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## TRANSFORMATION OF BUSINESS CAPITALIZATION MODEL WITHIN THE KNOWLEDGE ECONOMY

*The methodological aspects of transformation of business capitalization model under the conditions of recognition of business development assets (intellectual capital, corporate resources, entrepreneurial opportunities) and their identification within the knowledge economy are investigated.*

*Keywords: business capitalization; knowledge economy; capitalization centers; corporate resources; entrepreneurial opportunities.*

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## ТРАНСФОРМАЦІЯ МОДЕЛІ КАПІТАЛІЗАЦІЇ БІЗНЕСУ В КАТЕГОРІЯХ ЕКОНОМІКИ ЗНАНЬ

*У статті досліджено методологічні аспекти трансформації моделі капіталізації бізнесу за умов визнання активів розвитку бізнесу (інтелектуального капіталу, корпоративних ресурсів, підприємницьких можливостей) та їх ідентифікації в категоріях економіки знань.*

*Ключові слова: капіталізація бізнесу; економіка знань; центри капіталізації; корпоративні ресурси; підприємницькі можливості.*

*Літ. 32.*

## Анатолій Н. Асаул, Михаил П. Войнаренко, Лариса В. Скоробогатая ТРАНСФОРМАЦИЯ МОДЕЛИ КАПИТАЛИЗАЦИИ БИЗНЕСА В КАТЕГОРИЯХ ЭКОНОМИКИ ЗНАНИЙ

*В статье исследованы методологические аспекты трансформации модели капитализации бизнеса в условиях признания активов развития бизнеса (интеллектуального капитала, корпоративных ресурсов, предпринимательских возможностей), а также их идентификации в категориях экономики знаний.*

*Ключевые слова: капитализация бизнеса; экономика знаний; центры капитализации; корпоративные ресурсы; предпринимательские возможности.*

**Introduction.** Successful performance of contemporary enterprises is impossible without the application of non-linear strategies of business capitalization. Such strategies envisage the adaptation of business to competitive environment and enable forecasting changes as well as modelling the mechanism of its main factors interaction. The abovementioned aspects are hindered, on the one hand, by the development of globalization and significant transformations of market conditions (chaotic and aggressive character, dynamism, unpredictability of market etc.). On the other hand, they are complicated by the formation of new priorities in operations of economic entities. As a result, a new formation (or shifting) of business attractiveness centers and, correspondingly, of capitalization centers, occurs.

The significance of theoretical studies is determined by the need to solve scientific problems, directly connected with efficient implementation of capitalization mechanism, that will make it possible to clarify factors, conditions and business for-

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malization criteria and to reveal the tendencies of value creation. The expansion of the list of objects and subjects of capitalization leads to the appearance of new interpretations of the concept, which can be reduced to the following patterns:

- capitalization as the process of capital accumulation which takes place in different ways: by transforming income (profits) obtained in the course of business activity into capital; or by means of assigning cost to increase capital assets above the expenses of a given period) (Zolotohorov, 2004);
- capitalization is the attraction of resources into circulation, converting resources into capital, which involves identifying the stages in its formation, application and distribution) (Bryukhovetskaya, 2011);
- capitalization as the process of changing the forms of capital. For example, transformation of capital from the material form to money (conversion of property ownership into monetary capital as the reverse process regarding productive capital increase at the expense of monetary capital) (Borysov, 2007);
- capitalization as a conceptual description of the value of the existing capital, as the method of assessing the value of an enterprise (Rumyantseva, 2008).

