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## THE IMPACT OF GLOBALIZATION PROCESSES ON BUSINESS RISKS

### ВПЛИВ ГЛОБАЛІЗАЦІЙНИХ ПРОЦЕСІВ НА РИЗИКИ ПІДПРИЄМНИЦЬКОЇ ДІЯЛЬНОСТІ

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Леоненко К.Р., Ляшевська В.І., Фоміна Є.В. Вплив глобалізаційних процесів на ризики підприємницької діяльності. Оглядова стаття.

В статті проведено аналіз наявних досліджень провідних вчених у сфері глобалізаційних процесів світу, підприємницької діяльності та ризики і внаслідок впливу. Визначено основні чинники, які обумовлюють процес протікання глобалізації в світі та наявні тенденції в сфері міжнародної економіки. Виокремлено найбільш впливові фактори, що порушують економічну стабільність підприємництва і являють та виявляють ризики для подальшої діяльності. Сформовано основні види ризиків для підприємництва внаслідок глобалізації. Проаналізовано платоспроможний попит на основні продукти споживання в Україні з 2000 по 2018 роки. Запропоновані основні напрями і шляхи попередження і боротьби з можливими і наявними ризиками внаслідок сучасних глобалізаційних процесів.

**Ключові слова:** глобалізація, ризик, підприємницька діяльність, економіка, підприємництво

Leonenko K.R., Liashevskaya V.I., Fomina Y.V. The impact of globalization processes on business risks. Review article.

This article analyzes the existing research of leading scientists in the field of globalization of the world, business and risks due to impact. The main factors that determine the process of globalization in the world and current trends in the international economy are identified. The most influential factors that disrupt the economic stability of entrepreneurship and pose and detect risks to further activities are identified. The main types of risks for entrepreneurship due to globalization are formed. The effective demand for the main consumer products in Ukraine from 2000 to 2018 is analyzed. The main directions and ways to prevent and combat possible and existing risks due to modern globalization processes are proposed.

**Keywords:** globalization, risk, business, economy, entrepreneurship

Entrepreneurship today occupies one of the most important places in the economies of the world and reflects the main indicators of state development in economic and social areas, because it ensures the formation of aggregate GDP, creates jobs, replenishes budgets, affects political and social stability, meets demand, population, efficiency of other enterprises, specialization and cooperation in the world market.

For the effective operation of enterprises, it is necessary to take into account various catastrophic situations and those that can cause losses, as a result of which the stability of the whole economic situation is disturbed. One of the factors affecting the ability to work is the current globalization problems, so globalization has led to the collapse of the oil market, nuclear disaster in Japan, deepening differentiation between countries, financial market crises, the threat to the European Union due to excessive commitments of Greece. and requires a study of the main manifestations of globalization on business, the factors that shape the main trends, the risks arising from the impact, what measures need to be implemented to prevent the identified risks.

#### Analysis of recent research and publications

Many scientists have devoted their works to the study of globalization processes and impacts on the activities of enterprises in different countries and Ukraine, among which are Yampolskaya D.Y. (2010), Malysheva D. (2000), Zubenko V.V. (2012), Naisbitt J. (1994), Lloyd (2010), Jan Arpe (2012), Holger Glockner (2012).

### Unsolved aspects of the problem

Today, the problems of the future process of globalization, trends that will cause new risks for entrepreneurship and economies in general remain unresolved. The problem of identifying the greatest risks for activities and strategies to combat and prevent them also remains relevant. In addition, one of the urgent problems of the modern world, which various politicians and economists are trying to solve, is the management of global network networks and the timely detection of new risks to the global economy, as a result of which each state must take appropriate measures, indefinite.

Research and analysis of the main works of scientists, highlighting the main trends of globalization, their positive and negative impact on entrepreneurship, risks affecting business activities due to globalization processes, explore changes in effective demand due to globalization, development of recommendations to prevent and combat identified risks.

