



International Economics

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**INFORMATION
AND COMMUNICATION PROBLEMS
OF DOMESTIC BUSINESS GLOBALIZATION**

Abstract

The purpose of this research is to develop methodologies for the study of globalization of business in general and its separate aspects related to strategic marketing decisions on foreign markets and information and communication globalization of domestic business. Subject of research are theoretical foundations, methodological and applied issues of system development activities of the marketing mix as a tool for the revitalization of Ukrainian enterprises in international business. The object of research is the process of formation and development of marketing activities and business entities on the global commodity markets.

Key words:

International marketing, global markets, macroeconomic processes, marketing management, sales, marketing research at the micro level, enterprises, economic development strategy.

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Statement of the problem. In terms of economic reform, the decrease of the solvency of the population, the discrepancy between the production range of the structure of consumer demand at the domestic enterprises have a hard necessity with a high degree of efficiency to solve problems in the sales activities that occur before them. Retention of low income does not allow improving the structure of production due to the expansion of consumer markets. Two revolutions in Ukraine for the last ten years on the background of the impact of the international financial crisis, of course, are factors instigated from outside, which led to lower levels of income, savings and investment, capital flight, the purchasing power of the population and, consequently, reduce the growth of demand for virtually all goods/services to domestic enterprises.

Increased internal risks of development of economy of Ukraine mainly associated with:

- the loss of territories and military actions in the Donbas, which lead to the reduction of production in the region, the deterioration of the terms of engagement of the external financing and the growth of budget expenditures to Finance law enforcement agencies and the restoration of damaged infrastructure;
- the growth of debt burden on the budget because of the need to Finance deficits and debt «Naftogaz», developed in the past years;
- the depletion of international reserves, which complicates the use of the National Bank interventions as instruments of controlling the growth of demand for foreign currency, which occurs as a result of panic and speculative attacks;
- the increase in corruption: global corruption perception Index 2014 (Corruption Perceptions Index from Transparency International says – Ukraine-2014 level of corruption in line with Uganda and Comoros Islands as one of the most corrupt countries in the world. According to the Index, the country was unable to leave the area «corruption of shame» (National Institute for Strategic Studies, 2014; Viche, 2014; Ukrainska pravda).

Secondary effects of internal political and economic turmoil, the annexation of the Crimea and military operations in the Donbas has spread to most sectors of the domestic economy. Consequently deepen existing disparities, accelerated the fall in GDP, the decline in industrial production, construction works, foreign trade, reduction in the volume of capital investments, etc.

The decline in industrial production, which began in late 2012, has deepened this year, given the stop of the industrial capacities of Luhansk and Donetsk regions and the loss of the Russian market. The country's dependence on imported energy resources and the lack of sources to compensate for the loss of Russian gas will force entrepreneurs to switch to austerity; it will significantly affect the output.

In our opinion, it is possible to ascertain the loss of competitive advantage on the most dynamic and promising global markets, which is due to a significant increase in the cost of products, goods and services due to the increase in energy prices, because the structure of the economy is dominated by less technological and more labour-intensive industries in the structure of production of goods low value-added, energy and resource-consuming; the lack of competition in the domestic market, its small capacity, the monopoly and regulation do not allow you to create the proper conditions for growth of competitiveness, if a low level of competition in the internal market, cannot be expected to compete in the international markets.

Leaders among the main export commodities of Ukraine remained metal and articles thereof (although the total delivery volumes decreased by 7.3%), ore, oil and coal (export growth amounted to 6%). The most dynamic sales on foreign markets within five months of 2014 showed crops, adding to the total export figure of 26%. In the worst situation is chemical products, the volume of exports fell by 25.6% and the machine 22% of total output (rail cars, locomotives, turbojet and turboprop engines, etc.) are delivered in the Russian Federation (Express releases of State Statistics in 2014; National Institute for Strategic Studies, 2014; Viche, 2014).

But some experts see that the problems of sustainable development of the national economy are in non-conformance of the majority of domestic enterprises to modern international standards, increasing corruption and transaction costs amid increasing asymmetry of information, devaluation of the national currency and, accordingly, increased exchange rate risks, which led to the shortfall of market entities, a significant portion of the profits against the planned. To adapt the products of domestic enterprises to the requirements that apply in the markets of European countries, the Association Agreement provides a 10-year period. On the other hand, the urgent need to diversify exports stood before the domestic enterprises already at the initial stage of harmonization of standards. (National Institute for Strategic Studies, 2014; Viche, 2014; Ukrainska pravda).

Therefore, the increase in the rate and improve the efficiency of domestic enterprises is constrained by the number of unresolved questions, the solution of which requires adequate means and methods of business organization, focused

on the acceleration of scientific-technical progress, the increased focus on the end consumer, increasing competition and demonopolization and diversification in all spheres of economy.

