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NETWORK BUSINESSES: CONCEPTUALIZATION CONCEPTS AND PRINCIPLES OF OPERATION

This article deals with the nature of existing approaches to the interpretation of the concept «network business structure» and its author proposed definition. Attention is focused on the competitive advantages of network operation businesses, their role in the development of national economy and national businesses. The classification of network businesses, analyze the competitive advantages and disadvantages of network forms of business organization.

Key words: network economics, network businesses, competitive advantage.

In Ukraine, began the rapid development of innovative forms of business organization, initiated process of businesses that operate on the basis of networking and administrative integration. In the mid-80 th century. in the developed world was recorded a new type of business structures, which are called network structure, and today we can say that these structures in certain sectors of the economy Ukraine occupy an important place enough. The emergence of the phenomenon of network organization of economic activity due to increased competition in the market of producers and consumers, accelerate the process of updating technology not only in manufacturing but also in the management of economic activities.

Creating business networks promotes regional trade consumer markets, creating new jobs, attracting investments in areas more rapid dissemination of innovation and improving the quality of services provided to the population. In addition, the study features a network model of spatial organization of the economy and the functioning of specific network businesses directly related to the problem of improving the efficiency of business.

The need for research raised issues related to insufficient study of the theoretical and practical aspects of the mechanism of formation and development of these networks, evaluation of their role in the development of certain areas and in the processes of modernization and structural transformation of the economy. Actual research questions include theoretical plane study the nature of economic operators, in practice, to identify ways to improve their competitiveness.

Global science now actively exploring the phenomenon of the formation of entrepreneurial network structures among foreign scientists research interest K. Altera, K. Imayi, Ya. Yohansona, M. Kastelsa, U. Lauella, A. Larsona, Dzh. Linkolna, R. Maylza, X . Hakansona et al. Problems of network structures, the factors that contribute to the unification of individual companies in the network and assess their competitive advantages are investigated in scientific studies of domestic scientists, including O. Bannyh, O. Makovoz, O. Moroz, T. Pasichnyk, O. Sorokivskoyi et al.

The purpose of the article is study the nature, specificity and competitive advantages of network businesses.

In academic circles, there are many views on the definition of the essence of «businesses» as a network.

Note that the network is the basic concept of network economy. Network model of the economy can be viewed from two perspectives. The first is based on the principles of network economy, which

includes the economic activities carried out by electronic or digital communications network in various economic sectors. This activity involves the use of current resources of the Internet and the development of electronic business, in particular electronic commerce («e-commerce») [28].

Another approach related to the corporatisation of the economy, which includes operation of integrated forms of business organization on the basis of network organization. The essence of the network approach in this case is to replace the multi vertically organized hierarchies and specialized business units whose activities are coordinated by market mechanisms, clusters of companies and other economic entities seeking to expand horizontal connections by bringing new elements capable of communicative within the network [5].

Group of business associates, related joint activities that create their own network channels (often informal) information exchange to enhance mutual trust form a business network. Since ancient times in all economic systems business network existed in different forms and in different ways called.

Ukrainian legislation does not interpretation of the term «business network» or «entrepreneurial network». Accordingly, economic and legal definition and the economic rationale of the functioning of entrepreneurial networks as integrated structures virtually absent. Often seen in the scientific literature associating and sometimes identification of business networks with network structures such as entrepreneurial networks, clusters, alliances, holdings, corporations, conglomerates, retailers and taking into account industry specifics used common name – «integrated corporate structure» (ICS). However, the problem remains that despite numerous studies of various forms and functions of networked businesses unity in the definition of the concept is not.

Table 1 highlighted the concept of network «business structure» and different methodological approaches to determining the nature, revealing features of the functioning of the structures and principles of their organization.

First, from the analysis of scientific publications, we can conclude that there are different interpretations of the term «network». It should be noted that the above formulation in this or another way to focus on specific relationships between entities and the ultimate aim of their creation, including improving business processes.

