**CHAPTER 3 DIRECTIONS FOR IMPROVING THE FOREIGN ECONOMIC ACTIVITIES OF AN ENTERPRISE**

**3.1. Possible ways to optimize the foreign economic activity of an enterprise**

The main risks of the operation of LLC "Kuhovar" are:

* economic: instability of the economic situation, the likelihood of external and internal preconditions for deterioration;
* financial: the likelihood of deterioration of the country's financial and banking sectors, significant inflation growth rates;
* legal: instability of the political situation, possibility of changes in legislation;
* market: change in the market environment, reduction in demand.

But the most significant risk today is a large-scale military invasion by the Russian Federation, which has caused significant destruction of infrastructure and the occupation of a significant territory of Ukraine.

Separately, we note that the company pays considerable attention to ensuring environmental friendliness in its activities, as the implementation of new standards and norms is important when selling goods on European markets.

Combining the internal capabilities of the enterprise, as well as the influence of the external environment, we will conduct a SWOT analysis, which will identify strengths and weaknesses, as well as its opportunities and threats (Table 2.4).

**Table 3.1**

**SWOT analysis of LLC "Kuhovar"**

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| 1 | 2 |
| A developed trademark that is popular in Ukraine. | Significant diversification of activities. |

**Continuation of the table. 3.1**

|  |  |
| --- | --- |
| 1 | 2 |
| Effective use of economies of scale. Low elasticity of demand for most goods. Extensive network facilities. Availability of own logistics. Availability of own imports. Availability of own recipes. | Dependence on supplier agreements. High employee turnover. Low level of planning. Limited international market visibility. Dependence on imports of certain ingredients. |
| Opportunities | Threats |
| Network expansion. Increasing the range of products in different market segments (focusing on a wider range of consumer solvency). Reducing monopolization in the supplier market. Improving competitive positions in the market. Reducing operating costs. Expanding presence in the international market. | The need to develop individual development and management strategies for each business in the network. Increased competition in the market. Increased competition in the labor market (at the top management level). Entry of foreign companies into the market. Deterioration of the population's solvency. Exchange rate instability. Risks of destruction of goods and facilities due to hostilities. |

*Source :* Compiled by the author

Considering measures to improve the economic activities of Kuhovar LLC, we note that in 2022, the company introduced an innovative technology for the production of unfried, dried instant noodles without the use of oils, using only flour, water, and special technology.

**3.2. Improving the company's international product policy**

We believe that, taking into account the gradual change in society's needs and the demand for food products that meet a healthy lifestyle, it is advisable to export a separate line of goods manufactured using the above technology.

Thus, there is a need to ensure the innovative activity of the enterprise. .

First of all, we note that the current conditions of market transformation, which are characterized by a very high level of dynamism and lack of stability, encourage business entities, including the food industry, to implement relevant innovations, create innovative products, improve technological processes, and make non-trivial decisions. Neglecting the issue of implementing innovative activities has a negative impact on the financial and economic results of the enterprise not only in the current but also in the long term.

The key goal of the innovative activity of a business entity in the food industry is to create a new product or service and achieve increased profits from their sales. It is worth noting that innovations are mainly associated with quite significant or even radical changes in the work of the enterprise itself, because of this, there is always a significant risk of losses as a result of the introduction of either an innovative product or making innovative decisions.

The author A. Bezus emphasizes that the competitive advantage of any modern business entity in the sphere of trade is a cumulative manifestation of possible advantages provided by an innovative approach to the formation of business strategy and tactics for the purpose of rationally satisfying existing consumer needs [17]. Therefore, innovations are very diverse in their purpose and encompass a number of ideas that manifest themselves in both material and intangible forms.

The evolution of market relations in Ukraine allows us to recognize innovation as an important way of ensuring the viability of modern domestic economic entities, regardless of their forms of ownership, as well as the scope of activity at absolutely all stages or stages of the life cycles of enterprises, technologies and labor results. At the same time, an important condition for effective innovation activity is a successfully developed innovation policy, which generally determines the priorities of innovative development in accordance with the existing requirements of the external environment and the capabilities of the economic entity.

