

Cross-border cooperation of enterprises: essence and significance

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Abstract. In the last decade the development of cross-border cooperation in the context of economic integration and internationalization processes becoming increasingly important for Ukraine, which follows the Western vector of integration. Systematic development of cross-border cooperation is not possible without considering all of its components and levels. The article highlights a vision of complicated economic phenomenon – the cross-border cooperation of enterprises, which combines the two important economic categories – cross-border cooperation and entrepreneurship by its self. There considered the fact that cross-border cooperation is an important tool for economic development and competitiveness increase of enterprises, located in border areas.

Key words: cross-border cooperation (CBC), international entrepreneurship, foreign economic activity (FEA) of enterprises, cross-border cooperation of enterprises.

INTRODUCTION

Under the modern conditions of the expansion of globalization, internationalization and integration processes, the cross-border cooperation become an important factor in the intensification of economic development, the competitiveness increase and the convergence of both the regions and the enterprises that are in the border areas. Cross-border cooperation offers the number of potential opportunities to the enterprises: the access to world markets and the possibility of occupying its niche; the upgrade of production facilities; the risks' diversification, improved access to finance; etc. That's why, it is necessary to research this phenomenon.

The purpose of this research is to determine the nature of such phenomenon as cross-border cooperation of enterprises and expand its role in the modern economic relations.

MATERIALS AND METHODS

Referring to the studies of the foreign and Ukrainian scientists, important theoretical and practical aspects of the research of cross-border cooperation were done by following foreign scholars: D. Smallbone [15;16], F. Welter [15;16], M. Bufon [3], as well as by domestic ones: N. Mikula [10;11], Y. Kish [6], V. Pyla [13], I. Zhurba [20] and others. In turn, since the beginning of market economic transformation in Ukraine, to the study of entrepreneurship as a component of economic relations contributed such an outstanding national scholars as O. Kuzmin [7], V. Heyets [5], Y. Makohon [9] and others.

A lot of publications of both foreign and domestic scientists has devoted to the research of mega-, macro- and mesolevels of cross-border cooperation. However, microlevel of cross-border cooperation, which involves the cross-border cooperation and the trade between enterprises of border areas of neighbouring countries, has not researched enough that leads us to consider several terms related to each other in order to explain the nature of cross-border cooperation of enterprises.

In order to ensure the achievement of the article's purpose, we used a few important methods. First one is

the dialectic method, which is applied for justifying the preconditions for the study of cross-border cooperation in Europe and Ukraine. The following ones are the analysis and synthesis methods, which are called on study of conceptual and the categorical apparatus and the "cross-border cooperation of enterprise" term. The equally important are the theoretical synthesis and the formal logic methods. They aimed at the study of the hierarchy of cross-border cooperation of enterprises. In addition, the graphical method, this allows having a schematic representation of the theoretical and practical research results. Thus, such approach allows understanding the cross-border cooperation of enterprises, its essence and significance.

RESULTS OF THE RESEARCH

According to the Law of Ukraine "About the cross-border cooperation" (2004), cross-border cooperation (CBC) is a special field of international and intergovernmental relations, which, is a joint action, aimed at establishing and deepening economic, social, scientific, technical, environmental, cultural and other relations between local communities and their representative bodies, local executive authorities of Ukraine and local communities and relevant authorities of other states within the competence defined by their national law [18].

Considering the cross-border economic cooperation, it can be conditionally divided into four levels it is carried out and regulated at: mega-, macro-, meso- and microlevel (see fig. 1).

Cooperation between enterprises is the initial level of cross-border cooperation the hierarchically higher levels of cross-border cooperation are based on. It a priori indicates the importance of this phenomenon. However, a complete understanding of this concept is not possible without the determination of its place in the theory of entrepreneurship.

Until recently, the economic theory of international entrepreneurship was considered as an organic combination of two components – the Entrepreneurship by its self and the International Business. In recent years, it was identified another important component – the cross-border cooperation of enterprises.

For all those reasons, it is possible to form a hierarchy of "cross-border cooperation of enterprises" term and to determine the place and the role of each element in the system of economic relations (see fig. 2).