In our opinion, the business network (network of entrepreneurial, business structure) – an association of businesses still – or divers specialization, characterized by a common financial and economic interests of participants whose activities are determined

Table 1

The essence of the concept «network business structure» in the approaches of different authors

AUTHOR	THE ESSENCE OF THE CONCEPT
Castells M. [11]	Network structure – a set of connected nodes, the specific content of which depends on the nature of a network structure.
Patyurel R. [18]	Network structure – a network with its nodes and links, which is formed in order to achieve goals according to the needs and expectations of business partners and conjuncture.
Kavun O.[10]	Entrepreneurial networks – a new complex form of interaction between entities that will combine their resources and business activities in order to create additional competitive advantages in the market by implementing management decisions in the form of specific projects.
Bulba C. [5]	Entrepreneurial Network – an association of businesses one or divers specialization, characterized by a common financial and economic interests of participants whose activities are determined by the concentration of capital, localization efforts of each link on a certain segment of the development, coordination leverage internal financial and economic mechanism to achieve these goals, common interests of the owners of capital.
Bal-Vognyak Terersa [4]	Network as an organization – a self-organized structures (less formal than a hierarchical structure) have resorted to solving coordination problems that are likely to be accepted by all the participants at the expense of obtaining a synergistic effect. Networks generate additional value compared to the number of effects of individual actions.
Holoshubova N. [17]	Distribution network – a set of one or various business units engaged in retail trade under the same brand, with corporate strategy, a single point of management, coordination and control their own distribution warehouse from which the business units that make up the association.
Davidova Ye. [17]	Network – a group of business units, working together, focused on improving business processes, gain competitive advantage and achieve a common goal.
Barvinov V. Gmurov D. [3]	«... a network called special organizational structure of local administration interaction. The main elements are «nodes»(the company or the objects) and relations between them (arcs). «
Ahtenhagen L. [24]	«under ideal network organization refers to an organizational type, which is characterized by loosely coupled network structure fundamentally equal and independent partners.»
Matyushok B. [12]	Network structure is considering as part of a network economy or «as a form of economic activity, based on the global electronic environment with predominance as the most important elements of the productive forces, knowledge and information, and accelerated dynamics of supply and demand.»

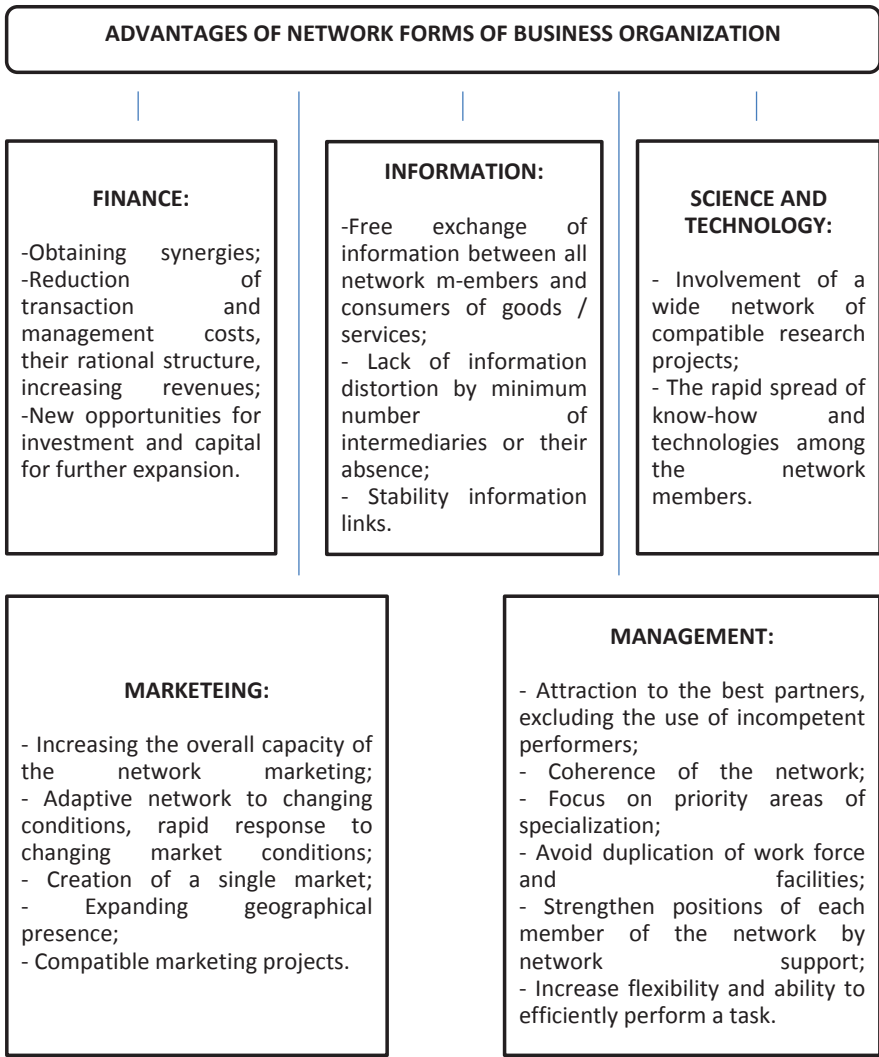


Figure 1. Benefits of network businesses.

by the concentration of capital, localization efforts of each link on a certain segment development, coordination leverage internal financial and economic mechanisms to achieve these goals, common interests of the owners of capital.

