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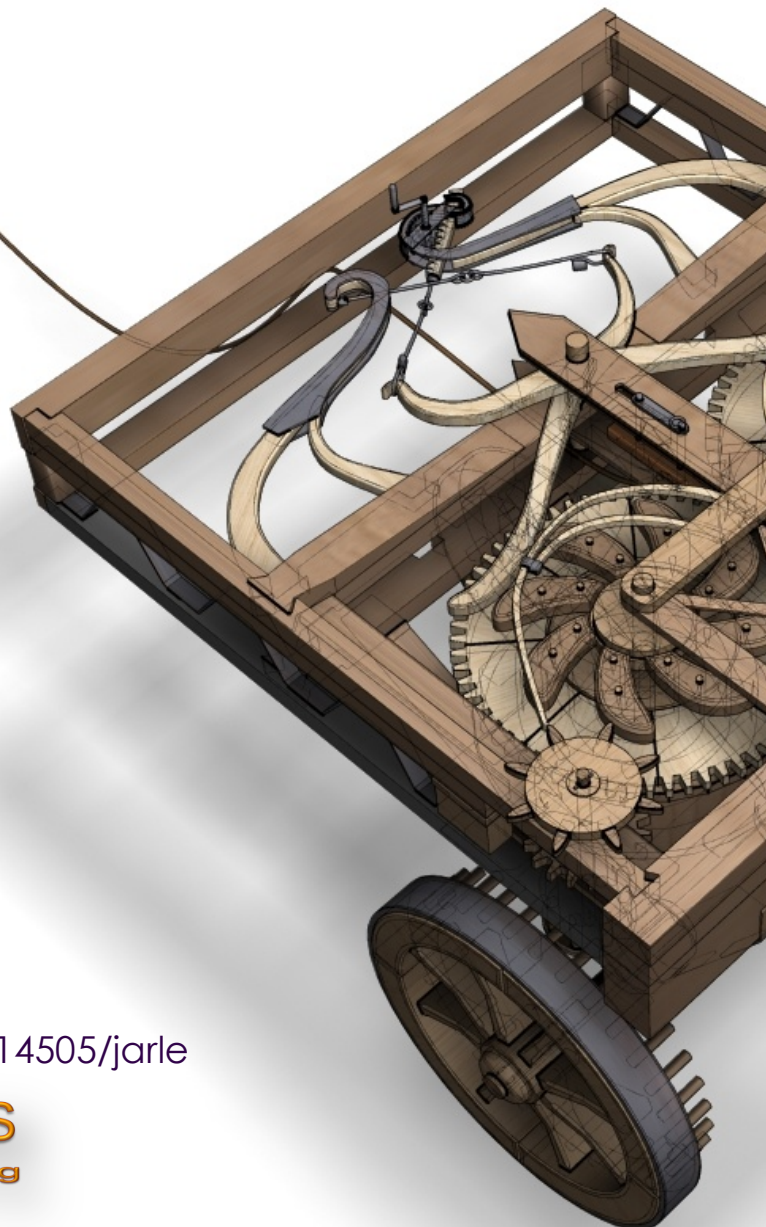
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Contents:

1	Issues of Cooperation Between Russian Federation and European Union Member States in Frames of the 1980 Convention on the Civil Aspects of International Child Abduction by Aslan Khuseinovich Abashidze, Denis Andreevich Gugunskiy, Kristina OtarovnaKeburia, Aleksandra Evgen'evna Koneva, and Alexander Mikhailovich Solntsev ... 333
2	The Concepts of Commercial (Trade) Law in The Legal Doctrine of Russia and Foreign Countries by Olga Nikolaevna Amvrosova, Gayane Yuryevna Atayan, Ekaterina Viktorovna Kasevich, Galina Viktorovna Stankevich, and Polina Nikolaevna Durneva ... 342
3	The Social Aspects of Pension System Modernization in Modern Russia by Sergei V. Babakaev, Olga V. Kaurova, Olga S. Kulyamina, Alexandr N. Maloletko, and Marina V. Vinogradova ... 352
4	Strategic and Legal Alternatives in Case of Adverse Organizational Crisis Results. The Bulgarian Case by Margarita St. Bachvarova, and Tzveta J. Zafirova ... 357
5	Novice Voters Politics Culture (The Study About the Orientation of Novice Voters Politics on the Election of the Mayor and Vice Mayor in Kendari in Year 2017) by Unhalu Bahtiar ... 369
6	Assessment of Competitive Advantages of the Pavlodar Region and its Economic Strength by Marat Asilbekovitsh Bayandin, Aina Serikovna Narynbayeva, Zulfiya Amangeldinovna Arynova, Gulmira Duisenbayevna Bayandina, and Roza Kenzheevna Alimkhanova, ... 380
7	Increase in Economic Efficiency of Irrigated Lands in Kazakhstan by B. Bekbenbetova, B. Turebekova, Z. Rakhmetulina, I. Sembieva, and I. Gumilyev ... 397
8	Concept and Different Types of Restrictive Business Practices in the Legal Orders of BRICS Countries (the Case of China, India, Russia and South Africa) by Ksenia Michailovna Belikova, Natalia Vladimirovna Badaeva, Evgenia Evgenevna Frolova, and Mihail Nikolaevich Dudin ... 404
9	Localization of Subjective Assessment Risks in the Public Procurement System Based on Fuzzy Logic by Kirill Anatolievich Belokrylov, and Lidiya Pavlovna Runova ... 411
10	Newly Discovered Circumstances in Administrative Legal Proceedings of Ukraine Olena Bielova, Yevgeniy Romanenko, and Roman Kaydashev ... 418
11	Improving Competitiveness of the Wheat Production within the Siberian Region (in Terms of the Omsk region) by Igor Aleksandrovich Bobrenko, Oksana Viktorovna Shumakova, Natalya Viktorovna Goman, Yuriy Ivanovich Novikov, Valentina Ivanovna Popova, and Oleg Anatolievich Blinov ... 426