The basic element of this hierarchy is the core – the entrepreneurship, carried out within national borders, i.e. domestic business, which under certain specified conditions, can move to the next level – the level of cross-border cooperation of enterprises.

Cross-border cooperation of enterprises or as it is called by foreign scholars – cross-border entrepreneurship is hierarchically lower than the foreign economic activity of enterprises. This situation can be explained in the best way by the example from the practice. For example, the enterprise that operates within Odessa region (Ukraine), which is borderline, exports a set of goods to the

enterprise, located in the Tulcea county (Romania), which is also borderline. These relations can be regarded as both the cross-border cooperation of enterprises and the foreign economic activity of enterprises. However, if the enterprise, which is located in the Odessa region, will decide to export to the middle of Romania, for instance, Alba county, these relations can be classified only as foreign economic activity of enterprises. It is because the main feature of cross-border cooperation of enterprises, what in turn distinguish the term "cross-border cooperation of enterprise" from the term "foreign economic activity of enterprises" is that the cross-border cooperation is possible only if there is a common border.

Spatial location of enterprises on both sides of the common border only at first sight may seem like a limitation. In fact, the presence of a common border makes it possible not only to generate financial and industrial groups (holding companies, consortia, strategic alliances, joint ventures), but also new organizational forms such as cross-border clusters, cross-border partnerships and associations that are not possible under the conditions of foreign economic activity, but only within the framework of cross-border cooperation. Moreover, common infrastructure, business environment, etc. act as a potential platform for joint economic development and prosperity.

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Foreign economic activity is an economic category, which covers primarily functions performed by such entities as companies, organizations, enterprises, associations and others. According to the Law of Ukraine "Foreign Economic Activity" (1991), foreign economic activity can be interpreted as an activity of economic entities of Ukraine and foreign business entities, based on the relationship between them, which can take place in Ukraine and beyond [17].

Thus, foreign economic activity of enterprises is a sphere of economic activity associated with international production, scientific and technical cooperation, export and import of products, the entrance to the external market. Foreign economic activity of the enterprise is the part of the general economic activity and thus, is interrelated with it and is jointly motivated by the enterprise. At the same time, foreign economic activity has considerable specificity, which is what it carried out at different international levels in conjunction with economic entities of other countries [14].

