

## **Chapter 3**

### **VENTURE BUSINESS DEVELOPMENT: THE UKRAINIAN CONTEXT**

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#### **INTRODUCTION**

Venture business, due to its appearance, thanks to the rapid development of small business in the US in the late 1950s of the twentieth century. Thanks to venture capital, small innovative firms were able to realize the entrepreneurial idea, and venture investors who deliberately went for risky investments subsequently received income, which covered the initial investment at times. This is how the world learned about Silicon Valley, Microsoft, Intel and Apple Computer. Later, thanks to venture capital, the leading high-tech companies DEC, Compaq, Sun Microsystems, Lotus and others were created. The success of the American venture business in the 1960s and its dynamic development has attracted considerable attention from financiers in other countries. This gave impetus to the expansion of venture business in a number of the European countries in the 1980s. It was at this time that the venture business infrastructure began to take shape, which contributed to its development. In contrast to the US and European countries, venture business in Ukraine is only emerging in the face of numerous obstacles in its path. However, this issue should become a topic for discussion in the broad scientific and professional community, a tool to support innovative entrepreneurship in our country. It should be noted that the vast majority of researchers analyze the overseas experience of establishing the venture business and its ability to finance the creation of innovative products and services. Systematic studies of the venture business development in Ukraine have hardly been conducted, which actualizes the need for them to find financial alternatives to activate innovative entrepreneurship in the country.

#### **3.1. Formation of venture business in Ukraine**

The most common among domestic and foreign scholars is the interpretation of the concept of the venture business as an entrepreneurial activity or its separate sphere. Kiev scientists

O.P. Zinchenko, V.P. Ilchuk, L.F. Radzievskaya and V.M. Yevtushenko are of the opinion that the venture business is an area of entrepreneurial activity related to the implementation of risky projects and investments mainly in the field of scientific and technological innovations. In this interpretation, scientists emphasize not only that the venture business is an area of entrepreneurial activity, but also that it is associated with a high degree of risk<sup>1</sup>.

The above-mentioned position regarding the interpretation of the venture business concept is also adhered to by other scholars, for example, V.L. Kysil and R.V. Sadlovsky's "Venture Business in Ukraine, its Status and Features" also indicate that venture business is a business activity related to the implementation of risky investments in high-tech industries<sup>2</sup>. In addition, they focus on venture capital funding, and indicate that those may be banks, investment firms, specialized venture firms, or independent investors. The authors also add that this type of business is at high risk and is often referred to as risky. There have been periods in the history of our country's development when virtually any investment in a Ukrainian company was considered a venture investment. At the moment, the payback period of investments in most types of economic activity is quite predictable, if we talk about already operating business, which plans expansion, modernization, diversification and more. The exceptions are the subjects of innovation, which are still associated with a high degree of risk for the investors to lose their investment.

Venture entrepreneurship is an important type of business that facilitates the commercialization of research and development in science-intensive and high-tech industries, where there is no guarantee of success and a high degree of risk exists. It plays an important role in the creation of new viable business entities, promotes the technical re-equipping of industries, increases the employment of highly skilled workers and improves the principles of management of business entities. The venture business ensures consistent communication between innovation customers and their contractors. Among the key factors for

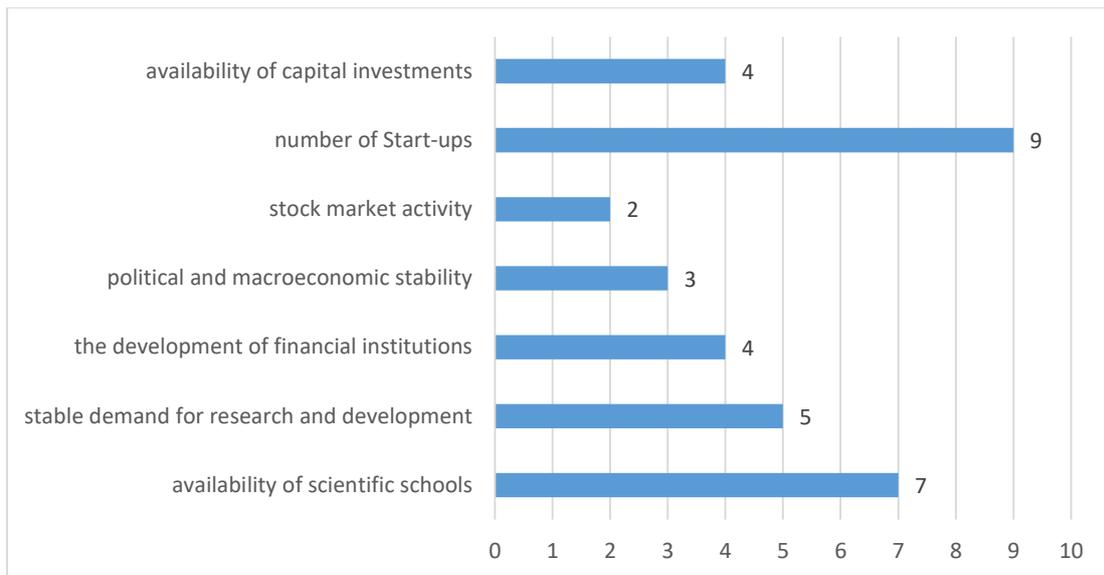
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<sup>1</sup> Zinchenko, O. P., Ilchuk, V. P. Radziyevska, L. F., & Yevtushenko, V. M. (2014). *Stan rozvytku organizacijnyx form venchurnogo pidpryyemnyctva i jogo infrastruktury v krayinax svitu ta v Ukraini* [The state of development of organizational forms of venture entrepreneurship and its infrastructure in the countries of the world and in Ukraine]. Kyiv : NDISEP, 80 p.

