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Mechanisms of Management of Entrepreneurial Activity in Conditions of Uncertainty in the Regions of Ukraine

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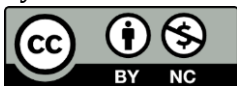
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ABSTRACT

The study emphasizes that measures based on the principle of stimulation should form the basis for the formation of mechanisms to support entrepreneurship in conditions of uncertainty. It has been determined that the effectiveness of the implementation of mechanisms to stimulate entrepreneurship should consist not only in the direct development of entrepreneurship, but also take into account the reverse economic and social effect for the state as a public authority. It has been proven that the effective implementation of methods for managing entrepreneurial activity in conditions of uncertainty on the part of public administration is achieved through a combination of administrative and managerial functions, mutual understanding of business needs on the part of public authorities, and, accordingly, social and economic state needs on the part of entrepreneurial structures. The study identifies and systematizes the main mechanisms of public administration aimed at developing entrepreneurship and assesses the effectiveness of their use, as well as identifies the factors that currently need to be addressed to increase the stability of business structures in conjunction with reforming approaches to public management of entrepreneurship in conditions of uncertainty for further sustainable economic development. It has been proven that the relevance of the issue of developing and implementing effective mechanisms for managing entrepreneurial activity in the economic and political conditions in which Ukraine finds itself lies in the interaction and establishment of partnerships between business and public authorities, and in the joint search for optimal mechanisms to stimulate entrepreneurship for the establishment of a stable economy in conditions of uncertainty. The establishment of effective and stimulating public management in crises forms the basis for the functioning of business management mechanisms to ensure further sustainable economic development. The existing local factors of uncertainty inherent in entrepreneurship have grown into more global and unpredictable ones and have become one of the drivers for the search for new and the development of existing incentive mechanisms by state and local authorities to ensure the proper functioning and stimulation of the economy of the country and regions.

KEYWORDS

public administration, sustainable development, conditions of uncertainty, business management, incentives, sustainable development.





Механізми управління підприємницькою діяльністю в умовах невизначеності в регіонах України

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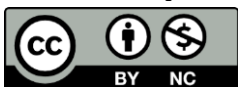
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В дослідженні наголошено, що в основу формування механізмів підтримки підприємництва в умовах невизначеності необхідно закладати заходи за принципом стимулювання. Визначено, що ефективність впровадження механізмів стимулювання підприємництва має полягати не тільки у безпосередньому розвитку підприємництва, а й у врахуванні зворотного економічного та соціального ефекту для держави як органу публічної влади. Доведено, що досягнення ефективності впровадження методів управління підприємницькою діяльністю в умовах невизначеності з боку публічного управління відбувається завдяки поєднання адміністративних та управлінських функцій, взаєморозуміння потреб бізнесу з боку органів влади, і відповідно соціальних та економічних державних потреб із боку підприємницьких структур. В ході дослідження виділено та систематизовано основні механізми публічного управління, спрямовані на розвиток підприємництва та надано оцінку ефективності їх використання, а також визначено чинники, які на даний час потребують вирішення для підвищення рівня стійкості бізнес структур у поєднанні із реформування підходів до публічного управління підприємництвом в умовах невизначеності для подальшого сталого розвитку економіки. Доведено, що актуальність питання розвитку та впровадження ефективних механізмів управління підприємницькою діяльністю у економічних та політичних умовах, в яких опинилась Україна, полягає у взаємодії та налагодженні партнерських відносин бізнесу і органів публічної влади, спільному пошуку оптимальних механізмів стимулювання підприємництва для становлення стабільної економіки в умовах невизначеності. Налагодження ефективного та стимулюючого публічного управління у кризових ситуаціях лягає в основу функціонування механізмів управління підприємництвом для забезпечення подальшого сталого розвитку економіки. Найвні локальні фактори невизначеності, притаманні підприємству, переросли у більш глобальні та не прогнозовані, і стали одним із рушіїв пошуку нових та розвитку існуючих стимулюючих механізмів з боку органів державної та місцевої влади для забезпечення належного функціонування та стимулювання економіки країни та регіонів.



КЛЮЧОВІ СЛОВА

публічне управління, сталий розвиток, умови невизначеності, управління підприємництвом, стимулювання, економічний розвиток.

