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TRANSNATIONALIZATION OF UKRAINIAN BUSINESS GROUPS: ANALYSIS OF STRENGTHS AND WEAKNESSES

Shapoval I.O.,
PhD Student of Department of International Economics, SHEE "Kyiv National Economic University named after Vadym Hetman"

A *The paper provides with an overview on the features of domestic enterprises, preventing the emergence of Ukrainian TNCs'. The strengths and weaknesses of the most profitable Ukrainian business groups are revealed. The challenges created by the Russian-Ukrainian political and military conflict are discussed.*

K *Transnationalization, TNC, business group, Ukraine.*

ТРАНСНАЦІОНАЛІЗАЦІЯ УКРАЇНСЬКИХ БІЗНЕС-ГРУП: АНАЛІЗ СИЛЬНИХ І СЛАБКИХ СТОРІН

Шаповал І.О.,
аспірантка кафедри міжнародної економіки, ДВНЗ «Київський національний економічний університет імені Вадима Гетьмана»

A *У статті наведено особливості вітчизняних підприємств, які перешкоджають появі українських транснаціональних груп. Представлено сильні та слабкі сторони найприбутковіших українських бізнес-груп. Розглянуто виклики, які виникають унаслідок російсько-українського військово-політичного конфлікту.*

K *Транснаціоналізація, ТНК, бізнес-група, Україна.*

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Шаповал И.А.,
аспирантка кафедры международной экономики, ГВУЗ «Киевский национальный экономический университет имени Вадима Гетьмана»

A *В статье приведены особенности отечественных предприятий, препятствующие появлению украинских транснациональных групп. Представлены сильные и слабые стороны наиболее прибыльных украинских бизнес-групп. Рассмотрены вызовы, которые возникают вследствие российско-украинского военно-политического конфликта.*

K *Транснационализация, ТНК, бизнес-группа, Украина.*

Introduction

TNCs are the driving force of the world economic development in terms of concentration of production, R&D, trade and finance. They fully enjoy the economy of scale in the global scope. In spite of apparent discrepancy between profit-oriented strategies of TNCs and national interests of developing countries, both can easily benefit from tight cooperation in different economic sectors.

Ukraine has the great need for considerable foreign investment, innovative technologies and management experience of TNCs. TNCs, as the main world innovators, are able to foster high-tech economic sectors, which form the pillar of national competitiveness in the 21st century, but they are not willing to do so in Ukraine for now. There are fewer than 7,000 registered subdivisions of foreign TNCs in Ukraine that makes only 0.8 % of their total quantity in the world (about 810,000 units). The vast majority of subdivisions of foreign TNCs entered low R&D economic sectors in Ukraine [20]: foodstuff, trade, finance and pharmaceutics. As there aren't any state-owned or national TNCs in Ukraine, transformation of the most profitable Ukrainian business groups and enterprises into national TNCs seems to be a reasonable alternative as the initial stage of Ukrainian economy modernization.

Analysis of Related Recent Studies

An extensive body of literature exists on the identifiers of TNCs.

Rogach [17, p. 33] determines a TNC as a corporation, that carries out international production based on foreign direct investment and has a

shapovalia@ukr.net

direct control of its overseas subdivisions. Such approach, correct in general, ignores non-equity modes of international production and development, such as franchising, licensing, contract management etc.

Dakhno [7, p. 99] argues that TNCs are joint-stock companies, which business activity is not limited to state borders of any particular country. We think that such interpretation is too wide, comprising different legal forms of conducting business, including simple export-import operations.

Kyryshun [13] understands a TNC as an economically integrated system of enterprises, that operates in two or more countries basically in the form of foreign direct investment, influences the economic policy of host countries and countries of origin integrating them to the world globalization process; this system is controlled and managed from a single center; it consists of a parent company, subsidiaries, subdivisions and branches. However, a number of countries of operation seem to be underestimated by this researcher considering emergence of new aggressive companies on the world market.

UN experts distinguish two main identifiers of TNCs [21, p. 36]: annual sales exceeding $ 100.0 mln; subsidiaries in at least 6 countries. Azarova and Okhota [3] suggest the following five identifying criteria: at least six countries of operation; at least six countries with production facilities; overseas sale and/or profit share not less than 25.0 %; equity share in at least three countries not less than 25.0 %; multinational personnel and/or top management.