<sup>2</sup> Kysil, V. L. & Sadlovskyj, R. V. (2011). *Venchurnyj biznes v Ukraini, jogo stan ta xarakterni rysy* [Venture business in Ukraine, its condition and characteristics] 190–194. URL: [http://www.rusnauka.com/13\\_NPN\\_2014/Economics/65283.doc.htm](http://www.rusnauka.com/13_NPN_2014/Economics/65283.doc.htm).

the venture business development in a particular country, scientists note: the presence of scientific schools; stable demand for research and development; the development of financial institutions; stock market activity; political and macroeconomic stability; number of Start-ups; availability of capital investments.

Generalized data on expert evaluation of the venture business development in Ukraine are shown in Figure 1.



**Figure 1. Factor analysis of prerequisites for the venture business development in Ukraine on a 10-point scale<sup>3</sup>**

The factorial analysis of the preconditions for the venture business development in Ukraine showed its high sensitivity to political and macroeconomic stimulators. However, the presence of powerful scientific schools and young entrepreneurs in the country is a prerequisite for its development.

According to official figures, the venture capital market of Ukraine is currently around \$ 300 million, although there is a real demand for venture financing twice as much as it is now<sup>4</sup>. Venture funds are an important source of investment for small and medium-sized businesses whose development is constantly in need of additional external

<sup>3</sup> Ryepina, I. M., & Raputa, K. O. (2018). Rozvytok venchurnogo biznesu v Ukrayini [Venture business development in Ukraine]. *Ekonomika ta pidpryyemnyctvo*. Kyiv: KNEU, 40, 34-42.

<sup>4</sup> Obsyag venchurnyx investycij v ukrajynski startapy u 2017 roci zris u try razy do \$300 milioniv [The volume of venture investments in Ukrainian startups in 2017 grew three times to \$ 300,000,000]. URL: <https://economics.unian.ua/finance/10022489-obsyag-venchurnih-investiciy-v-ukrajynski-startapi-u-2017-roci-zris-u-tri-razi-do-300-milyoniv-mert.html>

financing. They invest in companies whose shares are fully distributed among shareholders in exchange for a stake in the company, and can also provide equity in the form of a loan for a term of 3 to 7 years. Venture funds are the main link between investment and innovation as the components of the economic growth.

In Ukraine, venture capital funds operate in the form of Joint Investment Institutions (CII). According to the Law of Ukraine “On Joint Investment Institutions”, they may be unitary and corporate by their legal form. Asset management of the joint venture companies is managed by the asset management companies (AMCs). They operate under a license issued by the National Securities and Stock Market Commission. The first venture capital firm similar to the current was a financial partnership established in the mid-twentieth century. The Venrock Associates Venture Fund, created by the Rockefeller family, is co-owned by the Ambassador to the United Kingdom, J.H. Whitney, a shareholder of the American Research and Development.<sup>5</sup>

Among the largest venture capital funds and companies operating in Ukraine are the following: Western NIS Enterprise Fund, the US \$ 150 million capital allocated by the US Government to invest in the Ukrainian economy over the last ten years, has funded 31 innovative enterprises; Ukrainian Growth Funds (UGF) have invested about \$ 55 million in 75 Ukrainian companies; Ukrainian Private Equity Fund also provided financial assistance to 31 companies worth more than \$ 22.5 million.

Venture fund activities are associated with investing in risky innovation projects, as they are the main source of large profits. They choose companies that have potential and their ideas are new and can maximize profits in the future. Venture funds seek to create demand for new products and to take a strong competitive position in the market. They are able to exploit a product, create demand for it, and generate big profits. One of the important aspects of venture capital activity is the acquisition of shares of an innovative firm, its management, as well as the expansion of production and product improvement. The risks that arise in the course of the activity are shared between the project developer and the investor. There is no guarantee that the idea will be successful and profitable, so the part of the shares of the innovative

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<sup>5</sup> Kareba, M. I. (2016). *Upravlinnya venchurnym biznesom: opornyj konspekt lekcij* [Venture business management: mainstream lecture notes]. Mykolayiv: MDAU.

enterprise is the pledge. The advantage of the venture funds is that they have minor regulatory constraints, smaller regulatory requirements, and their operations are flexible. The competitiveness of the venture funds depends on the support and accumulation of funds from insurance and investment companies, banks and the country. The venture capital fund must have a strong competitive position in the market in order to ensure timely financing of companies in need of investment.

