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**THE DECISION-MAKING PROCESS IN REGARDS
TO THE ECONOMIC INTEGRATION OF SMALL
AND MEDIUM BUSINESSES**

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ABSTRACT

The article presents the results of the studies conducted on the economic integration formation processes for small and medium businesses; it also suggests a certain management algorithm of decision-making expediency in regards to integration development, and identifies positive and negative consequences of integration association development.

Problem statement: Increased competition makes an already tough business environment in a market economy more complex. As a result, Ukrainian businessmen associate various types of integration processes with the following perspectives: first of all, to minimize the risks of ineffective conduct of the case as a result of unforeseen short-term fluctuations; secondly, to strengthen their capacity for further development of small and medium enterprises in the context of globalization, financial crisis and other challenges.

Unsolved problems: The decision to join efforts with commercial partners and their specific forms turning in practice into a set of difficult analytical and strategic objectives, which are accompanied by the integrator in the first place (a private or legal person, whose initiative makes the problem rallying around the actual business project appear on the agenda), and then by other members of the future economic union.

Analysis of recent research: The key prerequisite for the approval of the participation in the economic integration is the evaluation of the competitiveness of small and medium businesses. Undoubtedly, the need for radical ways of its market position improvement proves to come in handy when it is recognized to be unsatisfactory. Under such conditions, the management led by the owner, based on the information that appears in their possession, formulates appropriate solutions to the challenges before them. One of the most attractive solutions is the association of business potentials which is being favored about 58% of managers of small and medium businesses.

The key material: Generalized decision-making process on the use of economic integration in order to improve the competitiveness of small and middle business in the sequence shown in Fig. 1. As you can see, the choice of competitiveness will depend on the existing set of alternatives.

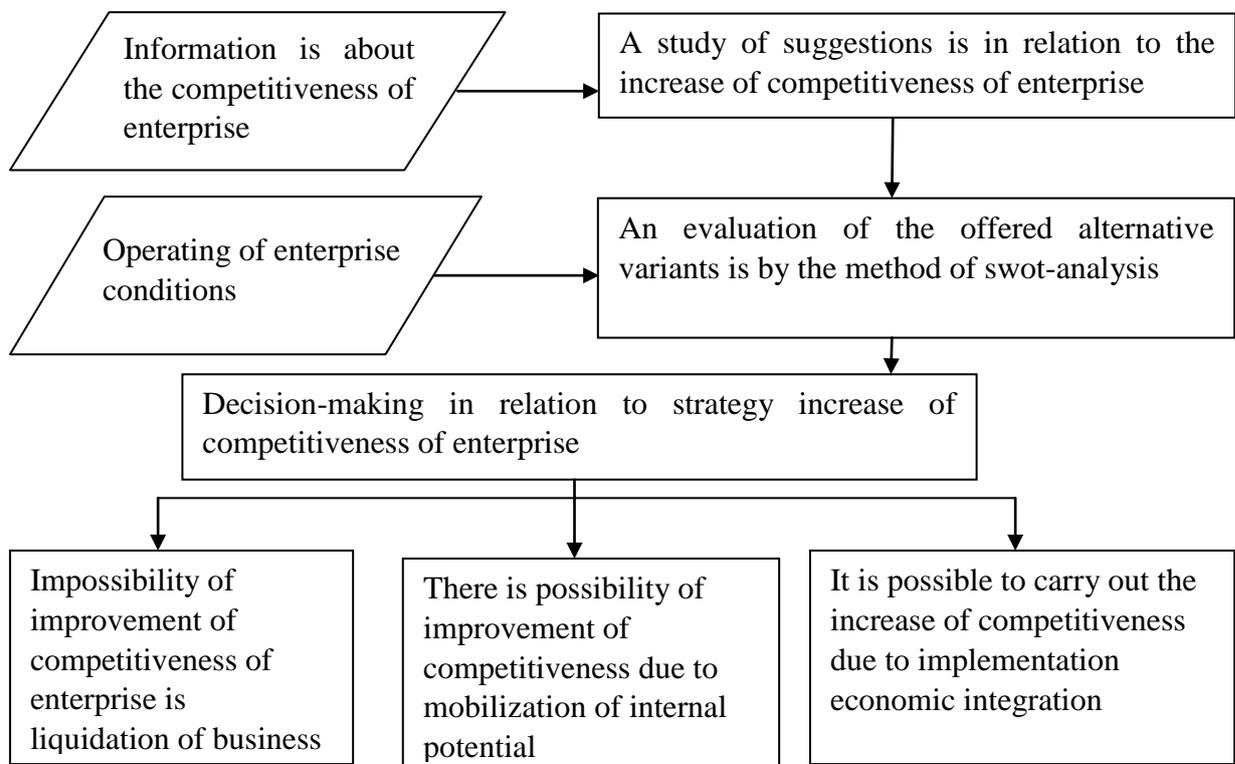


Fig.1. The consistency of the decision-making process in regards to the economic integration of small and medium businesses