Rudenko-Sudareva [18, p. 9] defines a TNC as a group of companies, which: are established and function in different countries; are controlled by headquarters situated in one particular country; are managed by a single strategy and coordinated policy; have certain scope of international activity; realize integrated business ideology, consisting of voluntarism, pragmatism and liberalism; interfere in international political process as its new subjects; have a unique corporate accounting system.

TNCs increase contradictions between their interests and national interests of host countries, especially developing ones, such as Ukraine. On the one hand, TNCs facilitate labor and capital productivity by means of new technologies and effective management; on the other hand, TNCs remain indifferent to national economic complex of a host country. As TNCs are profit-oriented, they may take control over strategic enterprises and/or economic branches, including those connected with defense capacity. In other words, according to Rudenko-Sudareva [18, p. 10], it is high time to foster Ukrainian TNCs emergence in top-priority economic sectors, such as: natural resources, agro-industrial complex, instrument making industry, aerospace industry, aircraft construction, shipbuilding, transport infrastructure.

Purpose of the Article

In spite of continuous scientific discussion of TNCs' and state cooperation in general and concerning Ukraine in particular, more light should be shed on such issues, as potential of Ukrainian business groups' transformation to TNCs.

So, the aim of the paper is to give an overview of the issues related to strengths and weaknesses of transnationalization of Ukrainian business groups.

Analysis of Ukrainian Business Groups Strengths and Weaknesses

The essential threat to stability and effective functioning of Ukrainian economy is the unbalanced structure of foreign direct investment at home, particularly considering countries of origin. A huge body of foreign direct investment at home has Ukrainian "roots", as they're coming from offshore zones. As can be seen from Table 1, Cyprus remains the major foreign direct investor of the Ukrainian economy (32.7 %); significant amount comes from the Virgin Islands (4.3 %) and Belize (1.8 %). So, at least 38.1 % of all the cumulative foreign direct investment is of Ukrainian origin.

Another challenge is the insignificance of attracted amount of foreign direct investment at home, especially taking into account the possible withdrawing of 7.4 % ($ 4.287 bln) bulk coming from the Russian Federation, as there is still the ongoing limited military and political conflict between these two countries. The total foreign direct investment needed to modernize the Ukrainian industry itself is estimated at approximately $ 70.0 bln.

TNCs are interested in such economic sectors of the Ukrainian economy, as: banking, insurance, foodstuff, oil-and-gas zones, retail, and agriculture. The biggest TNCs operating in Ukraine are: oil-refining industry – Russian "Lukoil", "TNK", "Tatneft", "Slavneft", "Alliance Group", "UKOS", Kazakhstani "Kazakhoil"; transit of petroleum – Russian "Surgutneftegaz", "Rosneft", "Transneft", "Sibneft"; import and transit of gas – Russian "Gazprom" and "Itera". It is more gainful for TNCs to conduct "green field" investment to build

CUMULATIVE FOREIGN DIRECT INVESTMENT AT HOME IN UKRAINE AS OF 01.01.2014 **Table 1**

COUNTRY OF ORIGIN	FDI, BLN USD	FDI FRACTION, %
Cyprus	19.036	32.7
Germany	6.292	10.8
Netherlands	5.562	9.6
Russia	4.287	7.4
Austria	3.258	5.6
UK	2.714	4.7
Virgin Islands	2.494	4.3
France	1.826	3.1
Switzerland	1.325	2.3
Italy	1.268	2.2
Belize	1.056	1.8
USA	0.991	1.7
Poland	0.845	1.5
Others	7.204	12.3
TOTAL	**58.157**	**100.0**

Source: Based on [22].

INDUSTRIAL INNOVATION ACTIVITY DYNAMICS IN UKRAINE IN 2005–2012 **Table 2**

YEARS	2005	2006	2007	2008	2009	2010	2011	2012	Δ 2005–2012	
									ABS	%
Innovative Industrial Enterprises										
Number, units	1193	1118	1472	1397	1411	1462	1679	1758	565	47.4
Innovation Activity Financing										
Investment, bln USD	1.122	1.220	2.143	2.277	1.020	1.014	1.799	1.437	0.314	28.0
Innovative Production Sales										
Home sales, bln USD	4.877	6.117	7.958	8.701	4.034	4.246	5.320	4.525	–0.353	–7.2
Export, bln USD	2.438	2.534	2.904	4.487	1.694	1.728	1.585	1.671	–0.767	–31.5

Source: Calculations based on [10, p. 4].

a metallurgical works in China or India (the total estimate of such a works with the annual output of 4.0 mln tons of steel is $ 1.5 bln), than to make foreign direct investment buying production facilities in Ukraine ($ 3.0–3.5 bln) [12].