### **3.2. Analysis of the Competitiveness of Venture ISAs of Ukraine by Porter**

The ability of a market entity to compete is determined by the concept of competitiveness. It characterizes the complex of potential capabilities of the subject to meet the needs of consumers in comparison with competitors. Competitiveness is the result of the competitive advantages realization and the ability of the entity to maintain a competitive position in the market. The market situation is constantly changing, so business entities need to be able to secure and maintain competitive positions, as well as create the preconditions for their growth and strengthening. Competitiveness is a comparative advantage over other entities in the same industry. It is the basis for effective economic development. Venture investing is an important component of developing an innovative type of economy. Therefore, ensuring the competitiveness of venture capital funds is a prerequisite for the economic growth of an innovative type.

The competition reflects the contradictions of interests of market participants, so the analysis of competition in the venture capital market of Ukraine can be carried out according to the method of structural analysis of five competitive forces according to M. Porter (Figure 2).

This model characterizes the scope of market contradictions of the subjects and does not reflect the effectiveness of the rivalry process. The analysis of competition in the venture capital market of Ukraine according to the model of M. Porter can be carried out on the example of six asset management companies, the information of which is presented in Table 1.

For analysis, we need to know the company's main competitors. The main competitors of LLC AMC Investment Partners (share of assets in the market is 7.7%) are LLC AMC ACF Ukrainian Funds (share of assets in the market is 4.2%) and LLC Crystal Asset Management AMC (share of assets in the market is 3.85%). An important role for the

analysis is played by potential competitors, such as LLC AMC UDP Asset Management (share of assets in the market is 3.51%), LLC AMC Budkepital (share of assets in the market is 3.42%) and LLC AMC Svarog Asset Management (share of assets in the market is 2.65%).



**Figure 2. Model of Porter's Five Forces Competition**

Based on the analysis of the shares of assets in the market of venture co-investment institutions, it can be concluded that LLC AMC Investment Partners has the largest share of 7.7%, which allows to have great competitive advantages: higher level of customer service, at the expense of higher cost. Management assets have the ability to finance innovation effectively, provide more guarantees for services.

If we analyze the competition in the venture capital market of Ukraine by the model of M. Porter, exploring the existing competitors, we can see that 7.7% of LLC AMC Investment Partners is the strongest rival in the market. LLC AMC ACF Ukrainian Funds with the market share of 4.2% and LLC Crystal Asset Management AMC with 3.85% market share, which are the main competitors of LLC AMC Investment

Partners. They occupy a less competitive position of LLC Crystal Asset Management AMC with a share of assets in the market of 3.51%, LLC AMC Budkepital with a share of assets in the market 3.42% and LLC AMC Svarog Asset Management with a share of assets of 2.65% in market competition.

Table 1

**AMC on the value of venture ICI assets  
in management as of 01.01.2018**

Rank	The name of the AMC	in management, thousand UAH.	Share of assets in the venture ICI market, %
1	LLC AMC Investment Partners	18 583 486,8	7,7
2	LLC AMC ACF Ukrainian Funds	10 148 146,3	4,2
3	LLC Crystal Asset Management AMC	9 289 535,8	3,85
4	LLC AMC UDP Asset Management	8 463 297,6	3,51
5	LLC AMC Budkepital	8 248 037,9	3,42
6	LLC AMC Svarog Asset Management	6 400 102,7	2,65

*Source: UAIB (Ukrainian Association of Investment Business) information  
www.uaib.com.ua.*

According to M. Porter's model, firms offering substitutes have an important influence on competition in the industry. In this area they are absent.

The venture capital market in Ukraine is attractive because venture funds are exempt from the many regulatory constraints inherent in non-venture funds. Venture fund assets may consist entirely of real estate, corporate rights, and securities not admitted to trading on stock exchanges. Assets also include debt, bonds and promissory notes. A venture fund may grant a loan from its assets only to those legal entities where the fund is a co-owner of a part of the authorized capital. To date, the venture capital fund is one of the best tax minimization tools. The income tax on the venture fund's activity is not paid until it closes. The Fund may not pay the tax for a long time. However, the country regulates the activity of venture funds, setting appropriate requirements for reporting, financial monitoring, licensing conditions. In

conclusion, it can be noted that, overall, the industry is attractive and the threat of new competitors is high.