- Re-Industrialization and Innovative Development of Russia**
- 12 by Ivan P. Danilov, Ekaterina A. Ilyina, Tatiana I. Ladykova, Nataliia V. Morozova,
Yuri G. Nikiforov ... 437
- Self-organization and Self-development as Key Factors in Improving Productivity**
- 13 by Lyutsiya Mugtabarovna Gaisina, Marina Lvovna Belonozhko, Stepan Mikhailovich
Kirichuk, Ekaterina Alexandrovna Sultanova, and Aleksandrina Yurievna Tumanova... 444
- The Organization as a Social Self-governing System**
- 14 by Lyutsiya Mugtabarovna Gaisina, Marina Lvovna Belonozhko, Andrey Viktorovich
Artyukhov, Ekaterina Alexandrovna Sultanova, and Galiya Rashidovna Dallakian ... 454
- Russian Regions in the System of International Cooperation**
- 15 by Marat Zufarovich Gibadullin, Aigul Rustamovna Nurieva, Asiya Mirgasimovna Ilyasova,
and Farida Fargatovna Gatina ... 463
- Territorial Imperatives of Industrial Production Development**
- 16 by Natalia Nikolaevna Kiseleva, Anna Aleksandrovna Orlyanskaya, Azamat Borisovich
Tlisov, Arsen Azidovich Tatuev, and Nina Rafaelovna Gukasova ... 469
- The Problems of Economical Safety During the Formation of the Creative Cluster for
a Region**
- 17 by Alyona Sergeevna Koksharova, Elena Nikolaevna Vanchikova, Vladimir Alekseevich
Ruban, Viktoriya Matveevna Baginova, Iand rina Arkhipovna Sharaldaeva ... 477
- Some Aspects of the Formation and Development of the Jury in Foreign Countries
and in Kazakhstan**
- 18 by Galym Kozhakhmetov, and Manshuk Rakhimgulova ... 485
- Provisions for Effective Development of Regional Agricultural Systems in Russia's
Economy**
- 19 by Nikolai Ivanovich Kuznetsov, Nadezhda Viktorovna Ukolova, Sergey Vladimirovich
Monakhov, and Juliya Anatolyevna Shikhanova ... 490
- Information Flows Balance and Price of Real Estate**
- 20 by Konstantin L. Lidin, Mark G. Meerovich, Elena A. Bulgakova,
and Svetlana A. Zabelina ... 496
- The Concept of Common Heritage of Mankind in the Advisory Opinion of 1 February
2011 by the International Tribunal for the Law of the Sea**
- 21 by Siavash Mirzaee, Aslan Khuseinovich Abashidze,
and Alexander Mikhailovich Solntsev ... 505
- Applying Methods of Estimating Indefiniteness Conditions
in the Context of Ensuring Economic Safety of Regions**
- 22 by Anna Viktorovna Orlova, and Julia Vladimirovna Lyshchikova ... 511

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- 23 **Influence of Marketing and Advertising on Efficiency of the Pharmaceutical Distribution Services**
by Nikolay V. Mordovchenkov, Larisa N. Mitroshkina, Gennady A. Tikhomirov, and Elena V. Panina ... 520
- 24 **Assessment of Risks of Investment and Construction Activities: Russian Practice**
by N.A. Osadchaya, A.D. Murzin, and E.E. Torgayan ... 529
- 25 **Social and Political Processes, Socialization Institutions and Youth Policy Subjects of Modern Russia**
by Nadezhda G. Osipova, Sergey O. Elishev, Gennadi B. Pronchev, and Danila N. Monakhov ... 545
- 26 **Transformation of Traditional Competitive Advantages of Companies Within Ensuring the Economic Security**
by Tatyana A. Polovova, Irina P. Gladilina, Yuri V. Gusev, Marina Yu. Pogudaeva, and Vladimir V. Kolesnik ... 559
- 27 **Modern Russian and Foreign Approaches to Strategic Planning of the Regional Socio-Economic Development**
by Vladimir Grigorievich Prudskiy, Grigoriy Alekseevich Demin, Andrei Mihailovich Oshchepkov, and Aleksandr Aleksandrovich Gershanok ... 570
- 28 **Improvement of Assessment Mechanism of Agricultural Enterprises Creditworthiness in Conditions of National Specificity**
by Natalia Glebovna Sapozhnikova, Yelena Alekseyevna Batishcheva, Tatyana Nikolayevna Steklova, Irina Anatolyevna Demchenko, and Anastasia Yuryevna Kalnaya ... 586
- 29 **Customer Decision: An Empirical Study on Sourcing Credit from Banks**
by Noor Sembiring ... 591
- 30 **Impact of External Labor Migration on Labor Market Development**
by Maryia Igorevna Seredina, Galina Viktorovna Tretjakova, Tatyana Viktorovna Oberemko, Veronika Olegovna Kozhina, and Kostyantyn Anatol'evich Lebedev ... 596
- 31 **Investment Valuation of Energy Efficiency Measures Within Mining Companies**
by Igor Sergeev, Anna Mineeva, and Olesia Lebedeva ... 601
- 32 **The Use of Special Knowledge in View of Investigation of the Crimes of an Extremist Nature**
by Azamat Garifullaevich Shidemov ... 612
- 33 **Dynamics Factors and Slow-Response Characteristics of Russian Trade Ties**
by Natalya Yuryevna Sopilko, Natalia Anatol'evna Navrotskaia, Ekaterina Alexandrovna Kovaleva, Angelika Feliksovna Orlova, and Anna Vladimirovna Grigoryeva ... 625

