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THE COMPETITIVE STRATEGIES OF THE AUTOMOBILE CONSTRUCTION ENTERPRISES: EUROPEAN EXPERIENCE AND UKRAINIAN REALITIES

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The article provides a comparative evaluation of the strategic doctrines of Ukraine and the EU. On the basis of the development of the automotive industry trends tracked achievement and identifies problem areas. Factors that have a positive and a negative impact on the performance of automobile construction companies have disclosed. Components of success automobile construction industry of the EU countries analyzed. The role of national regulators in the protection and development of car manufacturers is considered. The attention focuses on the imperfect strategic goals of the domestic automotive industry. Suggestions on current strategies of Ukrainian enterprises are provided. The expediency of creation strategic alliances between Ukrainian and European automotive companies in order to attract innovative technology and promotion of products on the international markets has substantiated.

Keywords: *automobile construction industry, competition, competitiveness, strategy, production and sales volumes, the crisis risks, strategic alliance, attract innovative technology, international markets.*

Introduction. Automobile construction is the main industry in many countries. Each regional group automakers have their own strategic doctrine for strengthening competitive position. The formation of competition policy and a strategy for overcoming the crisis in conditions of the total production decrease and stop of the Ukrainian automobile factories is important.

The research of scientific and applied problems related to competitiveness, competitive potential, competition policy at different levels of interaction which are presented in many scientific achievements of domestic and foreign scholars. Significant contribution to the formation of the concept of competition brought Adam Smith, A. Cournot, W.S. Jevons, F. Y. Edgeworth, A. Marshall, P. Sraffa, John. Robinson, E. Chamberlin, J.A. Schumpeter and others.

The content of the specific competition policy depends on the ideology prevailing in the society under the influence of the ruling elites. Adam Smith made the first steps towards the definition of competition as an effective means of price regulation and contrasted the competition to monopoly.

In his book «An Inquiry into the Nature and Causes of the Wealth of Nations», he pointed out that competition is a kind of ideal economy, so it is necessary to fight with all the manifestations that hinder its achievement and support: state intervention and monopoly activities [1]. W.S. Jevons formulated perfect market conditions: 1) the market is theoretically ideal when all traders have comprehensive knowledge about the conditions of supply and demand; 2) competition should be completely free to everyone had the opportunity to exchange in the presence of even the slightest benefit; 3) any conspiracy that aims to delay absorption of products and marketing to create unnatural-term operations should be excluded [2].

Analysis of recent researches and publications. The implement of the theoretical postulates is necessary working out at the appropriate ideology of competition policy. Grechishkina I.V. noted in her study that private competition policy goals (goals first level) depending on the chosen as the starting point of understanding of competition (in the context of static or dynamic analysis of the economy) is the creation (development and implementation) and the maintenance of competition (or fair competition) respectively [3].

The scientific works of O. Yurynets, O. Tomiuk, V.O. Vasilenko, O.A. Gavrish, V.V. Dergachova, I.Z. Dolzhanskiy, A.V. Zozuliov, Z.E. Shershnev, S.P. Yaroshenko are devoted to problems of the Ukrainian enterprises competitiveness development.

Yurynets O. and Tomiuk O. [4] pointed out that competitiveness cars, are depended on three main components in terms of produce: production (technical equipment, performance, innovation, design, ergonomic properties, etc.); intermediaries (the existence of desirable cars in stock, communication policy, location and atmosphere showroom skill level sales, etc.); after-sales service (availability of official dealer stations, the qualifications of masters, the prices of spare parts and maintenance services, etc.).

Movcharenko, V., and Hlyvenko V. [5] believed that the Ukrainian passenger cars market is depended on political and economic factors: an increase of production volumes, states support, growth of the budget expenditures, increase the investment, growth of the cargo transportation, the impact of the Tax Code, the banks crediting

dynamics, etc., ie those that contribute money of the population.

Oklander M.A., Zlatova I.A. [6] proved, that for most segments of the automotive market price is not very influential factor when choosing a car. Price influences the choice segment and class of vehicles, but within the selected price segment consumer is not inclined to save on performance and price.

Previously unsettled problem constituent. However, scientific and methodological approaches and practical solutions regarding the formation of competition policy and strategies of domestic automobile enterprises in terms of European integration require is more detailed and advanced study.

Main purpose of the article. Research purpose is a generalization of methodological approaches to creating competitive strategies and applied aspects of their implementation on the example of automotive enterprises EU and Ukraine.

Results and discussions. About 12 million population of EU employed in automotive industry and related fields. Automobile construction stimulates the rise of backward regions and serves as the foundation of economic prosperity. According to experts, the creation of one workplace in the automotive industry ensures the creation of 7-8 workplaces in related industries – metallurgy, petrochemical, electronics, service sector, etc. [7].