Table 2 presents data relating to industrial innovation activity dynamics in Ukraine in 2005–2012.

From the table we can see that in spite of increase of the amount of innovative industrial enterprises by 565 units (from 1193 to 1758) and

ANNUAL SALES AND HOST COUNTRIES OF UKRAINIAN BUSINESS GROUPS Table 3

BUSINESS GROUP	ANNUAL SALES (2011), BLN US DOLLARS	HOST COUNTRIES, UNITS
"Interpipe"	10.230	8
"System Capital Management"	8.151	6
Public Corporation "Ukrnafta"	0.943	1
"DCH" ltd	0.848	1
Confectionery Corporation "Roshen"	0.220	3
Holding "Nemiroff"	0.204	5
Closed Corporation "Production Association "Konti""	0.115	2

Source: [2].

innovation activity financing by 28.0 % (from $ 1.122 bln to $ 1.437 bln), innovative production home and abroad sales have shrunk by 7.2 % and 31.5 % respectively.

Table 3 shows that the most promising Ukrainian business groups considering TNC identifiers (annual sales and host countries) are "System Capital Management" and "Interpipe".

The vast majority of Ukrainian potential TNCs are concentrated in heavy industry and food industry. For example, two out of three Ukrainian representatives in "Global Top 100" confectionery companies in the world in 2012 are Closed Corporation "Production Association "Konti"" with $ 520.0 mln annual sales (31st place) and Confectionery Corporation "Roshen" – $ 1.27 bln (18th place) [4].

Closed Corporation "Production Association "Konti"" operates in such sectors, as [1]: rusk, wafer, cake and pastry production; cacao, chocolate and candy production; equipment and machinery construction for food and beverage industry; tobacco processing; sugar, chocolate and confectionery wholesale; non-specialized wholesale; bakery, sugar and flour wholesale.

Closed Corporation "Production Association "Konti"" employs about 5300 people. By the end of 2012, annual sales return equaled $ 0.453 bln (including VAT – $ 0.041 bln); net revenue – $ 0.410 bln; production price – $ 0.288 bln; net profit – $ 32.4 mln; balance sheet – $ 0.374 bln; unappropriated balance – $ 99.0 mln; net asset value – $ 156.1 mln; authorized capital stock – $ 6.53 mln. So, the net asset value of Closed Corporation "Production Association "Konti"" exceeds its authorized capital stock by 57.26 times.

In spite of actual admittance of the necessity to transform to a TNC, stated in the Closed

"NEMIROFF" PERSONNEL IN 2008–2010 Table 4

COUNTRY	2008		2009		2010		2008–2010 AVERAGE	
	PEOPLE	%	PEOPLE	%	PEOPLE	%	PEOPLE	%
Ukraine	1822	88,1	1768	84,2	1733	83,8	1774	85,4
Overseas, including	*247*	*11,9*	*331*	*15,8*	*335*	*16,2*	*304*	*14,6*
Russia	247	11,9	248	11,8	259	12,5	251	12,1
Poland	0	0,0	83	4,0	76	3,7	53	2,5
Total	**2069**	**100,0**	**2099**	**100,0**	**2068**	**100,0**	**2079**	**100,0**

Source: Calculations based on [14].

Corporation "Production Association "Konti"" mission, there are some really serious obstacles preventing it to do so. Firstly, closed corporation legal form prevents it from free trade of shares, that is the essential attribute of modern TNCs. Secondly, international activity in general, and export-import schemes in particular, is absolutely non-transparent. Thirdly, in spite of formal dedication to international standards of corporate management, there are certain signs of nepotism and non-transparency in forming of the Supervisory Board. For example, two out of seven members of the Supervisory Boards are close relatives of members of the Ukrainian Parliament, besides one of them is a nineteen year old student with no experience and expertise in corporate management. Finally, there are no R&D and training centers, any projects connected with social and ecological responsibility.

