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**THE ESSENCE OF THE CONCEPT OF «INTEGRATION
PROCESSES» IN THE TIMBER INDUSTRY COMPLEX OF THE
REGION**

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At the present stage of the development of society, of the particular relevance are the problems of integration and the formation of integrated structures in the various sectors of the economy. The creation of such structures is a modern trend of the development of global and national markets in general and their economic entities, in particular. Integrated industrial structures are able to improve the efficiency of the real economy sector of the state, to strengthen the competitiveness of domestic enterprises in world markets, positively affect the development of regions, to create new technologies, to increase the level of employment, that is, to solve a complex of acute economic problems.

The timber industry complex has a direct impact on the functioning of almost all sectors of the economy – agriculture, machinery, construction, trade etc. At the same time, the timber industry complex is characterized by a huge untapped potential, effective and rational use of which can contribute to the economy of the regions and the country as a whole. One of the ways of increasing of the economic efficiency of the investigated branch is to reorganize

it, in particular, to create the effective vertically integrated structures that will allow the restoration of the production, technological and cooperative ties between the forest harvesting and processing enterprises of the timber industry complex and, in accordance, will ensure its financial and economic rehabilitation.

Scientific and theoretical aspects of the economic integration were studied by foreign economists. Among them: Kenneth Joseph Arrow, Ronald Harry Coase, Douglass Cecil North, Stephen Alan Ross, Frederic Michael Scherer. A significant contribution to the study of the sectoral peculiarities of the formation of integrated structures was made by domestic scientists – V. Andriychuk, A. Mazaraki, K. Rummyantsev, M. Yarchuk, P. Sabluk, Y. Bartashevskaya, P. Gaidutsky, V. Dykan, T. Dudar, D. Malaschuk, V. Mykytenko, Y. Nesterchuk, G. Cherevko and others. At the same time, the issue of the development of integration processes in the timber industry complex, which allows to easily adapt to the current conditions of the open economy, is a little studied nowadays.

The term «integration» (from Latin «integratio» – replenishment, restoration) first appeared in the scientific circulation in the early 1930's for the definition of the international economic processes and in the general sense means the unification of any elements (parts) into a single whole.

According to the economic encyclopedia, integration is understood as the gradual convergence and association of economic actors in the process of their interaction (mutual influence, interpenetration, mutual enrichment etc.) [1].

In accordance with V. Andriychuk, integration is an organizational combination of technologically interconnected diverse types of activities with their inherent functions in order to produce the final product and its delivery to the consumer, as well as achievement of higher economic results [2].

Investigating the concept of industrial integration, we determined the definition of V. Kaminska to be the most complete. It is understood as the unification, merger or sometimes acquisition of resources available at the

enterprise or can be used by other economic entities to achieve a common goal (obtaining a positive synergistic effect) [3, p. 17].

Thus, timber industry integration will be understood as the process of unification of enterprises into a single dynamic system, which involves the continuity of the technological process from forest harvesting to the implementation of the final production in order to obtain economic benefits.

Investigation of integration processes of business entities allows to identify certain levels at which it is carried out.

The first level is the macroeconomic integration, which at the interstate level involves reconciling of the goals of the socio-economic development of the countries. Hence there should be formed the harmonized structural, scientific, technical, investment, social and foreign economic policy, which ensures the most complete realization of the set of goals [4].

The main form of organization of the integration processes at the macro level is transnational corporations, the most characteristic features of which are: the existence of a system of international production, which is controlled from a single center; high intensity of the internal corporate trading; comparative independence in the operational decisions-making; global structure of employment and international mobility of managers; development, transfer and the use of advanced technologies within the framework of a closed corporate structure; flexibility and efficiency (especially in the sphere of science-intensive production and service).

The second level is the interregional integration, the main organizational forms of which are associations and unions.

The third level is the microeconomic integration, the main participants of which are separate enterprises and organizations, which are united with each other in various forms of organizational and economic relations in the process of production of goods and services [4].