Of course, the network form, like any other form of economic activity has its advantages and disadvantages. For example, Meteleva Ye. notes that «... because the network is based on horizontal interactions indefinitely large number of participants, the objective existence of network organizational structure is in receipt of benefits by all members of the network «and «benefits from participating in the network are distributed more or less equally among all its members» [15]. The network form of organization provides all network members collectively and each individual participant increased flexibility and the ability to quickly perform tasks optimal or close to optimal way.

According Yuldasheva O., Kateneva V., Polonsky S. [29] the main factor that led to the rapid development of a network of business was that hierarchical forms could not withstand the new market realities, including accelerated development of science and technology and information technology, the need for rapid innovation, more individualization of consumer needs. The main factors of stability and efficiency of the network are: stability information links (presence of general network information resource that quickly replenished) coherence of the network, availability and performance of on standards, trust between members of the network or intranet corporate culture. In the studies focuses on the fact that the most important factor for success is to maintain trust between network members and the corporate culture within the network.

In his Stewart T. argues that «the company network structure is able to self: people grouped around projects to be implemented» [25]. This same idea follows Meteleva Ye. which emphasizes that «the key features of network structures is their reproducibility, no strongly pronounced depending on the composition of the participants» [15].

Working on various sources of scientific researchers [8, 18, 19, 20, 21, 24, 25, 26, 28] to the development of networked businesses, they can prove the following advantages (Fig. 1).

Despite the many benefits of network forms of business, the researchers also point out shortcomings and negative aspects of their development:

- the growth of monopoly and less competition in the market;
- reducing the efficiency of the absence of clear objectives consolidation of the network and slow decision-making procedures for its significant expansion;
- increase dependency constraints conduct by further loss of independence now;
- reducing the flexibility of management;
- blurring the boundaries between organizations due to complications of relationships between network members;
- increase transaction costs as a result of increased investment in maintenance and development of inter-firm relationships that may be ineffective .

Given the existing problems and shortcomings of network forms of business organization, Zykov O. states that: «... organizations need network efficiency of logistics management techniques that enable ... reallocate resources based on economic feasibility, add a network structure stability based on a clear definition of the roles of logistics and interconnectivity» [8].

Entrepreneurial network as complex structures can be classified by a number of grounds:

- **the nature of relationships:** hierarchical associations, non-hierarchical associations combined association;
- **the level of diversification of participants:** high – more than 5 activities Average – AR5 activities, low – up to 2 activities;
- **the nature (type) diversification of participants:** participants of related diversification, unrelated diversification of participants;
- **the scale of activity:** local, regional, national, international (world);
- **the purpose of creation:** strengthening market position due to expansion, focusing on the performance of basic functions and implementation of key competencies a particular project, the implementation of which has medium and long-term partnerships to pool resources, partnerships to exchange (transfer) key competencies;
- **the creation of the term:** long-term strategic alliance (long-term strategic alliance), medium-term partnership, joint efforts of members to implement a specific project.
- **for the functioning members:** intra-network; intercompany network.
- **by sector of activity:** shopping network, information network, logistics network, intelligent network, online banking, hotel chains, municipal networks.

The spread of business networking is the answer to the demands of the present, because its beneficial effect they are more effective than other forms of functioning businesses.

Today, the economic activity is intensive development of network relations, and in spite of this, the company is slowly accumulating potential inherent in a networked economy, do not develop the experience, focused on innovative problem solving, slightly used control opportunities and self-regulation. Achieving sustainable competitive advantage, which is supported and developed by the integrated interaction of independent business units that are the foundation of strategic management in networked business structures. One of the tasks of forming collective competitive advantage of network businesses over all other market players are management processes, rather than individual features. If the number of businesses starting their activities through voluntary and sustainable cooperation, such cooperation takes the form of joint ventures, franchising schemes, various contract and sub-contract relations and other integrated organizations where actions are planned and managed together.