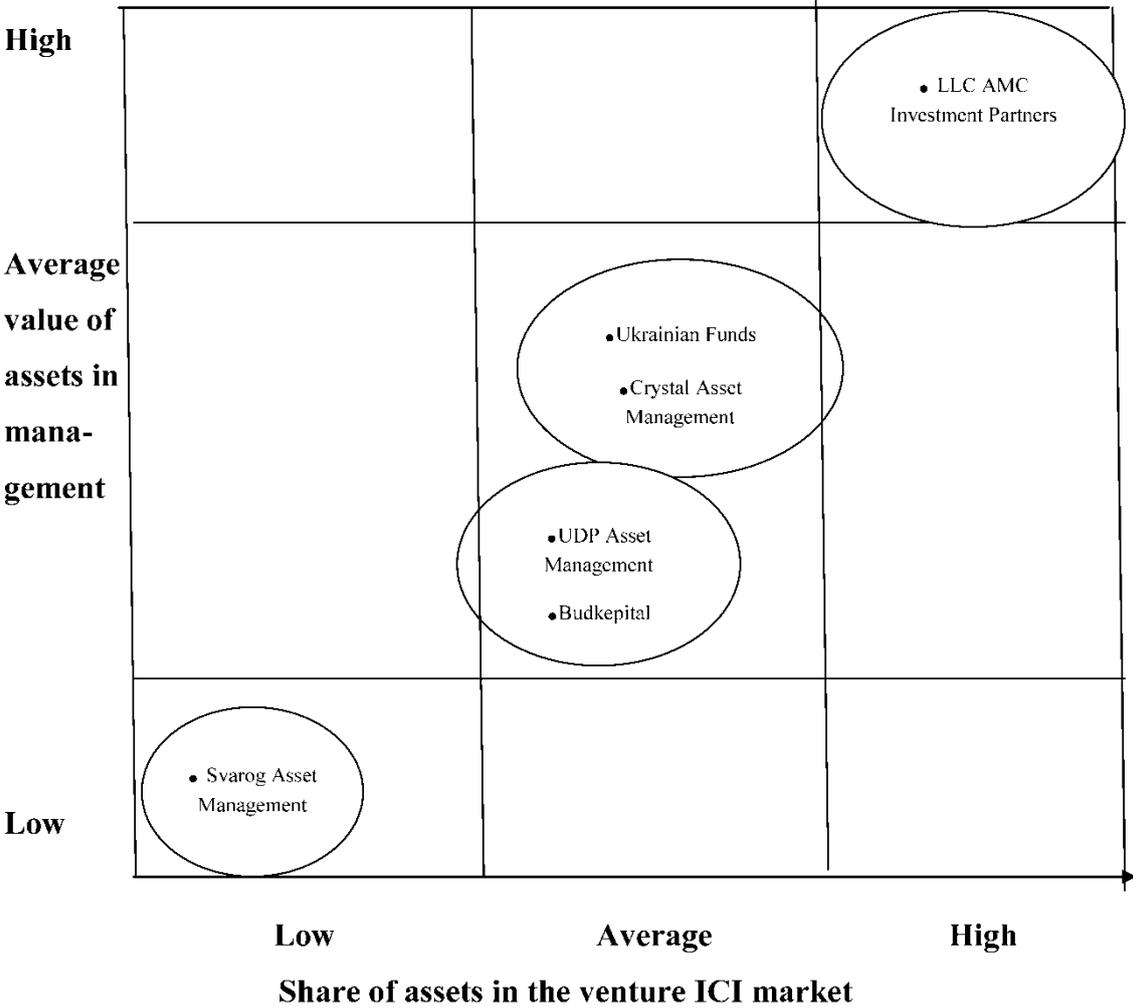
The sources of financing for venture capital institutions in Ukraine are the free capital of firms, foreign private and institutional investors. The fund's contributors are legal entities. But, imperfect legislation, insufficient investment attractiveness of the Ukrainian business environment impedes the attraction of funds from foreign investors. In Ukraine, the venture capital market has no guarantees for a venture investor that would limit its risks. Therefore, analyzing the threat to the power of suppliers, we can say that it is high and has a significant impact on the subjects of market relations.

The next stage in the analysis of the venture capital market in Ukraine by M. Porter's model is to determine the impact of consumers. The consumers of venture capital services are legal entities. They are the innovators who make up the innovation competition market. However, the weakness of the Institute for the Protection of Intellectual Property, the lack of "quality" projects, and the overall unfavorable country policy to stimulate innovation processes are an obstacle to strengthening the venture capital market in Ukraine. Consumer power is high.

The conducted analysis of the competition in the venture capital market of Ukraine according to the model of M. Porter shows that in the venture capital market of the Ukrainian companies, in order to provide themselves with resources for life, are forced to seek as much power as possible. There are few good investment and innovation projects, so venture capital funds have to invest in the seed stage to develop the most successful projects in the start-up phase. That is, the consumer power is high. Competition in the venture capital market of Ukraine is strong; there is a threat of new entrants. Therefore, the venture capital fund should be large enough to be able to invest in innovative projects. Venture funds invest in particularly risky projects in the innovation field. Venture capital is an important and progressive form of financing and a source of innovation development in the country. If successful, venture investments generate huge profits, so despite the high risk, this is an attractive investment. In Ukraine, public authorities are not interested to invest in risky innovation projects, and the state budget has lost its investment function. Imperfect legislation is an obstacle to attracting investors' funds. In Ukraine, the level of research and development results commercialization is low, there is no information support information support for the innovation market, no exchange system

between innovation developers and investors, and the network for supporting the development of innovative entrepreneurship is slowly developing. The venture capital market in Ukraine is under development and formation. The limitations of the technological and financial plan act to determine the fund's strategy and investment policy.

For the sake of clarity of the results of the analysis, it is possible to draw up a map of strategic groups of competitors in the venture capital market of Ukraine according to the indicators “Assets in management – Share of assets in the market of venture co-investment institutions”.