The main trends of the automotive industry in the EU are as follows [8]: rights protection strengthening intellectual property; increased attention to issues related to innovation; environmental problem; constant updating of technical standards. This statement of the problem gives adequate results. Despite periodic economic crisis, the stability industry allows you to quickly adapt to the uncertain environment and find new reserves for growth (table. 1 and 2) [9].

Table 1. Production of vehicles in the world 2008-2013, Pcs.

	2008	2009	2010	2011	2012	2013
Europe	21,777,794	17,057,293	19,794,758	20,954,156	19,863,709	19,789,533
EU 27 countries	18,439,079	15,289,992	17,078,825	17,522,340	16,275,525	16,246,974
EU 15 countries	15,174,690	12,242,621	13,797,321	14,121,717	12,828,665	12,828,654
The new EU members	3,264,389	3,047,371	3,281,504	3,400,623	3,446,860	3,418,320
Other Europe	2,191,605	897,696	1,621,376	2,242,685	2,515,206	2,417,025
America	16,858,889	12,531,425	16,343,430	17,793,809	20,089,597	21,128,805
Asia / Oceania	31,507,000	31,760,155	40,930,255	40,576,318	43,696,469	45,799,146
Africa	586,013	413,451	515,076	556,637	586,396	636,519
World	70,729,696	61,762,324	77,583,519	79,880,920	84,236,171	87,354,003

Compiled by author according to International Organization of Motor Vehicle Manufacturers <http://oica.net/category/production-statistics/>

Table 2. Sales of new vehicles 2007-2013, Pcs.

	2008	2009	2010	2011	2012	2013
Europe	21,870,739	18,644,163	18,808,302	19,739,761	18,665,874	18,282,465
EU 28 countries + EFTA	17,283,800	16,174,666	15,622,673	15,618,244	14,325,374	14,094,984
EU 15 countries + EFTA	15,813,252	15,228,050	14,696,720	14,683,816	13,420,004	13,181,878
The new EU members	1,470,548	946,616	925,953	934,428	905,370	913,106
Other Europe	4,586,939	2,469,497	3,185,629	4,121,517	4,340,500	4,187,481
America	20,895,814	17,513,816	19,683,125	21,540,545	23,673,029	25,003,803
Asia / Oceania	24,252,051	28,255,489	35,128,757	35,337,911	38,228,305	40,454,477
Africa	1,278,762	1,181,065	1,273,898	1,472,738	1,599,493	1,653,058
World	68,297,366	65,594,533	74,894,082	78,090,955	82,166,701	85,393,803

Compiled by author according to International Organization of Motor Vehicle Manufacturers <http://oica.net/category/production-statistics/>

The financial crisis of 2008 caused damage to EU producers. However, the process of stabilization and recovery occurred much faster than in other countries, such as Ukraine (Table 3) [10].

Table 3. Production of mechanical engineering in the 2008-2013 in Ukraine

	2008	2009	2010	2011	2012	2013
Cars, thousand Pcs.	402	65,7	75,3	97,5	69,7	45,8
Buses thousand Pcs.	10,2	1,5	2,7	3,7	3,6	2,6
Trucks, thousand Pcs.	11,8	2,5	4,9	3,2	2,9	2,0
Trailers for other transportation (except for residential or tourism) thousand Pcs.	32,7	23,1	21,5	26,2	21,7	29,8
Freight wagon and wagon platforms, railway or tramway, not self-propelled, thousand Pcs.	30,2	2,7	39,6	52,7	47,8	25,3

Compiled by the author according to the State Statistics Committee of Ukraine

Analysis of statistical data shows that at the start of the global crisis (late 2008 - early 2009) some European countries failed to confront global challenges and keep their markets almost steadfast, including Germany, France, Italy, Spain, Slovakia and Turkey.

Among the 41 countries of the European part of the world, four countries even managed to improve their vehicles sales indicators including: Germany to 717.14 thousand, France to 211.03 thousand, Turkey to 63.82 thousand and Slovakia at 4.68

thousand cars [11]. According to the report of the European Automobile Manufacturers' Association (ACEA) sales of new cars in the European Union in October 2013 increased by 4.7% compared with October 2012 and amounted to 1 004.94 thousand cars, and the first time since September 2011 European market shown positive trend.

In view of these trends, in October 2012 the European Commission was approved strategy of the automotive industry in Europe «Cars 2020», that focused on innovative and competitive “green” technologies. The draft EU budget for 2014-2020 years involves the allocation of 80 billion euros to finance research and development work in the automotive industry. The aim of the strategy was developed by the EU to achieve industry average CO₂ emissions figure of 95 g / km by 2020 [12]. The increase in sales in 2013 and the first six months 2014 shows the coordinated action taken by the EU Commission, Member States and industry.

