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GENESIS OF VERTICAL INTEGRATION CONCEPTS AND ANALYSIS OF INTEGRATION THEORIES

ГЕНЕЗИС ПОНЯТИЙ ВЕРТИКАЛЬНОЙ ИНТЕГРАЦИИ КОМПАНИИ И АНАЛИЗ ТЕОРИЙ ПО ИНТЕГРАЦИИ

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Abstract. In the article have been analyzed various ideas and theories of vertical integration and compares various approaches. The purpose of the research is to identify, analyze and systematize the features of the integration processes of entrepreneurial structures that have an impact on increasing their competitive advantages. To achieve this goal, empirical and general research methods are used. In the course of the research, the views of domestic and foreign scientific researchers and specialists on integration issues have been analyzed and summarized as an effective mechanism for increasing the competitiveness of entrepreneurial structures.

The results of the work can be used to further study the theoretical foundations and approaches to managing the competitiveness of entrepreneurial structures on the basis of their vertical integration.

Аннотация. В статье проанализированы различные идеи и теории вертикальной интеграции, сделан сравнительный анализ различных подходов. Целью исследования является выявление, анализ и систематизация особенностей интеграционных процессов предпринимательских структур, оказывающих влияние на повышение их конкурентных преимуществ. Для достижения данной цели использованы эмпирические и общелогические методы исследования. В процессе исследования проанализированы и обобщены: взгляды отечественных и зарубежных научных исследователей, и специалистов по вопросам интеграции, как действенного механизма повышения конкурентоспособности предпринимательских структур.

Результаты работы могут быть использованы для дальнейшего исследования теоретических основ и подходов управления конкурентоспособностью предпринимательских структур на основе их вертикальной интеграции.

Keywords: vertical integration, market economy, competitiveness, enterprises, integration process, integration.

Ключевые слова: вертикальная интеграция, рыночная экономика, конкурентоспособность, предприятия, интеграционный процесс, интеграция.

Introduction

In modern conditions, for any development, any enterprise needs a clear long–term strategy of action, backed up by the organizational structure that the company can provide, including strategic partnership with colleagues. One of the forms of strategic partnership, which has become widespread in the domestic market, is vertical integration. The essence of this process is the

transformation of relations between disparate enterprises aimed at creating a single competitive production and distribution complex. The general method of its creation is the introduction of a system of centralized management in the field of market positioning, planning, supply and coordination of activities of all entities within the structure of this association, along with a clear definition of the economic and functional specialization of enterprises — the elements of the complex, their professional concentration on the performance of certain production functions.

Information on the process of introducing technological processes in the enterprises with problems of organization of textile complexes, the order of processing raw materials, the level of semi-finished and finished products, and resource utilization are obtained on the basis of practical experience but their scientifically–based approaches to be developed.

Most of the cotton fiber grown in our country is exported as raw materials. One of the topical issues of today is the problem of cotton fiber production, raw cotton yarn, textile, knitwear and fabrics, finishing fabrics and ready–made garments, attracting foreign investments, and developing a vertical integration strategy in textile complexes.

Review of foreign literature

The main purpose of this article is to consider the notion of vertical integration, a comprehensive analysis of theoretical approaches to explaining this phenomenon, which was not given much attention in the literature before, and also the creation of a theoretical basis for explaining the processes of vertical integration in the automotive industry. The main source of information for writing the article were the works of Timothy F. Bresnahan, Jonathan D. Levin [1], Erin T. Mansur [2], R. Coase [13], Yang, Chenyu [8], O. Williamson [3–4], M. Adelman [6–7], KR Harrigen [14–15], J. Stigler [16], V. Abernasi [5], Wei Guan [9], K. Arrow, R. Blair [10–11], R. Basel [12]. The object of research in this article are economic theories that are used to explain the company's vertical integration. Theoretical–methodological issues of creation and development of textile and light industry enterprises A. Afanaseva, V. Afanasev, D. Baeva, A. Gudjalov, P. K. Koketkin, E. Smirnov, B. A. Buzov, V A. Nikitin, A. Solovev, I. Iskandarov, S. Ziyadullaev, A. Kudkovsky, T. Shabazova, M. Kattakhojaev, M. Marupov, S. Kosimov, D. Karimova, B. Rizaev, D. Serikbaev, D. Nosirkhojaeva, S. Saidmurotov and others. In this case, the object of analysis, the arguments presented in defense of vertical integration, the contribution to the theoretical justification of vertical integration, as well as their limitations are considered.