**Recent research and publications analysis.** At present, in the research of capitalization, Russian scientists distinguish several directions, which are based on the interpretations outlined above. In particular, the first group of studies has a financially-oriented nature, where capitalization is regarded as the internal economic function of capital concerning its growth (Bektenova, 2004; Revutsky, 2004; Khotynskaya, 2006; Malova, 2009; Aleksev, 2011). The second direction is the capitalization of a market nature, where the focus is on company's market value. This aspect is discussed in the papers, devoted to the evaluation of companies' values and the assessment of effectiveness of equity cost of capital (Asaul, 2014; Haltseva, 2005; Dedkova, 2007; Kazyntsev, 2003). The third area, the marketing capitalization, is represented by S. Baranenko (2004), V. Shemetov (2004), A. Molchan, L. Trynka and Y. Kopachev (2011).

Ukrainian academic thought in the development of the capitalization theory is mainly presented by 4 areas, namely: the development of theoretical and methodological foundations for company capitalization; the allocation of types of capitalization by certain types of capital; the analysis of problems and ways of banks capitalization and the banking system; the evaluation of stock market capitalization. Among the Ukrainian scientists who conduct research on capitalization are the following: N. Bryuhovetska (2011), I. Buleyev (2011), L. Benovska (2009), V. Geyets (2000; 2007), A. Hrytsenko (2007), N. Hura (2010), R. Kostyko (2008), M. Korokoz (2007), V. Zahorskyi (2009), V. Khaustova (2009), I. Yaremko (2006).

The contemporary approach to the interpretation of the capitalization concept is closely associated with the effect of the following factors:

- theoretical study of the origin and development stages of the concept of capitalization, which relates to the subsequent development of the capital theory, cost management theories and theories of economic growth;
- identification of objects for business capitalization, associated with the use of electronic management opportunities;
- transformation of the model of business capitalization due to the recognition of assets of business development: intellectual capital, corporate resources and business opportunities.

**Problem statement.** The given aspects determine the purpose of the study – the substantiation of the model of business capitalization for assets development and their identification within the categories of the knowledge economy.

**Key research findings.** In the context of the development of theoretical principles and models of realization of the concept of business capitalization, noteworthy is the study by M. Dedkova (2007), which confirmed that in the genesis of the capitalization concept an important part is played by the following theories:

- the theory of value in its varieties (the labor or classical theory of value, the theory of cost, the utility theory, the theory of marginal utility, the theory of benefit values etc.);
- the theory of capital and its interpretation (material, production factors or the classical theory of capital, money or intertemporal interpretation. The combined interpretation of physical and human capital, the margin approach, the theory of marginal productivity etc.);
- the theories of cost management (the concept of business value increase, the theory of firm value, the concept of business value, the theory of company cost management, the marketing concept, based on the cost, the concept of value-based management, the concepts of the chain of factors of developing the value of the concept of "shareholder value";
- the economic growth theories (the concept of human development, the concept of social economy, the concept of corporate responsibility, the theory of information economics, the theory of knowledge economy).

With the globalization of markets and capital, the model of capitalization is changing steadily (because of the contradiction between the nature of enterprise network and local taxation mechanism in this model) losing the space for maneuver, and, as a result, losing the real control levers. Therefore, a new economy of enterprise is being formed, with new properties and quality characteristics which formalize to the model of business capitalization of intellectual type. New options of businesses capitalization have irrefutable advantages (Hruzkov, 2008):

- the unlimited resources: knowledge is boundless as distinct from natural resources;
- the inability of development localization, as the interpenetration of economies is done on account of high-tech products;
- the virtualization of interaction of buyers and sellers, associated with the decrease in turnover costs;
- the inefficiency of protectionism as a form for support of domestic producers because innovations cannot be limited in movement;
- the formation and development of high-tech markets (a prominent role here belongs to scientific and technical aspects that facilitate the transition from rent-raw structures to innovation society);
- the growth of export of intellectual services and human capital, characterised by greater value of education as a resource.

The main prerequisite for adaptation of contemporary enterprises to market challenges is grounding the capitalization model of corporate resources and business opportunities. Differences that define the methodological approaches to the identification of the model's elements can be summarized as follows:

- different assets meanings: current, long-term production, non-production, operational, and investment;
- various forms of assets: material, intellectual, financial;
- various options of asset evaluation: historic, market, economic.