Analysis of recent research and publications. Various scientific evidence supporting some aspects of marketing in the global commodity markets, are given in numerous publications, which is a fundamental theoretical basis of marketing (Kotler 1999; Kudenko, 2002; Pavlenko et al., 2008; Rudelyus et al., 2001). It should be noted that the role of the marketing activities of enterprises in the global commodity markets increases significantly. Therefore there is a need to develop an efficient mechanism of strategic management of international marketing, which provides an implementation of competitive strategy of the subjects of international business and is the most consistent with their production capabilities. A significant contribution to the development of marketing theory has made the work of scientists of Russian and foreign classical and modern schools: I. Aleshina, O. Azarian, G. Bagiev, D. Barnett, R. Werner, S. Garkavenko, E. Golubkov, P. Zavialov, F. Kotler, N. Moiseyev, A. Pavlenko, L. Romanenko, A. Starostin, T. Tsygankova and other.

The study of problems of globalization and the development of conceptual approaches for the integration of countries into the global economic environment dedicated to the work of O. Bilorus, A. Galchynskyy, Ch. Gil, M. Delyagin, Ye. Kochetkova, D. Lukianenko, Yu. Pakhomov, D. Lukianenko, G. Thompson, D. Stiglits and other.

At the same time under-researched are issues of development and formation of strategies of international marketing in the context of globalization.

Subject of research are theoretical foundations, methodological and applied issues of system development activities of the marketing mix as a tool for the revitalization of Ukrainian enterprises in international business.

The object of research is the process of formation and development of marketing activities and business entities on the global commodity markets.

The purpose and objectives of the study. The purpose of this study is to develop methodologies for the study of globalization of business in General and its separate aspects related to strategic marketing decisions on foreign markets and information and communication globalization of domestic business.

Main tasks. Development of marketing activities to accelerate the sale of goods and services in both domestic and foreign markets, identifying the nature and trends of its functioning, the development of practical recommendations and effective marketing solutions in overcoming conflict / compromise in the interaction of subjects of economic activity and optimal resource allocation.

The results of the study. Today it is quite difficult to assess the competitiveness of domestic enterprises: outdated or overly burdensome regulations and

tax system, lack of technology and sufficient staffing and high export orientation to the markets of the post-Soviet space are often forced domestic producers to abandon plans to expand its own export network. In addition, the complex procedures for obtaining permits and conditions for lending to domestic enterprises are almost always prompted foreign investors to develop their activities outside of Ukraine. Thus, according to the Report of the World Bank and the International Finance Corporation, Ukraine was ranked 112-th place in the rating «Doing business 2014» among 189 countries in the world, and the «enterprise Creation» has shifted three positions, the indicator «Protecting investors» generally lost in the overall rating by one point. Ukraine has still not managed to improve indicators, located near Lebanon (111th place) and Papua New Guinea (113 th) (National Institute for Strategic Studies, 2014; Viche, 2014; Ukrainska pravda).

It should be noted, features of the contemporary global processes that significantly affect the activity of international business Ukraine are: strengthening of monopolization and pressure on «weak States» (today multinational companies control 60% of world industrial production and more than 70% of world trade); increased price competition; dispiritedly development of world economic systems and accelerate their convergence; a partial change in the quality of competition (through the acquisition of a certain number of directions due to artificial weakening of competitors); structural shifts in the world economy; the prevalence of factors of effectiveness over efficiency factors.

But in the international trade of certain short-term positive effects achieved as a result of devaluation of the national currency, offset by a decline in export enterprises located in areas where there are military actions, and mutual sanctions of the Russian Federation and Ukraine.

According to the Moody's forecast, the decline in the Ukrainian economy will amount to 7.5% in 2014, in 2015 – about 6%. Currency devaluation by 50% will increase public debt to 76% of GDP in 2014 and 79% of GDP in 2015, the hryvnia to the US dollar decreased by 48% since the beginning of 2014, the decline in GDP in the third quarter reached 5.3%, inflation increased from 19.8 to 21.8% at an annual rate is the fastest rate since December 2008 (Ukrainska pravda). Until the end of 2014 we should expect the intensification of these trends. So, in January-May 2014, the positive effect of reducing imports by 18 % partially offset by the fall in exports by more than 5 % (table. 1). Some support was an event that took place on 12 March 2014, the European Commission has submitted to the EU Council of Ministers and the European Parliament a draft EU regulation on the application in respect of Ukraine Autonomous preferential trade regime, which provides for the reduction or elimination of duties on goods originating from Ukraine. The characteristics of this regime are consistent with the provisions of the Association Agreement EU – Ukraine regarding the establishment of deep and comprehensive free trade area. And 3 April 2014 at its plenary session of the European Parliament supported the proposal of the European Commission.