### The main part

Today's globalization processes are manifested in all spheres of life, one of which is economic, which under the influence of modern changes on the basis of globalization forms the main trends in other areas, such as political, social, cultural, and so on.

Based on the works of scientists, we get the definition of globalization – an objective process of interdependence of the world, which is constantly deepening, the basis of this process is the development of integration trends, the emergence of institutions, spaces and structures common to all.

Factors that determine the process of globalization in the world include several categories, such as economic, organizational, industrial, scientific and technical, social, informational, political. The economy has become one of the areas where globalization processes have affected its various components, deepened the interdependence between countries, changed the tools of international economic relations, accelerated the internationalization of economic activity, and so on. These processes take place at several levels of influence: the microenvironment (enterprises, branches), the mesoenvironment (various markets, such as the labor market, commodity, currency, etc.) and the macroenvironment (general national or regional economy) [1].

The main globalization processes in the economy are actively developing and changing, namely [2-3]:

- attention to the shift of factors of production, such as labor, capital, land, entrepreneurial skills, where the foundation of what became capital and to increase its volume of creation and operation of new financial markets, institutions, instruments;
- expansion of internationalization of banks, representative offices in the field of services, production, enterprises, access to new markets, cooperation, opening branches abroad;
- deepening the activities of TNCs, TNB;
- the emergence of new modes of transport, financial instruments, information transfer;
- use and dissemination of new technologies and acceleration of STR;
- promotion of e-commerce.

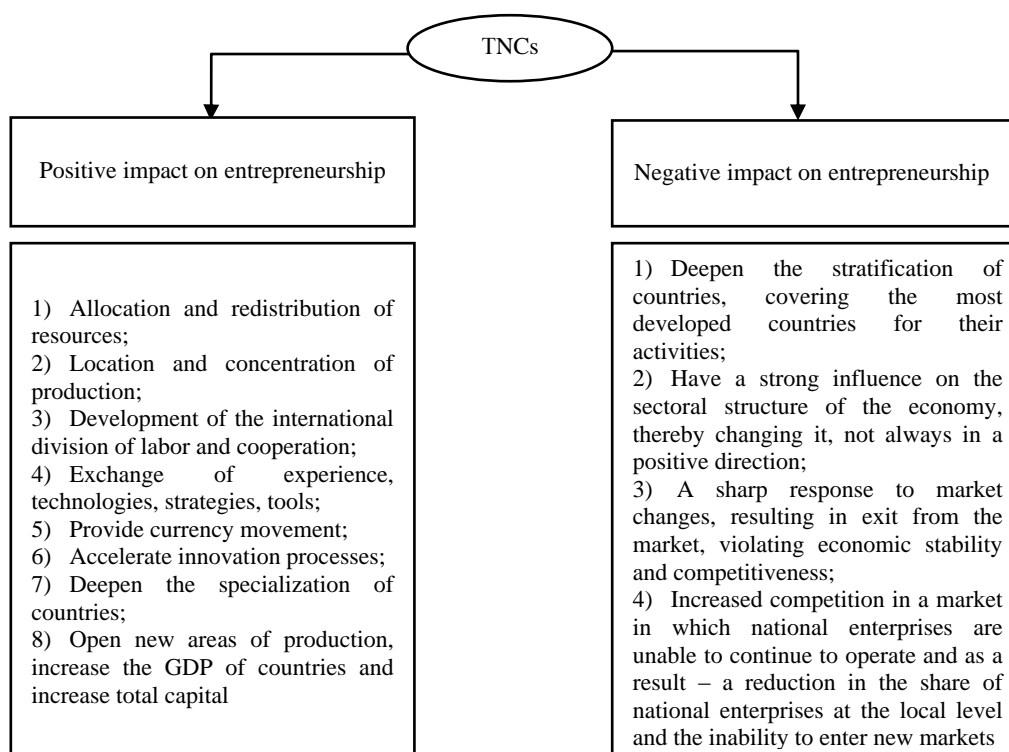


Figure 1. Positive and negative impact of TNCs on entrepreneurship  
Source: compiled by authors on materials [2-3].

