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# **THE PERSPECTIVES OF ENTRY OF UKRAINIAN COMPANIES AT THE WORLD MARKET OF SERVICES**

## **ABSTRACT**

In this article author analyzes main issues of Ukrainian service market integration within the international competition environment. It is proved that institution and transaction costs are one of the key factors in the development of the modern Ukrainian trade in services sector. The author examines them as a basis for competitive advantages in the process of international exchange in services.

**Keywords:** international trade, services, competitive advantages, national trade policy, Porter's diamond

## **INTRODUCTION (TIMES, BOLD, 11 FONT, LEFT ALIGNED, CAPS)**

The national trade policy, key connecting link between the world market and domestic systems of resource distribution, determines the efficiency of national economy integration into world trade system. The last one depends on necessary institutions existing in the country and its trade partners, and their conducted trade policy, which assists in mutually beneficial exchanging based on specialization and comparative advantages.

Different measures of the national regulation affect more on the national level the trade in services than the trade in commodity. The basic task of multilateral trade negotiations is establishing principles which would promote trade liberalization. Article VI of the GATS directly turns to domestic regulation and establishes that each member shall ensure that all measures of general application affecting trade in services are administered in a reasonable, objective and impartial manner.

Numerous publications of domestic and foreign experts highlight different approaches to a range of problems of the domestic regulation in service sector. Works of modern foreign economic scientists such as A. Deardorff, D. Marque, A. Mattoo, E. Ostroma, R. Roderick,

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J. Stieglitz, K. Fink, B. Hoekman, J. Hodgson, J. Francois, R. Stern etc. are dedicated to researching main reasons, forms and consequences of domestic regulation policy in the light of formal and informal economic institutions.

## 2. MATERIAL AND METHODS

Global economy crisis determined the necessity to develop new economic and institutional mechanisms of the national regulation of service market. Developed institutional system reduces the vagueness of trade contracts and as a result minimizes transaction expenses in the international trade in service.

Implementation of the strategic priorities of Ukraine at the world market of services provides, first of all, the development of the corresponding policy in relation to the domestic enterprises at the market, as well as predicting of the possible consequences of such actions for the country economy. Aims of the domestic companies related to the entry at the international markets of services accordingly to the strategic priorities of Ukraine must be as follows; the increase of a competitive ability of the Ukrainian providers at these markets of services; the increase of a service export of the priority service branches, and change of the export structure; independent entry of the domestic enterprises at the international level of services by means of the commercial presence.

According to the theory of competitive advantages (“the Porter’s diamonds”) the possibility of reaching the success by the company at the international service market in this or that branch can be defined according to four determinant competitive advantages: factor conditions; demand conditions; adjacent and supportive branches; strategy, structure and competition of the companies, from which the possibility of formation of the service companies of the world class depends.

## 3. RESULTS AND DISCUSSION

**The first element of “the Porter’s diamond” – factor conditions.** In Ukraine the range of factor conditions, favoured for the competitive ability at the separate international service markets, is already formed. First of all, it is necessary to pay attention to those factors, which provide competitive ability of the priority branches on the part of the strategic interests of Ukraine at the international market of services (Tab. 1).

Notwithstanding that the transport services take the lion’s share in the structure of the service export of Ukraine (73,03%), the favourable natural conditions and geographical provisions (transit capability of a territory, and predominantly plain character) are not used in full power. The analysis of the modern tendencies at the international market of services showed stable increase of the volumes of transportations, which create preconditions for inclusion of Ukraine to these processes of improvement of the transport system.

At the same time, there exists the range of problems, which prevent the increase of a competitive ability of Ukraine at the international market of the transport services: firstly, non-conformity of the transport system of Ukraine to the international standards, due to which the effective integration to the Eurasian transport system is impossible (first of all in

Tab. 1. Factor conditions for provision of the competitive ability of Ukraine in separate branches at the international service market.

Factor of the competitive ability	Service branch, to which development the factor promotes	The problems, which condition the insufficient level of a competitive ability
Geographical provision	Transport services	Insufficient usage of the transit territory, absence of the projects on production of the new transport ways and piping
National conditions	Touristic services, transport services	Insufficient level of the investments into enhancement of the service quality and innovations
Time zone	Business services (outsourcing, professional services, telemedicine)	—
Infrastructure	Transport, business, telecommunication, touristic services	Weak link of the domestic service market. Insufficient level of the development of information-telecommunication, financial, hotel and transport infrastructure
Labour force	All types of services	Insufficient level of the possession of foreign languages
Cultural differences	Touristic services	—

the railway and automobile transport); secondly, unequal distribution of the transport knots on the territory of Ukraine (particularly, placement of the airports only in the biggest places); thirdly, unsatisfied condition of roads and movable content of the transport; fourthly, imperfection of the organization technology of transportation and its low safety; fifthly, relatively high cost of transportation that does not correspond to the quality of the services provided.

