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## CONDITIONS FOR COMPETITIVE POTENTIAL FORMATION OF DOMESTIC LIGHT INDUSTRY ENTERPRISES

*The article substantiates the scientific approach to the use of the term "competitive potential of a light industry enterprise". Conditions and factors that influence the formation of competitive capacity of light industry enterprises are determined. Performance of domestic light industry enterprises during 2009–2013 is evaluated. Key trends in the development of domestic light industry in the context of increasing competitiveness by improving the competitive capacity of individual companies are discovered.*

*Keywords:* potential; competitive potential of a company; light industry.

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## УМОВИ ФОРМУВАННЯ КОНКУРЕНТНОГО ПОТЕНЦІАЛУ ВІТЧИЗНЯНИХ ПІДПРИЄМСТВ ЛЕГКОЇ ПРОМИСЛОВОСТІ

*У статті обґрунтовано науковий підхід до використання терміну «конкурентний потенціал підприємства легкої промисловості». Визначено умови та чинники формування конкурентного потенціалу підприємств легкої промисловості. Проаналізовано основні показники діяльності вітчизняних підприємств легкої промисловості за 2009–2013 роки. Окреслено основні тенденції у розвитку вітчизняної галузі легкої промисловості в контексті підвищення її конкурентоспроможності за рахунок вдосконалення конкурентного потенціалу окремих підприємств.*

*Ключові слова:* потенціал; конкурентний потенціал підприємства; легка промисловість.

*Рис. 1. Табл. 1. Літ. 11.*

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## УСЛОВИЯ ФОРМИРОВАНИЯ КОНКУРЕНТНОГО ПОТЕНЦИАЛА ОТЕЧЕСТВЕННЫХ ПРЕДПРИЯТИЙ ЛЁГКОЙ ПРОМЫШЛЕННОСТИ

*В статье обоснован научный подход к использованию термина «конкурентный потенциал предприятия лёгкой промышленности». Определены условия и факторы формирования конкурентного потенциала предприятий лёгкой промышленности. Проанализированы основные показатели деятельности отечественных предприятий лёгкой промышленности за 2009–2013 годы. Выделены основные тенденции развития отечественной отрасли лёгкой промышленности в контексте повышения ее конкурентоспособности за счет усовершенствования конкурентного потенциала отдельных предприятий.*

*Ключевые слова:* потенциал; конкурентный потенциал предприятия; легкая промышленность.

**Problem setting.** Light industry is an important industrial activity in Ukraine, since it provides fabrics, clothing, shoes etc., and other industries – with cords, technical textiles etc. As this industry has distinct social orientation, it is one of the most important components of economic development.

The development of light industry enterprises is an important factor in enhancing the country's economy in general. This is one of priority industries for the national economy as it has a large market capacity of light industrial products, a fast capital

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turnover, raw materials and semi-manufactured goods of domestic production, the ability to create numerous jobs, high added value without negative impact on the environment. In this direction, one of the most important issues is competitive potential formation at the enterprises of light industry.

**Recent research and publications analysis.** The need to formulate and solve problems of effective management of complex economic systems, which include the competitive potential of a company has fostered technological progress, wide social division of labor, economic connections between sectors, emergence of competitive market economy.

The importance of managing competitive potential of companies has been recognized in developed countries since the era of industrial development. Some aspects of the problems on effective usage of economic resources and competitive potential management at industrial enterprises was studied and reflected in fundamental theoretical works by many domestic and foreign scientists, including L.I. Antoshkina and G. Frolova (2011), O.S. Fedonin et al. (2004), O.V. Klenin (2010). The issues involved in the development of light industry were studied by many economists and scientists such as D.I. Kovalenko (2006), N.I. Nosova and J. Saraeva (2012), Y.K. Sirenko (2012), Y.V. Nefedova (2010), O.B. Morhulets (2009) and others. In the works of the abovementioned scientists a common activity of enterprises of light industry was estimated, but up to present there is no general concept of the competitive potential formation in general.

**Unsolved issues.** Many issues related to functioning of domestic light industry enterprises and their development remain unsolved. There is a need for further research in this direction for working out the measures that would contribute to further development of this industry. However, in the writings of L.I. Antoshkina and G. Frolova (2011), O.S. Fedonin et al. (2004), O.V. Klenin (2010) the problems associated with the formation and use of competitive potential, were considered partially. This is due, on the one hand, to complexity and undevelopment of this issue, and on the other – to the lack of management practices at domestic enterprises in a competitive environment.