Analysis of the concept of vertical integration of the company

As you know, the market economy is very vulnerable in the event that competitors on commodity markets enter into agreements that are not in the interests of consumers and lead to a restriction of competition [4, p. 8]. At the same time, modern enterprises are struggling hard and must develop strategic solutions that allow them to retain their competitive advantages for a long time. It is clear that in case of excessive limitation of competition from individual sellers, the consumer suffers. However, if producers cannot keep their negotiating power in reasonable markets within reasonable limits, in the end the consumer will also suffer, because in such conditions, sellers will not be motivated to offer innovative solutions that ultimately allow the same consumer to get a better and more useful product to fulfill their current tasks. The concept of vertical integration of enterprises is to create a single industrial and commercial facility represented by an integrated system of business units that perform the functions of production operators interacting with each other through a single management system designed to carry out the function of coordinating their actions, as well as interacting with market conjugate groups. Professor of the Massachusetts Institute of Technology M. Adelman believes that the company is vertically integrated, when within the company, goods and services are moved from one unit to another, which could be sold on the market without further processing [5, p. 27]. Vertical integration presupposes the formation of a center for coordinating the activities of its elements in the areas of planning, marketing, supply,

determining ways and means of development, with the provision to the participating enterprises of the functions of a production operator within the framework of the chosen production lines for them as the most effective [2, p. 75]. A vertically integrated company has competitive advantages, as it can reduce the price of the goods to a greater extent and obtain greater profits at a given price, due to lower costs either by purchasing factors of production or by selling the final product. Vertical integration can also increase producer control over the economic environment. Properly conducted process of vertical association of enterprises will allow enterprises to reach a new level of competitiveness due to the effect of specialization, that is, cost savings arising from the concentration of material, labor and financial resources in key competencies of the enterprises under consideration; the effect of increasing the profitability of the complex by creating single centers for professional decision–making in the field of market positioning, logistics, marketing and sales; the effect of increasing profitability, the efficiency of production through the introduction of a system of functions for the rational allocation of resources within the complex, coordinating the interaction between its individual entities and transferring them to a single management center; effect on the activities of selected business units. The effect will be achieved only if the whole process of reorganization preparation is correctly and thoroughly conducted, both in the field of defining the structure and functions of each of the participants in the integration process, and in the organization of interaction within the production chain [2, p. 77]. Integration as a process of deepening cooperation of economic entities in modern conditions is an objective law of social development.

Vertical integration is the process of incorporating into the company's structure firms that are linked to it by a single technological chain or merging the stages of production of a single technological chain and establishing control of one company over them. At the same time, the stage of production is understood as a process, as a result of which the added value adds to the initial cost of the product, and the product itself moves along the chain to the final consumer.

The main difference between the definitions of vertical integration by scientists is the degree of control of one firm over another, which arises from the integration of the various stages of the value chain.

Table.