Naisbitt's paradox, which is "the higher the level of globalization of the economy, the more influential its smallest participants". In his works, the scientist identifies a twofold movement of countries' economies: the creation of economic alliances and political independence, along with self-control of all processes in the country [4].

Any actions and events have their consequences in a positive and negative direction. That is why these globalization processes create certain risks for

business.

The concept of "risks of globalization" first appeared in 1999 thanks to W. Beck, who considered this term an integral part of postmodernism [5].

Analyzing the main globalization processes of the economy, it can be argued that the greatest impact on business risks is the proliferation of TNCs, financial globalization and the formation under its influence of an expanded shadow criminal economy.

Consider these components in more detail (Fig. 1-2).

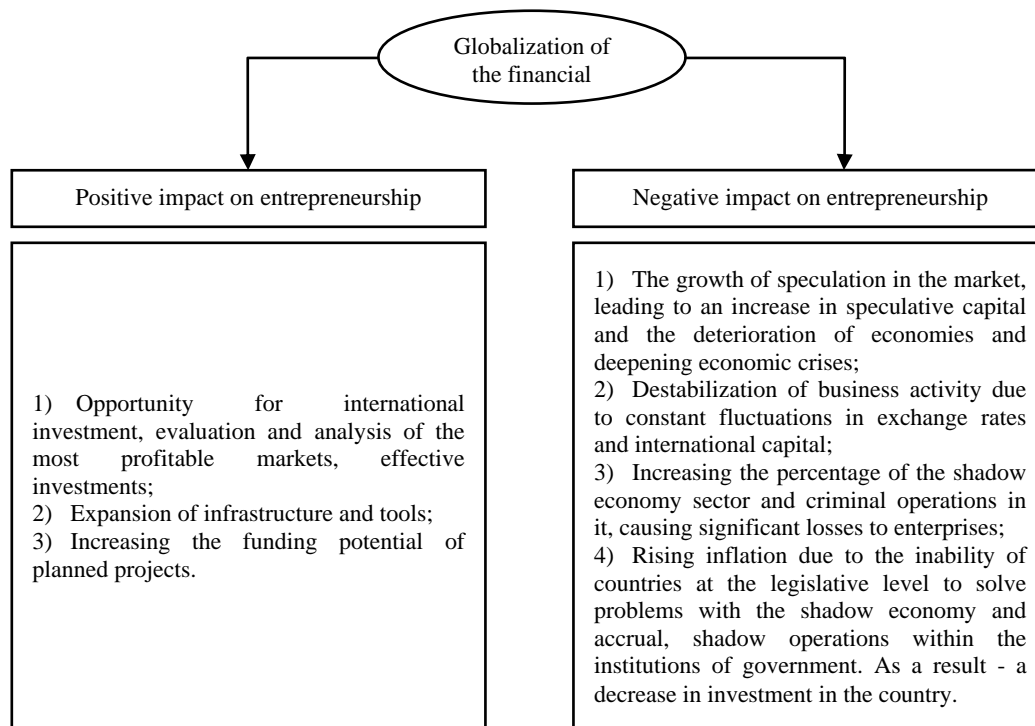


Figure 2. The impact of financial market globalization on entrepreneurship

Source: compiled by authors on materials [2-3].

Thus, on the basis of comparative characteristics, we can identify the main types of risks that have a straightforward or indirect impact on business. Risk in business – the threat of incurring certain losses by performing any activity related to the production of products or services; manifests itself as the receipt of unforeseen costs or revenues below the norm.

In the context of globalization, the following types of risks can be identified:

- Risks of competitiveness of enterprises that do not compete in the market due to the large number of entities, TNCs, migration and lure of skilled labor, market capture, etc.;
- Risks arising from the development of the global financial market and described above and the risks of financial offenses, cyberattacks and insecurity of financial and information databases [6];
- Risks associated with consumer demand: constant changes in trends and tendencies lead to potential fluctuations in demand.