1. Introduction

The challenges posed by the military invasion prompt a review of approaches and mechanisms of public administration in all areas of socio-economic direction. The destruction of infrastructure caused by hostilities and shelling of the territory caused significant financial losses to the country's economy and a decline in business activity of the business community, as they caused the need and became an objective reason for changing approaches to business organization in the context of labor migration, the outflow of professional personnel, changes in logistics routes and the need to relocate enterprises to safe regions. The existing local uncertainty factors inherent in entrepreneurship have grown into more global and unpredictable ones, and have become one of the drivers of the search for new and development of existing incentive mechanisms by state and local authorities to ensure the proper functioning and stimulation of the regional economy.

The purpose of the study is to search for and determine effective mechanisms for managing entrepreneurial activity in conditions of uncertainty and their impact on the economy at the regional level. Taking into account the purpose of the study, we have identified several tasks necessary for consideration, namely: to analyze the main uncertainty factors that affect the development of entrepreneurship under martial law; to identify effective mechanisms for stimulating entrepreneurial activity in conditions of uncertainty.

The subject of the study is the mechanisms of stimulation of entrepreneurship by public authorities in conditions of uncertainty.

2. Literature Review

The study is based on the scientific works of scientists, which consider the issues of increasing the efficiency of managerial decision-making at the level of business entities and public administration bodies for their sustainable development, as well as mechanisms of interaction in conditions of uncertainty to neutralize their impact on entrepreneurial activity [1; 2; 6; 9].

Thus, in their works, O. Nazarenko and T. Bezverkhniuk [8] emphasize that the methods of public administration in conditions of uncertainty, especially under martial law, require quick and high-quality solutions to increase the efficiency of public administration activities using scientifically based methods of forecasting and creating models for the development of situations to determine several possible scenarios for the multiplicity of choosing the optimal solution.

Along with this, K. Maistrenko and O. Bilyk [5] note that the organization of the strategic planning system in public administration in conditions of uncertainty depends on many factors and should be rapidly changing and adaptive to the development of the current situation, depending on the factors of influence, and also requires constant monitoring and control over practical implementation to minimize risks and manage them.

D. Kabachenko [3] emphasizes that entrepreneurial activity is accompanied by constant risks and is carried out in conditions of uncertainty, and therefore requires constant analysis and creation of specialized risk management models to optimize them and reduce the level of risk.

Taking into account the above approaches, it should be noted that uncertainty factors are inherent in both public administration bodies and business structures, therefore, the search for common approaches and mechanisms for managing business activities to minimize the impact of negative factors, especially in the crisis conditions of martial law, is a relevant topic of research for the sustainable socio-economic development of the country and the entrepreneurial sector of the economy.

3. Problem Statement

The analysis of scientific and practical-statistical sources indicates that scientists understand the problems of the influence of uncertainty conditions on the activities of entrepreneurial structures and public administration bodies, however, the issue of combining optimal managerial decisions to expand the mechanisms of stimulation and development of entrepreneurship without losing the economic benefit of state institutions in the form of budget revenues remains relevant, since the social and security component of the functioning of the state is its priority and strategic task.

4. Methods and Materials

Depending on the expediency, in the course of conducting a study of the mechanisms of business management in conditions of uncertainty, we used methods of scientific knowledge, empirical, statistical and analytical methods to analyze information arrays of data to determine the dynamics of registered business entities, as well as used methods of comparison and generalization to determine incentive mechanisms for the development of entrepreneurship within the permissible limits of public administration. The information base of the study is based on scientific publications, statistical summaries and analytical studies of international and domestic governmental and non-governmental institutions and organizations.

5. Results and Discussion

The gradual economic development achieved by Ukraine at the beginning of 2020 was partially stopped by the global pandemic, which initially affected the level of commodity sales of products and services that were not part of the basic necessities. And before both the entire economy and its individual sectors had time to recover from the shocks caused by the decline in the level of business activity of business entities, and finally stabilize, both the macroeconomic and political situation and business are negatively affected by the factor of Russian aggression. The constant fever of economic processes has been reflected in the conditions in which business operates for more than five years. However, it is worth noting that, for some industries or regions, such shocks have become extremely devastating, for others, they have given an impetus to economic development and, to a certain extent, entrepreneurial growth or re-profiling of industries and areas of activity.