A specific set of measures in this regard to some key areas of success depends on the actual circumstances faced by small and medium businesses [1; 2]. Therefore, below is the outline of the prospects that can be expected in the context of economic integration:

Collective purchase of the materials, finished products and other inputs resources in increased volumes with the view of getting promotional discounts from producers or intermediaries;

The use of transfer pricing in mutual supply of parts and components within an integration arrangement;

The use of coordinated pricing on reclaimed markets without violation of applicable antitrust laws prohibiting cartel conspiracies;

Using temporarily freed capacity of economic partners and savings at the expense of their own investment funds;

Mobilization of temporarily unemployed labor and urgent conclusion of labor contracts with employees for fulfillment of contractors;

Getting big contracts from government agencies through coordinated action at consortium bidding or auctions;

Facilitating access to sources of funds by combining assets that are considered by financial and credit institutions as collateral object, etc. [10].

The checking procedures and improvement of the developed technology, the procedures that accompany its implementation, occurred during the execution of a number of consulting projects, commissioned by industrial enterprises in Ukraine. Since the solutions to the problems identified by internal reserves are not found, the owners were recommended to use the potential of economic integration [3; 4]. The decision at this point is to turn the preparation and organization of the company's cooperation with its elected business partner. Detailed analysis of economic practice has shown that it is bound to meet the expectations of the parties in case the following principles are precisely kept up with:

- voluntary choice of partner and the type of economic activity for optimization of integration, unification initiated by most household subjects without any pressure from outside;

- organizational design of the integration interaction (the special design and analytical work that allows you to determine the effectiveness of future joint work). it was determined that during the development of organizational project the data to be obtained and analyzed has to have the following characteristics: a) goals and objectives of collective action, and b) the means and size of the combined financial and material resources to achieve stakeholder perspectives c) the legal form of a future integration, d) the content of competitive projects, including those whose content is mutually exclusive, and e) the total cost of implementation of integration measures, their structure and funding sources, f) the expected results of the cooperation [5; 6];

- continuous development of all aspects of business interaction. implementation of this principle include: deepening cooperation through periodic adjustments goals of integration and mechanisms to promote them, diversify, which manifests itself in expanding the circle of mutual service members integration process and a gradual increase in their level of complexity;

- information disclosure of the parties involved in the interaction. this provision requires institutional strengthening opportunities to get each side to the other information required to successfully implement its part of responsibilities within integration and provides a certain level of mutual trust;

- orientation of superior member enterprises to consolidate its final outcome and social responsibility [7].

The functional motivation of owners and staff members of the integration of education [8]. Based on the fact that the process of economic integration of the small and medium-sized businesses is rather complicated, it's required by necessity to divide it into certain stages: one that preceded the introduction of economic integration (pre-integration), integration and post-integration. The algorithm of this stage is shown in Figure 2.