The above-mentioned actualized the necessity of implementation of the modern technologies of organization of transportation with renewal of the movable transport; development of the highways in accordance with the international standards under the basic strategic directions (Europe-Asia, North-South); development of the competitive environment in the branch of the transport services (at participation of the enterprises of different forms of property with involvement of the foreign investors); participation in the international projects on building of the new piping, which passes through the territory of Ukraine; expansion of the types and improvement of the export transport services.

The analogous problem exists in the area of touristic services, if Ukraine possesses the natural and recreational resources, cultural wealth and history in full measure for the creation of competitive advantages, then the hotel-touristic infrastructure remains the weak branch of the tourism. According to the data of Koba International Real Estate Consulting, only 5 five-star, 28 four-star, 73 three-star hotels function in Ukraine, instead the non-classified ones amount

over 740. Undoubtedly, non-classification of 80% hotels is considerable obstacle for the success at the international market of the touristic services. The problem is connected with that the hotel business requires big expenses at the stage of construction of the object and its promotion at the market (average estimate of the seven-storey four-star hotel in the center of Kyiv amounts nearly \$50 mln., five-star – \$60 mln.), at that they are repaid no earlier than in 10 years.

**The second element of “the Porter’s diamond” – demand conditions.** The essential determinant of a competitive ability at the international markets, according to M. Porter, is **the demand conditions** at the domestic market [1, p. 176]. The country receives the competitive advantage in those branches of services, where domestic demand provides the more accurate perception about occurrence of the consumers’ demands to the company. The shortages of the domestic statistic accounting do not allow calculating the volume of the domestic demand for the services according to the known methodologies. The evaluation of the demand structure for the services according to the import volume evidences that in the structure of the service import of Ukraine the biggest part belongs to the transport, business and financial services, i.e. the demand for them on the part of the domestic consumers is the highest one (as it is insufficiently provided by the domestic providers) that creates conditions for activity of the foreign TNCs. Under such conditions improvement of the quality of these services, expansion of the specter and provision “in package” is essential for the national producers. Along with these actions, approaching of the structure of service supply to the consumers’ demands at the foreign markets will promote increase of the international competitive ability of the domestic providers.

Demands of the clients at the domestic market of services are an essential factor for the search of the ways of satisfaction of their demands and constant innovations by the companies. Particularly, the reason of the rapid development of the domestic demand for these services (annual tempos of growth are 25–35%). Today, almost in all branches the rule “those, who do not invest in the IT development, disappear from the market” began to act, i.e. the level of IT development becomes the essential competitive ability for the enterprises.

The time factor, as an element of the demand conditions allows formation of the time advantage at the entry to the market with the competitive services and holding this first place in future at the conditions of investing into innovations. In the context of using the time factor for winning the competitive advantages at the international market of services for the domestic companies, the usage of the strategies of “The Blue Ocean” of U. Chan Kim is appropriate [2, p. 98]. The Blue Ocean is a non-occupied market space, or niche, where there are possibilities for the high profits and tempos of growth. It is based upon the value innovation that provides uniting of the unique supply and low costs. The possibility of usage of this strategy by the domestic service companies is explained by three arguments: firstly, it corresponds to the modern peculiarities of the international service market, for which formation of the demands for consumers is typical at first, and then their satisfaction; secondly, this strategy gives possibilities for leadership to the companies and countries, which are developing, as it is based upon the refusal from the traditional severe competition and creation of the unique niches; thirdly, it is not oriented at the low cost of the labour force as a competitive advantage, and at the uniqueness of knowledge and skills of the workers, and valuable idea.

The strategy of “The Blue Ocean” is the most appropriate for the Ukrainian companies, which enter at the international market of services of outsourcing and software. Exactly in these branches, it is possible to still find niches free from the competition. Particularly, in connection with the increase of a computer piracy and the threat of information safety, the

development of the software for the protection from computer crimes is rationale. Also “The Blue Oceans” can be found in the area of the individual software that is custom-built for the competitive demand of a certain company.