The task involves a fundamental point: what is the real value of assets that will provide cash flows in future. Traditionally, the answer to this question was given in the "test of time". However, current approaches can qualitatively change the situation. F. Modigliani and M. Miller (1961), known as the authors of the most advanced techniques of business cost evaluation, indicate that the value of companies consists of two components: the value of the steady state of current operations of the company and the value of its future operations.

Thus, cost evaluation represents a process of modelling future cash flows (creating financial models) and making decisions as to the methods and modes for assessing these flows. The identification and preservation of economic value of assets almost always serves the main purpose of corporate executives and financial analysts.

These theoretical ideas enabled transforming the model of business capitalization and identify a new group of resources – intellectual assets, corporate resources and business opportunities that determine the economic value of business.

The depletion of growth of the effects from the systems of work organization and its coincidence in time with the permanent crisis of the industrial stage of economic systems has naturally become a prerequisite for the emergence of the information society. At the same time, unlike the previous phases, the formation of the human development concept has a diverse character with the formation of several directions, among which the theories of social economy, corporate responsibility and information society have won particularly wide recognition.

The transition from the industrial to the information business model and knowledge economy has become the principal factor in the positioning of human capital in corporate resources, changing its status from human resource to business development asset. With the formation of knowledge economy, innovation knowledge and skills are becoming the dominant factor in corporate development, which is subordinated by the functional use of financial and investment capital. The concept of human development attracts the suggestions on the optimization of relations between economic growth and human development in practical terms:

- increasing investment in education, healthcare, with a focus on augmenting human capabilities;
- allocation of resources in investment and operations;
- balancing economic potential and capital diversification;
- promoting the transformation of information the socioeconomic, technical, and technological effects.

With the help of commercialization and capitalization of intellectual property objects, a rational redistribution of economic potential and business capital, growth of the effectiveness of its reproduction and use, improvement in the approaches to the formation occurs. In the information-type model of business capitalization the achievement of the limits of social and economic expansion by means of information streamlining accompanied by information channel overflow, which is the beginning

of the transformation of information society into knowledge economy. That is, the main generator of business progress at this stage is knowledge in its transformation into socioeconomic, technical and technological effects.

Capitalization centers are those processes that ensure the development and maintenance of effective economic business potential and perform the following functions:

1. The identification and promotion of property rights realization and contracts with the determination of the subjects that obtain them and the conditions for acquiring these rights.

2. The adjustment of the level of business competitiveness at the market.

3. The overcoming of asymmetry and targeted distribution of information about market conditions, products and market participants.

The concept of information asymmetry and business capitalization models based on this concept explain the multiplicity of possible economic equilibrium and thus prove the need for transformation of basic postulates of modern "theory of firm", in particular (Stiglitz, 2005):

- in accordance with the class theory of corporation financing, based on the existence of perfect information, it was all the same, whether a firm attracts capital through loans or by increasing equity. However, the willingness to save or to sell shares has already transmitted information. And, therefore, it matters in which way a firm increases its capital. Moreover, firms in today's conditions are inclined more and more to act with increased risk, caused by incomplete information;

- according to the traditional theory of corporate management, that is, under the conditions of perfect information, firms simply maximize the expected profit which equals market value. It was a purely technical issue. But under the conditions of asymmetric information the problem of decision-making under the conditions of mismatch of interests between managers and shareholders arises;

- based on the theory of organizational structures, in the case of perfect information, the choice of organizational chart or firm structure does not play a significant role. But under current conditions, with asymmetric information, it is a central issue for business.

The role and the meaning of asymmetric information factor is significantly increased in the network society. If multinational corporations continue to exist, it is only because they have transformed and have created business models that align asymmetric information or eliminates it. As an example the "Toyota" company can be taken. Their success is the principle of "five zeros", the absence of defects, technical errors, postponement of paperwork, material and technical stocks.