Holding "Nemiroff" consists of management company "Nemiroff", daughter company "Ukrainian vodka company Nemiroff", daughter company "Alco Invest", trade representation in Russia, trade representation in Poland, "Nemiroff International" [14]. By the end of 2011, "Nemiroff" had already built up a strong dealer network of 311 operating companies established in Russia (153), Ukraine (51), Poland (21), duty free zones (20), CIS countries (12) etc. Table 4 indicates that during 2008–2010 period the average overseas personnel made about 14.6 % out of more than 2,000 employees at "Nemiroff" premises.

Most of the employees (51.0 %) had been working over 5 years for "Nemiroff" by the end of 2011. 43.0 % of the personnel had a Bachelor's or Master's diploma. "Nemiroff" has its own training center in the town of Nemyriv (Vinnitsa region, Ukraine). Table 5 shows that over one thousand people have had training courses during 2008–2011 period.

Introduction of electronic circulation of documents and two-sided printing by "Nemiroff" saves over 7 tons of paper annually. Charity projects of "Nemiroff" in 2009–2010 amounted to $ 2.82 mln So, strengths of "Nemiroff" as a potential TNC are significant overseas activity and personnel share; running of the own training center; certain programs dedicated to ecological and social responsibility. But there are also certain weaknesses. Firstly, "Nemiroff" operates in a low R&D intensity sector. Secondly, there is a lack of information on international and financial

TRAINING COURSES FOR PERSONNEL AT "NEMIROFF" DURING 2008–2011 Table 5

YEAR	TRAINING COURSES FOR PERSONNEL, PEOPLE TRAINED			
	TOTAL, INCLUDING	IN-SERVICE TRAINING	EXTERNAL TRAINING	VOCATIONAL TRAINING
2008	184	112	72	111
2009	*239*	*232*	*7*	*42*
2010	490	274	216	22
2011	244	150	94	16
Total	**1 157**	**768**	**389**	**191**

Source: based on [14].

FINANCIAL HIGHLIGHTS OF THE CONFECTIONERY CORPORATION "ROSHEN" Table 6

YEAR	2009	2010	2011	2012
Annual sales, mln USD	320,3	480,2	564,0	575,0
Net income, mln USD	7,2	23,2	16,1	42,9
Profitability, %	2,3	4,8	2,9	7,5

Source: Based on [16].

activity. Thirdly, "Nemiroff" is not represented at international stock exchanges. Finally, there are no own R&D subdivisions and cooperation links with research institutions.

"Roshen" produces about 320 confectionery items per year (roughly 450,000 tons), which are sold in Armenia, Azerbaijan, Canada, Estonia, Israel, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Ukraine, the US and Uzbekistan. Table 6 indicates that financial highlights keep growing.

The Confectionery Corporation "Roshen" comprises three Ukrainian confectionary plants in Kyiv, Vinnitsa and Kremenchuk; 2 confectionary premises in Lipetsk (Russia); a Latvian confectionary plant in Klaipeda; a Hungarian confectionary plant "Bonbonetti Choco Kft" in Budapest; a Ukrainian butter and milk plant "Bershad'moloko" in Vinnitsa region.

"Roshen" uses international quality management standard ISO 9001:2008 and international food product safety standard ISO 22000:2005. But, there are too many obstacles to its transformation to a TNC even in the distant future. Firstly, "Roshen" operates in a low R&D intensity sector. Secondly, there is a lack of information on projects concerning social and ecological responsibility. Thirdly, "Roshen" is not represented at international stock exchanges. Moreover, there are no own R&D subdivisions and cooperation links with research institutions. Finally, there is a serious risk of losing its property in the Russian Federation if the existing bilateral conflict goes on.

The core of the "DCH" group is its classical asset management company "DCH Investment Management". The complex estimation of investment project by "DCH" is conducted using several groups of criteria [8]: 1) market factors and product (service) features: sales potential; market growth potential; product (service) quality; competition; patents and know-how; product (service) social characteristics; 2) project profitability indicators: expected rate of return; expected profit rate; 3) financial indicators of project scale: capital spending sights; breakeven point without additional investment; cost of market analysis; 4) additional criteria: market entry strategy; business comprehension; potential co-investors; stability, professionalism and reputation of a project team.