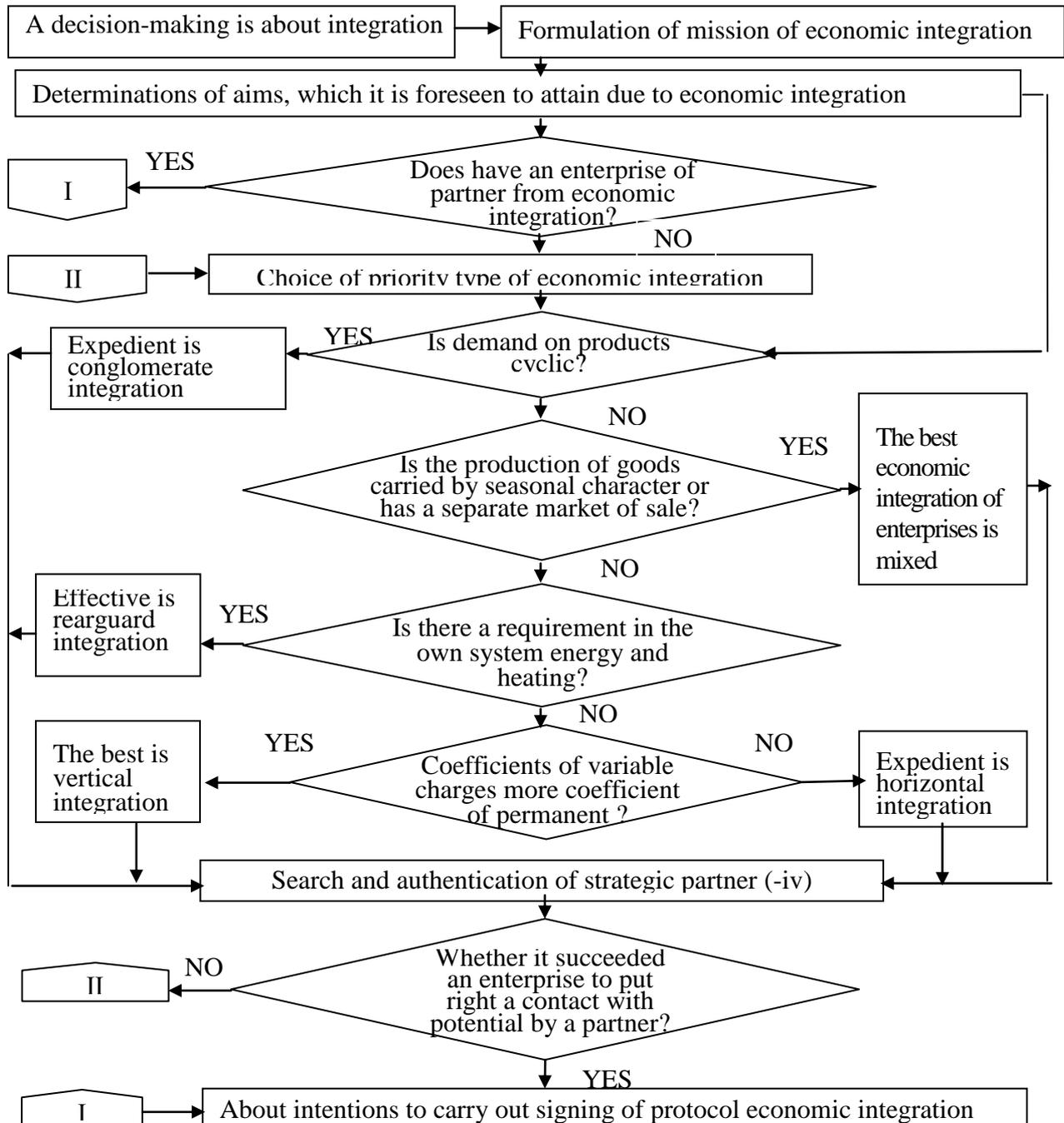


Fig.2. The algorithm of the implementation process of the pre-integration stage of economic integration of small and medium businesses

The effectiveness of any management decision-making process that involves a radical change in the conditions and principles of doing business (especially when it comes to the prospect of regulation, coordination and even fusion structures was totally independent companies) is based on the principles of organizational design [9]. Therefore, it is considered appropriate to identify the following stage as the priority that should be achieved in the implementation of the first of these stages - formulation of its mission.

It is a guide for employees of small and medium-sized businesses in the definition of the causes and scope of its implementation, outlining in principle the range of duties and takes into account the interests of the major groups involved in the planning and implementation of economic integration. Moreover, the mission should consider sectorial specification of an entity's position in the market, the type of production, the behavior of competitors and consumer attitudes toward integration of planned actions.

Based on the above, it was most appropriate mission of economic integration was finalized, namely the conquest and retention of the leading competitive position on the market.

Later on, the goals small and medium-sized businesses seek are identified on the grounds of the mission, while still keeping up with the course of integration. It, in return, is an effective management tool if the following criteria are met. Firstly, the aim should be expressed in a precise form as abstract formulation is not able to be a guiding requirement to the activity and impede further control over it. The second criterion - the quantitative disclosure of the content purposes. This is clearly perceived by leaders at all levels, and performers, enabling the use of formal methods outlining the prospects for economic integration. Another requirement - the reality of achievement, which is caused by how the employees involved in the case agree with the proposed future for them, encouraged by the owner, physically or intellectually are able to translate plans into reality. Furthermore, formulating objectives to consider the features and compatibility of corporate cultures that emerge in enterprises that seek to joint action [10]. And this is nothing more than an additional characteristic goal - acceptability. The last criterion - flexibility (with time state of the business environment and attitudes of participants integration may change so that the target will require a minimum of clarification, if not require a full audit) [11].