COMPARATIVE TABLE OF DIFFERENT FOREIGN SCIENTISTS` VIEWS ON VERTICAL INTEGRATION

№	*Authors*	*Definition*
1	Professor of the Massachusetts Institute of Technology M. Adelman	the firm is vertically integrated, when within it from one unit to another there is a movement of goods and services that could be sold on the market without further processing.
2	Harvard University Professor K.R. Harrigen	definition of vertical integration as a way to increase value added when creating a product or service and moving it towards the end user.
3	American economists A. Young and J. Stigler	The explanation of vertical integration should be based on the theory of the division of labor of Adam Smith. Using this theory, they conclude that at the inception of the industry, all firms are highly integrated, because of the novelty of the product, materials, equipment, it is difficult to find firms with which it would be possible to cooperate in these areas and firms are forced to produce all within their units. As the industry grows and reaches a certain size, the stages of the technological chain disintegrate, as specialized firms perform certain functions with greater efficiency and lower costs due to the division of labor.

So, M. Adelman believes that this definition reflects the opinion of the majority of scientists that vertical integration assumes 100% control of the firm over several stages of production. This definition excludes the flexibility of the firm when choosing the degree of vertical integration, as well as the possibility of implementing quasi–integration strategies [14, p. 27].

But K. R. Harrigen gives a broader view. This view suggests a variety of forms and levels of control over the relationships between different stages of production, including their disintegration. The latter phenomenon is observed in many industries, for example in the automotive industry [15, p. 397].

Depending on the direction of vertical integration, there are:

- integration "forward", or direct integration, involving the integration of one of the stages of the value chain with subsequent stages of production and marketing. An example of such integration can be the integration of the stages of assembly of cars and their distribution;
- integration "backward", or reverse integration, in which one of the stages of the value chain with the previous links of the technological process joins together. For example, a company that assembles a car vertically integrates with a supplier of components for assembly [18, p. 399].
- Depending on the degree of integration, consider:
- full integration;
- quasi–integration, requiring less capital investment and allowing companies to remain freer [2; 17, p. 642].

Quasi–integration can exist in the form:

–long–term contracts;

–joint ventures and strategic alliances. With this form firms combine certain resources to achieve a common result, while remaining independent in addressing other issues;

–licenses for the right to use technology. In this case, we are talking about vertical integration, in which one of the integrable stages is the development of technologies and innovations. Full vertical integration can be replaced by a license agreement if the technology developed is difficult to copy and for the sale of such technologies, no additional assets are required, for example, marketing specialists;

–Asset ownership. The firm has ownership of certain assets at various stages of the technology chain, while outsourcing manages these assets. For example, car manufacturers have specialized tools, equipment, templates, molds for punching and casting, without which it is impossible to manufacture components. They conclude contracts with contractors for the production of such components, remaining owners of the means of production, thus preventing the possibility of contract violations by contractors and guaranteeing supplies;

–franchising. The franchisor is the owner of intangible assets (for example, a trademark), controls prices, product quality, service level, while minimizing financial and managerial resources [2; 17, p. 643].

At the moment, there is no general theory of vertical integration in economic science, and the explanation of its existence occurs using various theories and approaches. According to some scientists, for example, K. R. Harrigen, the analysis of the relationship between the division of labor and vertical integration in this study was conducted using insufficient data, making it difficult to generalize the conclusions. For example, vertical integration in the American automotive industry disproves the conclusions made by J. Stigler. In the period from 1900 to 1920, there was a high degree of vertical integration, and not disintegration, as it should be in accordance with the approach described above [15, p. 365–366].

Specific activities of the corporation can be presented, for example, as follows: a company that develops chemical technology of tannery represents a commodity loan to a leather factory that supplies raw materials (leather) to a shoe factory, and that — its products (shoes) to a trading company (channel of sales) integrated concern. Transaction cost theory, developed within the framework of the neoinstitutional direction, explains vertical integration in terms of the existence of costs of agent interaction in the market. The founder of this theory is R. Coase, who in his work "Nature of the firm" in 1937 first drew attention to the existence of costs of using the price market mechanism, or transaction costs, the elimination of which is possible due to the existence of the

company and vertical integration. R. Coase believed that integration can be said when transactions that previously occurred between entrepreneurs are organized inside the firm [15, p. 390–391].