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- 34 **Efficient Model of Economic Growth in the Conditions of Post-Crisis Development of the Society in the Republic of Kazakhstan**
by Assel T. Uskelenova, Kairatbek K. Shadiyev, and Aidar A. Tatygulov ... 635
- 35 **Crisis Management of Regional Development: Cluster Initiatives in Russia and their Efficiency**
by Sergey L. Vasenev, Natalya M. Ovanesyan, Marina V. Rossinskaya, Svetlana V. Volgina, Violetta V. Rokotyanskaya ... 644
- 36 **Current Trends Influencing the Competitiveness of International Tourism**
by Svetlana V. Veretekhina, Alla V. Medvedeva, Mikhail V. Vinichenko, Tatiana S. Demchenko, Tatyana V. KaryaginA, and Sergey A. Makushkin ... 658
- 37 **Analysis and Prospects of Developing Higher Education as a Key Factor of Economy Development (Comparative Analysis)**
by E. Yeralina ... 670
- 38 **The Role of the Prosecutor in the System of Criminal Prosecution in Russia**
by Magomedgadzhi Yu Yusupov, Bagavdin M. Magomedov, Bika B. DZhamalova, Guseyn B. Magomedov, and Rasul M. AkutaeV ... 679
- 39 **Methodological Basis for the Strategic Analysis of Development of International Hotel Chains in Russia**
by Natalia A. Zaitseva, Anna A. Larionova, Olga V. Skrobotova, Raisa M. Ivanova, and Oksana I. Radina ... 689

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Transformation of Traditional Competitive Advantages of Companies within Ensuring the Economic Security

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Abstract:

The paper opens up the etymology of the economic category 'competitive advantages'. The main problems in treating them and in the main economic schools' forming the competitiveness are discussed in order to form a holistic idea about the conceptual model of strategically managing the competitive advantages of companies as social and economic systems. Systemic and comparative analysis, methods of observation and graphical data presentation, systematization and information methods have been used for grounding the authors' approach to the formation of competitive advantages and to selecting the competitiveness strategy within the context of transformation of the competitive advantages. After processing of the materials, the main directions of the competitive advantages transformation for Russian companies were put forward. This has allowed forming the idea about the companies being competitive at the global market. The aspiration to ensure the competitiveness for companies at the global market for keeping their economic security underlies the formation of competitive advantages. As a result of the research, the authors have attempted to determine a structure that would completely reflect the directions for the formation of competitive advantages in order to ensure the economic security as well. The competitive advantages are singled out as an isolated category having the functions of goal orientation that allows estimating the condition of competitiveness shifts. This gives grounds for stating that competitive advantages are an indicator of both quantitative and qualitative change in the development of companies. The research results have been elaborated up to the point of concept provisions, which grants opportunities for applying it in developing a technique for strategic assessment of the competitiveness of companies.

Keywords: competitive advantages; economic security; intangible resources; strategy of competitiveness; competitive advantages formation model.

JEL Classifications: B3; B41; D41.

Introduction

The objective of the scientific research is to present the scientific approach to generalizing the theoretical provisions and developing the methodological ones for ensuring the competitiveness of the Russian companies in various branches of the economy under instability. The Russian companies are challenged to look for new competitive advantages proceeding from new ideas about them by means of creating a mechanism for their transformation within the context of competitiveness strategy and ensuring the economic security of companies, in the long run too.

This is conditioned by the environment changing and the process of the development of social and economic systems becoming multi-factor one.

First, a fierce competition of companies is observed that is aggravated both by instability factors (which increases the environmental uncertainty) and by a growing influence of transnational corporations in the global market.

Second, the innovation trend becomes the priority one among the companies' reference points as a way of ensuring the competitiveness at the global market. With regard to this, the traditional economic policy measures are extremely inefficient as they are targeted at the catching up trend only but not at the active strategy of innovation challenge. The attitude to competitive advantages has to be changed, with the latter being inherent in companies of mining industries of the economy and associated only with them most frequently. Moreover, the question should be about ensuring the economic security given the absorbing effect of the global market.

Third, there was a nosedive of the world oil prices. Nevertheless, experts estimate that the world oil prices will slowly recover up to the average levels in the nearest future. These trends have to be taken into account too.