Different aspects of networked businesses investigates domestic and foreign scientists

Analyzing the above views of scientists formulate a list of competitive advantages of network business structures:

1. The system of long-term cooperative interactions formally independent entities, based on the joint use of resources, especially the system of values and organizational and managerial interactions characterizing network business structure;
2. Independent individual businesses have the chance to function as part of a powerful economic structure, method of integration strategy if become members of the network business structure;
3. Network organization can be formal, that has a certain structure, and informal – little or unstructured . In all cases, the basis for the existence of a network is the ability to quickly establish the right

Table 2
Actual questions of research networking business structures

AUTHOR	FORMATION OF ISSUES
Batkilina G. Gahokidze G. [2]	Focus our attention on: - the problem of effective cooperation of large enterprises with small, successful participation in the restructuring of the past several sectors of the economy that is becoming increasingly important with the development of market relations; - the need to establish effective business partnership of entities caused by the peculiarities of the current stage of development of the global and domestic economy: the globalization of economic systems, the increasing openness (accessibility) markets, limited resources, the introduction of the business practices of information technology, constantly updated. Considers that these circumstances create conditions and simultaneously require a new level of adaptability to rapid changes in business market.
Makarova I. [13]	Entrepreneurial networks are characterized by - binders goals, - high degree of interconnectedness of the structural elements - coherence strategy, - the relationship of the internal environment.
Patyurel P. [18]	Stresses that «much organizational structure giving way to network systems that reflect the relationships between elements of the internal and external environment of enterprises. Operation mode network provides new competitive advantages. Strategic network management can reduce costs and increase revenue, provide quick response on replacement conjuncture «
Pasichnyk T. [22]	Emphasising systemic predictors of entrepreneurial networks and notes that in the last decade of XX century. in a developed economy has been actively used system integration as a new line of partnerships in the rejection of a purely hierarchical systems of organization and management for flexible partnerships.
Masliennikov V. [14]	Assessing the impact on the integration of businesses on the state of the economy, leads to the conclusion that the depth of integration partners in economic relations is one of the most important signs of maturity of the market economy. In fact, the integration process can create-process communication, coordination main elements of the technological chain, investment focus limited resources on priority areas of development.
Kastels M. [11]	Considers that the network form of business organization to quickly adapt to external conditions change. It too are many large multinational corporations to adapt to the variability of the global economy, maintaining competition. According to scientists, the company is experiencing network dissemination of organizational culture that has not claimed to be the dominant, but the efficiency is higher than the current hierarchy. Network structures are created on the initiative of the owners of capital, which form the conceptual tsilevynachennya creating their projects under the networked organization. Distinguish different types of networks: network of global financial flows, network media and others.

connections to accelerate the inclusion of market processes.

4. Competitive advantages of each partner (even small) by complementarity form a new competitive network businesses in general (multiplier effect and synergy).

5. Implementation of the principles of cooperation, specialization, division of rational functions in network integration creates conditions for sustainable development of network participants structures of flexible market policies .

6. Domestic and foreign markets business network structures are formed according to the principles of co-operation, co-ordination of inter-farm relations, specialization of each participant network.

Given the presence of significant competitive advantages of network businesses, lack of knowledge of the mechanism of formation and development of these networks in theoretical and practical aspects should be noted that these are subjects of economic activity to date is an actual research plane for domestic economics. Study characteristics and specifics of these subjects, the development of methodological approaches to the assessment of their effectiveness and competitiveness in the market approach to assess their role in the development of certain areas in the processes of modernization and structural transformation of the economy will expand the philosophical basis of modern scientific research.

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МЕРЕЖЕВІ БІЗНЕС-СТРУКТУРИ: КОНЦЕПТУАЛІЗАЦІЯ ПОНЯТЬ ТА ЗАСАД ФУНКЦІОНУВАННЯ

Резюме

У статті розкрито сутність існуючих підходів до трактування поняття «мережеві бізнес-структури» та запропоновано його авторське визначення. Акцентується увага на конкурентних перевагах функціонування мережевих підприємницьких структур, їх ролі у розвитку національної економіки та вітчизняного підприємництва. Запропоновано класифікацію мережевих бізнес-структур, аналізуються конкурентні переваги та недоліки мережевої форми організації бізнесу.

Ключові слова: мережева економіка, мережеві бізнес-структури, конкурентні переваги.

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СЕТЕВЫЕ БИЗНЕС-СТРУКТУРЫ: КОНЦЕПТУАЛИЗАЦИЯ ПОНЯТИЙ И ОСНОВ ФУНКЦИОНИРОВАНИЯ

Резюме

В статье раскрыта сущность существующих подходов к трактовке понятия «сетевые бизнес-структуры» и предложено его авторское определение. Акцентируется внимание на конкурентных преимуществах функционирования сетевых предпринимательских структур, их роли в развитии национальной экономики и отечественного предпринимательства. Предложена классификация сетевых бизнес-структур, анализируются конкурентные преимущества и недостатки сетевой формы организации бизнеса.

Ключевые слова: сетевая экономика, сетевые бизнес-структуры, конкурентные преимущества.