**Figure 3. Map of strategic groups of competitors in the venture capital market of Ukraine**

*Source: Developed by the author*

The above map of the strategic groups of competitors shows that LLC AMC Investment Partners, having a 7.7% market share, has a high

competitiveness and a stable competitive position with 4.2% share of assets in the market and LLC Crystal Asset Management AMC with a 3.85% market share, which are the main competitors of LLC AMC Investment Partners. LLC AMC UDP Asset Management with a 3.51% market share and LLC AMC Budkepital with a 3.42% market share are potential competitors of LLC AMC Investment Partners. Asset Management, with a 2.65% market share, is less competitive in the venture capital market and does not pose a major competitive threat to LLC AMC Investment Partners.

### **3.3. Integral competitiveness of Ukrainian venture business**

In order to evaluate the effectiveness of the rivalry process, it is possible to calculate the indicators of the integrated competitiveness of asset management companies in the market of venture co-investment institutions. The problematic area of research is the use of competitiveness assessment characteristics, which precede the analytical conclusions formation. They should serve as a sound information base for making appropriate management decisions<sup>6</sup>.

It is impossible to determine competition in the market by the share occupied by the firm, since the market share of the firm decreases with the advent of a new competitor. Therefore, the system of indicators is used to analyze the competitiveness for receiving a correct assessment of the competitiveness in the market.

The assessment of competitiveness, as a relative characteristic of the implemented competitive efforts of market participants, should provide an opportunity to compare the results obtained without additional calculations. Therefore, the general principle of such an assessment is the ratio of the relevant valuation of the enterprise to the average value of this indicator in the study set of direct competitors.

An important indicator for assessing the competitiveness of a market entity is the calculation of competitiveness established. It is determined by the formula<sup>7</sup>:

$$Ce(i)=Ci/Ca (1),$$

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<sup>6</sup> Smolin, I. V. (2016). Formy proyavu ta metodychnyj instrumentarij ocinyuvannya konkurento-spromozhnosti pidpryyemstva [Forms of manifestation and methodological toolkit for assessing the competitiveness of the enterprise]. *Strategiya ekonomichnogo rozvytku Ukrainy*, 39, 40-51.

<sup>7</sup> Smolin, I. V. (2005). Systema strategichnogo planuvannya rozvytku pidpryyemstva: avtoreferat do dysertaciyi na zdobuttya naukovogo stupenya doktora ekonomichnyx nauk [System of strategic planning of enterprise development: abstract for the dissertation for the degree of Doctor of Economic Sciences]. Kyiv: KNTEU. URL: [https://www.irbis-nbuv.gov.ua/.../cgiirbis\\_64.exe.05sivprp.rtf](https://www.irbis-nbuv.gov.ua/.../cgiirbis_64.exe.05sivprp.rtf).

where  $C_i$  is the amount of equity of the  $i$ -th enterprise;  
 $C_a$  is the average amount of equity in the market enterprises;  
 if  $C_e > 1$ , then the competitiveness is high (above average), if  
 $C_e < 1$ , then the competitiveness is low (below average)<sup>8</sup>.

$$C_a = (18583486,8 \text{ thousand UAH} + 10148146,3 + 9289535,8 + 8463297,6 + 8248037,9 + 6400102,7) / 6 = 61132607,1 \text{ thousand UAH} / 6 = 10188767,9 \text{ thousand UAH}.$$

$$C_{e1} = 18583486,8 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 1,82;$$

$$C_{e2} = 10148146,3 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 1;$$

$$C_{e3} = 9289535,8 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 0,91;$$

$$C_{e4} = 8463297,6 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 0,83;$$

$$C_{e5} = 8248037,9 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 0,81;$$

$$C_{e6} = 6400102,7 \text{ thousand UAH} / 10188767,9 \text{ thousand UAH} = 0,63.$$

The calculations prove that LLC AMC Investment Partners has the largest share of 7.7% in the venture capital market and is characterized by the highest competitiveness of 1.82 compared to its industry competitors. LLC AMC Investment Partners ( $C_e > 1$ ) and LLC AMC ACF Ukrainian Funds ( $C_e = 1$ ) is characterized by high competitiveness (above average level). LLC Crystal Asset Management AMC, LLC AMC UDP Asset Management, LLC AMC Budkepital and LLC AMC Svarog Asset Management are characterized by a low competitiveness (below average) as  $C_e < 1$ .

Another indicator to characterize the competition in the investment market is the indicator of functional competitiveness. Data for calculations are presented in table 2.

In the investment market, functional competitiveness is determined by the rate of return on capital, which is a factor in the established competitiveness managing. Functional competitiveness is determined by the formula:

$$C_f(i) = P_{ci} / P_{ca} \quad (2),$$

where  $P_{ci}$  is the capital profitability of the  $i$ -th enterprise;

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<sup>8</sup> Smolin, I. V. (2017). Formy ta pokaznyky konkurentospromozhnosti pidpryyemstva na produkciynovyrobnychomu rynku. Suchasni pidxody do upravlinnya pidpryyemstvom [Forms and indicators of competitiveness of the enterprise in the production market. Modern approaches to enterprise management]. URL: <https://conf.management.fmm.kpi.ua/proc/article/view/101182>.