**The research objective** is to study the formation of competitive potential of light industry enterprises in the context of providing competitiveness of the industry in general. Therefore, the object of managing competitive potential is very relevant for light industry enterprises. With the goal to win the status of market leader in the consumer industry, a company in this area should improve and be competitive, determining the optimal and most effective measures of technological development.

**Key research findings.** The transition to a new management mechanism, under the conditions of unstable economic and political environment, significantly increased the relevance of the study of those competitive potential market features, which fully express, in our opinion, the term "competitive potential of the enterprise", especially in the light industry.

In general, the term "potential" comes from Latin and means "power" or "hidden opportunities", and this is very true for business practice. Usually, in domestic economic literature, this term is broadly interpreted as the opportunities, available powers, supplies, tools, which can be used either as a power level regarding any direction, or a set of tools needed for something. The thesaurus of Ukrainian language also

describes this term as "hidden abilities, powers for any activity that may be occurred under certain conditions" (2011).

If we consider the competitive potential of any company, it's important to remember that competitive potential combines both spatial and temporary characteristics (Antoshkina and Frolova, 2011; Fedonin et al., 2004; Klenin, 2010):

- reflects the past, that is a set of properties accumulated by the system during its formation and those that contribute to the possibility of its operation and development (in general, this is a resource of a company);
- as a reserve in a company it characterizes the practical use of existing opportunities;
- as a strategic direction it focuses on future development.

The level of competitive potential, describing the current state of a system, due to close interaction of all the abovementioned three states, distinguishes it from such seemingly close concepts such as "resource" and "reserve".

Generalizing different features of competitive potential of a light industry enterprise, it can be stated that it is determined by various parameters and characteristics, namely:

- technical potential (production), namely the volume and quality of its existing material resources (the number of the employed, main production and non-production assets and inventory, financial and intangible resources – patents, licenses, information and technology);
- staff potential, namely management and other related personnel capacity to create certain types of products, in other words, their education, qualification, physiological and motivational potential;
- organizational component of potential, that is the use of available resources of the company with the help of management capabilities (professional training, talent, ability to create and update the organizational structure of the enterprise);
- information resources – informational opportunities, that are capabilities of businesses to generate and transform information resources for their use in industrial, commercial and administrative activities;
- innovative potential and the potential for change, in other words the innovative capabilities of enterprises as for updating technical and technological base of production, gradual transition to competitive production, the use of modern forms and methods of organization and management of business processes;
- financial and economic potential component: financial opportunities to attract missing funds (creditworthiness, internal and external debts in finance).

Thus, summarizing all of the above, enterprise potential as an economic system can be viewed from different perspectives, basing on the resource concept (such as a set of resources and relationships between them), functional (as a set of functions which support skills and capabilities), resource targeting (as a set of resources and capabilities to achieve certain goals, objectives) and other concepts. Considering the above, we note that from our point of view the competitive potential of light industry enterprises is a set of necessary and sufficient for operation and development different types of resources (labor, material, financial, information, etc.) or management subsystems and various potential components (financial capacity, industrial, institutional, innovational, potential changes etc.).

Enterprises of this industry produce a variety of consumer products, including all kinds of fabrics, sewing and knitted garments, footwear, leather and leather products, furniture, dishes, toys, that to a large extent determine the social and economic situation in the society.

The efficiency of light industry, as well as the formation of its competitive potential is influenced by many different factors, including: the balance of inventory market segments, product life cycle, uncertainty and risks, the structure of consumers, income levels, technological base, innovation, competition.

Having analyzed the statistics for the last 5 years ([www.ukrstat.gov.ua](http://www.ukrstat.gov.ua), "Volume of sold products in the area of light industry") on the volume of sales, as shown in Figure 1, we can state a gradual but steady increase in the sales of light industry that means the increasing competitive potential of domestic light industry enterprises.

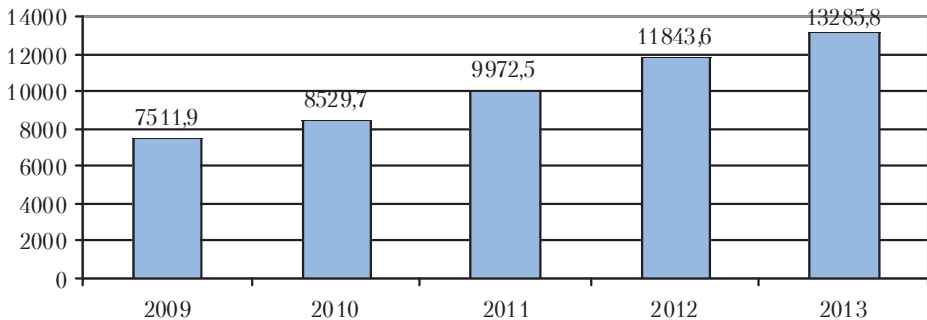


Figure 1. **Volume of sales in the light industry, 2009–2013, mln UAH,** based on the information from [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)

For further development of the light industry we should take into account many factors, including the fact that domestic consumers prefer goods of better quality than cheap goods from China, so one should focus on the middle class, because these consumers provide the main turnover.

