COMPETITIVENESS ANALYSIS OF AGRICULTURAL ENTERPRISES OF DIFFERENT LEGAL FORMS AND WAYS OF INCREASING COMPETITIVE POSITIONS

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Abstract. This article is a study of competitiveness of agricultural enterprises of different legal forms using the author’s own assessment procedure based on matrix-rating method with integral index. Ranging of agricultural enterprises according to their level of competitiveness has been done, preferred forms of economic activity in current conditions and trends of increasing their competitive positions have been defined. Author makes a conclusions about different influence of the studied factors on competitiveness of agricultural enterprises of different legal forms. The greatest influence is done by the provision of resources of enterprises, because it affects the quality and quantity of output.

Key words: agricultural enterprises, competitiveness, legal forms, matrix-rating method, transformations.

1. Introduction

The transformation processes in Ukraine’s agricultural sector have resulted in introduction of a number of new legal forms of economic activity, which were uncommon under command economy. However, only some of them correspond to market realities and are able to ensure productive and profitable business in current conditions. That is why competitiveness of agricultural enterprises of different legal forms is topical today, aiming at finding the preferred legal forms of economic activity and, hence, establishing the effective organizational structure in the industry.

The objective of the article is to develop efficient methods of evaluating the competitiveness of agricultural enterprises, formation a rating of competitiveness of economic entities of different legal forms and establishing the ways of increasing their competitive positions.

A significant contribution to the study of agricultural enterprises’ competitiveness is made by Ambrosov V., Bilun S., Borysova V., Kliukach V., Martynchyk O., Trehobchuk M., Shevelova S., Shevchenko O., etc. However, a number of methodological issues related to the assessment of the competitiveness of enterprises of different legal forms require further analysis. In addition, further research on competitiveness analysis of agricultural enterprises is needed.

2. Materials and methods

Currently, there is a number of methods for evaluating the competitiveness of enterprises: sum method, products, differences, grades, multi-medium, expert assessment, benchmarking, integral, cluster analysis, SWOT-analysis, Dupont model, Herfindahl index, etc. However, to assess a group of enterprises using only one of them in its pure form is almost impossible, as the number of assessment criteria narrows down significantly. Hence, there are difficulties with group assessment of management efficiency, marketing policy of enterprises, and product competitiveness.

Therefore, we are inclined to use complex approach for competitiveness analysis of agricultural enterprises with different legal forms, namely matrix-ranking method with integral index. This method represents a combination of three approaches:

2. Calculation of the integral competitiveness index of enterprise potential as suggested by Shevchenko O. (Shevchenko, 2013).
3. Doing competitiveness ranking of agricultural enterprises of different legal forms based on grading and ranking methods.
Hence, the matrix-ranking method of competitiveness analysis of agricultural enterprises requires the following:

1. Calculation of indexes that precisely characterize the viability of agricultural enterprises.
2. Representation of output data in the form of matrix \((aij)\), lines showing types of legal forms as in \((i = 1,2,3, \ldots,\) and columns standing for economic and financial indexes of economic activity as in \((j = 1,2,3, \ldots, m)\).
3. Maximum value equal to 1 is determined across the indexes of each column and the rest of output indexes are standardized to it using a formula:

\[
x_{ij} = \frac{a_{ij}}{\max a_{ij}} 
\]

\(X_{ij}\) – standardized indexes of \(j\) (definite group) efficiency of enterprises of specific legal form.

Method of grading will allow to determine the main competitors, and the position of enterprises’ competitiveness, which is evaluated (by maximum grades) and to assess how close it stands to the most competitive enterprise (Martynchyk, 2014).

4. Further step is finding the number of values of standardized indexes efficiency in each group and an integral index of competitiveness of a particular group.

5. Integral competitiveness ratios are adjusted to relevanceratio:

\[
b_{ij} = \sum_{n} \sum_{\alpha} b_{\alpha} \times R_{j}
\]

\(b_{ij}\) – total assessment of enterprises of certain legal form by a separate group of indexes; 
\(R_{j}\) – relevance ratio of the given indexes group.

6. By adding integral competitiveness ratios by groups of indexes is general integral index of competitiveness of enterprises of certain legal form.

7. Competitiveness ranking of agricultural enterprises of different LFEA (legal forms of economic activity) with ranging of integrated indexes in increase order is being formed.