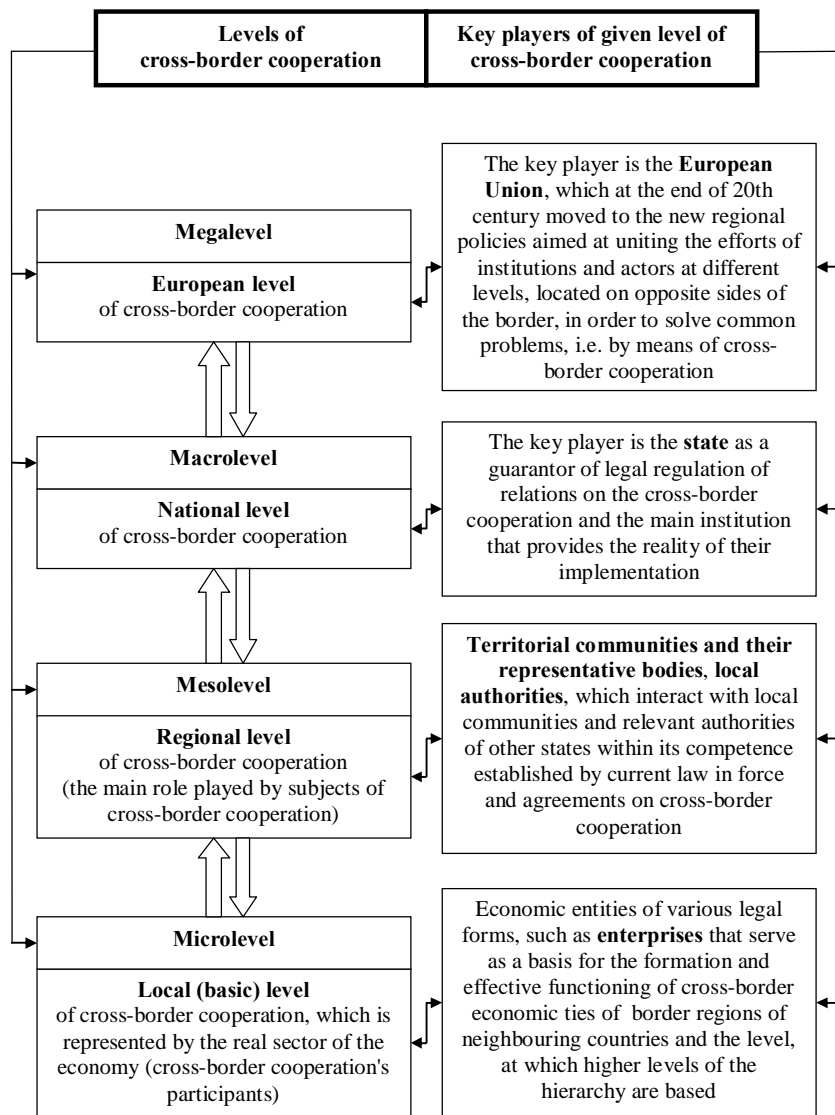


Fig. 1. Levels of cross-border cooperation
 Source: authors' own research results

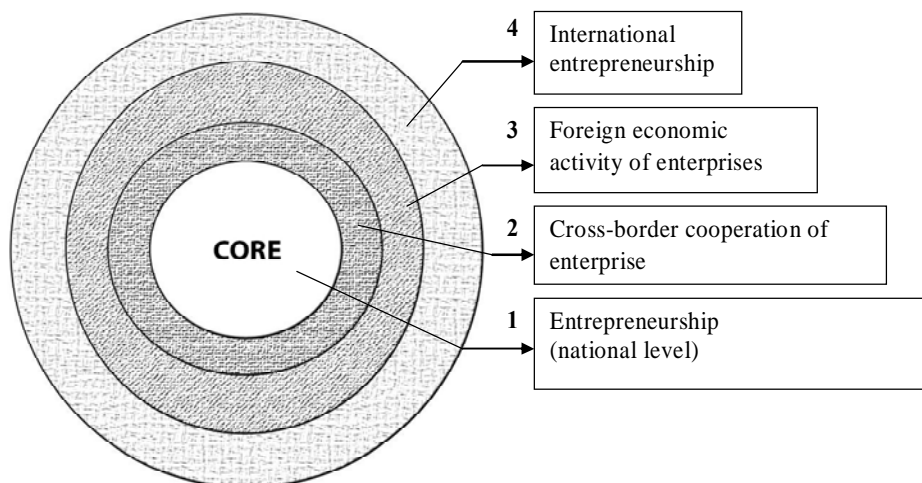


Fig. 2. The hierarchy of term "cross-border cooperation of enterprises"
 Source: authors' own research results

