.

It is established that the increase of the efficiency activity the economic entities in the current harsh environment of the competitive environment is based on the improvement of the process management of innovative development the enterprise.

It is determined that the need for implementation of innovative development the economic entities are stipulated: the intensification of intensive factors the production development, which promote the

application of scientific-technological progress in all spheres of economic activity; the determining role of science in improving the effectiveness of the develop and introduction of new technology; the need for a significant reduction in the timing of creation and implementation of new technology; increase of technical level of production; the need to develop the creative skills of inventors and innovators; increase in costs and deterioration of economic indicators of economic entities when developing new products; rapid moral aging of technology; the objective need for accelerated implementation of new technology, etc.

The system management of innovation development is an open system that constantly interacts with the external environment of activity, providing flexibility and adaptability the economic entity to market conditions. Taking into account these functions makes it possible to conclude that the process of transition the economic entity to the innovative way of development requires the creation of a new system of its organizational management taking into account corrective actions.

Innovative development in the volatile market conditions of the transition economy is characterized by specific features that cause the formation of numerous models of management systems in each particular situation. The choice of a model depends on the conditions of activity the economic entity, the level of economic development, the formation of its innovative potential.

The current stage of expansion of globalization, informatization and market relations provides great opportunities for development at the expense of connecting to innovation processes more advanced economic entities, integrating participants of innovations within the framework of cooperation, attracting Internet technologies, using world achievements and opportunities of international institutions. According to practice the business entities in the formation of organizational potential insufficiently used the possibilities of world consolidation. The main reason for such a situation is the low level of readiness for changes the economic entities. The period of organizational change requires serious investment, which in turn limits the possibilities of the current economic growth the economic entity, regardless of the sources of funding for innovative development programs. At this stage, the formation and flexibility of the management system of innovative activity the economic entity enables to transform into a new way of development without unnecessary expenses. Innovative development is a systemic orientation of activity the economic entity to achieve high performance results at the expense of innovation factors, which are based on a continuous uninterrupted search of new means and

spheres of realization of the potential the enterprise in an unstable market environment. Innovative development at the level of an individual economic entity involves the implementation of the process of introducing promising innovations, the implementation of which should contribute to increasing the competitiveness of the enterprise.

The transition of the economic entity to the way of innovation development requires him to organize a management system capable of responding quickly to changes in both the external and internal environment of operation. Management of innovative activity the economic entity is a complex system of interrelated functions, the sequence of which ensures the formation of competitive advantages through innovative development factors.

The economic situation in recent years is characterized by an increase in the degree of globalization and business informatization, increased competition on the markets of goods and services, capital and labor. Such market development leads to the need to create a sustainable innovation policy, which is based on the integration of economic entities, concentration of capital. As the world experience shows, alternatives to innovative development today do not exist yet, since it is practically impossible to compete in foreign markets in the traditional field of activity. Only fundamentally new technologies, supported by managerial innovations, will create a new competitive environment and provide the prerequisites for achieving leadership positions on the market. In turn, increase of business activity and innovation will allow providing high rates of economic growth, increase of capitalization the economic entities and scale of production.

The generalized researches in the collective monograph indicate that the management of innovative development the economic entities should be considered as a systematic management of innovation activities aimed at creating and ensuring the achievement of economic growth through the rational use, increase and distribution of innovation and economic-technological potential, including material, labor, financial, information resources, in order to transform it into innovative capital, is capable of providing innovative development the enterprise. That is, while managing of innovative development the economic entities there is a systematic decision-making process and the transformation of innovation potential into innovative capital, the very realization of innovation potential leads to the innovative development of economic entities, and the systemic ensures the sustainability of development.

Organizational-economic mechanism of management innovative development of economic entities

Collective monograph edited by
M. Bezpartochnyi

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Monografia zbiorowa pod redakcją naukową
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