**The third element of “the Porter’s diamond” – adjacent and supportive branches** – promotes to the development of the new types and subbranches of the services, and creates conditions for the establishment of competitive enterprises in the new sectors. These processes take place in the framework of an interrelated branch cluster, as well as at the turn of the service and industrial branches. If adjacent and supportive branches are competitive at the international markets, this creates conditions for the entry of the domestic companies to the foreign markets. Thus, in Ukraine the market of the personal computers and their components (its share is over 80%) is considered to be system-forming at the IT-market. Owing to its active development the demand in the software, services in its implementation and development of IT-infrastructure of the enterprises is increased, as well as IT-consulting. The share of these service subbranches reaches 18% today, and according to the estimates of analysts, through several years after saturation of the market of computer technologies it will increase to 50%, as in the developed countries of the world.

Thus, for entry of the domestic companies at the international market of services the development and increase of the competitive corresponding adjacent and supportive branches (Tab. 2) is important. The formula of the successful influence of the adjacent and supportive branches is close cooperation of their companies with basic branches of services, and constant exchange of information and not far placement.

Tab. 2. Adjacent and supportive branches for the enterprises of the priority branches of services in Ukraine

Priority branch of services	Adjacent branches	Some supportive branches
Business services, including:		
– computer services;	Information services, implementation of the computer technology and components, telecommunication services	Educational services, machine-building, chemical industry, financial services, transport services
– professional services;	Consulting, advertising, marketing services	Educational services, telecommunication services, financial services, transport services
– research and development services;	Information, educational services	Telecommunication services, chemical industry, financial services
– transport services	Distribution services, logistic services, and shipping services	Machine-building, hotel and restaurant services, oil-refining branch, financial services
– touristic services	Hotel, restaurant and recreational services	Transport services, car hire, trade services, branches of the food industry, building services, public utilities, financial services

**The fourth element of “the Porter’s diamond” – strategy, structure and competition of the firms.** In the conditions of formation of the service markets and formation of the service culture in Ukraine, competition between the participants of the national service market plays important role in the enhancement of service quality. Exactly the strong domestic competition forces companies to enter at the foreign market and obtain success and it is a powerful stimulus for formation and support of the competitive advantages. Today in Ukraine the highest level of competition can be traced at the markets of the touristic, educational and publishing services (Tab. 3.).

Tab. 3. The competitive companies at the separate markets of services of Ukraine

Branch (subbranch)	Quantity of competitors	Leading companies at the market
Railway transport services	1	«Ukrzaliznytsia»
Aircraft transport services	23	«Aerosvit», «International avialines of Ukraine», «Donbasaero»
Telecommunication services of the fixed connection	1	«Ukrtelecom»
Postal services	1	«Ukrposhta»
Mobile connection services	7	«Kyivstar», «MTS», «Astelit», «Ukrainian radiosystems»
Services on the software development and implementation	approximately 40	Soft-Industry, Altima, Infopulse, Mirasoft Group та ін.
Touristic services	approximately 4300	«Ukrzovnishintur», «SAM», «Truskavetskurort», «Olymp Travel Ltd» etc.
Publishing services	824	«Folio», «Znannya», «Osnovy», «Maximum» etc.
Educational services (HEI of I–IV accreditation levels)	979	Taras Shevchenko KNU, NA “Kyiv Mohyla Academy”, I. Franko LNU etc.

According to the level of competition the branches on services for formation and implementation of the software and touristic services take the lead among the priority branches. Together with competition, their typical peculiarity is close cooperation and exchange of information between companies, united in the association Ukrainian Hi-Tech Initiative, the Association of Information Technology Enterprises of Ukraine and Touristic Association of Ukraine. In the branches, where only one leader is present in the country scale, such as telecommunication services («Ukrtelecom»), and railway transport, the monopoly at the service market prevents to the development of the normal conditions of competition among their providers. The example is establishment of the extremely high cost of the license for provision of IP-telephony services (approximately 8 mln. UAH) by Derzhcomzvyazok that limited possibilities of the «Ukrtelecom» competitors.