The peculiarity of the "DCH" Group activity supposes only medium term investment, so the project is always eventually sold to other investors. For example, "Merefyan Glass Company" (Merefa, Kharkiv region, Ukraine) was eventually purchased by a Turkish company "Balsand B.V." on behalf of the "Türkiye Şişe ve Cam Fabrikaları A.Ş." (Sisecam) for € 32.0 mln; Public Corporation "Azot" (Cherkassy, Ukraine), accounted for 25.0 % of the Ukrainian fertilizer market, was sold to the Ukrainian "Group DF" in 2011.

Also, "DCH" sold all of its projects within the framework of the Euro-2012 in Kharkiv. Initial investment accounted for $ 298.9 mln, including: 5-star hotel "Kharkiv Palace" – $ 126.0 mln; international airport "Kharkiv" – $ 107.2 mln; sport complex "Metalist" – $ 28.8 mln; education-training base of FC "Metalist" – $ 24.6 mln; children and youth football academy of FC "Metalist" – $ 12.0 mln; stadium "Dynamo" – $ 0.3 mln

"DCH" is the highly profit-oriented company with a huge gut feeling of a successful investment. So, it has a great potential to take part in any short-term and medium-term alliances to gain additional profits. But it is very doubtful that "DCH" has any chances to transform some day in a TNC, because of amorphism of its interests, non-transparency of activity, insignificant international activity and sometimes controversial financial schemes.

Public Corporation "Ukrnafta" operates in crude oil extraction; natural gas extraction; fertilizer and nitrogenous compound industry; fuel retail; engineering, geology and geodesy; residential and industrial building. It is the biggest oil extraction company and the second gas extraction company in Ukraine. It owns 563 gasoline stations (7.35 % of their total amount in Ukraine in 2013).

"Ukrnafta" doesn't take part in any associations, corporations, consortiums, financial and industrial groups, holdings etc. It includes 22 subdivisions, which have no legal person status.

By the end of 2012, net revenue of "Ukrnafta" equaled $ 1.812 bln; production price – $ 1.365 bln; net profit – $ 0.169 bln or $ 3.18 per share; unappropriated balance – $ 98.5 mln; net asset value – $ 2.102 bln; authorized capital stock – $ 1.638 bln It employed 27,908 people in 2012. By the end of 2012, total environmental expenses reached $ 5.147 mln.

The total number of shareholders consists of 13,140 natural and legal persons, and only four of them, listed in Table 7, possess more than 10.0 percent stake. Considering total amount of shares possessed by owners of essential stake, only

OWNERS OF ESSENTIAL STAKE (10.0 PERCENT OR MORE) OF THE PUBLIC CORPORATION "UKRNAFTA" **Table 7**

OWNERS	SHARES, UNITS	STAKE, %
Public Corporation "National Stock Company "Naftogaz Ukrainy"", Ukraine	27 114 256	50.0 plus one share
Littop Enterprises Limited, Cyprus	7 377 784	13.6
Bridgemont Ventures Limited, Cyprus	7 377 784	13.6
Bordo Management Limited, Cyprus	6 657 997	12.3
Total	**48 527 821**	**89.5**

Source: based on [15].

10.5 % of shares are freely traded on Ukrainian and foreign stock exchanges.

"Ukrnafta" has a lot of weaknesses: absence of overseas activity and subsidiaries; ignorance of cooperation in the form of integration; low social and ecological responsibility; absence of R&D centers and links with academic institutions; prevalence of state and off-shore shareholders; minuscule stock exchange activity.

"System Capital Management" is the biggest Ukrainian multisectoral group operating in mining and smelting complex; energy sector; finance; machinery construction; mass-media; real estate; telecommunication; clay mining; transportation; petroleum trade; retail; agriculture; football [23]. "System Capital Management" consists of over 100 companies and enterprises, employing about 300,000 people. Pricewaterhouse Coopers carries out the audit of "System Capital Management". The data presented in Table 8 proves that cumulative financial highlights of the "System Capital Management" during 2011–2012 period demonstrated different dynamics. For example, asset value has grown by $ 6.0 bln or by 24.0 percent from $ 25.0 bln to $ 31.0 bln, whereas the net profit has declined by $ 1.105 bln or by 46.9 percent respectively.

By the end of 2012 "SCM" mining and smelting complex, managed by "Metinvest Holding", earned 12.565 bln USD of revenue, cumulative net profit equaled 435.0 mln USD.