Table 1

Basic indicators of social and economic development of Ukraine

	January– November 2014	Growth rates, %			
		November 2014 to		January– November 2014 to January– November 2013	for reference: January– November 2013 to January– November 2012
		Octo- ber 2014	Novem- ber 2013		
Industrial output sold (goods, services) ¹ , mln. UAH	958316,2	x	x	x	x
Industrial production index	x	97,8	83,7	89,9	95,3
Agricultural output, mln. UAH	335950	28,5	69,3	105,0	112,1
Livestock products					
meat (sales of live- stock and poultry for slaughter in physical weight), thsd. t	2925,6	103,5	101,9	105,2	109,2
milk, thsd. t	10558,4	82,3	99,0	100,5	101,1
eggs, mln. pieces	18568,0	87,9	88,4	105,3	103,8
Capital investment ² , mln. UAH	135476,8	x	x	77,0	89,7
Construction output, mln. UAH	44237,6	x	x	x	x
Index of construction output	x	103,2	72,7	80,7	87,6
Freight turnover, mln. tons/km	310394,6	98,7	80,2	90,9	96,2
Passenger turnover, mln. passenger/km	98062,5	96,7	87,1	88,3	96,2
Exports of goods ¹ , mln. USD	46170,3	x	x	90,6	90,4
Imports of goods ¹ , mln. USD	45601,1	x	x	73,0	90,7
Balance (+, -) ¹ , mln. USD	+569,2	x	x	x	x
Retail trade turnover, mln. UAH	811056,8	x	x	95,2	109,0

	January– November 2014	Growth rates, %			
		November 2014 to		January– November 2014 to January– November 2013	for reference: January– November 2013 to January– November 2012
		Octo- ber 2014	Novem- ber 2013		
Average monthly wages and salaries per employee					
nominal, UAH	3421 ¹	100,8 ³	106,4 ⁴	105,3 ¹	108,2 ¹
real, %	x	98,5 ³	86,9 ⁴	95,0 ¹	108,7 ¹
Arrears in wages and salaries ⁵ , mln. UAH	2205,8	114,4	238,2	x	111,0
Number of registered unemployed at the end of the period, thsd.	450,6	111,9	110,6	x	x
Industrial producer price index	x	104,2	132,8	131,8 ⁶	101,0 ⁶
Consumer price index	x	101,9	121,8	121,2 ⁶	100,0 ⁶

¹ Data for January–October.

The reduction of trade restrictions imposed by the EU to give Ukraine a base for expansion of export activities and will help producers to compensate for the loss of the Russian market only in the medium term after certification of Ukrainian goods according to European standards. In addition, due to the deterioration in consumer sentiment population and falling household incomes by slowing wage growth and the devaluation of the national currency, we should not expect the growth rate of consumption, so that a substantial reorientation of exports in the domestic market in the short term is unlikely.

However, the stop of a number of plants of the machine-building and metallurgical industries through military conflict in the East, the uncertainty of recovery of their activity and inactivity of many producers in finding additional markets not allow to expect in the short term quick replacement of the Russian market, replacing the Russian market on the market of EU countries through the low competitiveness of these Ukrainian goods on the European market and restore export position at least at the level of the previous year.

Naturally, the positive effect of the country's integration into the world economy depends on public policy at the macro level, but is only possible if the combination of mutually profitable cooperation of business entities, financial institutions, financial-industrial groups at the micro level. Thus, at the micro level, the impact of globalization is manifested in the expansion of activities of economic entities on the external market. Before to plan the access to foreign markets, it is necessary to analyze the problems of the development of domestic enterprises in the national markets, because at the micro level impact of the crisis also remains an important factor of influence.

It is quite clear that for the majority of domestic enterprises in modern conditions the main objective benchmark activities remain their own manufacturing capabilities. Experiencing constant shortage of working capital and investment capital, significant problems with the production and sale of manufactured products on the internal light and external market, more and more due to the openness of the domestic market, the pressure of competition, they mostly face the problem of survival today, and not solving problems meet the growing needs of consumers. It is also due to the fact that the development of the necessary competitive products requires, as a rule, technological renewal of production, which is associated with significant complications organizational, technical and economic nature. In addition, business leaders are simply not ready to work-related decision-making, personal responsibility and risk, which is usually inherent in the introduction of any innovation. Therefore, domestic enterprises are forced to continue to manufacture the products that meet the existing capabilities of the enterprise. Until a certain time, such a policy is not only possible, but reasonable. That allows to some extent to mitigate the effect of future severe problems of socio-economic nature, which will inevitably arise from badly needed restructuring of domestic production. In terms of market saturation, especially if the company's products are to some extent deficient, which is not surprising given the high degree of monopolization of production in the country, these enterprises can some time to stay afloat. The transition to new economic relations, the expansion of imports of high-quality goods, the emergence of elements of competition in the domestic and its gain on foreign markets, makes it impossible for a long continuation of inertial motion in the selected direction. Increased attention to the consumer, its real query leads to systematic updating of products, diversification of production becomes a necessity.