Taking into account the conducted analysis of the competitive advantages, the domestic companies have possibility for entry at the international service market. For this purpose they should choose one of three alternative strategies: **clustering strategy, outsourcing strategy or trans-nationalization strategy.**

**The usage of cluster approach** to the strategy of entry of the domestic companies at the international service market can be explained by the range of arguments: firstly, the participation in clusters gives possibility to obtain access to the specialized factor of production, labour force and information (owing to the geographical closeness, availability of the constant personal contents, and civil connections, the movement of information flows inside clusters is facilitated); secondly, complementarities of the elements and cluster participants allow providing services “in package” and of high quality, and obtain synergetic effect from cooperation; thirdly, internal competition between cluster participants executes stimulating influence in the direction of improvement of services and implementation of innovations; fourthly, clusters give possibility to consider the service market as a system, at which it is easier to research interrelations at the turn of branches and detect possibilities for creation of innovations; fifthly, clusters unite all elements of “the Porter’s diamond” for the development of competitive advantages; sixthly, within the cluster the companies have more possibilities for lobbying interests in the authorities.

Today in Ukraine the range of service clusters already exist, particularly, in the regions of Kamyanskyi, Khmelnytskyi, Ivano-Frankivsk (touristic clusters), Cherkasy (transport clusters). However, until now the clusters of the business services, first of all IT-cluster, are still absent.

This cluster should be the most appropriately formed around Kyiv, as it is exactly here the biggest quantity of the companies of the branch (there are 20 of them among participants of the Ukrainian Hi-Tech initiative) is concentrated. The coefficient of localization (1.1) is 1,6 in this region, i.e. more than 1 that evidences about importance of the companies of branch for the region and allows formation of a cluster.

$$K_{loc} = R_{bran} / R_{tot} \quad (1.1),$$

where  $K_{loc}$  – coefficient of localization for the measurement of space concentration of the companies;  $P_{bran}$  – the rate of companies of the basic branch, located in the region;  $P_{tot}$  – the rate of all companies, located in the region.

This confirms the calculation of such instrument of the cluster analysis, as the territory indicator (2). For Kyiv it is 3,28, i.e. more than 1,25 that means specialization of the region in this sector.

$$T = E_{reg} / E_{nat} \quad (2),$$

where TI – territory indicator;  $E_{reg}$  – the part of employment in the regional branch from total employment in the regional economy;  $E_{nat}$  – the part of employment in the national branch from total employment in the national economy.

The mechanism of cluster formation includes the choice of key enterprises, which become basic one and form the “critical mass”. The biggest companies of the basic branch,

such as Infopulse, Activemedia LLC, Altima etc. will become the center of growth. At the absence of brightly expressed leader such role could be played by foreign TNC, for example Microsoft Ukraine. At that the cluster facilitator (organization that promotes to the cluster development) can be the association of the producing software companies as the Ukrainian Hi-Tech initiative. The enterprises of adjacent and supportive branches provide cluster with necessary resources, means of production and infrastructure. At the same time, at the turn of the basic and adjacent branches, the field for display of innovations (new services and software) is created. The universities and scientific-research institutes (SRI), which execute the scientific researches and development for the order of companies of growth center, also play key role in a cluster. The state must become the assistant in formation of a cluster, and create the corresponding institutional environment for its development (SRI, development agencies, business-incubators, infrastructure, legislation), however, not intervene in its functioning [3, p. 95]. Alongside with the big leading companies, which form the growth center, the small and medium enterprises play important role in the cluster development, as they form its infrastructure and execute the part of the functional and technical works based upon outsourcing.

Analysis of the determinants of the competitive advantages for this IT-cluster evidences that the favourable conditions for clustering are prevailing practically in relation to all indicators (conditions for factors, demand conditions, adjacent and supportive branches). The institutional provision remains the weak point, particularly, legislation in relation to the protection of intellectual property connected with some types of software etc., which requires improvement.

Connection of the cluster with international service market can be conducted owing to the export of computer and related services, as well as international outsourcing, which is executed by the cluster participants for order of the foreign TNCs. The foreign subcontract can be one of the elements of a clustering strategy and at the same time independent strategy for entry of the domestic enterprises at the international market of services at the absence of cluster formations.

**Realization of the strategic priority, connected with enhancement of the outsourcing potential of Ukraine** requires, firstly, exposure of the strong and weak sides of the domestic providers, which requires intensification or minimization relatively. With this purpose SWOT-analysis of the Ukrainian outsourcers was conducted in relation to the possibility of entry at the international market of services.