Fourth, crisis phenomena in the economy in the form of a grave transition condition of the economic system become a catalyst for accelerating the process of creating the foundations of the development at a brand new level relying on the relevant economic laws. For this purpose, companies perform actions for keeping or enhancing their competitiveness and positions at the market.

The problems created for companies by the said change do not seem solvable at the applied level. The point is that such problems are aggravated considerably under crisis conditions both in the economy of an individual country and at a global scale. Moreover, the complexity of business and operations systems is increasing, in particular, due to the economy globalization processes. The circumstances render necessary the systemic theoretical and methodological research concerning transformation of competitive advantages within the economic security of social and economic systems.

Meanwhile, by 'economic security', a condition of protection of business processes is meant which ensures preventing and abating the existing dangers and threats as well as protecting the companies' achieving their objectives from them under the most efficient use of corporate resources and the economic stability condition.

Such an understanding of economic security allows demonstrating that a social and economic system while being in an uncertainty condition as well as internal and external change, achieves the increase of its competitiveness, abates the current or possible dangers and threats, and protects itself from them by forming new competitive advantages. At the same time, when ensuring their economic security, the companies have to fulfill their capacities for permanent modifications by transforming the competitive advantages. As a result of the modifications, an infrastructure is formed featuring a higher level of competitive opportunities that are sufficient for achieving the strategic goal. The set goal seems to be only achievable on the basis of a certain model of forming the companies' competitive advantages.

With regard to this, the elaboration of theoretic and methodological provisions for managing the transformation of competitive advantages of social and economic systems becomes necessary. Thus, the total of methodological foundations of the conceptual model of forming the competitive advantages can be integrated into the structure of the theory of management, which allows considerably increasing the objectivity of management for the purposes of ensuring the competitiveness of the Russian companies on a sustained basis.

1. Literature Review

Quite a few foreign and Russian scientific papers are dedicated to studying the problems associated with increasing the competitiveness of companies. In particular, the works of such scholars as G.D. Antonov *et al.* (2012), V.A. Barinov and A.V. Sinelnikov (2000), I.P. Bogomolov and E.V. Hohlov (2005), S.V. Bochkova (2009), A. Buhvalov and E.A. Akulaev (2014), G. Walter (2005), D.S. Voronov (2014, 2015), A.P. Gradov (2007), E.A.

Gorbashko (2015), P. Doyle and F. Stern (2011), I. Zulkarnaev and L. Ilyasova (2001), A.A. Isaev (2012), J.M. Keynes (1999), G.B. Kleiner (2016), F. Kotler (2006), J. Lamben (2004), N.V. Lavrukhina (2013), N.A. Lukyanova (2001), A. Ollivier *et al.* (1993), M. Pebro (1994), M. Porter (2005, 2008), A.I. Romanova (2007), T. Sakaiya (1991), V.K. Senchagov *et al.* (2003), A.J. Strickland and A. Thompson (1998), R. A. Fathutdinov (2000), M. Friedman (1989), F. Hayek (1931), E. Helpman and G. Grossman (1991), N.V. Shesterikova (2013), J. Schumpeter (2007), and some others deserve attention.

From the standpoint of ensuring the competitiveness of economic entities, it is generalization and elaboration of theoretic and methodological foundations revealing the view of the modern competitive advantages factors of economic entities that seem relevant. Such studies are represented in the works of M. Porter (2005). Singling out the competitiveness factors, M. Porter considers them inseparably from such competitive advantage determinants as strategy, structure and competitors of an enterprise, the availability of related or adjacent industries and enterprises that may become its competitors at the global market, as well as the condition of the demand for its products (services).

According to A. Ollivier, A. Dayan and R. Ourset (1993), the level of competitiveness to a determining extent depends on the factors that lie in a serial string from the development of the goods (services) concept until selling and after-sales servicing, with qualitative parameters and financial aspects including the price constituent, the availability of own and borrowed funds, as well as commercial methods and means used for promoting the products (services) taken into account.

The standpoint of the authors singling out the competitive advantages according to the functional attribute deserves attention too. In particular, they can speak about the resource-related, technological, innovation and cultural competitive advantages (Ollivier 1993). J. Schumpeter (2007) emphasizes the organizational and structural factors (restructuring of companies; simplification of production structure; mergers and acquisitions in strategically promising industries; globalization of activity) the presence of which can result in a synergetic effect.

However, despite the fairly large quantity of research works, a number of questions still remain debatable – the ones of methodological and procedural nature related to the process of forming of the competitive advantages transformation model for social and economic systems in the strategic aspect. Likewise, the main provisions of forming the competitive advantages under the unstable environment only begin to take shape.

For instance, studies on development of anti-crisis measures and measures of countering the foreign companies when forming the competitive positions of the economic entities both at the national and at the global market are relevant from the methodological point of view.

2. Materials and Methods

Due to this, the scientific research becomes necessary in which an attempt will be made to develop the conceptual provisions for the process of the companies' competitive advantages transformation that match the strategic goals of development, also within the context of economic security of the Russian companies.

The work hypothesis of the research consists in an assumption that under the dramatic change of the environmental factors the theoretic and methodological foundations have to be developed for the economic mechanism of competitive advantages transformation management that determine the positive end results, as well as the economic security of both the economic entities and the entire country.