It is important to determine the factors of competitiveness which will be applied in assessment agricultural entities. According to V. Kliukach, it is advisable to single out the following factors of agricultural production competitiveness: economic (level of costs and prices for final types of production); ecological (ensuring accordance with existing requirements); technological (perspectives of possible production modernization); social (costs of social issues for conversion of production) (Kliukach, 1998).

According to V. Trehobchuk and B. Paskhaver, in assessing the competitiveness of agricultural producers, it is methodologically justified to use the system of indexes of agricultural production efficiency, namely profitability level, mass and rate of profit, productivity of labour, price and quality of production, marketability of production, its liquidity and creditworthiness (Trehobchuk and Paskhaver, 2007). Scientists like Ambrosov V. and T. Marenych consider that “important indexes of competitiveness are sales volume, profit calculation, comparative level of production cost, the price of its sales are additional indexes” (Ambrosov and Marenych, 2009). According to V. Borysova, indexes of competitiveness at a particular enterprise level may be indexes of profitability and shares of sales market (Borysova, 2009).

According to S. Shevelova, analysis of enterprises’ competitiveness should be carried out against such factors as market position, profitability, investors’ attractiveness and image among consumers and various economic entities (Shevelova, 2001).

Having analyzed the existing approaches to the assessment of enterprises’ competitiveness, we consider that competitiveness of agricultural enterprises should be assessed against the following groups factors.

Review of current research and our own contributions made possible to draw conclusions about different influence of the studied factors on competitiveness of agricultural enterprises of different legal forms. So the greatest influence is done by the provision of resources of enterprises,
because it affects the quality and quantity of output, that is why relevance of this factor should be equal to 0.3.

Figure 1. Indexes of assessment the agricultural enterprises competitiveness

Output productivity, competitive positions and economic activity efficiency influence are almost equal, that is why their relevance ratios will be equal to 0.2.

The analysis of financial condition mainly characterizes the company's independence level from foreign loans, the stability is caused by its operations in the market. However, during periods of rapid increase of production capacity and increase of the production volumes, significant attraction of borrowed capital takes place. Therefore, we can say that influence of the financial factor upon enterprise competitiveness is rather vague and has the smallest relevance ratio among the studied factors – 0.1.
3. Results

According to our methods, we have assessed the competitiveness of agricultural enterprises of Chernivtsi region in 2012-2013. Having calculated the integral competitiveness index of agricultural enterprises of different legal forms, we have received the following results (Fig. 1).

| Table 1 |
|---|---|---|---|---|---|---|---|---|---|
| | Resource provision assessment | Assessment of economic activity efficiency | Financial condition and business activity assessment | Competitive positions assessment | Productivity assessment | Integral index of competitiveness | Rating scale |
| Farms | 0.06 | 0.08 | 0.62 | 0.38 | 0.20 | 0.17 | 0.21 | 0.18 | 0.56 | 0.53 | 1.63 | 1.33 | 5 | 5 |
| Private enterprises | 0.10 | 0.11 | 0.45 | 0.29 | 0.23 | 0.18 | 0.21 | 0.20 | 0.54 | 0.44 | 1.53 | 1.22 | 6 | 6 |
| Collective enterprises | 0.10 | 0.10 | 0.30 | 0.65 | 0.31 | 0.33 | 0.24 | 0.29 | 0.10 | 0.06 | 1.05 | 1.42 | 8 | 3 |
| State enterprises | 0.41 | 0.45 | 0.31 | 0.10 | 0.15 | 0.22 | 0.11 | 0.07 | 0.46 | 0.37 | 1.44 | 1.21 | 7 | 7 |
| Utility companies | 0.05 | 0.05 | 0.00 | 0.00 | 0.30 | 0.28 | 0.06 | 0.03 | 0.33 | 0.24 | 0.74 | 0.61 | 9 | 9 |
| Subsidiary companies | 0.20 | 0.21 | 0.76 | 0.48 | 0.33 | 0.24 | 0.24 | 0.22 | 0.25 | 0.24 | 1.77 | 1.40 | 2 | 4 |
| Joint-stock companies | 0.89 | 0.83 | 0.80 | 0.75 | 0.24 | 0.23 | 0.55 | 0.49 | 0.24 | 0.30 | 2.73 | 2.60 | 1 | 1 |
| Limited liability companies | 0.37 | 0.38 | 0.08 | 0.00 | 0.14 | 0.10 | 0.40 | 0.39 | 0.64 | 0.64 | 1.64 | 1.50 | 4 | 2 |
| Co-operatives | 0.34 | 0.24 | 0.28 | 0.17 | 0.28 | 0.23 | 0.40 | 0.10 | 0.41 | 0.35 | 1.70 | 1.09 | 3 | 8 |

Thus, corporations have the highest level of competitiveness with regard to other entities. Their main advantages – sufficient means of labor supply and relatively high rates of profitability. However, the production structure of these enterprises is quite narrow, while increasing its production by introducing some crop production would increase economic efficiency of their activities due to synergy effect.