On the grounds of evaluation of the competitive potential and outlined provisions of competitiveness the relevant objectives for the small and medium businesses economic integration were formulated. The most significant of them are given in Figure 3.

The next stage of introducing economic integration is the definition of a potential business partner. This issue can be solved in two different ways. The first is that in the external environment of small and medium-sized businesses there are already entities, the interactions with which are based on the principles of economic integration and the relationships with them only require formalization. Otherwise, as confirmed practice, it is difficult for management of small and medium-sized to immediately determine the best of them, since the beginning of the case is to identify a strategic partner (or partners - depending on the goal).

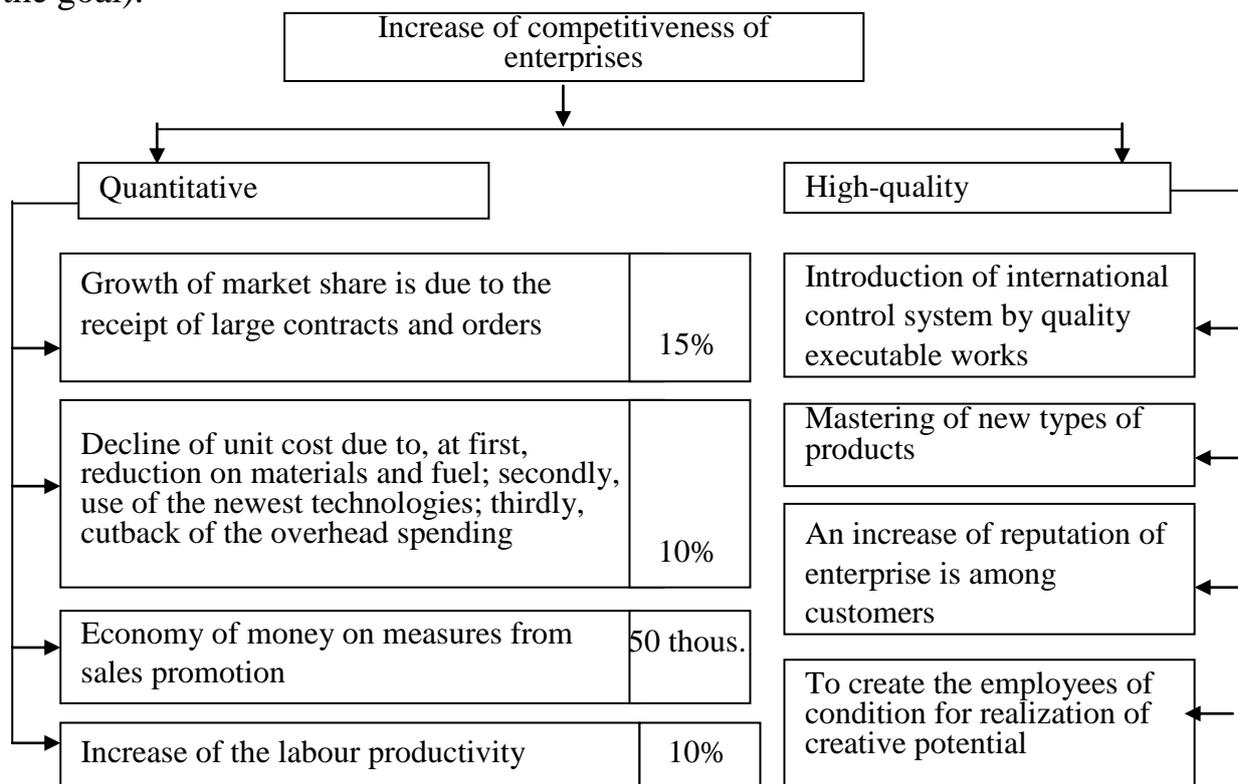


Fig.3. Target orientation for small and medium businesses

Analysis of companies from various industry specializations allows us to assert: for those of them that belong to the commercial sector and those providing domestic production services or even expedient to select the horizontal type of economic integration. Industrial enterprises SMEs effectively implement its principles conglomerate integration will minimize the risks of bankruptcy farms.