It should be borne in mind that the development of light industry is possible not only through the production of new resources, but also through skillful use and improved efficiency of the entire production potential, which is the basis for competitive potential of a company. Up to now, many enterprises don't use their production capacity in full, so it means that their production potential is not used correctly and fully.

When the level of renovated productive capacity of the light industry enterprises is increasing it will enhance its use efficiency by reducing energy intensity of production and improving quality, providing competitiveness for light industry products and the ability to contribute to increasing consumer demand. That is why there is a need to improve competitive potential, namely production modernization and introducing new technologies at light industry enterprises, as well as trying to perform automation and mechanization of manufacturing processes.

After analyzing the statistical information we see several directions of light industry enterprises activity in recent years. The development dynamics of the light industry during 2009–2013, shown in Table 1 reflects the instability of operations.

Table 1. Development dynamics of the light industry, %

Activities	2009	2010	2011	2012	2013
Light industry, including:	104,0	100,3	98,1	97,4	108,9
Textile industry, clothing, furs and fur materials	102,9	102,6	95,2	97,0	109,5
Textile production	108,6	108,7	97,8	112,4	109,8
Manufacture of wearing apparel, furs and fur materials	101,0	100,2	94,1	89,7	103,2
Manufacture of leather, leather goods, shoes	107,5	91,9	110,3	99,4	106,6

Source: Based on the information from [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)

Considering the overall performance of the light industry in Ukraine, it should be noted that according to the State Statistics Service of Ukraine, during 2009–2013 the industry worked with reduced production rates, but high rates of 2013 year make it possible to rely on further improvement of the industry performance.

Based on the abovestated materials, we can draw the following **conclusions**:

1. Investment and development of light industry with accomplishing changes in enterprises activity are necessary because this sector produces consumer goods, satisfying the needs of population and ensuring welfare. Growing incomes of population, high competitiveness of the leading national light industry companies, and historical light industry development in Ukraine provide the industry with considerable opportunities for further development. The industry in Ukraine has significant prospects for development, despite high competition.

2. For the development of the branches within light industry it is necessary to accomplish the modernization of fixed production assets of enterprises, which must be carried out by attracting investments, as for the implementation of all tasks which should lead to the development of the industry, the necessary part is financial funding. Improving product competitiveness depends on many factors, including government policies, which should facilitate the development of a necessary set of economic and institutional measures. Legislative acts and programs developed in Ukraine today should promote the industrial complex, but legal regulation of state activity in this field requires further research.

3. Thus, only by combining the efforts of government, business and science it is possible to achieve further development of light industry and to solve these problems.

4. Under present functioning conditions the light industry development in Ukraine is quite complicated. This causes a number of problems, typical for the industry. The main among them are: a large number of imported products, problems with attracting investments, insufficient funding from the government, ineffective management etc. To solve these problems, we should implement a comprehensive solution that goes not only from companies, but also from the government. Therefore, an important part is the analysis of the baseline conditions of the light industry in Ukraine, to determine the future prospects of its development.

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## КНИЖКОВИЙ СВІТ



СУЧАСНА ЕКОНОМІЧНА ТА ЮРИДИЧНА ОСВІТА  
ПРЕСТИЖНИЙ ВИЩИЙ НАВЧАЛЬНИЙ ЗАКЛАД

### НАЦІОНАЛЬНА АКАДЕМІЯ УПРАВЛІННЯ

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**Фінансово-економічний розвиток України в умовах глобалізації: Колективна наукова монографія / За ред. Я.В. Белінської. — К.: Національна академія управління, 2008. — 212 с. Ціна без доставки — 25 грн.**

Монографія присвячена фінансово-економічним проблемам розвитку економіки України в умовах глобалізації. Викладені теоретико-методологічні питання розробки стратегії входження України у світове господарство та формування фінансово-економічного механізму цього процесу. В основу викладу матеріалу монографії покладені багаторічні дослідження науковців в галузі економічної теорії, фінансів та банківської справи, які були апробовані на сторінках авторитетного журналу "Актуальні проблеми економіки" в 2004–2007 роках. В монографії обґрунтовано шляхи забезпечення структурно збалансованого економічного зростання економічної системи України та її ефективного міжнародного співробітництва, визначені напрями вдосконалення всіх ланок господарської системи.