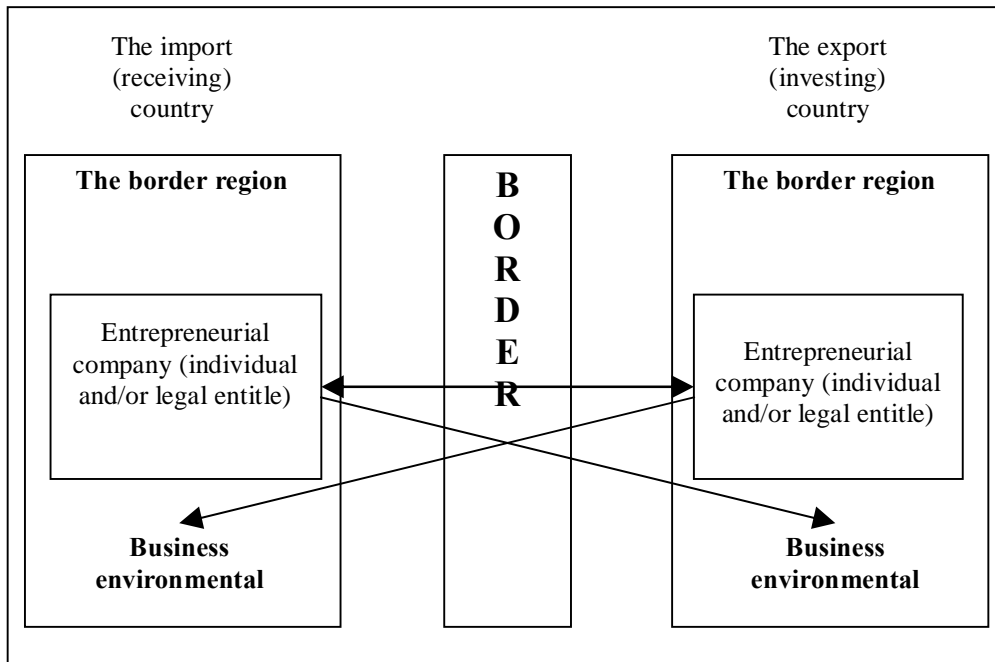


Fig. 3. The mechanism of functioning of cross-border entrepreneurship
 Source: developed by authors on the base of [19]

The hierarchically highest term is the "international entrepreneurship" one. It is also called the international business. The international entrepreneurship is an organization of business, which from the very outset aims to gain competitive advantage from the use of resources and to sale the performance results (products) to several countries. That's why, it is a search, enactment, evaluation and exploitation of opportunities – across national borders – to create goods and services in future. It examines and contrasts how, by whom and in what way these opportunities are used across national borders [12].

In addition, the international entrepreneurship, as a phenomenon, reflects the whole complex of external relations (economic, social, organizational), related to the organization of the business by the entrepreneurs, the production of goods, works or services and receiving desired result in the form of profits. International entrepreneurship objectively reflects the system of relations that occur globally in business between entrepreneurs, with customers, suppliers, banks, the government, represented by the appropriate authorities, employees and other entities of the world market. Herein, international entrepreneurship reflects the nature of the trade relations that are implemented based on the economic laws of the world market (demand, supply, competition) and all instruments of commodity production and circulation. Thus, international entrepreneurship is a free economic activity in various spheres of the world market, which is performed by the entitles of foreign economic relations in order to meet the needs of specific customers and society as a whole for goods, works, services and to realize a profit [19].

Thus, after the consideration of the hierarchy of entrepreneurship's performance from the core to the final level, we can state that cross-border cooperation of enterprises is a specific form of foreign economic activity of enterprises, which covers the part of the border trade (export and import), defined as foreign trade, which is carried out by the legal entitles and individuals that are registered in the border area of the country to meet their own needs or the needs of the population of the border area through cross-border markets on the basis of international agreements or related documents, and other relationships associated with international production and scientific and technical cooperation. Otherwise stated, in order to be considered as cross-border cooperation the following condition must be satisfied: enterprises should carry on business in the border regions of neighbouring countries that have a common frontier (fig. 3).

As it is shown in Figure 3; state border performs a specific function in the development of economic relations between economic entities, namely: it transfers the relationship on cross-border cooperation from the horizontal level (when entrepreneurs work together at the same level without any restrictions) into vertical one, and so forming mechanism of barriers, the essence of which is the need to overcome the obstacles that generates the very existence of the border between enterprises. Consideration of the border in this regard is appropriate because it provides an opportunity to analyse the cooperation of enterprises operating in cross-border areas and belonging to different national economies.

On the economic plane, it is advisable to analyse the boundary in two dimensions: as a direct line of intersection and as the spatial environment, as well as the complex dynamic system, which mediates the cooperation of the enterprises across the state border.

