

UDC 334.722

**INFLUENCE OF UNCERTAINTY FACTOR ON ENTREPRENEURIAL
ACTIVITY**

Diachenko Olena

Ph.D., Associate Professor of Economics

Sumy National Agrarian University

Ekrynychnaya@yahoo.com

Annotation. The article highlights the main advantages of the development of entrepreneurial activity: filling the country's budget, increasing employment of the population, improving the quality of life of involved members of society. At the same time, the role of psychological factors, which are the cornerstones for small business, is emphasized. It was also emphasized that their role is especially important in conditions of high uncertainty. The levels of uncertainty of the environment and their features in relation to business activity are presented. The internal reserves of entrepreneurs' resilience in the face of challenges have been clarified.

Key words: entrepreneurship, business activity, uncertainty, risks, psychological stability.

Entrepreneurship is an important component of the country's economic development, one of the sources of filling the budget and creating jobs. In addition, entrepreneurial activity improves the competitive climate, the implementation of public demand for economic activity, is a source of income for part of the population involved. Entrepreneurship is a process of economic activity that combines the rational management of the organization with innovation and risky behaviour. A modern entrepreneur is a person focused on the strategic implementation of certain activities, taking into account the factors of the changing environment, business risks, focused on obtaining economic benefits, taking into account the social responsibility of business. There are 2 million entrepreneurs in Ukraine. They are the basis of the

new Ukrainian economy, built on private property, personal responsibility and the absence of corruption.

Individual entrepreneurs are helping to build the country's economy: in recent years revenues from entrepreneurs have increased fivefold - in 2019 they have brought \$ 1 billion to Ukraine's budget. The driving forces of entrepreneurship are largely belongs the person himself, his initiative, activity, abilities. A large number of studies on entrepreneurship are devoted to the study of entrepreneurial qualities and factors of their formation. Entrepreneurship develops in a certain socio-economic and cultural environment, for its continuous reproduction requires certain prerequisites, namely: economic, political, legal, psychological. Some of these preconditions have a fairly direct, visible impact, such as an increase in the single tax rate leading to a slight but significant decrease in the number of new registrations, or an increase in the number of enterprises closing.

But some factors act by implication and it is not always possible to directly track them, and this applies to psychological factors. The ability to take risks, to take responsibility for decisions is not always in the plane of cognitive processes of mental activity. And entrepreneurship is an activity where you need to constantly manage risk, using a variety of measures that allow to some extent to predict the onset of the risk situation and take timely action to reduce them. The classic approach to strategy formation and decision-making process involves an idea of the future that is quite clear and predictable. But the present proves to us that the future is unpredictable and at times forecasting is not a stable support for decision-making at all.

In the process of making strategic decisions, two types of information are used: 1. predictable - clear trends on the basis of which an entrepreneur can make decisions. 2. Insufficient - when it is necessary to clarify factors that were previously considered uncertain in order to make decisions. Courtney and Kirkland [1] deduced 4 levels of information deficiency. Using their gradation, we will apply it to the information necessary for business activity. Then these levels will look like this:

Level 1: At this level, residual uncertainty does not play a significant role in strategic decision making. It is enough for an entrepreneur to develop one forecast

that has the required degree of accuracy and will become the basis of an economic strategy. To compile it, a standard set of methods is used - market research, analysis of competitors' activities (first of all, the structure of their costs and the state of production facilities), research of the value chain, the model of five forces by Michael Porter, etc.

Level 2: Uncertainty concerns the alternative approach of one or another scenario. Analytical methods cannot determine which one will be implemented, some (if not all) elements of the strategy would change if the result was predictable. Uncertainty of the second level is faced by many entrepreneurs, whose activities may depend on changes in government regulation and legislation. Or when the value of the chosen corporate strategy depends mainly on the actions of competitors, and they cannot be predicted. In this case, the entrepreneur needs to develop several separate scenarios related to the key factors of residual uncertainty. The main task is to collect information that helps to establish the degree of probability of a particular outcome.