By the end of "SCM" energy sector, managed by DTEK, earned 5.289 bln USD of revenue, cumulative net profit amounted to 144.6 mln USD; it employed over 140 000 people. "SCM" energy sector consists of 31 coal mines and 7 dressing works; 9 thermal power plants, 2 thermal power mains and 2 wind power stations in Ukraine.

"SCM" financial business includes 2 banks and 2 insurance companies (life and general insurance).

"SCM" machinery construction is represented by Corum Group, including 5 plants in Ukraine, trade companies in Kazakhstan, Poland, Russia, Ukraine and Vietnam; maintenance companies in Russia and Ukraine.

CUMULATIVE FINANCIAL HIGHLIGHTS OF THE "SYSTEM CAPITAL MANAGEMENT" IN 2011–2012, BLN USD **Table 8**

INDICATORS	2011	2012	CHANGE	
			BLN USD	%
Asset value	25.0	31.0	6.0	24.0
Gross revenue	19.426	23.470	4.044	20.8
Pre-tax profit	3.230	1.757	–1.473	–45.6
Profits tax	0.874	0.506	–0.368	–42.1
Net profit	2.356	1.251	–1.105	–46.9

Source: based on [23].

"SCM" media business, managed by holding "Media Group Ukraine", incorporates 6 TV channels, "Digital Screens" – video service of licensed content oll.tv; sales house "Mediapartnership ltd" and production-company "Tele Pro".

Real estate is managed by ESTA Holding, concentrated on investment and development of premium class commercial real estate; development; hotel business; exploitation and management of commercial real estate. There are 3 hotels and 4 office buildings in "SCM" portfolio.

Telecommunication is represented by Public Company "Ukrtelecom", the founder of "TriMob ltd" – 3G/UMTS standard mobile operator.

Clay mining is conducted by United Minerals Group (UMG), owning 3 mines.

The main "SCM" transportation assets are: company "Lemtrans" (railway transportation), holding "Portinvest" (port asset management) and holding "Transinvest" (railway building and maintenance).

"SCM" petroleum trade is represented by "Parallel-M ltd", consisting of 117 refueling stations in Dnipropetrovs'k, Donetsk, Zaporizhzhya and Luhansk regions of Ukraine.

"SCM" retail is managed by "Ukrainian Retail", its distribution network "Brusnichka" consists of 122 shops in Dnipropetrovs'k, Donetsk, Zaporizhzhya, Kharkiv, Luhansk and Poltava regions of Ukraine. It employs over 3,000 people and has its own training centers.

"SCM" agricultural business is managed by holding "HarvEast", operating in crop sector (wheat, sunflower, corn, barley, permanent grasses); dairy; formula feed and seeds. It employs over 4,500 people in Ukraine.

Football is represented by FC "Shakhtar" (Donetsk), which employ about 600 people. Stadium "Donbas Arena" revenue has grown from $ 5.0 mln to $ 5.6 mln by the end of 2012.

"System Capital Management" has its own training programs and training centers. Each year over 1,500 workers and managers take training courses in DTEK Academy, which became a member of international associations of business education CEEMAN (Central and East European Management Development Association) and EFMD (European Foundation for Management Development) in 2012. Master degree students from Donetsk National Mining University and Kyiv Polytechnic University get training and practical courses at DTEK Academy. "Metinvest" established its own Corporate University in 2012, launched new education program "Leadership Academy" to promote human resource reserves. Telecommunication group "Vega" created Vega Ideas Center to promote innovations.

By the end of 2012 "System Capital Management" invested over $ 187.7 mln in labor protection and industrial safety; over $ 526.0 mln in nature protection; over $ 21.0 mln in corporate citizenship (social investment); about $ 21.0 mln in 200 social partnership projects. Besides, "System Capital Management" Group takes an active part in "Tele Medical Service" project and charity project "1 euro may save a child's life", transferring raised funds to the orphanage "Aspern" and Donetsk Child Craniological Center.

It should be admitted that "System Capital Management" Group has a lot of positive features of a modern TNC, especially by such criteria as corporate management and social responsibility. But, the main weaknesses are low R&D activity; the absence of its own R&D centers; weak connections with R&D institutions; insignificant share of overseas assets, personnel and activity.

"Interpipe" is the international vertically integrated pipe and wheel production company. Table 9 shows that "Interpipe" experienced the decline of its financial indicators in 2012.