The strong sides are:

- staff provision. According to the non-official data, there are approximately 50–60 ths. people in Ukraine, whose qualification allows making outsourcing of the services of different complexity. According to the data of Microsoft, Ukraine enters into the first fifths in relation to the quantity of the certified IT-specialists. Moreover, 51 HEI on training of IT-specialists, i.e. 35% from the total quantity of students study IT-specialties, functions in the country that creates potential for the development of the IT-outsourcing market. According to the data of NU “Kyiv Politechnical Institute”, admission to the faculties of computer sciences increases annually for 10–15%;
- relatively low expenses for the labour payment, which still remain the decisive indicator for selection of the outsourcer of TNC. Comparison of the average salary of IT-specialists shows that according to this indicator Ukraine (\$1850) takes the lead over Vietnam only (\$1289). Except for the last one, the basic competitors of Ukraine

in relation to the labour force at the international market of outsourcing are Bulgaria (\$1853), Philippines (\$1857) and India (\$2083);

- qualification, focus on the technical complexity and creative approach. In contrast to the Indian specialists, which specialize at the conduction of standard, enough routine operations of outsourcing with the specified level of complexity, the Ukrainian outsourcers are distinguished by their creative approach and higher level of technical skills, and application of innovations in programming;
- the powerful educational and scientific base. The level of literacy in Ukraine is 98%, while in India – only 52%, 87% of the population of our country obtain higher education. The system of education was inherited from USSR, where the great role was paid to such applied sciences as physics and mathematics, which develop logical thinking for the work in the area of IT-outsourcing. At the same time, Ukraine is famous in the world in such areas as mathematics, physics, computer science, biology, electric welding, and cosmic sciences.

Expect for the above-specified, it is necessary to relate placement of Ukraine in the center of Europe and European culture to the strong sides that promotes to involvement of the West-European customers; simplification of visa regime for foreigners and abolition of the visa regime for the inhabitants of EU countries; the presence of associations, which support the development of outsourcing (the Ukrainian Hi-Tech Initiative, the Ukrainian Association of the Software Developers, and the Association of Information Technology Enterprises of Ukraine).

At the same time the weak sides of the Ukrainian outsourcers include:

- industrial and managerial skills, shortage of the specialists on the project management for running the large outsourcing projects with the limited budget and time frameworks; readiness to the serious work of only 20% of the graduates of IT-specialties (according to the data of the Ukrainian Hi-Tech Initiative);
- language barrier, insufficient level of possession of English language, shortage of the outsourcing specialists, who would possess German and French languages, spread in the EU countries;
- relatively high expenses for communication. Thus, the cost of 100 Kbit/sec of broadband Internet-connection (speed Internet for conduction of outsourcing) in Ukraine in 2013 made nearly \$16, while in the USA – \$0,49, the South Korea – \$0,08, India (different regions) – from \$1 to 9 [4, p. 15].
- institutional provision (the specialized legislation, taxes, protection of the intellectual property rights etc.), absence of the unique powerful organization, which would successfully lobby interests of the Ukrainian outsourcers (according to the examples of the Indian association of NASSCOM);
- atomism of the outsourcing companies, their small sizes, that do not allow execution of the scale projects. In Ukraine a majority of the competitive firms in the branch accounts for 59 male staff, most frequently 10–15 males that threaten takeover by the large companies (TNC);
- the lack of agencies on certification of IT-companies. The limited quantity of institutions on certification of ISO 9001 functions in Ukraine, while the agencies on certification of CMM are absent on the whole.

The appearance of new tendencies at the international market of outsourcing creates certain possibilities for the domestic providers of services of the internal order, particularly:

- the tendency to growth of the complexity of orders from outsourcing will promote to the development of the domestic outsourcers, whose strong side is the focus on the technical complexity and creative approach. The Ukrainian IT-outsourcing is specialized on the antiviral, scientific software, system integration, software for accounting and web-development. Except for outsourcing, the domestic companies can focus on the outsourcing of the logistic services (in transport, warehouse, and shipping areas of activity) owing to the developed branch of the transport services and outsourcing of SRSCD (scientific-research works and scientific-construction development) – owing to the powerful educational and scientific base;
- increase of the demand on the part of international corporations for outsourcing of the specialized software that is developed for a certain order creates possibilities for usage of the strategy of “the Blue ocean” by the domestic outsourcers;
- the lack of IT-specialists in India in connection with a big quantity of the orders (according to the data of NASSCOM till 2020 the difference between demand and supply of IT-specialists will be equal to 500 ths. working places [5, p. 54] conditions transference of the orders of the foreign TNCs, as well as the Indian corporations in the countries of Eastern Europe, including to Ukraine.