Transaction costs include:

–costs of information retrieval;

–costs of negotiating;

–measurement costs;

–costs of specification and protection of property rights (these costs include the costs of maintaining the courts, arbitration, state bodies, the time and resources needed to restore the violated rights, as well as losses from poor specification and unreliable protection);

–costs of opportunistic behavior. Under opportunistic behavior (the term was introduced by O. Williamson, a follower of R. Coase) is understood the unfair behavior of people, aimed at obtaining their own benefits at any cost. Opportunistic behavior is manifested in the form of "shirking" or "extortion". A. Alchian and G. Demsets under the term "shirking" understood the work with less payoff and responsibility than follows under the contract. This is especially evident in the conditions of joint activity of the group. In such a situation, remuneration does not reflect the effectiveness of labor. "Hold-up", as O. Williamson showed, arises in the event that in a transaction between agent's specific resources are involved and one partner has the opportunity to blackmail the other with a threat to interrupt his business relations with him. Vertical integration can be seen as a form of protection against extortion [3; 8, p. 780];

–the costs of politicization accompanying decision–making within organizations.

Transactional costs can exist in an explicit and implicit form. Like production costs, they allow for economies of scale, for example, through the sharing of collected information and the application of standardized contracts.

When considering transaction costs and their impact on the structure of the enterprise, it is necessary to take into account that different types of these have different savings potential. This determines the choice of the form of the organizational structure. Vertical integration, for example, reduces the costs of negotiating, but at the same time increases the costs of influence, while market transactions lead to high costs for measuring the quality of the product.

The main reasons for the emergence of transaction costs are limited rationality and opportunistic behavior of people.

O. Williamson defined the conditions under which transaction costs become maximum and their minimization requires vertical integration. According to his research, the amount of transaction costs depends on:

–the specificity of the resources involved in the transaction;

–repeatability of relations;

–degree of uncertainty.

The more specific, repetitive and uncertain the transaction is, the higher the transaction costs of the transaction in the market. By supplementing this study with the study of situations in which market failures may occur (market static, contract incompleteness, information processing, institutional adaptations), O. Wilmson defined the conditions under which vertical integration becomes more preferable than the market [3].

In addition to considering vertical integration as a mechanism for reducing transaction costs, proponents of the transactional approach determine the boundaries of the expansion of the firm and, accordingly, the limits of vertical integration.

R. Coase believes that the firm can expand until the marginal costs associated with the use of the market are equal to the marginal costs associated with the use of a hierarchical organization [15, p. 394].

The limits of expansion of the firm were also examined in the works of A. Alchian and G. Demsets. In their opinion, the main advantage of the company, and therefore of vertical integration, is the possibility of more efficient use of a certain resource in the whole "team". Once the costs of

monitoring the “team” and preventing “shirking” exceed the benefits of using the “team” resource, the expansion of the company becomes ineffective [8, p. 783].

J. Barzel defines the boundaries of the firm by the costs of measurement. In his view, the boundary of the firm is where the marginal costs of measuring costs are equal to the marginal costs of measuring output; within the firm, the cost estimate is a less expensive method of measurement [11, p. 41].

S. Grossman singles out the concentration of power in one or a narrow group of agents as a factor that affects the effectiveness of investments in the specific assets of another participant. According to his theory, the firm’s influence on the risk of “extortion” may be the opposite of the alleged O. Williamson. For example, if one firm absorbs another, while the head of the absorbed firm remains to manage part of the new company as a wage worker, then for the company that has absorbed the risk of “extortion” is reduced, and for the absorbed, it grows. In this case, vertical integration does not lead to savings in transaction costs [16, p. 694–695].

With the help of the theory of transaction costs, in explaining vertical integration, one can distinguish a particular type of cost that influences the decision making by the firm "to produce inside or to buy on the market" and explains the existence of vertical integration. This theory actually determines the effective level of vertical integration, indicating the boundaries of the firm, including taking into account differences in organizational culture. The advantage of this theory is that, in addition to transaction costs arising in the process of interaction in the market, it draws attention to the existence of transactional costs within the firm.