Equally important decision planned in the implementation of economic integration of a business policy - a set of values, regulatory requirements, criteria, constraints, and other components of the "rules" that treat all members equally consolidation.

In determining the appropriate boundaries of business activity, the policy in concentrated form reflects the views of the owners (and they are its authors) the conditions under which the possible implementation of the established mission - improving competitiveness.

The crucial task of the second stage is to identify patterns of communication between partner companies. Constructive solutions in this regard are taken considering the prospects of achieving the goals, either by establishing joint activities without statutory "design relationship," or the creation of a legal entity. Developed about this classification is presented in Table. 1.

Table 1

Characteristic patterns of integration relations of small and medium businesses

Integration model		Change of legal independence	Delegation of authority	Tools for creating integration ties
With the establishment of entity	Merger	Both companies are losing their independence	Shared authority	Creation of a new company, which transferred the assets of companies that merge
	Acquisition	One company loses its independence, the other one not	Powers of one or more enterprises cease in favor of another	There is the elimination of one or more companies and their assets transferred to another enterprise
Without a legal entity	Submission	Enterprises remain legally independent	One of enterprises loses some powers	Gaining control is carried out by buying shares in other companies
	Consolidation	Enterprises remain legally independent	Companies lose some of their powers	The integration is carried out by buying corporate rights, or by their exchange
Without a legal entity	Creating a holding company	Enterprises remain legally independent	Part of the power is transmitted back ups	There is a transfer of shares of companies that integrate into a newly established enterprises
	Affiliate agreement	Enterprises remain legally independent	Powers delegated	Signing contracts by parties involved

The choice of a particular model of integration depends on the totality of the economic interests of its members, which in turn is determined by the consolidation of their property, the level of autonomy of participants, the degree of integration, the volume of transaction costs. In addition to the choice of organizational form of economic integration should also take into account the nature of the goals and possibilities for joint activities, frequency of interaction and involvement of participants in solving common integration problems; planned duration of cooperation. Given the stated criteria, the matrix of the economic integration alternatives selection of small and medium businesses is presented in Fig. 4.