For a more accurate understanding of the essence of investment policy, let us consider the approaches to its definition proposed by domestic and foreign authors. The main definitions are given in Table 1.1.

**Table 1.1**

**Approaches to defining "innovation policy"**

|  |  |
| --- | --- |
| **Author** | **Definition** |
| **1** | **2** |
| Zavalin P.N. | “Innovation policy is a part of socio-economic policy that determines the strategies and mechanisms for its implementation by state authorities” [10]. |
| Yokhna M.A. . | “Innovation policy is a form of strategic management that determines the goals and conditions for implementing an enterprise’s innovation activities aimed at ensuring its competitiveness and using production potential” [10]. |
| Kuzmenko O.M. | "Innovation policy of an enterprise is a set of necessary technical and technological, socio-economic, financial, marketing, legal and informational measures for the implementation of a new business idea. Innovation policy is the foundation for building the overall strategy of the enterprise and the basis for further development of the functional strategy, marketing and financial policy of the company" [10]. |

**Continuation of the table . 1.1**

|  |  |
| --- | --- |
| **1** | **2** |
| Pavlenko I.A. | "The innovation policy of an enterprise is an innovation strategy that involves combining the goals of technical policy and investment policy and is aimed at introducing new technologies and types of products" [10]. |
| Pashuta M.T. . | “Innovation policy is the state management of the process of creating favorable conditions for innovative activity, forming innovative ideas and projects, designing research models of innovations, their development and promotion on the market” [10]. |

*Source :* compiled by the author based on [10]

Considering the definition of "innovation policy", the authors apply it in the direction of the country's innovation activity, while considering the level of the business entity, they apply the category of "innovation strategy", although it should also apply to the enterprise, because it is advisable to consider the innovation strategy as part of the innovation policy.

In general, the innovation policy of a business entity should establish the direction of its changes as a reaction to new requirements of the external environment, identify a number of possible innovative solutions, and characterize innovative tasks based on the specifics of the chosen strategy.

It is worth noting that the general trends in the development of enterprises in modern conditions require the introduction of new approaches to the application of methods of strategic and operational activity, because consumers pay attention to the reputation of the trade enterprise and the innovations it uses. Given this, a coordinated process of managing innovation activities with consistent adherence to certain principles will allow to interest investors, customers, suppliers and qualified personnel; maintain financial stability, share value, and as a result - to be more competitive

As already noted, in 2022, the company introduced an innovative technology for the production of unfried, dried instant noodles without the use of oils, using only flour, water, and special technology, which corresponds to the healthy eating trend that is gaining popularity around the world.

Important growth areas of Kuhovar LLC include:

- the company operates in promising markets;

- the existence of competitive advantages;

- the ability to effectively apply key success factors.

At the same time, it is advisable to take into account the factors that can be applied to stimulate economic growth. These include: high technologies, increased competition, globalization processes and the internationalization process.

We believe that currently an important goal of LLC "Kukhar" should be to expand sales markets and increase the export potential of instant noodles by entering new foreign markets, creating a competitive brand and improving product quality in accordance with international standards. A possible strategy for the development of foreign economic activities of LLC "Kukhar" is presented in the Appendix to this work.

*Conclusions to Chapter 3*

Summarizing the above, we note that the key goal of the innovative activity of a business entity in the trade sector is to create a new product or service and achieve increased profits from their sales.

Considering the definition of "innovation policy", the authors apply it in the direction of the country's innovation activity, while considering the level of the business entity, they apply the category of "innovation strategy", although it should also apply to the enterprise, because it is advisable to consider the innovation strategy as part of the innovation policy.

In our opinion, the introduction of innovative technologies is the way to improve the foreign economic activity of Kukhar LLC.