The model of business capitalization in terms of knowledge economy is based on the newest preconditions:

- the unity of development and openness (the review of intellectual property notion leads to the transformation of intellectual assets into intellectual capital, which must be profitably invested and used, not only protected;

- the globality (wide use of network technologies destroys geographical and information barriers, thus creating the opportunity to attract anyone into business whether supplier, or a buyer;

- the decentralization of corporate structures, manifested in their use of outsourcing for performing considerable volumes of work by subcontractors (providing flexibility);
- big companies transfer the responsibility for making decisions to individual business units, thus violating the established hierarchical structure. More attention is paid to organizational structure that helps to strengthen innovation processes in the network of interrelated units that make decisions;
- the refusal from chain relationships with suppliers and customers (one-way relations) in favor of interlocking network (web), which provides different directions and multilevel relationships and ensures more active innovation performance.

The existence of different forms of capital, ways of their conversion and concepts of modelling reveals wide opportunities to identify the potential of business capitalization, its quantitative and qualitative assessments, coordination of activities of economic and social policies aimed at the efficient use of business resources. In other words, we deal with the need to consider both horizontal and vertical linkages, as well as new characteristics of capital, which often do not have quantitative expression, and can be evaluated only indirectly. V. Radayev (2002) emphasizes that social capital brings information on economic resources, administrative one opens the shortest path to their sources, political capital enables the fight for these sources, cultural one facilitates the ways of mobilizing economic capital, and symbolic one can present it more significant in the eyes of other agents; human and physical capitals provide the ways for obtaining the greatest benefit from the use of economic resources.

Thus, capital is not just accumulated assets, but the potential for development of new production, and thereafter business capitalization is organization of the process of transformation of potential energy of assets, resources and capabilities into the form of capital.

The solution to this problem lies in the transformation of the model of business capitalization that will not only provide the systems of property rights protection, but also through the system of electronic activity registration, will reduce dramatically the expenses on obtaining information on economic characteristics of assets, it will facilitate reaching agreements on the issue of further use of the assets in business activity.

**Conclusions.** The result of the transformation of business capitalization model lies in reinterpreting the methodological principles. Namely, capitalization is not only the process of capital accumulation in its various forms and the assessment of their market value, but also the use of institutional environment and activation of electronic management tools, thanks to which the transformation of idle resources, assets, possibilities into capital occurs.

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### КНИЖКОВИЙ СВІТ



СУЧАСНА ЕКОНОМІЧНА ТА ЮРИДИЧНА ОСВІТА  
ПРЕСТИЖНИЙ ВИЩИЙ НАВЧАЛЬНИЙ ЗАКЛАД  
**НАЦІОНАЛЬНА АКАДЕМІЯ УПРАВЛІННЯ**

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**Маркетинг: Підручник / За заг. ред. д.е.н., проф. М.М. Єрмошенка, д.е.н., проф. С.А. Єрохіна. – К.: Національна академія управління, 2011. – 632 с. Ціна без доставки – 140 грн.**

Має гриф підручника від МОН України.

У підручнику в концентрованому вигляді викладено зміст усіх нормативних дисциплін по спеціальності «Маркетинг». По кожній з дисциплін базового курсу пропонуються контрольні питання, тести, глосарій і література.

Для викладачів, майбутніх бакалаврів і магістрів, аспірантів, маркетологів-практиків, наукових працівників, а також для всіх, хто цікавиться сучасними технологіями маркетингу.

#### Зміст

- Розділ 1.** Базовий маркетинг
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- Розділ 3.** Маркетингові дослідження
- Розділ 4.** Товарознавство
- Розділ 5.** Стандартизація і сертифікація продукції та послуг
- Розділ 6.** Поведінка споживача
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- Розділ 22.** Стратегічний маркетинг
- Розділ 23.** Комерційна діяльність посередницьких організацій
- Розділ 24.** Маркетинг персоналу