Limited liability companies produce the lion’s share of agricultural goods in the studied region. Their advantages are the required level of material and technical resources provision, the use of modern technologies of land cultivation, skilled workers, which results in high productivity of production. However, significant dependence on foreign loans, prevalence of short-term loans in the structure of the credits are negatively reflected on their activity results.

A large number of entities are represented in the form of farms and private enterprises. They are characterized by high productivity and average level of profitability, but significant factors reducing their competitiveness are insufficient provision of means of labour, lands shortage, lack of skilled staff and low management level.

Co-operatives have long been regarded one of the most successful forms of economic activity, however recently there is a tendency of decreasing productivity volumes, which results in
their taking the 8th position in 2013 competitiveness rating. It is explained by the fact that currently existing forms of cooperation in the agricultural sector are not perfect and need further transformations into more powerful organizational structures able to perform in modern conditions.

State enterprises rank rather low, so there is a need for a change of these entities state strategy management or their privatization.

According to the research, some types of agricultural units could not adapt to market economy, and are currently characterized by inefficient activity. Utilities are such types of economies.

A significant decline in agricultural production over the past two decades, reduction of its mechanization and profitability, and worsening of living standards of the rural population, significantly lower actual rates of production export than potentially possible indicate that the competitiveness of agricultural producers is poor. The analysis and competitiveness assessment is a strong factor to determine ways for increasing the efficiency of agricultural producers, as it fairly reflects strong and weak points of their activity.

4. Conclusions

Thus, based on the studies, we can state that for improving the competitive positions of agricultural enterprises related to unitary forms of economic activity, established on private property (farms, private enterprises) the priority is to increase and upgrade the production capacity, renovation of used technologies, organization of production activity on a scientific justified basis, which needs attraction of qualified professionals to develop strategies and tactics of rational use and reasonable lands cultivation.

To enhance the competitiveness of businesses, partnerships must first stabilize their financial position and slightly reduce dependence on foreign creditors, which is especially dangerous under the emerging crisis in the national economy and significant currency fluctuations. One positive change in this direction would be to transfer part of short-term loans into long-term ones, since the former often cause immediate sales at low prices for timely repayment of the loan.

In the case of state-owned enterprises, the priority is to search for reserves of decreased production costs because the production expenses in these businesses are much higher than in many others. In addition, it is necessary to increase pay incentives, which is currently quite low and adversely affects the performance of employees.

Not only are public utilities created for the production, processing and marketing of agricultural products, but they aim at provision of services in the agricultural sector, implementation of national and regional industrial and research programs and the development of the agricultural sector as a whole. Given their continuing losses, public utilities have to collaborate with other entities so as to provide only those services that will be demanded for. The results of their research activity have to be commercialized, which will make their operations profitable.

General measures of improving the efficiency of agricultural enterprises, which are relevant for the majority of agricultural producers of different legal forms, are: the need to introduce innovations in the manufacturing process, cooperation with research institutions; the optimization of manufacturing structure – specializing in the production of crops that meet their resources and can be produced at maximum capacity; rational combination of crop and livestock production; use of advanced technologies of growing crops, doing reasonable rotation in order to improve productivity of some crops produced in large quantities; search for new distribution channels and ensuring quality production of goods for the foreign markets.

To implement all measures aimed at increasing the competitiveness, most agricultural enterprises need additional financial resources, which are not always readily available. Therefore, we believe that local farmers can move up the next level only through establishing integrated market structures. Today, the system of management based on cooperation and integration of production is partly able to compensate for the lack of state support and mobilize such microeconomic factors as resource provision.

Thus, the effective development of the agricultural sector is further possible under economically justified transformation of legal forms of enterprises. In particular, the formation of various forms of corporate integrated structures will improve agricultural management at the
regional and national levels. This will ensure more efficient use of funds allocated from the state budget to support rural producers as well as the implementation of major business projects that are attractive for domestic and foreign investors. A significant reduction in the number of entities to be managed in the agricultural sector will result in reducing economic risks, will enable effective influence on the price dynamics for agricultural products and will help regulate the inflation rate in the country.

References


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