The unification of enterprises promotes the mobilization of the industrial potential of the branch. Due to the unification the additional competitive

advantages of separate enterprises arises. It allows to realize the main strategic goals: to take leading positions, to form the rules of the game, to displace the competitors, to raise the level of capitalization.

Unions can apply different types of integration. Each species has its advantages and disadvantages, which manifest themselves in different ways, depending on the specifics of the environment and the sphere of operation of the enterprise.

We can highlight such main types of integration: by content – vertical, horizontal, diagonal or mixed; by scale – local, regional, national, transnational; by the form of implementation – rigid integration (acquisitions) and soft integration (mergers); by the type of decision-making – technological, situational or accidental.

Forms of integration can also have various alternatives: by organizational and legal form – cartel, syndicate, trust, concern, consortium, holding, alliance, financial industrial group etc; by the sphere of functioning – production, financial, industrial, market structure; by organizational forms – full, contract, joint-stock, cooperative, affiliate, public form.

It is worth noting that the types of integration structures and their forms are interconnected, since an enterprise can simultaneously belong to different classifications (for example, by organizational and legal form it can be financial industrial group and by scale – a national enterprise).

In our opinion, more attention should be paid to the essence of the concepts of vertical and horizontal integration. In microeconomics and management, vertical integration is an arrangement in which the technological chain of a company is owned by that company. Usually each member of the technological chain produces a different product or service, and the products combine to satisfy a common need. Vertical integration is when a company controls more than one stage of the technological chain. That's the process businesses use to turn raw materials into a product and get it to the consumer.

The goals of the vertical integration:

- to control all economic processes from the supply of materials and components to the provision of sales of finished products;
- to restrict the competition by monopolizing of raw materials supply and semi finished products, as well as distribution channels;
- to improve the quality and to reduce spending;
- rapid adaptation to the technological changes due to the systematic regulation of the directions and scale of production activity [3].

The main advantage of vertical integration for an enterprise is the ability to reduce operating expenses and to increase its profits. The main disadvantage is the restrictions that it imposes on competition.

Vertical integration can take place in the following directions: production direction (for instance, the unification of the enterprise-producer of raw materials with the processing enterprise that carry out the production of items and its further industrial processing); marketing direction is aimed at the accelerating of sales of manufactured products (for example, the association with suppliers, which provide the supply of necessary means of production); complex direction – the combination of previous two directions.

Horizontal integration is the mergers of enterprises that produce analogical products and use similar technologies to establish a close interaction between them. As a rule, it is the union of competitors in the same branch. Horizontal integration ensures deepening of the specialization of the individual links of a single technological chain in order to increase and improve the quality of products, strengthen and stabilize the economic situation, increase production efficiency. The goal of horizontal integration is to generate income due to the savings through the scale effect and protection against competition [5].

Having analyzed the aforementioned types of integration processes (vertical and horizontal integration), we can conclude that the peculiarity of vertically integrated structures in contradistinction to the horizontal ones, is the coverage of the entire technological chain, the continuity of the technological

process and quality control of the products, thereby the achieving of increase in the efficiency of production .

Analyzing the peculiarities of integration processes in the domestic timber industry complex, we should note that there are some first attempts to form vertically integrated structures while horizontal integration, for some reasons, has not become widespread.

From the standpoint of regional development, the effective functioning of the integrated structures of forestry complex will provide: the opportunities to solve a number of social problems, production of products for the population of the region; replenishment of revenues of regional and municipal budgets; development and implementation of scientific and technical policy at the expense of intraregional resources and attracting of additional financial resources for the development of timber industry complex.

The task of the state in this situation is to create the conditions for stimulation of the integration processes within the framework of the timber industry complex on the basis of economic levers in the sector of credit and tax policy, regulation of labor relations in the sphere of methodological support and consulting maintenance of the activities of business integration processes, as well as development of sectoral methodological recommendations for evaluation of expediency and cost-effectiveness of integration processes.

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