"Interpipe" invested over $ 700.0 mln in the modernization metallurgic project "Dniprosteel" in 2011-2012. This project resulted natural gas consumption decline by 8 times, energy consumption decline – 2.2 times, toxic gas emission – over 2.5 times. Besides, it allowed the company to employ additional 500 workers.

"Interpipe" social responsibility projects include "Interpipe – we are together!" (employees' children, children from poor families, orphans); a scout camp, maintenance of its own 9 medical centers.

"Interpipe" training facilities include "School of masters" for workers (during 2007-2011 about 250 people were trained there) [24]. Besides, "Interpipe" is setting out a new project "Management Decisions Library from Interpipe", preparing editions of the best-sellers in management in Ukrainian to be transferred to universities, business schools and libraries in Ukraine.

"Interpipe" keeps high standards of corporate management in general, and social and ecological responsibility in particular. The following weaknesses should be overcome in order to transform "Interpipe" into a competitive TNC:

FINANCIAL HIGHLIGHTS OF "INTERPIPE" IN 2011–2012, BLN USD

Table 9

INDICATORS	2011	2012	CHANGE	
			BLN USD	%
Gross revenue	1.670	1.770	0.100	6.0
Gross profit	0.310	0.269	–0.041	–13.2
Operational profit	0.158	0.073	–0.085	–53.8
Net profit / loss	0.041	–0.072	–0.113	–275.6

Source: based on [11].

STRENGTHS AND WEAKNESSES OF POTENTIAL UKRAINIAN TNCS

Table 10

BUSINESS GROUP	STRENGTHS	WEAKNESSES
"Interpipe"	high quality corporate management; social and ecological responsibility; own training centers; significant international activity	low R&D activity; absence of its own R&D centers; weak links with research institutions insignificant overseas assets and personnel; lack of information on international activity
"System Capital Management"	high quality corporate management; social and ecological responsibility; own training centers; high diversification of assets and activity	low R&D activity; absence of its own R&D centers; weak links with R&D institutions; insignificant share of overseas assets, personnel and activity
"Ukrnafta"	highly profitable and strategic sector of operation	absence of overseas activity and subsidiaries; ignorance of cooperation in the form of integration; low social and ecological responsibility; absence of R&D centers and links with academic institutions; prevalence of state and off-shore shareholders; minuscule stock exchange activity
"DCH"	high quality corporate management	amorphism of interests, non-transparency of activity; insignificant international activity; somewhat controversial financial schemes
"Roshen"	international quality management and food product safety standards; diversified export activity	low R&D intensity sector; lack of information on projects concerning social and ecological responsibility; non-presence on international stock exchanges; absence of own R&D subdivisions and cooperation connections with research institutions; risk of losing property in the Russian Federation
"Nemiroff"	significant overseas activity and personnel share; own training center; certain programs dedicated to ecological and social responsibility; dynamic export activity	low R&D intensity sector; lack of information on international and financial activity; non-presence on international stock exchanges; absence of own R&D subdivisions and cooperation links with research institutions
"Konti"	dynamic export activity	closed corporation legal form prevents it from free trade of shares; non-transparency of international activity in general, and export-import schemes in particular; signs of nepotism and non-transparency in forming of the Supervisory Board; absence of R&D and training centers, any projects connected with social and ecological responsibility

Source: Author's suggestion.

low R&D activity; the absence of its own R&D centers and weak connections with research institutions; insignificant share of overseas assets and personnel; lack of information on international activity.

Table 10 reveals the strengths and weaknesses of all the stated above Ukrainian business groups – potential Ukrainian TNCs in the near or distant future.

Summary and conclusion

The main obstacles to Ukrainian TNCs' emergence are the lack of information and transparency of business activity; weak connections with academic sector; low activity at share and bond markets; poor social and ecological responsibility; absence of R&D units; miniscule R&D investment; off-shore core of stock capital; non-transparency and nepotism in stock capital distribution and supervisory boards; insignificant fraction of overseas assets, profits and personnel; non-transparency and low scope of international cooperation. The main strengths of transnationalization of Ukrainian business groups are high quality corporate management, social and ecological responsibility; significant international activity in most of the cases. Prospective issues of future inquiries into transnationalization of Ukrainian business groups are mechanisms of overcoming weaknesses in different economic sectors and spheres of business activity.

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