The methodology of the problem includes the questions of cognoscibility and justification of the competitive advantages at the micro level. In connection with this, the competitive advantages are an object of a special attention that determines not only the kind of activity but also the products (services), customers, the sales options etc. In competitive advantages, one of the key reference points are the company's opportunities that depend on the availability of the resource capacity, prospects of its development and the environmental factors. Given a strategy targeted at ensuring the competitiveness, the company obtains two major opportunities that enable it to estimate the action options in the light of considering what has to be done and what should not be done.

3. Results and Discussions

The methodological toolkit of the studied problem of the companies' traditional competitive advantages transformation within ensuring the economic security relies on the dialectic methods of cognition, which allows studying them in a comprehensive and objective way. The authors' approach to ensuring the competitiveness and security of companies proceeding from the competitive advantages is based on the theory of systems and formed by means of using the methods of systemic analysis, graphical data presentation, systematization and formalization of data. This has enabled the authors to elaborate the main provisions of the integrated approach to

functioning and development of companies under the changing factors of competition and to assessing their competitiveness by the information and analysis method.

The studies conducted show that the main conditions for competitiveness of companies are a dynamic character of their activity, openness, and a developed, consistent infrastructure of business elements. It is such a company that is capable of adaptive systemic change up to the environmental factors and the competitiveness ones as well as of integrating itself into the new economy management conditions. In this case, the level of development of the system, change of its basic characteristics can be deemed to slow down or suspend the entropy process.

If a system aspires to be reborn into a brand new system creating the competitive advantages required for that while at the same time having the opportunities to keep them, the system can be considered to have a capacity for self-organization, passing on to a new competitive condition and ensuring a proper competitiveness.

These results in two variables emerging in the companies' competitiveness ensuring mechanism that takes into account the growth of environmental uncertainty and risk in making strategic decisions relevantly to the priorities of consumers of products (services).

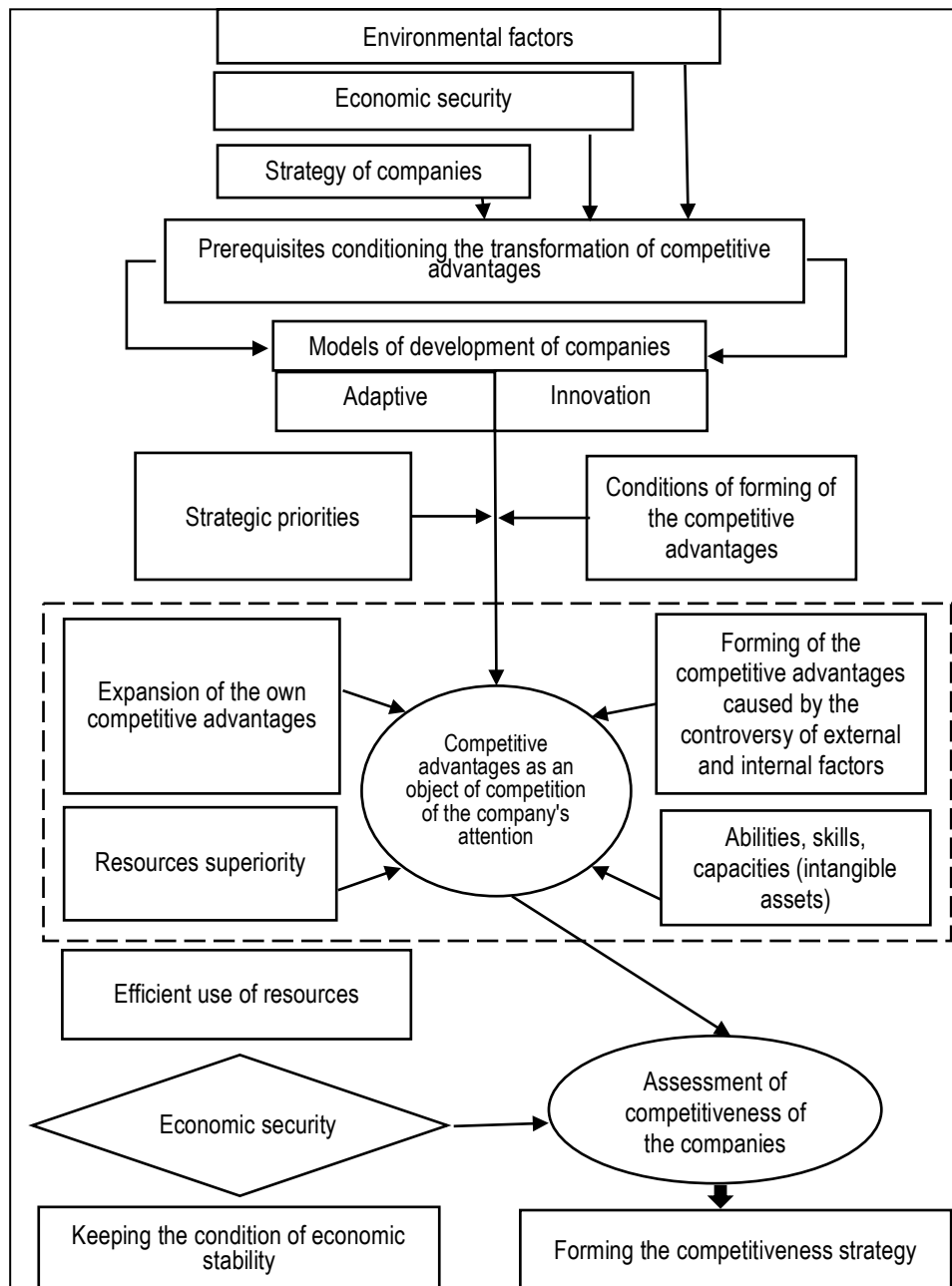
3.1. Competitiveness ensuring mechanism

The first variable is associated with social and economic systems aspiring to expand their own competitive advantages due to the growth of their significance as a factor of competitiveness and of today's economic development, which nevertheless comes laden with quite a few risks. The second variable is determined by the controversies of the internal and external factors becoming completely real that are the prerequisites for reforming the companies' competitiveness ensuring mechanism up to the conditions of the new economy model.