Basis of the competition policy of the Member States is the Treaty of Rome, Article 3, which are 81-89 (as amended by the Treaty of Nice 2001), prohibiting cartels and other restrictive agreements between economic agents; prohibiting the abuse of a dominant position in the markets of goods and services and conduct that restricts competition; agreements provide for regulation of market concentration and the prohibition of such agreements, which may result in higher market concentration and the threat of competition; prohibit state aid economic actors, distorting competition and trade between Member (06-Agreement on the European Economic Area).

Automobile construction EU can be identified as oligopolistic market with moderate competition (neither from producers has over 20% market share). Automobile construction EU is developing through EU subsidies that are provided mainly from the EU budget, although the development of the automobile also used funds Regional Fund and the European Investment Bank. The decision on providing subsidies in excess of 17 million. Euro accepted by the Directorate General of the European Commission IV after the notification of the country, that subsidizes or complaints from competitors of the beneficiary. In the case of a negative decision by the European Commission subsidy must be returned to the budget, either the amount reduced, or competitors should get some compensation for losses.

All provisions of the Competition Act are implemented through the publication of appropriate regulations, directives, decisions and subsequent monitoring their implementation. Most of the regulations in this area appears to be the European Commission (EC) and does not require ratification by the Council of Ministers. In order to the states and enterprises to orient in a variety of institutional rules and precedents, the Commission publishes reports, guides, main adjusting exposure and other publications and recommendations.

Regulation of competition in the EU now is held within single agreed competition policy. Its main purpose is to provide in framework of EU free competition between

firms by creating an effective mechanism supranational control over the restrictive business practices, flexible and consistent supranational regulation.

During the pre-crisis period from 2008 to 2009 Ukraine ranked second in market size behind Russia in Eastern Europe. In the post-crisis years this place was taken by Poland. In 2009 was recorded fall in car sales in Ukraine by 74% [13]. Domestic auto market shown instability due to volatility in the external and internal environment. The negative factors affecting the market are following [5]: general falling income; devaluation of national currency; reduction of Car Crediting and other financial products due to the high interest rates and reduce credits terms; lack of an effective government support of the domestic automakers and the financial institutions that Car Crediting.

According to the data table 3, 2011 was the most successful in the post-crisis period. However, the 2008 results were not achieved. Volumes of production of passenger cars have fallen nearly 9 times, buses almost 4 times, trucks more than 5 times. Production of wagons affected to a lesser extent.

In 2013 due to changes in tax legislation, Ukrainian car market has experienced a series of shocks. In March 2013 the Interdepartmental Commission on International Trade decided to introduce a special duty on imports of foreign cars in Ukraine at the rate of 6.46% for cars with engine capacity of more than 1 000 cc but not more than 1500 cc, and 12.95% for cars with engine capacity of more than 1 500 cc but not more than 2200 cc, which came into force on April 13, 2013.

There are 9 automotive enterprises, while only 4 of them are engaged in manufacturing cars in Ukraine. There are:

1. CJSC «Zaporizhia automobile building plant» (CJSC «ZAZ») («UkrAVTO» Corporation) – semi knocked down (SKD) and medium knocked down (MKD) assembling cars [14];

2. Bogdan Corporation – semi knocked down (SKD) and medium knocked down (MKD) assembling cars [15];

3. Eurocar Ltd – semi knocked down (SKD) and medium knocked down (MKD) assembling cars [16];

4. KrASZ Ltd –semi knocked down (SKD) [17];

Kherson car plant «Vipos» is currently undergoing bankruptcy proceedings. According currently placed in the Unified State Register of judgments initiated bankruptcy acted as a regional unit tax office in Kherson [18].

Association «Ukraprom» developed a strategy for the development of the automobile industry and car market regulation for the period until 2015. The main goal of the Strategy is to improve the economic and legal relations in the automotive market Ukraine, development of Ukrainian automobile industry and its integration in the global automotive industry, growth of automobile industry and profitable part of the budgets of all levels, increase production efficiency in the in the conditions of the SOT and FTA (Free Trade Agreement) with EU.

The disadvantages of this strategy is the lack of clear measures of state regulation of the automobile industry; lack of methodological approach to forecasting key indicators; lack of mechanisms for practical implementation in industry.

Besides the already mentioned strategy to support the automotive industry Ukraine legislatively adopted a number of legal acts: the Law of Ukraine «On stimulation of automobile production in Ukraine», «On the development of automobile industry in Ukraine» and «The concept of the automobile industry and car market regulation for the period until 2017» and «State target economic development program for the automotive industry and car market regulation for the period till 2015» and others.