The disadvantage of the theory of transaction costs is that when considering vertical integration and its degree, it does not take into account the structure, the life cycle of the industry, the corporate strategy, the uniqueness of the management of companies in different countries, and the need to review vertical integration as the competitive situation in the industry changes. Within the framework of this theory, vertical integration is seen as the only way to eliminate transaction costs, thus ignoring the possibility of the existence of “quasi–integration strategies” (for example, strategic alliances). The theory of transaction costs also ignores the costs of implementing vertical integration. In the event that they exceed the potential savings in transaction costs, vertical integration is disadvantageous.

In explaining vertical integration, the “dynamic” theory of transaction costs is singled out separately. It looks at transactional costs associated with market growth, as well as qualitative changes, for example, innovations that lead to vertical integration in the industry.

For example, M. Adelman argues that, given the rapid pace of industrial development, intermediate goods suppliers may not be able to meet the demand of final goods producers, which facilitates the integration of producers of end products “back” [7, p. 363].

Innovation as a source of economic change also affects the vertical integration of companies. Uncertainty of demand for innovative goods leads to a vertical integration of the innovator firm as “forward” and “backward”. As demand for innovative products is established, newly emerging firms no longer require a high level of vertical integration, since intermediary goods suppliers have already mastered the process of its production by that time.

When considering vertical integration from the point of view of innovation, the dynamic theory of transaction costs emphasizes the fact that, on the one hand, a large vertically integrated firm has more opportunities to innovate, but on the other hand, vertical integration can restrain changes in the company as a result of a one–to–one source of innovation.

U. Abernathy argues that the automotive industry is an example of an industry in which vertical integration has blocked access to innovation for firms to use in the event of a decentralized system.

Reducing the level of innovation in the product as the industry matures leads to a process innovation that contributes to the increasing scale effect and the need for vertical integration.

Examples of the impact of innovation as a form of dynamic transaction costs on vertical integration can be found in the history of the development of the American automotive industry. On

the one hand, innovation in the industry at its inception led to the vertical integration of a company such as Ford, which, during the appearance of the Ti model, was more profitable to vertically integrate than to train external suppliers. But this vertical integration led the company to great difficulties in the 1920s. when moving to model A. Model A included important components that were either not manufactured by Ford or were different from those used in the Ti model, while the plant and the machines could not be rebuilt in a short time. During the same period, Chrysler and General Motors did not become attached to one supplier, which allowed them to apply a flexible mass production system and quickly make changes to their models.

The dynamic theory of transaction costs has contributed to the development of the theoretical foundations of vertical integration. She took into account both production and transaction costs, depending on the stage of the industry development, and also showed the ambiguous impact of innovation on vertical integration and firm efficiency at various stages of the industry's growth.

But like the general theory of transaction costs, this theory does not take into account the costs of implementing vertical integration.

In addition to theories explaining the need for vertical integration, in economics, studies are highlighted that study the consequences of vertical integration. The results of such studies are the conclusions that vertical integration leads to an increase in the market power of the firm and hinders the development of competition.

Market power is seen in these studies as the ability of a company to establish and maintain a price above a competitive level, that is, above the marginal cost level, as it is in a competitive environment. To assess market power, the Lerner index is used, which measures the difference between price and marginal costs relative to price

$$Lerner\ index = (P-MC)/P,$$

где P — price, MC — marginal cost.

A positive difference between price and marginal costs does not guarantee profits, because fixed costs can be high, and this will lead to losses. That's why companies are trying to vertically integrate to more efficiently allocate fixed costs [1, p. 180–181].