In connection with the above, the following authors' treatment of the notion of competitiveness has been worded: this is a property of a self-organizing system having dynamic characteristics and abilities of a timely and relevant response to change and action of internal and external factors, as well as of ensuring by managing actions the keeping and forming of new competitive advantages that are sufficient for achieving the strategic goals of functioning or development.

The methodological provisions of the competitive strategy elaboration process logics and the authors' approach to justification of the competitive advantage variants reflecting its situational character, a group of factors influencing the condition of the companies' competitiveness have allowed developing and suggesting the conceptual model of forming of the companies' competitive advantages (see Figure 1).

Figure 1. Conceptual model of forming of the companies' competitive advantages



Source: the authors.

3.2. Key directions for ensuring competitiveness

The authors believe there are several key directions by opting for which the competitiveness of the Russian companies can be insured, the crisis phenomena in the national economy can be overcome and an efficient trend of development can be reached. The directions can be described as follows.

Direction 1. Increasing and ensuring of competitiveness of the Russian companies at the global market. The economic literature cites a large variety of factors ensuring the companies' competitive advantages. Alongside with that, they can be presented as two groups. The first group includes the factors ensuring the superiority of resources (a better quality, low prices etc.). The second one includes the intellectual resources such as better craftsmanship, abilities, capacities associated with the efficiency and quality of performing the research, engineering, planning and other works that require considerable intellectual efforts, which prevents them from being imitated or copied by the competitors quickly. The new concepts of competitiveness as well as the experience of the foreign companies focus their attention on the second group of factors that are the means of innovation support of the companies' competitiveness, with the importance of the traditional factors not being denied. This is due to the fact that the intellectual resources of companies determine the most efficient parameters of the products (services) produced by them that rest in the area of key competences, trade mark value,

reputation etc. It is by these parameters that a high extent of the added value can be obtained with an opportunity for it to be increased as well as a higher consumer value can be provided at lower costs of bringing it to the consumers.

Meanwhile, the composition of the competitive advantages is industry-specific. So, in high-tech industries, the technical excellence, trade and technological innovations determine the competitive advantages to a large extent.

Direction 2. Increase of labor productivity. This trend is a generally accepted key factor of competitiveness for both companies and the national economy, an essential prerequisite for the stable economic growth.

Alongside with this, a review of productivity according to the economy sectors yields a quite different picture of the labor productivity level and its growth dynamics. The most productive branches featuring the highest competition level are retail trade and steel industry. However, the labor productivity is much lower in the Russian economy as compared to the foreign one. In particular, labor productivity is 3 times lower in the Russian economy rather than in the USA and 1,5 times lower than in Germany (see Table 1).

Table 1. Labor productivity in various countries of the world as estimated by Forbes

Country	Labor, mln people	PPP GDP per capita, USD	PPP GDP, USD billions	PPP GDP, USD, per hour of work	PPP GDP, USD, per hour of work (Forbes)
USA	159	49,965	15,689	48.9	60.3
France	30	36,104	2,383	39.4	57.7
Great Britain	32	36,901	2,325	36.0	46.9
Italy	25	33,110	2,020	40.1	45.6
Japan	67	35,178	4,503	33.3	39.8
Germany	42	40,901	3,354	39.6	55.3
Spain	23	32,682	1,503	32.4	48.1
Poland	18	22,162	864	21.8	26.2
Russia	76	23,501	3,384	22.1	22.0
Brazil	103	11,909	2,346
China	817	9,233	12,474
India	477	3,876	4,795

Source: Forbes cited the data on labor productivity in different countries, 2013.

Moreover, the economic sanctions against the Russian economy have affected the labor productivity level reduction considerably (in 2014, the increase of labor productivity was 0.8 %, and in 2015 – 97.7% of the 2014 performances) (Russia in figures – 2015, 2016; Statistical Yearbook, 2015; Strategic planning and enterprise development, 2016).

The foreign experience allows identifying the following ways for a possible increase of the labor productivity level: operating efficiency growth, business-processes optimization, and elimination of excessive and outdated rules, standards and procedures for obtaining the approvals. Alongside with this, over 10 years (from 2000 through 2010), the costs per unit product of the Russian companies grew up 6 times in gas mining, 4.2 times in coal mining, 3.8 times in producing the rolled metal, 3.1 times in producing petrol etc. As it is the producers of these products who determine the labor productivity level in Russia, in order to solve the most important tasks of increasing the labor productivity, efforts will be required from the companies and from the state the responsibility sphere of which comprises the new paradigms of growth of the economy.