We believe that currently an important goal of LLC "Kukhar" should be to expand sales markets and increase the export potential of instant noodles by entering new foreign markets, creating a competitive brand, and improving product quality in accordance with international standards.

**CONCLUSIONS**

In the modern world, characterized by globalization of production and trade, the importance of foreign economic activity is constantly growing. The successful development of international economic relations requires the creation of a favorable business climate that promotes the integration of enterprises into international markets. This allows companies to expand sales markets, increase sales volumes and attract advanced technologies and innovations, which, in turn, increases production efficiency and product competitiveness at the global level.

Foreign economic relations play a key role in the activities of Kuhovar LLC as a food industry enterprise. They cover a wide range of interactions, including international trade, economic cooperation, scientific and technical cooperation, production specialization, provision of services, etc. These relations are critically important, since each country has its own unique production conditions that contribute to the formation of competitive advantages in the global market. As a result, enterprises are able to increase profitability by satisfying the needs of consumers both within the country and abroad.

Foreign economic activity of Kuhovar LLC is carried out in the following forms:

* export of products;
* import of raw materials and goods;
* international investment activities.

It is important that foreign economic activity requires compliance with international standards of quality and food safety. This contributes to improving production standards and increasing consumer confidence in the products of LLC "Kuhovar".

Active participation in foreign economic processes is strategically important for the development of the enterprise. Access to international markets contributes to the adaptation of the economy to world standards and the formation of an open economic environment.

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**ADDITION**

**Strategy for the development of foreign economic activity of LLC "Kukhar"**

**1. Strategic goal**

Expanding sales markets and increasing the export potential of instant noodles by entering new foreign markets, creating a competitive brand, and improving product quality in accordance with international standards.

**2. Environmental analysis :**

* **Political factors:**  - support for exports from the state.
* **Economical :** - growing demand for fast food in countries with a dynamic pace of life.
* **Social :** - the growing popularity of fast food among young people, the demand for budget meals.
* **Technological :** - the need to modernize production to reduce costs and improve quality.
* **Legal :** - compliance with food safety standards in importing countries.
* **Environmental :** - introduction of recyclable packaging for the image of environmental responsibility.

**3. SWOT analysis of the enterprise**

* **Strengths:**  - low cost of production, high productivity, availability of its own recipe.
* **Weaknesses:**  - limited brand recognition outside the country, dependence on imports of individual ingredients.
* **Opportunities :** - expansion in Asia, Eastern Europe, the Middle East; creation of localized flavors.
* **Threats :** - competition with transnational brands, logistical difficulties, customs barriers, martial law.

**4. Main directions of the strategy**

1. **1. Marketing positioning** 
   * Development of a unique sales proposition (low price + adapted taste).
   * Development of online presence, participation in international exhibitions .
2. **1. Export geography** 
   * Expansion of initial markets: Poland, Romania, Moldova, Kazakhstan, Georgia.
   * Second wave: Turkey, UAE, Saudi Arabia, Nigeria.
3. **1. Branding and localization** 
   * Creation of sub-brands for different regions (with changing flavor profiles and packaging).
   * Translation of labels into the languages of importing countries, compliance with local legislation.
4. **1. Logistics and sales channels** 
   * Creating partnerships with local distributors.
   * Possibility of opening logistics hubs in EU border regions.
5. **1. Investment in innovation** 
   * Development of new forms of packaging (ecological/portioned).
   * Using innovative flavorings for healthy eating.

**5. Risks and ways to reduce them**

* **Customs delays:**  preparation of a full package of export documentation.
* **Exchange rate fluctuations:** - use of currency hedges.
* **Seasonal fluctuations in demand:**  - creation of new products (for example, instant soups).

**6. Performance indicators (KPIs)**

* Increase in export volumes by 30% within 2 years.
* Entering at least 5 new markets in 3 years.
* Production certification by the end of the 1st year of the strategy .
* Increasing brand awareness in target countries .