Level 3: a number of possible future options, while there are a number of unpredictable elements, the occurrence of which can change the strategy of business activity very significantly. Level 3 uncertainty is often faced by companies operating in new industries or entering new regional markets. The third level of uncertainty requires tracking market signals to indicate which of the options is valid. The real art of an entrepreneur at the onset of this level of uncertainty is to track the initial manifestations of the changed development scenario, to have time to be among the first to understand where to move.

Level 4: complete unpredictability. At the fourth level, the uncertainty is so multidimensional that any characteristics of the relevant environment are practically unpredictable. It is impossible to define individual scenarios, nor the range of possible outcomes, nor those variables on which the future depends (and sometimes it is even impossible to identify them). Factors can interact in very unpredictable ways, making it nearly impossible to determine the likely range of scenarios. Situational analysis at the fourth level is mostly qualitative rather than quantitative. Sometimes, simply acting - not always relying on analysis - is a winning strategy, precisely

because Level 4 uncertainty brings forecasting collapse for so many companies, and with it increases anxiety, the inability to do business in the old way, and the fear of doing something fundamentally new. , or perhaps just the impossibility of doing something fundamentally new. It is important, however, to have a general idea of what information can be trusted in the business decision-making process. It is the situations of uncertainty of the third and fourth levels that require from an entrepreneur such qualities as stress resistance, creativity, the ability to take responsibility.

Daniel Kahneman [3] provides evidence of human decision making that differs from rational choice theory. Kahneman explained these differences in opinion and decision making in terms of heuristics. Heuristics are simple in computational procedures, but sometimes lead to "serious and systematic errors." The following groups of cognitive errors can be distinguished, which interfere with an accurate assessment of the situation and the adoption of adequate decisions: 1. Selective perception - the tendency in which expectations affect perception. 2. Scheduling error - the tendency to underestimate the time it takes to complete tasks. Also known as a consequence of Murphy's Law: "Any job takes more time than you think." 3. Illusion of correlation - false belief in the relationship of certain actions and results. 4. Stereotypes - expectations from a certain element of certain characteristics, without knowing any additional information. 5. The effect of self-confidence is the tendency to overestimate one's own capabilities. 7. Illusion of transparency - people overestimate the ability of others to understand them, and also overestimate their ability to understand others. 8. The fundamental attribution error is the tendency of people to explain the behavior of other people with their personal qualities, to underestimate the situational factors and at the same time overestimate the role and strength of situational influences on their own behavior, underestimating the personality aspect.

The appearance of errors leads to incorrect decisions and actions. Therefore, the formation of entrepreneurial abilities and competencies should lie not only in the development of cognitive processes and hard skills. Let's highlight the main, in our

opinion, internal qualities, the formation of which will achieve a more stable position of the entrepreneur in a competitive and uncertain environment:

- ability to cope with multitasking;
- stress resistance;
- maintaining competition;
- ability to perform complex intellectual tasks;
- innovation - the development of new solutions to problems, emphasizing creativity, originality and creativity;
- autonomy - the ability of the individual to make decisions and be responsible for own actions; etc.

Educational institutions must implement the Lifelong Learning (LLL) paradigm [4], which focuses on increasing human competencies to the new needs of the economy.

References

1. Hugh G. Courtney, Jane Kirkland, and S. Patrick. Viguerie Strategy under uncertainty. The McKinsey Quarterly, 2000, No. 3
2. Phoponomics - Economics of Ukrainian foconomics in real time
<https://opendatabot.ua/open/foconomics>.
3. Kahneman, Daniel Thinking, Fast and Slow, 2014, 653 p. ISBN 978-5-17-080053-7
4. Zaitseva A.S., Asaliev A.M. Model of the formation of entrepreneurial competencies // Economy: yesterday, today, tomorrow. 2019.Vol. 9.No. 2A. S. 57-65