Direction 3. Upgrade of technological infrastructure of the economy. The fact is quite obvious that the environmental challenges (including the changed 'rules of the game' at the world market) have to be responded by the consolidated actions of the state, business and society based on the advantages of the innovation economy. For Russia, the innovation economy still remains relevant which is oriented to a flexible adaptation to the changing conditions and in which business can perform its private investments into innovations profitably, checking the practicability of investments by the index of returns on investments into innovations.

Moreover, the replacement of fixed assets and putting into operation the highly productive equipment are one of the major factors of not only the Russian companies' competitiveness ensuring direction being discussed, but of the previous one as well. However, statistics shows that as the fixed assets volume grows, the extent of their wear and tear increases annually too (in the Russian economy, the wear and tear amounts to almost 50%). The data of Table 2 point at the aggravated situation of the last decade due to a low rate of retirement and replacement of the fixed assets.

Table 2. Indices of condition, wear and tear, and replacement of the fixed assets in the economy of the Russian Federation

Indices	2005	2010	2014
The rates of increase (decrease) of the fixed assets volume (in comparable prices; in per cent), total	101.9	103.0	103.8
<i>including manufacturing activities</i>	103.8	105.5	105.9
The extent of wear and tear of fixed assets (as of the end of year; in per cent), all fixed assets	43.6	47.1	49.4
<i>including manufacturing activities</i>	47.1	46.1	46.9
Fixed assets replacements rates (in comparable prices; in per cent), total	3.0	3.7	4.3
<i>including manufacturing activities</i>	5.4	5.9	6.7
Fixed assets retirement rates (in comparable prices; in per cent), total	1.1	0.8	0.7
<i>including manufacturing activities</i>	1.8	1.0	1.1

Source: Statistical Yearbook, 2015, p. 303 – 304.

In the recent decade, the situation in the RF economy has become worse.

Upgrade of the technological infrastructure is aimed at dramatic reduction of costs and expenses in order to create an active internal demand and qualitative improvement of the business climate. Meanwhile, forming of the new infrastructure as a rule falls on the state budget. First of all, the housing services and utilities, roads and power generating industry have to be upgraded.

In the science-intensive products market, the share of the RF amounts to about 0.3 %, which is much less than that of China and Singapore (6 %). The greatest share is kept by the USA (60 %). In the world competitiveness rating (The World Competitiveness Yearbook 2015) compiled by the Institute of Management Development (IMD) according to four main indices (the condition of the economy, the efficiency of the government, the condition of business environment, and that of infrastructure), the Russian Federation compromised its position going seven points down – to place 45 of 61 possible ones — between India and Slovakia (in 2014, Russia ranked 38th among 60 countries) in 2015. Such a negative dynamics only makes the lack of alternatives for implementing the innovation strategy targeted at competitive technologies and goods more acute.

Within the context of change and economic growth of the very companies and ensuring their competitiveness, it is the policy of shifting the focus from manipulating the costs and products (services) differentiation to intangible resources, creation of new products and efficient technologies capable of laying the bases for the competitive advantages that becomes the priority one. The said focus will bring about the change in the qualitative content of growth due to lower resources consumption by the goods (services) production. Over the recent three decades, experience has been accumulated in studying the intangible resources that are based on distinctive competences, human resources and the assets that are invisible for the potential competitors and difficult to imitate. It is them that determine the production being up to demands and expectations of consumers, including ones related to the quality and price of the product. The intangible assets, together with managerial competences, become a pacing factor for the companies' competitive advantages.

One of the tools of corporations' development for the search of new technologies, products and markets are corporate venture investments. They are usually associated with investing the corporate funds not into the internal projects but into the external startup projects. Thus, the companies are oriented to the most efficient ways of competition buying the new technologies required. For the startups, such funds become the 'entry' point into the innovation focus companies.

According to Forbes, 182 isolated corporate venture funds have been launched in the world during the recent three years. Their total quantity has come close to one thousand, and the corporate venture capital amounts to some 9-11% of the entire venture capital volume. The venture market volume is estimated to be 4.5-6 billion of dollars. The USA, China, India, Brazil and other countries work in this direction the most successfully, while in Russia, no corporate venture funds are seen to appear at a mass scale. The main reason of lagging behind seems to be the small quantity of manufacturing companies in the Russian economy. Here the main branches of the economy are trade, logistics, construction and development, IT- and telecommunications, and natural resources mining.

Direction 4. Creation of basic conditions at the state level that are to generate the background for forming the competitive advantages and for ensuring the Russian companies' competitiveness at the global market.

The authors believe that having to solve at least three priority tasks in the Russian economy underlies the basic conditions that are to generate the background for forming the competitive advantages.

The first task involves formation of a stable business environment within the national economy. Given the relevant 'entrepreneurial framework', the private business can perform venture investments into innovations by means of developing and implementing the strategy of entrance into the market and hoping to gain a high income at the stage of ongoing improvement of the new goods suggested to the market (and it is only the company itself that can take part at this stage). As the responsibility for commercializing the technologies is placed on business, the state will focus on financing the priority projects and research.

The second task is to identify the specialization of the Russian economy. A high level of the economy diversification having lots of isolated industries seems not to allow selecting the priorities and focusing on the innovations, requiring considerable investments. Specialization is known to identify the advantages, the directions of improvement of technological policy, and to orient to a market having the highest effect from innovations.