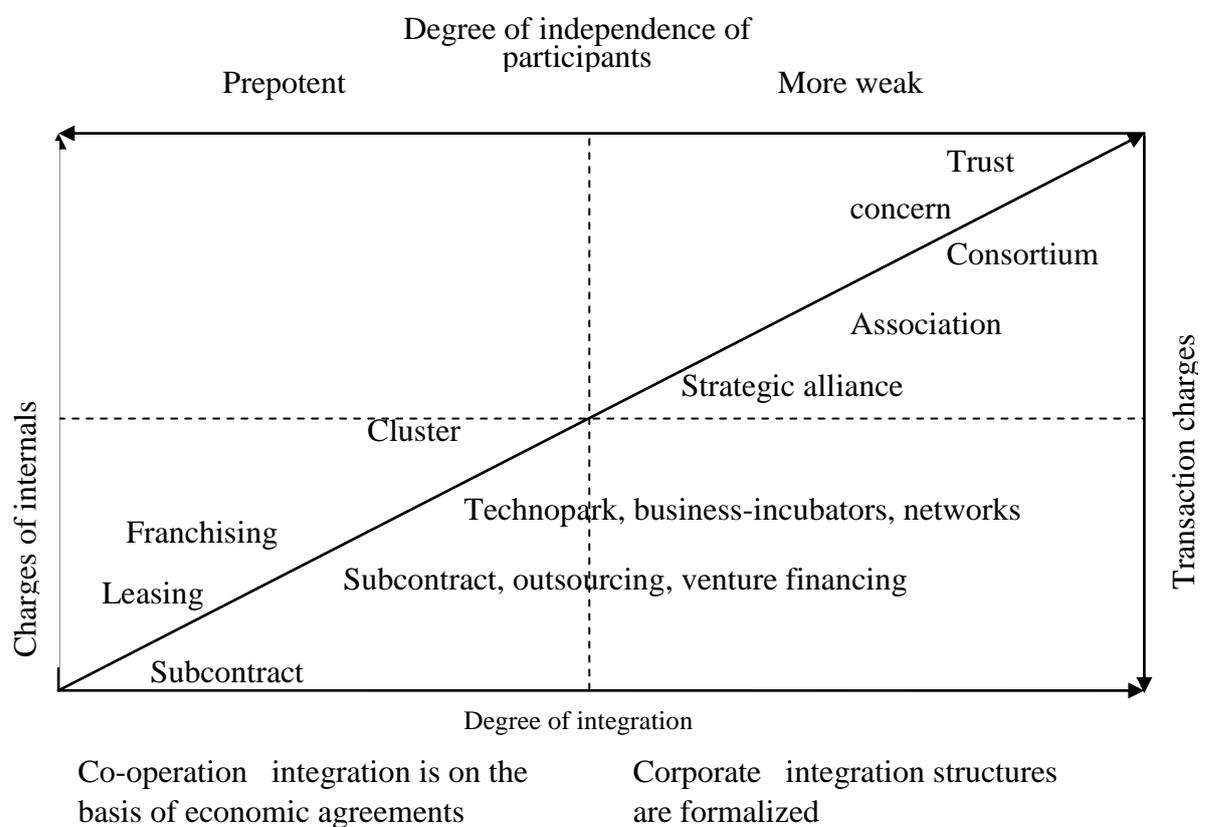


Fig.4. **The matrix of the economic integration alternatives selection of small and medium businesses**

The process of designing economic integration is finalized by the prior agreement and clarification of the text, followed by the conclusion and (if necessary) the state registration of statutory documents between owners of small and medium-sized businesses - the initiator of intercompany collaboration, and selected business partner.

The main task of the next – post-integration - stage of the process is to develop a strategy for the integration of education. Its purpose is to achieve fundamental long-term goals and solving important problems of current enterprise by identifying areas of movement to them, and the sources of funds that provide continuity and positive dynamics of growth and development of competitiveness. Development strategy of economic integration based on established competitive potential of each participant consolidation and considers events that occur in the environment, the state of which the responsible person assessed in the dynamics. One of the main prospects associated with economic integration firms, is the ability to mix specific resources of the association. However, for effective exchange, leaders of small and medium enterprises should conduct appropriate reform business practices prevailing in the part that does not meet the new conditions of management. It is, above all, the organizational changes that in economic integration entities manifested through: changes in the structure and functions of the organization, improving marketing strategy, development of methods of management and personnel, upgrading the technological base, improving the mechanisms of motivation.

The success of the strategy of economic integration depends on the efficiency of communication systems of enterprises. Select the type of organizational structure formation requires integrated primarily to assess the possibility of their combination in order, first, to keep the unique administrative skills, knowledge, core competencies, quality and speed to achieve synergies and secondly, optimum combining organizational culture. Analysis of known agreements on economic integration of small and medium-sized businesses has provided grounds for the conclusion that the decision in favor of one or another type of organizational structure is based on the main function of selecting the type of integration (Table 2).

Table 2

Types of organizational structure for the integration formations of small and medium businesses

Type	Formation factors	Recommended structure type
Horizontal	Members of the integration process are scattered	Divisional-territorial
	Serviced by different market segments	Divisional-consumer
	Significant differences in production technologies	Divisional-products
	Different types of organizational structures	Divisional or matrix
Vertical	The level of technology integration:	Line-functional
	- total integration	
	- partial integration	Line-staff
	Territorial branching of enterprises	Matrix
	The degree of participation in the production of the final product:	Line-functional

Continuation of Table 2

	- full participation	
	- partial participation	Line-staff
	Different types of organizational structures	Matrix
Mixed	The need for coordination in the following areas:	Holding
	- financial	
	- marketing or production	Conglomerate
	The need for coordination of integrated affiliation in general	Coordination
	Focusing on complex projects and large orders	Project or program-target

Conclusions: Based on the above information, it is important to stress the need for continuous monitoring of the process of economic integration (as during its creation and further the process of joint action), as well as implementation of its results of adjustment goals, objectives and ways to achieve them and solution.

Implementation of the above methods has confirmed its soundness. Based on the results obtained during the study concludes, the decision to merge even a fraction of their assets with commercial partner in the joint business projects for small and medium businesses is a complex and multistage process. Each of them has to be taken into account under a number of restrictions and formulated criteria. In their respect, constructive initiatives will improve the market position of partners, which simultaneously means of strengthening their competitiveness.

The tests confirmed the performance practice developed technology movement to the desired goal of economic integration of the idea to its implementation, through solving the problem of determining a strategic partner to the joint plan of action in the real world market segment.

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