M. Adelman in one of his works considers a company that is a monopolist at one of the stages of production. Vertically integrating, such a company tends to acquire monopoly power in the previous or subsequent stage of the technological process. In this case, a company with monopoly power forces other companies to purchase or purchase its goods or services, thereby eliminating competitors who are unable to enter into contracts with firms in the integrated chain [7, p. 38–39].

Adelman also argues that vertical integration, reinforced by the market power of the firm at one stage of production, can contribute to the efficient use of capacity in a vertically integrated chain. In a vertically integrated company, at various stages, there is almost always more or less than necessary in the subsequent stages of production. For example, an integrated company combines three production stages (A, B, C), while monopolizing stage B. In this situation, all firms competing in production stages A and C are forced to sell or buy only from firm B because of its monopoly position. Company B, in turn, may require lower prices for products of stage A or raise the price of products of stage C [6, p. 38].

The main result of most studies of the influence of vertical integration on the firm's market power is the conclusion that in the case of vertical integration there is a reduction in competition. In the intermediate product markets, vertical integration restricts the access of new customers, denying them the opportunity to enter into contracts with firms that are part of a vertically integrated company. In the final product markets, a vertically integrated company can increase market power, thanks to cost advantages.

Other economists disprove the claim to eliminate competition as a result of vertical integration. For example, J. Spengler emphasizes the fact that vertical integration alone can promote competition, since in most cases prices are set at a lower level than those that could be set if there was no vertical integration or carried out horizontal integration [16, p. 347].

The contribution of market power research, acquired as a result of vertical integration, lies in the fact that they began to consider in more detail vertical integration in terms of the interconnection of the stages of the value chain.

The disadvantage of this approach is that it is based on the consideration of an integrated firm that is a monopolist in one of the production stages. Without attention is the question of changing market power in the event that the firm does not have such a monopoly position. In addition, this approach does not indicate the main reason for vertical integration.

Early researchers of this theory ignored changes in the market power of suppliers and buyers as the structure of the industry developed and changed. In addition, the form of the implementation of vertical integration was also assumed. The theory also did not address the question of how market shares will change as a result of vertical integration, which can be a source of market power. For example, after vertical integration, the company at an early stage will be closed in transactions with the company at a later stage, while the company in the subsequent stage may lose its market share, as it is forced after integration to buy resources at higher prices at monopolist in the previous stage.

As competition increased, theoretical approaches were required that would take into account not only the costs, but also the impact of vertical integration on the competitive position of the firm.

K. R. Harrigen offers a model for choosing the optimal vertical strategy of the company depending on the stage of the life cycle of the industry, its structure (product features, suppliers, customers, competitors and technologies, the market power of the participants) and corporate strategy of the company. She argues that such characteristics as the stages involved, the form and the degree of vertical integration must be constantly reviewed. The general conclusions of her model are as follows. At the stage of the origin of the industry, sales volumes and features of its structure are characterized by a high degree of uncertainty, and this makes vertical integration less attractive. An exception to the application of vertical integration in a nascent industry may be the situation where the company from the very beginning seeks to take the leading position in the industry. As the structure of the industry forms, vertical integration becomes a barrier to entry into the industry. In the event that capital is not the main obstacle for the company to vertical integration, it may allow another firm to enter the industry in order to test it. Thus, the company reduces the risk of losses by integrating at a later stage [18, p. 399–402, 423].

In addition, with the formation of the structure of the industry, reverse integration becomes an instrument for displacing less capitalized competitors, which leads to vertical integration of the latter as a protective measure. Vertical integration in industries that have reached the stage of maturity can serve as a barrier to exit the industry, which is due to the availability of specific resources.

K. R. Harrigen argues that even the instability of the market cannot keep the company from vertical integration, if required by corporate strategy. For example, if a firm is pursuing a goal of winning a large market share, it can use a higher degree of vertical integration than the model proposed by R. R. Harrigen. If the company is striving for technological leadership, then it can undertake vertical integration even at the stage of the industry's origin [15, p. 648–649; 14, p. 404].