For example, different trends in food were observed in Ukraine from 2000 to 2018 (Table 1).

From this table you can trace the trends: a uniform increase in consumption funds until 2014 by type of product: meat and meat products, eggs, vegetables and melons, fruits, berries and grapes; uneven increase until 2014 – milk and dairy products, bread products, potatoes and oil; increase of funds until 2013 – fish and fish products and sugar, and then gradual decrease and failure to reach pre-crisis indicators; decline in product stocks since 2014 due to political, economic and social factors, uneven declines and increases in volumes by different types from 2015 and 2018; a rapid increase in the consumption of fruits, berries and grapes by 2018.

Considering the trend of changes in meat consumption in the general structure of consumption of basic products by the population of Ukraine, it should be noted that meat products and meat account for the largest share in the total and the basic growth rates of basic products tend to decline until 2014 and increase after. In the case of meat products, the decline until 2010 and from 2015 to 2016, in other years there is an increase in growth.

Table 1. Funds of consumption of basic foodstuffs by the population of Ukraine 2000-2018

Products	Consumption funds (thousand tons)							
	2000	2005	2010	2014	2015	2016	2017	2018
Meat and meat products	1611	1843.9	2384	2325.4	2178.7	2195	2195.2	2232.1
Milk and dairy products	9788.8	10625.1	9469.8	9581.1	8995	8942	8495.9	8354.8
Eggs, million pieces	8142.2	11207	13279.6	13344.7	12014.8	11409.1	11594	11624.1
Bread products	6141	5817.2	5105.9	4667.7	4422.8	4308.7	4284.5	4207.3
Potato	6660.2	6385.6	5913.8	6061.3	5891.5	5966.3	6090.5	5893.1
Vegetables and melons	5002	5662.5	6581.3	7019.1	6889.8	6984.1	6783	6927.2
Fruits, berries and grapes	1439.1	1749.6	2203.2	2248.6	2178.9	2118.7	2241.5	2444.6
Fish and fish products	412.5	676.5	667	479.4	367.2	410.2	460	497.1
Sugar	1809	1794.6	1704	1559.1	1527.6	1420.4	1290.4	1260.1
Oil	461.4	635	680	561.2	525.1	497.3	496.5	500.9
Sum	41467.2	46397	47988.6	47847.6	44991.4	44251.8	43931.5	43941.3

Source: compiled by authors on materials [7].

The highest growth rates of meat products were in 2015 (6.73%), for basic food products in 2005 (11.89%), and the lowest growth rates of meat products were observed in 2010 (-22.66%), main products – in 2016 (-5.97%) (Fig. 3).

These trends show changes in effective demand over the years due to various factors, including globalization shifts, and reflect the risks to industries, based on retrospective data analysis.

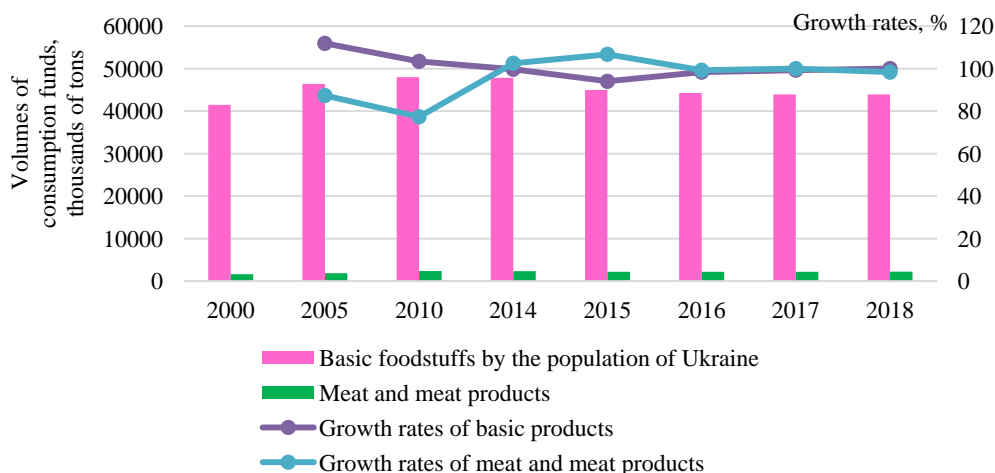


Figure 3 Dynamic changes in the volume of funds for consumption of basic foodstuffs by the population of Ukraine 2000-2018 (left scale, thousand tons) and their dynamics (right scale, in%)