On the one hand, the border is seen as a set of legally or in fact an artificial line (on land and water), and a vertical surface that passes on this line (in the depths, waters and airspace) that define the spatial limits of the territory of the state and its fields of their economic sovereignty. In this case, the main characteristic of the border stands its insight for cross-border interactions – the international movement of goods and services, factors of production (international labour migration, international capital flows and international technology transfer). On the other hand, the boundary is considered in terms of the consequences of its existence as a barrier to communication adjoining border areas and relationships of enterprises located and operating within its framework. In other words, the border acts as a specific institution that carries out specific functions within the cross-border region [2, 181–182].

Thus, along the border creates a special type of space, characterized by different intensity of interaction between enterprises in neighbouring countries, including the intensity of cross-border flows between them [1, 240].

The presence of this specific space mediates the existence of various cross-border business ties, including the important place occupied by cross-border economic relations.

Knowing the fact that the basis of cross-border economic relations of any enterprise is export-import operations, it is important to identify indicators that characterize the state of cross-border cooperation of enterprise. This is the coefficient of cross-border cooperation in export ($C_{E\text{CBC}}$) and import ($C_{I\text{CBC}}$):

$$C_{E\text{CBC}} = \frac{E_{\text{CBC}}}{E}, C_{I\text{CBC}} = \frac{I_{\text{CBC}}}{I}, \quad (1; 2)$$

where: E_{CBC} and I_{CBC} – the volume of exports and imports over a particular period of time on the cross-border territories, UAH;

E and I – the total volumes of enterprise's export and import over a particular period of time, UAH.

After the obtained results from the formula mentioned above, we can determine the excess of export growth compared with the growth of imports in the cross-border market. It is possible to calculate the ratio of cross-border exports ahead of imports (C_A):

$$C_A = \frac{C_{E\text{CBC}}}{C_{I\text{CBC}}}. \quad (3)$$

If $C_A > 1$, this characterizes advancing exports over imports in cross-border trade and, therefore, the

presence of a positive trade balance. When $C_A < 1$ – should be expected the negative trade balance. The indicator Index C_A should be applied to each of the enterprise involved in cross-border cooperation, and then to conduct the comparative analysis of cross-border markets for which it is most significant.

In order to improve methods for assessment of cross-border cooperation of enterprises is proposed to carry out the analysis based on empirical data and to find the interdependencies between the features that characterize the process under study. For these purposes it is recommended to use mathematical model approaches such as correlation and regression analysis, cluster analysis and factor analyses. They can be used to determine the strength and direction of interaction between the studied factors. Methods of mathematical statistics allow finding a prediction error, building of prognostic models of cross-border cooperation and trade in the medium and long-term duration. The method makes it possible to determine how rapidly and to what extent needed a particular kind of product or service, to establish priorities, and export- import potential of the enterprise. The calculation of the proposed indicator is carried out according to the formula:

$$C_{it} = \frac{\sum C_{ijt}}{C_{i\text{tot}t}} \times 100, \quad (4)$$

where: C_{it} – the ratio of import/export of i -type of products (services) for cross-border market of the j -enterprise to all i -products of the enterprise in t time; C_{ijt} – the volume of import/export of i -type of products (services) for cross-border market of the j -enterprise in t time; $C_{i\text{tot}t}$ – the volume of imports / exports of i -type of products (services) for the whole of the enterprise in t time.

The calculation results show to what extent the studied enterprise is integrated into cross-border trade markets [8].

Thus, the analysis of cross-border cooperation of enterprises through shared indicators in this study will help to get a full description of the status and prospects of development of a single enterprise or group of them in the border region.

CONCLUSIONS

1. Cross-border cooperation of enterprises is a phenomenon of modern economic relations arising in the operation of enterprises and their interaction in the border region. Investigation of this level of cooperation is particularly relevant in the context of usage of cross-border cooperation of enterprises as a tool not only for competitiveness increase and for economic development of individual enterprise, but also as a prerequisite for the accelerated internationalization and the integration.

2. State border performs a specific function in the development of economic relations between economic entities and leads to the forming of mechanism of barriers, the essence of which is the need to overcome the obstacles that generates the very existence of the border between enterprises.

3. In order to get the realistic state of cross-border cooperation of enterprises and to forecast its prospects, it is necessary to apply some methods, including the mathematical statistics.

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