Table 2

**Open-end funds as of 01.01.2018**

Rank	The name of the ICI	The name of the AMC	Profitability for the current period, %	Profitability for the previous period, %	Average quarterly return since beginning of the fund's activity, %
1	KINTO – Kaznatsheysky	KINTO	15,34	4,80	3,34
2	Argentum	LLC AMC Ozone	14,63	13,07	-1,90
3	Sophiyvskiy	LLC AMC Iveks Asset Management	13,51	9,92	1,92
4	Univer.UA / Yaroslav Mudriy: Stock fund	LLC AMC Univer Management	11,48	6,11	-0,82
5	Nadbannya	LLC AMC Art-Capital Management	7,59	9,39	0,14
6	OTP Stock Fund	LLC AMC OTP Capital	7,01	8,11	0,60

Source: UAIB (Ukrainian Association of Investment Business) information [www.uaib.com.ua](http://www.uaib.com.ua)

Pca is the average return on equity for market enterprises<sup>9</sup>.

$$\begin{aligned} Pca &= (15,34\%+14,63\%+13,51\%+11,48\%+7,59\%+7,01\%)/6 = \\ &= 69,56\%/6 = 11,59\%. \end{aligned}$$

$$Cf1 \text{ (KINTO – Kaznatsheysky)} = 15,34/11,59 = 1,32;$$

$$Cf2 \text{ (Argentum)} = 14,63/11,59 = 1,26;$$

$$Cf3 \text{ (Sophiyvskiy)} = 13,51/11,59 = 1,17;$$

$$Cf4 \text{ (Univer.UA)} = 11,48/11,59 = 0,99;$$

$$Cf5 \text{ (Nadbannya)} = 7,59/11,59 = 0,65;$$

$$Cf6 \text{ (OTP Stock Fund)} = 7,01/11,59 = 0,60.$$

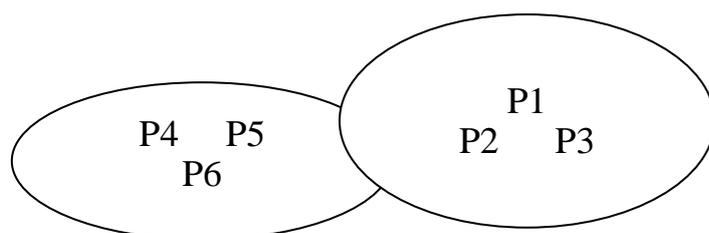
The calculations show that in terms of functional competitiveness, the competitiveness of KINTO – Kaznatsheysky is 1.32, and the smallest AMCI of OTP Stock Fund is 0.60.

<sup>9</sup> Smolin, I. V. (2017). Formy ta pokaznyky konkurentospromozhnosti pidpryyemstva na produkcyjno-vyrobnychomu rynku. Suchasni pidxody do upravlinnya pidpryyemstvom [Forms and indicators of competitiveness of the enterprise in the production market. Modern approaches to enterprise management]. URL: <https://conf.management.fmm.kpi.ua/proc/article/view/101182>.

An important step for the characterization of competition in the market is to determine the strategic competitiveness that characterizes the prospective, potential and long-term characteristics of the competitive ability of the entity. LLC AMC Investment Partners in the venture capital market of Ukraine has the highest share of 7.7%, the highest coefficient of establishes competitiveness is 1.82. In terms of functional competitiveness in the investment market, KINTO – Kaznatsheysky has high competitiveness with the ratio of 1.32, which has also the highest profitability. The lowest ratio of 0.60 is for OTP Stock Fund.

The competitiveness determines the subject's own competitive position relative to the position of competitors in the market. Therefore, it is important to know and correctly evaluate the competitive position of competitors, which is expressed in the concept of strategic danger of competitors, its analysis can be carried out by the following algorithm:

- 1) To determine the territorial significance of a competitor<sup>10</sup>:
  - by the assets value:



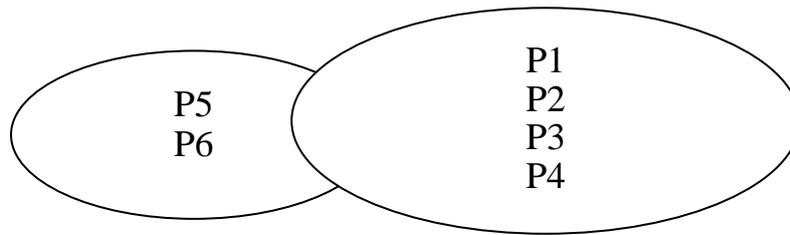
**Figure 4. Competitive groups of Asset Management Companies in the venture ICI**

- P1 – LLC AMC Investment Partners;
- P2 – LLC AMC ACF Ukrainian Funds;
- P3 – LLC Crystal Asset Management AMC;
- P4 – LLC AMC UDP Asset Management;
- P5 – LLC AMC Budkepital;
- P6 – LLC AMC Svarog Asset Management.

Competitive groups of asset management companies in the ICI venture market by value of assets in Figure 4 shows the division into two groups of competitors, namely P1, P2 and P3 make up the group of stronger competitors and P4, P5 and P6 are the weaker.