Also, it is worth emphasizing that in the state public administration, certain processes related to the change in the political situation have become an impetus for changing approaches to cooperation with business structures, stimulating and reorienting them from a purely commercial to a more socio-commercial direction [4]. This approach actually makes it possible to form a new approach to understanding social responsibility in the activities of enterprises, classifying them according to the relevant public and social direction.

Reforming the system of public authorities and their approaches to the use of administrative resources in interaction with business has acquired a completely different character and has turned into a partnership and business. Based on this, it can be determined that businesses and authorities today work in the same way in conditions of uncertainty, since at present it is impossible to make a real long-term forecast of the development of economic processes, since these forecasts are pressured by factors of negative economic, political and social changes.

Therefore, taking into account the multifactorial impact of uncertainty on economic and public relations, which is caused by external and internal factors of economic development and public administration, they need to be improved and actualized based on the realities of today. Therefore, under the conditions of uncertainty in which a business entity operates, in our opinion, it is necessary to understand the conditions of influence not only at the micro level of a single entity, but also at the macroeconomic level, since they affect both this entity and its external environment, and this impact is much wider and more global than making a managerial decision within one entity.

The current state of Ukraine's economy and ensuring its security, at present, is under the influence of both internal and external uncertainty factors, which primarily include: hostilities, inflation, exchange rate fluctuations, migration processes, outflow of human resources, external political situation related to the parliamentary and presidential elections of partner countries, access to international credit and grant resources, etc. Such pressure of uncertainty factors prompts the search for mechanisms for managing entrepreneurial activity both on a national scale and at the regional level, and accordingly requires approaches to decentralize the capabilities of local authorities to make decisions aimed at the development of the region, taking into account national interests. From this point of view, in order to ensure the sustainable development of entrepreneurship, even in conditions of uncertainty, in our opinion, the task of public administration and authorities is to find effective mechanisms and models of management aimed at minimizing the impact of negative factors on business development, since in conditions of uncertainty it is the key to a certain reduction in the level of social tension in society and ensuring social standards through the payment of tax and other budgetary and extra-budgetary payments, job creation, other volunteer and social projects (Fig. 1).