For business development and strategic goals in a turbulent external environment, companies need to systematically anticipate the consequences of their decisions. Obvious is the need to adopt domestic producers marketing approach to the management of production and sales in the global commodity markets. Some domestic companies, adapting to the rapid development of modern economy, legislative changes and political instability are trying to get out of a critical situation, and many of them are in the process of change.

The analysis of the evolution of marketing management concept allows us to assert that there is an active integration of marketing knowledge in all spheres of human activity (Dannikov, 2008; Kotler, 1999; Kudenko, 2002; Pavlenko et al, 2008; Rudelyus et al., 2001). Marketing strategic management as knowledge management and organizational change is intensively developing. These changes require adequate means and methods of business organization, focused on the acceleration of scientific-technical progress, increased emphasis on the satisfaction of the end user, increasing competition and demonopolization and diversification in all spheres of economy.

Increased competition in global markets encourages entrepreneurs how to improve existing marketing elements (at national level) and to the search for new effective techniques, which in turn leads to changes in the structure of companies ' marketing and access to marketing tools. International marketing is generally defined as the marketing of goods and services across national borders or as marketing, implemented by an international company (Kotler, 1999). According to the expert environment international companies include firms that produce and are involved in the distribution and marketing of products and services in two or more countries. But there is another point of view: an international company differs from the national to the fact that its goods in the form of intermediate or finished product can move from country to country, and not only within the country (Rudelyus et al., 2001, p. 81).

Foreign and special education literature, which considers the problems of marketing activities in foreign markets, also heard the opinion that often the firm, using the success of the marketing concept in their own country, attempts to apply a similar scheme and foreign markets (Kotler, 1999; Rudelyus et al., 2001). But despite the national specifics and peculiarities of different countries, this may become impossible, and then the marketing service of the company will have to ask the question: «will we be able to standardize our marketing concept for the whole world, or we have to spend a small change, and may be, in entering the foreign market, we have to create a whole new marketing concept?»

It is clear that the management of any enterprise in modern conditions of rampant savings will apply a standardized marketing concept as the most rational. Research global commodity markets, which could maximize export potential of domestic enterprises, must be in the following interrelated planes with the construction of an appropriate system of criteria and indicators, namely: analysis and forecast of the state of macro, micro and capabilities of the enterprise to adapt. This approach provides an opportunity to consider the business environment, the strategic goals of the enterprise and its potential export opportunities to attract and use resources as an integrated system process. At the first stage assessed the state of the macro that generates the import dependence of the market; on the second – versatile assessed the competitive environment on the most important factors; further evaluation of the ability of the company to the expansion of the global commodity markets. Because, at the micro-level consequences

of the crisis also remain an important factor that hinders the development of the domestic commodity market, in particular, which is manifested in the reduction in the profitability of the executed works and services, the emergence of new price distortions, low level of competitiveness, the deficit, the imbalance in the reproductive processes, etc.

International marketing as a methodological framework for the strategic management of domestic business is relatively new and understudied concept of management. Focusing on the problems of marketing goods (raw materials, finished goods, materials, works, services and technologies as the most significant in the modern business environment, marketing approach opens new possibilities to the formation of development strategies in the activities of Russian companies in the global commodity markets, search and implementation of reserve management.

The conclusions. From the point of view changes, which not only took place, but also develop in the sphere of international economic relations, it should be noted that it is the focus on global changes and trends, to plan long-term and adequate government policy of our state can lead to positive changes in the position of enterprises, and therefore the country as a whole on the world market. In particular, when a comprehensive study of the essential aspects of the globalization of business, will inevitably have a lot of questions: Which companies will be able to benefit from the globalization of business? Which, the most effective marketing solutions the strategy of globalization of business you want to develop? When the business can be considered global? The answer to these questions may be given only in the process of developing a methodology for the study of globalization of business in General and its separate aspects related to strategic marketing decisions on foreign markets and information and communication globalization of domestic business.

Under such conditions, it becomes clear that international marketing must be applied as an effective tool for the revitalization of Ukrainian enterprises in international business, in particular on the development and formation of the strategy of economic development and structural adjustment, this will help accelerate the transformation of economic and social systems in the process of formation and development of marketing activities and business entities on the global commodity markets. The current practice of marketing activity to support the enterprises of Ukraine in international business, for all its positive aspects has one significant disadvantage – the virtual absence of national-level awareness of the role and position of intermediaries in international business at the market of Ukraine and global markets.

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