- by profitability:

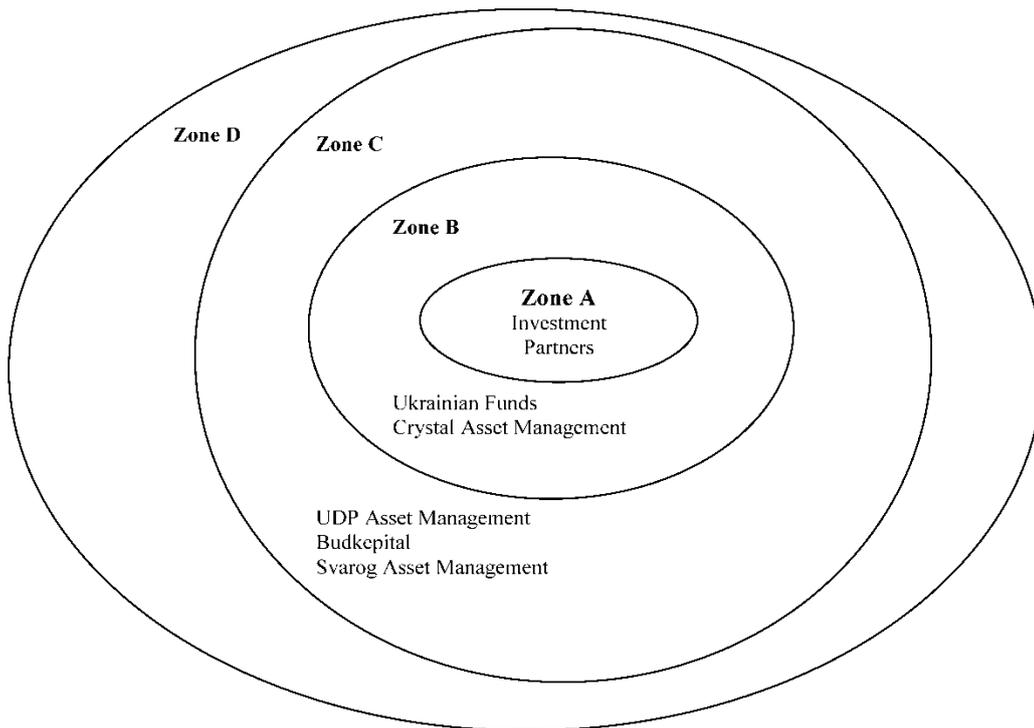
<sup>10</sup> Smolin, I. V. (2005). Systema strategichnogo planuvannya rozvytku pidpryyemstva: avtoreferat do dysertaciyi na zdobuttya naukovogo stupenya doktora ekonomichnyx nauk [System of strategic planning of enterprise development: abstract for the dissertation for the degree of Doctor of Economic Sciences]. Kyiv: KNTEU. URL: [https://www.irbis-nbuv.gov.ua/.../cgiirbis\\_64.exe.05sivprp.rtf](https://www.irbis-nbuv.gov.ua/.../cgiirbis_64.exe.05sivprp.rtf).



**Figure 5. Competitive groups of ICI in the investment market**

- P1 – KINTO – Kaznatsheysky;
- P2 – Argentum;
- P3 – Sophiyvskiy;
- P4 – Univer.UA;
- P5 – Nadbannya;
- P6 – OTP Stock Fund.

The competing groups of mutual investment institutions in the investment market are shown in Figure 5, where the group of significant competitors is P1, P2, P3 and P4, the less significant are allocated to another group P5 and P6.



**Figure 6. Zone of competition for asset management companies in the venture ICI market**

*Source: Developed by the author based on the source<sup>11</sup>*

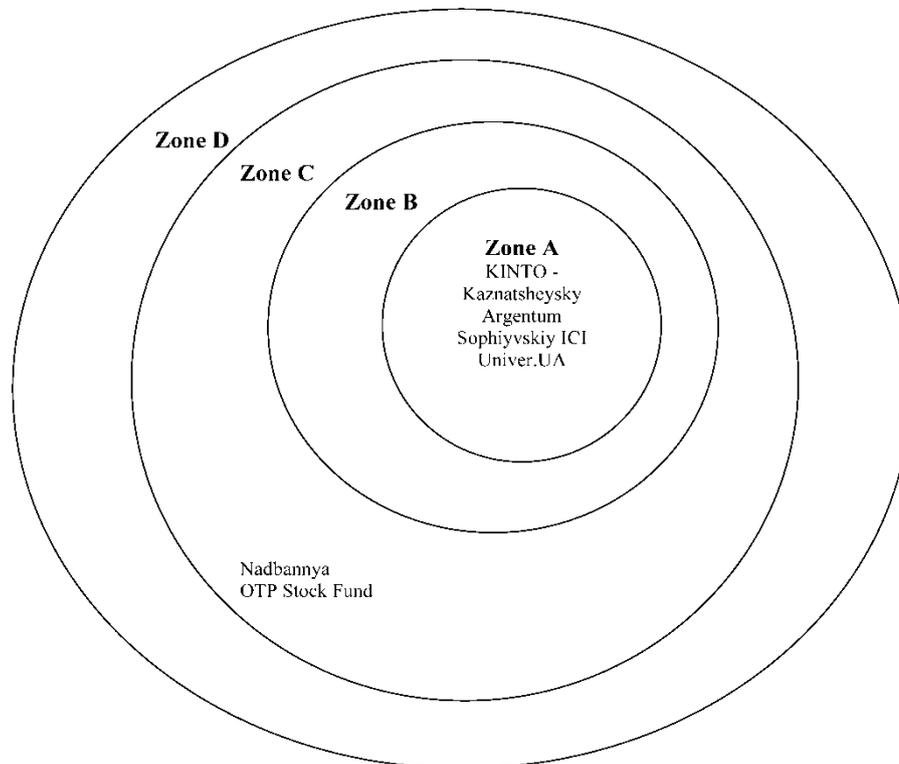
<sup>11</sup> Smolin, I. V. Konkurentospromozhnist pidpryyemstv. Mezhi konkurentnogo rynku. [Competitiveness of enterprises. Boundaries of the competitive market]. URL: <https://www.google.com/slideshare.net/alegre380/ss-16735418>.