Scholars and practitioners have identified a number of basic ways to develop this industry in Ukraine: creation of a national automobile industry based on technology transfer by foreign companies; regional integration, which allows you to develop the division of labor among different regions; integration of new countries.

A lot of big number of Motor Vehicle Manufacturers are forced to suspend production because of the unstable situation in Ukraine, falling the solvency of population.

Of course the development strategy impossible to predict these events. This shows the inadequacy of the developed strategy, the main purpose of which is «Increasing of exports automobile industry». It is not dealt with expanding the list of potential buyers. Car sales focusing on Russian market. This strategic error brought to nothing previous achievements of the domestic automotive industry. Ukrainian automobile industry is at risk of extinction.

Conclusions and further researches directions. Diagnosis of competition policy Ukrainian automobile enterprises noted that margin of safety Ukrainian automobile enterprises are not allowed to confront the economic and political crisis that taking place in the country. The enterprises are forced stop production. The Conception of State Target Economic Program of passenger car for the period until 2020 has not considered all possible risks. Therefore, enterprises of the branch have taken the position expectation.

The experience of automotive enterprises EU shows the feasibility of using the potential of international scientific cooperation. In our opinion, the forced break in industrial activity should be used by Ukrainian companies for creation a strategic alliances with foreign companies. This will enable to join the advanced technology and international markets.

The form of cooperation that exists in Ukraine based in supplying of components for assembly plants. Such approach is possible as an intermediate stage of strategic development. Without scientific and technological cooperation based on patent licensing, technology transfer, international cooperation recovery motor industry in Ukraine and its further development is impossible.

The primary objectives of the state competition policy in the automotive industry should be: modernization of production based on energy-saving and environmentally friendly modern technology and equipment; development and commercialization of new car models on the basis of raw materials and components of the domestic production; interaction of science and industry for creation new competitive models of equipment and technology.

Further areas of scientific research in problems of forming an effective competitive strategy should be the study of competitive potential Ukrainian motor industry enterprises are on the verge of of extinction and survival in a difficult economic and political situation.

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**КОНКУРЕНТНІ СТРАТЕГІЇ АВТОМОБІЛЕБУДІВНИХ ПІДПРИЄМСТВ:
ЄВРОПЕЙСЬКИЙ ДОСВІД ТА УКРАЇНСЬКІ РЕАЛІЇ**

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У статті проведено порівняльну оцінку стратегічних доктрин України та ЄС. На основі даних розвитку автомобілебудування простежено тенденції досягнення результатів, а також виявлено проблемні місця. Розкрито фактори, що здійснюють позитивний та негативний вплив на результати діяльності автомобілебудівних підприємств. Проаналізовані складові успіху автомобілебудівної промисловості країн ЄС. Розглянуто роль національних регуляторів у захисті та розвитку автомобілебудівників. Акцентовано увагу на недосконалих стратегічних цілях вітчизняного автомобілебудування. Надано пропозиції щодо поточних стратегій українських підприємств. Обґрунтовано доцільність створення стратегічних альянсів між українськими та європейськими автомобілебудівними підприємствами з метою залучення новітніх технологій та просування продукції на міжнародні ринки.

***Ключові слова:** автомобілебудування, конкуренція, конкурентоспроможність, стратегія, обсяг виробництва та продажу, криза, ризики, стратегічні альянси, інноваційні технології, міжнародні ринки.*

**КОНКУРЕНТНЫЕ СТРАТЕГИИ АВТОМОБИЛЕСТРОИТЕЛЬНЫХ
ПРЕДПРИЯТИЙ: ЕВРОПЕЙСКИЙ ОПЫТ И УКРАИНСКИЕ РЕАЛИИ**

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В статье приводится сравнительная оценка стратегических доктрин Украины и ЕС. На основании данных развития автомобилестроения отслеживаются тенденции достижения результатов, а также выявляются проблемные места. Раскрыты факторы, оказывающие положительное и отрицательное влияние на результаты деятельности автомобилестроительных предприятий. Проанализированы составляющие успеха автомобилестроительной промышленности стран ЕС. Рассмотрена роль национальных регуляторов в защите и развитии автомобилестроителей. Акцентируется внимание на несовершенных стратегических целях отечественного автомобилестроения. Предоставлены предложения относительно текущих стратегий украинских предприятий. Обоснована целесообразность создания стратегических альянсов между украинскими и европейскими автомобилестроительными предприятиями с целью привлечения инновационных технологий и продвижения продукции на международные рынки.

***Ключевые слова:** автомобилестроение, конкуренция, конкурентоспособность, стратегия, объем производства и реализации, кризис, риски, стратегические альянсы, инновационные технологии, международные рынки.*