Source: compiled by authors on materials [7].

In addition, national changes under the influence of globalization may change the process of adapting a product or service in a new market of countries, which leads to the need for constant research and search for tools to promote the product:

- Risks associated with innovation processes: lagging behind new technologies and management systems; introduction of new technologies and the impact of their application, which may not meet projected expectations and increase the unforeseen costs of the enterprise, reduce the efficiency of operation; financial losses; staff backlogs [8];

- Risks of infringement of intellectual property rights, information and cyber-attacks. Today, the main attacks are not aimed at obtaining data from production systems, but at their management (production process, facilities) [9];
- Risks of redistribution of world markets and division of the world into regions according to the strength of the international market and level of development, which can lead to destabilization of economies, increasing the influence of giant countries and inability to compete with less developed countries. Possible decline of

- industries, crisis situations in countries, declining production and the inability to enter the world market. In addition, these risks arise for not only the business of the countries concerned, but it poses a risk of increased migration [10];
- Risks associated with political circumstances that will directly affect the business. After all, in an unstable political situation, the amount of capital and portfolio investment decreases, demand changes and the circumstances of operation as well. The political situation in many countries is currently unstable and exacerbated by globalization, especially between the giant countries (Cold War). In addition, the risks of a possible change of government based on globalization processes, both within the country and the transition of the country to the possession of other countries or joining an alliance / alliance. Each of the cases leads to a change in the regime of power, which causes changes and risks in the functioning of enterprises, the level of effective demand and restrictions on production activities [8];
  - Risks associated with international quota policy. For example, after the spread of fish trade, some countries received quotas for this product to maintain the safe condition of water bodies and natural resources, as a result of which many countries experienced a crisis. One such country was Canada, where in 1992 more than 30,000 fishermen became unemployed and the industry suffered significant losses [10].

All existing risks are currently manageable, which can change the vector of impact of these situations on the economy of the enterprise, country or the world as a whole. Thus, after the Second World War, risk management became relevant, which in those days developed along with the insurance business and to this day has gained popularity and necessity in any field, because timely detection, management, response and action can reduce risk or completely eliminate, except therefore, the cost of risk prevention measures is much lower than the cost of remediation [11].

After analyzing the risks in today's globalization, we can provide the following recommendations.

At the level of state legislative regulation of the functioning of markets most vulnerable to foreign competitors, regulation, stimulation and encouragement to stop the outflow of qualified personnel; at the enterprise level, constant market analysis and appropriate actions in case of changes, innovation and maintenance of competitive advantages, search for new markets and expansion of its activities; analysis of a constantly changing consumer, the use of new business tools.

In the context of globalization processes to prevent risks of efficient operation of the enterprise, special attention should be paid to attracting talented employees (Talent management). In the personnel management system, talents are specialists in their field who have certain abilities that are different from others and can use their potential for a long period for

the benefit of the enterprise. Also for effective Talent Management at the enterprises, it is necessary to introduce [12]:

- Focus on effective internal and external HR-branding;
- Clearly defined corporate culture and strategy aimed at increasing the potential of employees;
- Providing resources for improvement and continuous growth of employees, for example, through non-formal education, field lectures, which, together with the solution of the task, helps to increase corporate spirit;
- Introduction of a special system of incentives and rewards for each employee.