Coefficient of territorial significance Cts for zones A, B, C (zones of significant competition):

Cts (A) = 1;

Cts (B) = 0,6;

Cts (C) = 0,3 [10].



**Figure 7. Zone of competition of ICI in the investment market**

Zone A of significant competition,

Zone B of moderate competition,

Zone C of weak competition,

Zone D of a significant competition.

*Source: Developed by the author based on the source [9]*

2) To evaluate the current competitive importance of the opponent (Cci):

$$Cci = Ce \times Cts \text{ (3) [10].}$$

$$Cci \text{ (Investment Partners)(A) } = 1,82 \times 1 = 1,82;$$

$$Cci \text{ (Ukrainian Funds)(B) } = 1 \times 0,6 = 0,6;$$

$$Cci \text{ (Crystal Asset Management)(B) } = 0,91 \times 0,6 = 0,55;$$

$$Cci \text{ (UDP Asset Management)(C) } = 0,83 \times 0,3 = 0,25;$$

$$Cci (\text{Budkepital})(C) = 0,81 \times 0,3 = 0,24;$$

$$Cci (\text{Svarog Asset Management})(C) = 0,63 \times 0,3 = 0,19.$$

The analysis shows that LLC AMC Investment Partners holds a leading position in the venture capital market and has high competitiveness. Analyzing the coefficients of the current competitive importance of the competitor, it can be said that the most dangerous competitors for LLC AMC Investment Partners in the venture capital market will be LLC AMC ACF Ukrainian Funds and LLC Crystal Asset Management AMC, which have coefficients 0,6 and 0.55 respectively, corresponding to the competitive zone B and characterized by a moderate competitive force. LLC AMC UDP Asset Management, LLC AMC Budkepital and LLC AMC Svarog Asset Management do not constitute a menace to the company, having low coefficients of current competitive importance and belonging to the zone C of weak competition.

Among the funds analyzed, the most competitive is LLC AMC Investment Partners, which holds a stable competitive position in the venture capital market and has significant advantages among competitors, holds the largest market share and has the highest competitiveness coefficients. Thus, the state of venture financing market is depended on the efficient funds performance.

## **CONCLUSION**

Venture financing in Ukraine has several advantages: it acts as a reliable source of financing at all stages of the development of an innovative project, offers flexible forms of financing, the venture fund does not aim to acquire a controlling stake for an entrepreneur, provides financial assistance in the form of consultations, which improves the quality of management.

But the venture market has obstacles to its effective formation and operation. Among the main obstacles hindering the development and efficient functioning of the venture capital market in Ukraine are the following:

- 1) Imperfect legislation. There are no clear rules that would allow the owners of innovative projects to dispose of the intellectual property on technological innovations that underpin Ukrainian venture projects freely.

2) Low innovation and business culture of society. Because of the lack of understanding of the business component by their developers, many innovators are not ready for the market conditions of their projects and are not used to share risks with investors.

3) Immaturity of domestic investment, i.e. innovative projects and proposals.

4) Low transparency of business.

5) Lack of the country support and general economic situation.

Therefore, a number of changes need to be made to improve the situation in the venture capital market of Ukraine, namely:

– to establish and enforce clear rules for the protection of intellectual property rights;

– to provide comprehensive support for all aspects and participants in venture funding;

– to develop and implement schemes for attracting private capital to the applied research funding;

– to promote the formation of the venture funds network in Ukraine, including with the involvement of the foreign capital;

– to create a business friendly innovation environment in the country.

Only a high level of competition can increase the implementation of the scientific and technological achievements and innovations.

## **SUMMARY**

As a summary, we can propose the following ways of further development of the venture business in Ukraine:

- to design the national concept of venture business development;
- to simplify the venture financing procedure for SMEs;
- to embed the tax incentives for investing in Seed companies;
- to improve the venture business infrastructure and its information support;

- to transfer the country to a radically innovative way of development using the entrepreneurial potential of youth.

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