In the context of intensification of the strong sides and minimization of the weak sides of the domestic outsourcers for the successful entry to the international market of services, the important things are as follows:

- 1) with the aim of advanced professional training, the knowledge of foreign languages is necessary for establishment and activation of the activity of training-centres, which would be able to function on the constant base, organization of the study of the corresponding special courses in foreign language the higher educational establishments;
- 2) consolidation of the small enterprises of the branch for obtainment of the large outsourcing orders with considerable budget from TNCs (at the absence of establishment of the cluster formations);
- 3) adjustment of the close connection among outsourcing companies and universities with the purpose of avoiding “brain drain” of the young specialists, organization of trainings and probation periods for students in these companies, including the best ones to the staff of the company;
- 4) passing certification by the outsourcing companies according to ISO standards 9001, CMM, CP3M;
- 5) narrow specialization in a certain niche of outsourcing, usage of the strategy of “the Blue Ocean” with the aim of avoiding of depreciation of the labour force;
- 6) usage of the electronic markets of outsourcing that allows: a) publication of offers of own projects in the network that increases chances for the search of potential partners; b) orientation of own advertisement at the target auditorium; c) provision of the maximal informativeness of the outsourcer’s activity. As an example the electronic market Elance can serve that gives possibility of the partners’ search for implementation of the projects on outsourcing of the wide circle of the business services;
- 7) participation in the international exhibitions and seminars on outsourcing that allows demonstration of own advantages and adjust connections with prospective partners with many countries of the world.

The strategy of the trans-nationalization provides the entry of the domestic companies at the international market of services by means of commercial presence and taking the active

role in the international service trading. Unfortunately, we should state the phenomenon of asymmetry of trans-nationalization of service market of Ukraine that is a receiving one in relation to the foreign TNCs and didn't take active position in this way of delivery. Such situation promotes to the search of the ways of entry at the international market of services, using the cooperation with TNCs (outsourcing, franchising, international strategic alliances and joint ventures).

Notwithstanding that until now no one service TNCs of the Ukrainian origin is not registered, the certain preconditions for creation of the last ones are already formed in the country: a) the transit to the international standards of financial accounting took place; b) the range of the domestic companies purchased assets abroad, particularly, «SKM» corporation in Italy, Switzerland and Germany (in the branches of telecommunication, transport and building services), «Privat» group in Russia, the USA, Georgia, Latvia; the Ukrainian industrial capital is present abroad; c) the volumes of trading shares of large companies at FFTS (the First Fund Trading System) are increasing; d) the perspective direction is consolidation in the range of servicing branches, first of all, bank's (with the aim of opposition to the merger by the foreign TNCs) and business ones (with the aim of obtainment of the bigger orders from foreign customers).

**The formation of the strategy of trans-nationalization of the domestic service companies should be based**, in our opinion, on the determinants of trans-nationalization of the international market of services. They allow solution of the following strategic tasks at which companies have potential for transformation into TNCs; in which branches it is appropriate to create TNCs of the Ukrainian origin; at which receiving markets it is necessary to enter by the way of commercial presence. In particular, the analysis of the determinant of the "firm size and tempos of its growth" showed that the large companies with high tempos of growth have the biggest possibilities and motives for trans-nationalization. In Ukraine this potential, first of all, is owned by the industrial-financial groups (IFGs), as "Interpipe" corporation, which area of interests includes banking and media-services, trading-intermediary services, "SKM" – financial and telecommunication services, "Privat" group (financial, transport, telecommunication services and services of the fuel stations).

Among the biggest corporations in relation to the asset size, the potential for transformation into TNCs is peculiar to those, which have Tobin coefficient more than 1 – such as JSC "Ukrtelecom" (telecommunication services), "Kviza-trade" company (trade services), "Epicenter" (trading services), "T.M.M." firms (building services), JSC KB "Nadra" (banking services) and JSC "Mostobud" (building and engineering services).

#### 4. CONCLUSION

In order to determine the branch directions of trans-nationalization we should use such determinant as concentration in the branch. According to the results of analysis, it is most appropriate to create TNCs in the branches with the highest concentration at the international market of services: trading, transport, business, electro-, water and gas-supply services. Among the domestic companies, which work in the branches named, we should emphasize the subsection "SKM", "DTEK" corporation, which announced about its intents to become the leading player at the eastern European market of the services of electrosupply and diversify the activity in the direction of the water supply service (growth tempo 33,41%). In the area

of trading services such potential is peculiar to the companies “Kviza-trade” and “Epicenter” .

Taking decisions in relation to the entry at the market of services of one or that country for TNC must be based upon such determinants of trans-nationalization, as the business presence of the clients of the serviceable TNC in the receiving country, cultural differences and openness of the receiving markets.

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