The contribution of this work to the theoretical justification of vertical integration is the consideration of vertical integration from the point of view of strategic management. The model developed within the framework of this approach is a decision tool in favor of some degree of vertical integration. At the same time, the model fully takes into account the various stages of the industry development, which was not done before. In this paper, for the first time, the characteristics of vertical integration and its alternative options were determined, and the vertical integration itself was considered taking into account the company's position in the industry. In his conclusions, K. R.

Harrigen is based on an analysis of 16 industries (the automotive industry did not fall within the scope of the research) [14, p. 409].

Having considered various theoretical approaches to the explanation of vertical integration, one can conclude that the concept of vertical integration evolved as the motives for its implementation changed. The desire to achieve economies of scale in the nineteenth century. led to the fact that vertical integration was considered from the point of view of the theory of the division of labor of A. Smith. The explanation of vertical integration in terms of transaction costs in the mid-20th century. was due to the need to ensure the guaranteed supply, as well as the complexity of the technologies used. As competition increased, there was a need to consider vertical integration from the point of view of the firm's position in the industry, the study of the effects of vertical integration began.

A comprehensive analysis of theoretical approaches to the explanation of vertical integration, carried out in this article, allows us to create theoretical bases for explaining vertical integration in the automotive industry. Despite the fact that none of the theories examined can fully explain the existence of vertical integration of a particular firm, nor can it provide a single tool for choosing a particular vertical integration strategy, they can all be used to study vertical integration processes disintegration in the automotive industry. The most interesting for these purposes is the approach of K. R. Harrigen, who considers the process of vertical integration as a way to increase the added value of a product or service, taking into account the dynamics of the competitive environment. This approach, along with the work of D. Stigler, can be used to explain the processes of vertical disintegration in the automotive industry.

Conclusion

In conclusion, we can note the following advantages of the proposed corporate association of enterprises:

–science and technology along the whole technological chain, which allows at all opportunities for the corporation to effectively implement the achievements of the stages of production of products to achieve its competitiveness;

–the possibility of deep internal planning of the activities of all the participants of the corporation with an effective distribution of profits received at the final phase of the sale of products;

–lack of the need for a large financial subsidy for working capital, as in conditions unrelated to the corporation of production;

–investment attractiveness, both for domestic and foreign firms;

–the possibility of selling goods at relatively low prices, due to the development of a significant market share and a reduction in organizational costs;

–the ability of the corporation to accumulate cash from sales of products with the most appropriate use of them in the chain, thus, self-financing is carried out;

–resistance to changes in the market;

–availability of additional opportunities for solving social problems.

Thus, to increase the competitiveness of domestic enterprises it is necessary to use new forms of market structures. At the same time, the corporate formation of firms on a vertical principle seems to be a promising form of improving the efficiency of their activities in a constantly changing environment. Such a corporation, created on a technological basis, including the stage of realization of the final product, will solve important tasks for all its members, centralize marketing and legal services, organize consulting support on taxes and entrepreneurship, purposefully use bank loans, i. e. increase the competitiveness of domestic industrial enterprises.

Integration as a process of deepening cooperation of economic entities in modern conditions is an objective law of social development. Taking part in integration processes, enterprises unite

their efforts in the struggle for markets and resources, eliminating competition at intermediate stages of production and promotion of goods.

To increase the competitiveness of any enterprise, it is necessary to use new forms of market structures. At the same time, the corporate formation of firms on a vertical principle seems to be a promising form of improving the efficiency of their activities in a constantly changing environment. Such a corporation, established on a technological basis, including the stage of realization of the final product, will solve important tasks for all its members, centralize marketing and legal services, organize consulting support on taxes and entrepreneurship, purposefully use bank loans, i.e., increase competitiveness domestic industrial enterprises. Thus, vertical integration is the most important direction of increasing the competitiveness of domestic enterprises.

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