Practice shows that countries following the innovation way of development have identified the directions for focusing their intellectual capacity clearly enough within which the alliances between scientists, business and power were created.

The targeted aid of the Federal center concerning the process of creating an innovation development impulse for regions having limited financial resources should be referred to the third task. This will promote creation of infrastructure for the innovation economy, including that by means of granting financial aid for the time of transition from downfall to growth. This task is a long-term one.

In connection to this, it is to cluster policy that one of the central places in today's economic science is given. The process of clusterization of the national economy is viewed as a market mechanism of qualitative transformation of economic entities in various activity spheres sharing one regional site. If there is such an interaction, then a positive synergetic effect can be observed in the cluster. Moreover, for the cluster to develop successfully, certain background is required. M. Porter singles out four prerequisites: factor conditions (availability of resources, scientific and information capacity, capital, and infrastructure); the conditions for the internal demand that is up to the world market trends and to the development of the demand volume; the presence of competitive industries at the world market that are related between each other and capable of leading to innovations in the industries served by them; the strategy and structure of enterprises; intra-industry competition (Porter 2005). The governmental policy and unforeseeable events (when an event can bring about other events resulting in the creation of a new cluster) can also be the background for clusters formation.

The studies conducted allow concluding that the cluster policy and strategy are oriented to creation of certain clusters and comprehensive support of their development based on purposefully formed demand and the relevant supplies of products.

So, for instance, the following clusters of 'Machinery and metals processing' were created:

- aircraft construction (Voronezh region, Irkutsk region, the Republic of Buryatia), uniting 48 participants, with workers employed numbering over 25 thousands;
- car engineering and car parts manufacturing (the Republic of Tatarstan (Tatarstan), Samara region, Nizhny Novgorod region), uniting 118 participants, with workers employed numbering over 150 thousands;
- space industry (Perm territory) – 44 participants and about 35 thousand of workers;
- machinery and equipment producing ones, including engineering tools and special equipment, hoisting, hydraulic and pneumatic equipment, robots (Rostov region, Saint-Petersburg, Kurgan region, Sverdlovsk region, Chelyabinsk region, Tula region, the Republic of Mari El, the Chuvash Republic) – 101 participants and about 100 thousand of workers;

- shipbuilding (Arkhangelsk region) – 23 participants, over 50 thousand of workers.

In order to estimate the dynamic processes which allow securing the position of an economic entity in the competitive field and modeling its development strategically, a toolkit has to be developed which would allow managing the competitiveness while adjusting the relevant parameters of the enterprise. For this purpose, the following algorithm has been developed that is iterative in its nature:

- (1) elaboration of an integrated index and rating scale of the company's competitiveness;
- (2) identification of factors influencing the integrated competitiveness index of the company to the largest extent;
- (3) identification of the preferable position of the company in the competitive field of the market that is set by means of a corresponding level of the integrated competitiveness index;
- (4) identification of change in the internal capacity for forming the competitive advantages in line with the preferable integrated index level;
- (5) calculation of expenses for measures of changing the internal capacity and for measures of ensuring the company's competitive advantages at the market. The lack of sufficient funds is a reason why the preferable integrated index level value is reconsidered and the competitive advantages strategy is formed subsequently.

In the literature, the following types of competitive struggle strategies are generally outlined. According to the resource capacity and environmental factors, they ensure the competitive advantages over time: the forward one, the adjustment one, the niche-based strategy, and the innovation one.

A large company having relatively affordable prices and moderate costs implies the forward strategy. When the business is oriented to mass buyers, the prices are set at an acceptable level alongside with a good enough (medium) quality.

In case the company focuses on the small-scale business sphere, the adjustment strategy is more preferable.

The manufacture being profoundly specialized conditions the orientation toward a niche-based strategy.

The most active strategy is the innovation one, as the market experiences essential change after a company implementing the strategy enters it.

There are variants of the strategy, such as a combination of different strategy types depending on the particularities of the competition condition at the market.

Conclusion

Thus, as a result of the research, the main provisions of the model of companies' competitive advantages forming have been worded, with the model including the following structural elements.

First, the authors' treatment of competitiveness as a fundamental definition in theory and methodology of management of social and economic systems has been presented. It reveals the associations between the concept of competitiveness assessment, monitoring and management under strategic risks factors together with the methodological approach to the competitive advantages management system and with the concept of competitiveness strategy variants forming within ensuring the economic security.

Second, a conceptual model of forming and managing the competitive advantages of social and economic systems has been suggested which is based on the logical structure of creating the competitive advantages. The latter ensures the transition to a new qualitative condition.

Third, the main provisions of the conceptual model of forming and managing the competitive advantages of social and economic systems have been grounded; they allow creating the necessary prerequisites for ensuring the competitiveness condition of both companies and the national economy in the strategic outlook on the basis of the correctly selected competitive advantages. Thus, a strong strategic orientation will help making correct decisions on ensuring the Russian companies' competitiveness at the global market, increasing the labor productivity, upgrading the technological infrastructure of the economy, creating basic conditions at the state level that are to generate the background for forming the competitive advantages and for ensuring the Russian companies' competitiveness at the global market. This will allow avoiding numerous mistakes, both currently possible and long-term ones.

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