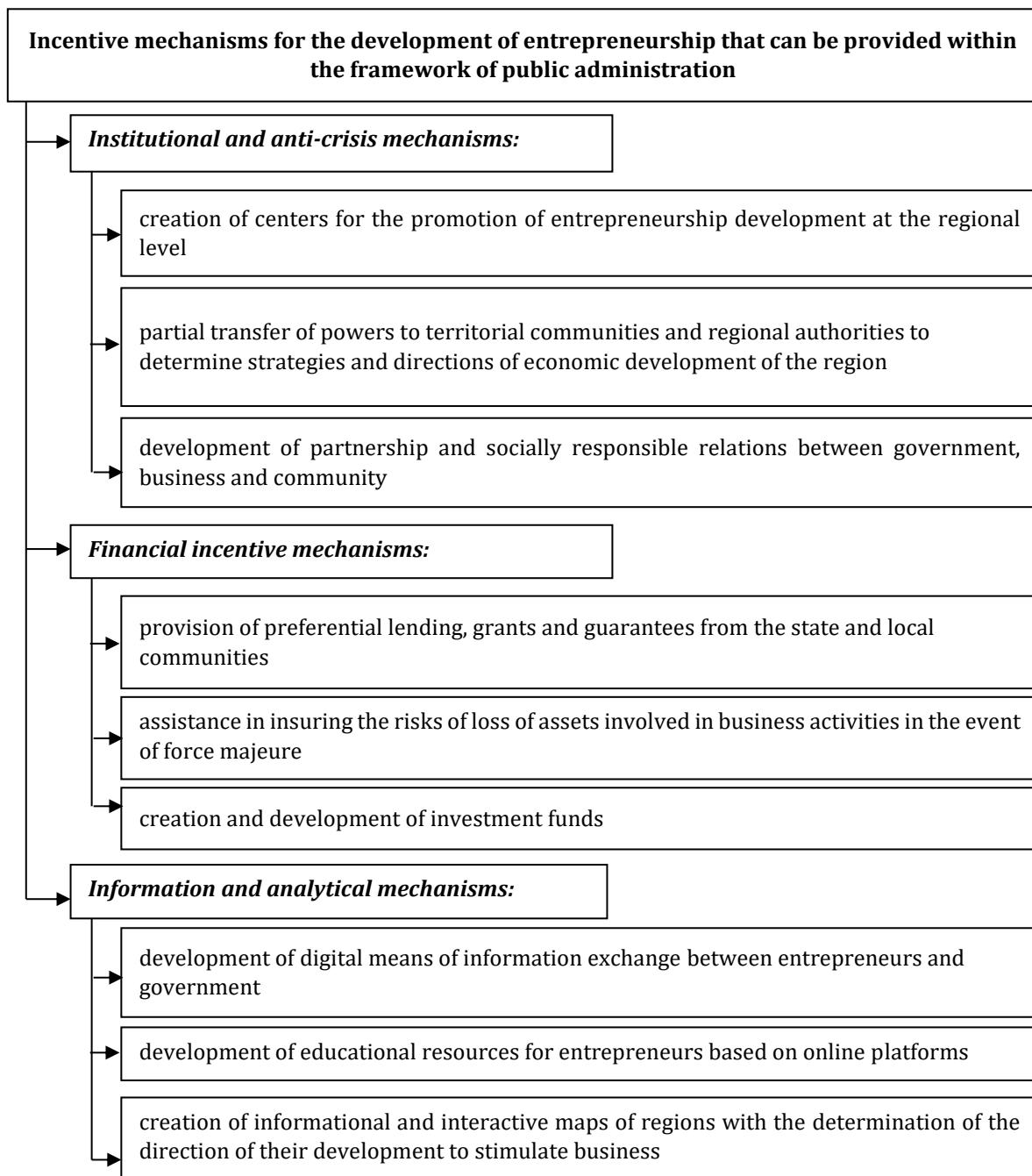


Figure 1. Stimulating mechanisms of public administration aimed at the development of entrepreneurship

Source: Compiled by the authors.

Taking into account that external uncertainty factors, such as: hostilities, global political fluctuations, exchange rates, global inflationary processes and rising energy prices, have a significant impact on entrepreneurial activity, they, in turn, provoke an increase in internal uncertainty factors due to the growth of instability factors such as: an increase in the tax burden, a change in the discount rate, insufficient access to cheap financial resources, outflow of labor resources, migration processes, impoverishment of the population, internal inflation growth, distrust of state institutions and social tension. That is, entrepreneurship is the driving force that ensures economic activity in the development of the country and its regions, but without constant communication and effective support and reform, state approaches to the management of entrepreneurial activity by the state from administrative to partnership are unattainable, the development of business as a social component of the country is unattainable [7].

An analysis of the functioning of the economic situation and entrepreneurship development in the United Nations Development Program in Ukraine, 2024 showed that at the initial stage of the introduction of martial law, business structures, especially in regions of active hostilities, suffered significant financial losses, so about 64% of entities were forced to suspend or close activities, but the domestic economy quickly gained stabilization thanks to the efforts made by the management decision of the government and international support. Based on the fact that businesses gained access to external financing thanks to incentive programs and balanced tax policy, most entities resumed activities, only 9.6% of entities completely ceased operations, and in some regions even intensified, including due to the relocation of businesses from the war zone (Fig. 2).