Enterprises need to pay special attention to cybersecurity, patenting, information security. For greater product security, companies can embody their product thanks to a special mark made by a unique technology or a database of serial numbers. Monitoring and constant analysis of database security, updating of security systems and constant support of functioning, prevention of emergence of threats and risks for the enterprise, development of own norms and regulations of activity in the conditions of personnel policy for employees are necessary.

To prevent the risk of constant change in demand, in addition to continuous analysis and communication, it is necessary to activate the consumer, involve him in the enterprise, conduct various experiments with the product, its innovation, diversification and monitor changes in demand and response to actions.

The state should pay special attention to quotas, volumes of activity of certain enterprises, support of unstable industries, attraction of investments, regulation of competition in the market, stabilization and maintenance of stability of economic and political situation in the country, reduction of corruption, increase of trust in the country. market, ensuring a convenient and effective tax policy and leveling it to support the needy industries and enterprises, legally stipulated certification of products according to international standards, improving market infrastructure [10].

## Conclusions

Globalization in essence has both positive and negative impact on the economy as a whole and the activities of enterprises locally, changes the ways and structure of doing business, generates new technologies, measures and tools that in turn cause a number of risks to efficiency. It can be argued that globalization processes are constantly changing, which in turn creates new risks for entrepreneurship. Today, the main trends are the proliferation of TNCs, financial globalization and the formation under its influence of an expanded shadow criminal economy, which in turn cause risks that may affect the competitiveness of the enterprise and the economic situation in general. These risks need to be prevented at an early stage through a range of measures, both domestic and national and global.

In the future, a more detailed study of this issue is



needed in cooperation with the committees of different states in order to develop comprehensive strategies for the development of the world community and to prevent new risks at the international level. It is necessary to review the already established tools for managing and combating the risks of globalization for entrepreneurship and the identification of new ones, because trends are

constantly changing and these measures are essential for the effective conduct of business. Thus, the next prospect is to develop a plan and forecast of the world community to prevent risks to business due to globalization, and the formation of a stable global economy with political regimes capable of minimizing risks, maintaining local economic stability and favorable economic infrastructure.

### Abstracts

Entrepreneurship today occupies one of the most important places in the economies of the world and reflects the main indicators of state development in economic and social areas, because it ensures the formation of aggregate GDP, creates jobs, replenishes budgets, affects political and social stability, meets demand. population, efficiency of other enterprises, specialization and cooperation in the world market. For the effective operation of enterprises it is necessary to take into account various catastrophic situations and those that can cause losses, as a result of which the stability of the whole economic situation is disturbed. One of the factors influencing the ability to work is the current globalization problems, which requires a study of the main manifestations of globalization in business, the factors that shape the main trends, the risks arising from the impact, what measures need to be implemented to prevent certain risks.

Research on this issue was conducted through observation, analysis and synthesis, comparison, induction and deduction, modeling, graphics, comparison. As a result, this article analyzes the available research of leading scientists in the field of globalization of the world, business and risks due to impact. The main factors that determine the process of globalization in the world and current trends in the international economy are identified. Today, the main trends are the proliferation of TNCs, financial globalization and the formation under its influence of an expanded shadow criminal economy, which in turn cause corresponding risks. The main types of risks for business due to globalization are formed, which include: risks of enterprise competitiveness, risks arising from the development of the global financial market, risks associated with consumer demand, risks associated with innovation processes, risks of intellectual property infringement, information and cyber-attacks, risks of redistribution of world markets and division of the world into regions by strength in the international market and level of development, risks associated with political circumstances that will directly affect business activities, risks associated with international quota policy. The main directions and ways to prevent and combat possible and existing risks due to modern globalization processes, which are aimed at changes at the level of state regulation, the global society to prevent the risks of globalization and individual enterprises.

The study can be used for the effective operation of enterprises in the context of globalization and the next perspective is to develop a plan and forecast of the world community to prevent risks to business due to globalization, and the formation of a stable global economy with policies that minimize risks, maintain local economic stability and favorable economic infrastructure.

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