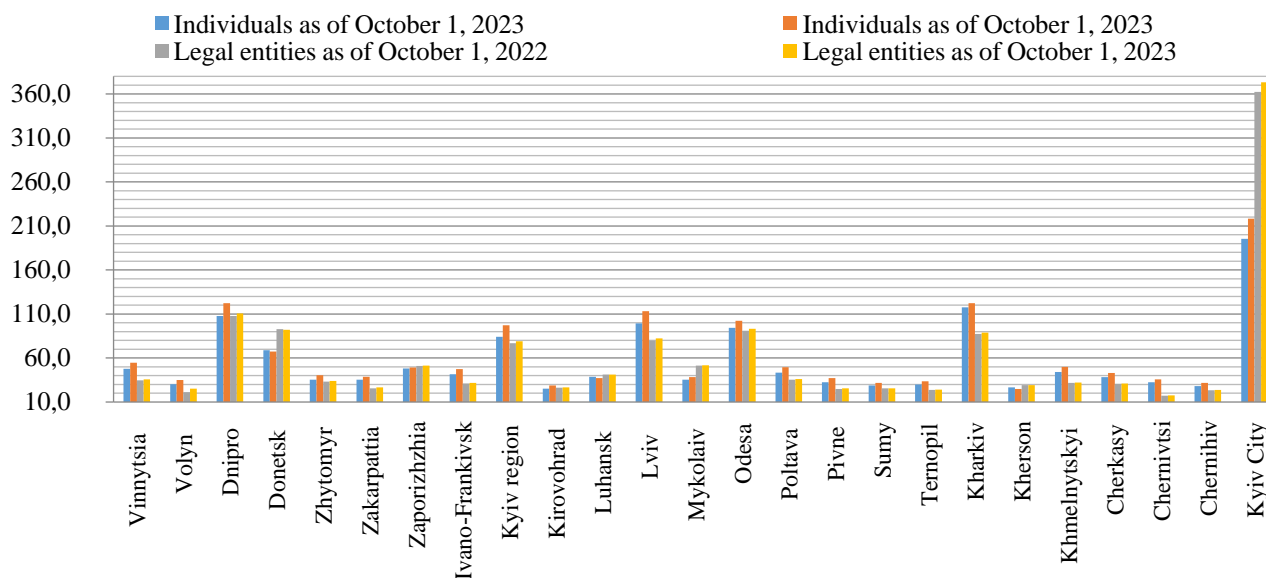


Figure 2. Dynamics of changes in the number of business entities in 2022–2023, thousands of entities

Source: Compiled by the authors based on [10].

The study conducted under the auspices of the UN clearly reflects that the number of newly registered business entities has increased by approximately 12%, of which 2% are legal entities and about 10% are individual entrepreneurs [10]. Such indicators reflect that the stabilization of economic processes has occurred due to the introduction of incentive mechanisms at the state level and the digital transformation of public authorities in obtaining public and administrative services, including the possibility of reserving highly qualified specialists to ensure uninterrupted entrepreneurial activity. However, among the unresolved problems, the issue of providing economic entities with qualified personnel remains unresolved, which is related to the migration aspects that arose at the beginning of hostilities, and requires the search for mechanisms to solve it, as well as the issues of increasing the tax burden remain open.

In our opinion, one of the ways to solve this problem is the establishment and provision of fixed-term preferential rates both for business entities themselves in terms of taxation of profits, and for employees in terms of reducing the income tax rate for those who returned from immigration. Also, an effective mechanism for stimulating entrepreneurship is not only the provision of direct financial support, but also measures aimed at expanding the production of domestic products and services, the development of the patriotic component and the idea of supporting the national producer through the consumption of domestic goods and services, which ensures an increase in the gross domestic product, and also performs a social function, since domestic products are lower in cost compared to export goods. In such economic and political conditions in which Ukraine finds itself, it is worth emphasizing the relevance of establishing partnerships between business and public authorities, the joint search for optimal mechanisms to stimulate entrepreneurship as a guarantee of the formation of a stable economy in conditions of uncertainty.

Therefore, in a crisis, the issue of establishing effective and stimulating public administration is a task that forms the basis for ensuring the search for mechanisms for managing entrepreneurship for further sustainable development of the economy.

6. Conclusions

Considering the current problems and principles of forming mechanisms for supporting entrepreneurship in conditions of uncertainty, it should be noted that they should be based on measures based on the principle of incentives. At the same time, the effectiveness of the implementation of such mechanisms should consist not only in the direct development of entrepreneurship, but also take into account the reverse economic and social effect for the state as a public authority. Achieving the effectiveness of the implementation of business management methods in conditions of uncertainty on the part of public administration occurs due to a combination of administrative and managerial functions, mutual understanding of business needs on the part of authorities, and, accordingly, social and economic state needs on the part of entrepreneurial structures.

In the course of the study, the main mechanisms of public administration aimed at the development of entrepreneurship are identified and systematized and an assessment of the effectiveness of their use is provided, as well as the factors that currently need to be addressed to increase the level of sustainability of business structures in combination with reforming approaches to public management of entrepreneurship in conditions of uncertainty for further sustainable development of the economy are identified.

At present, the position and mechanisms to stimulate the return of the country's highly qualified human resources from immigration remain uncoordinated, and this is due not only to the lack of effective mechanisms or the impossibility of using them, but also to the security and political components in which business operates. In particular, the topic of the tax burden on business profits and household incomes in the context of long-term conditions of instability and uncertainty remains open for further research.

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