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INFLUENCE OF THE STRUCTURE OF COMPETITIVE ADVANTAGES ON REVENUES OF LEGAL SERVICES FIRMS IN UKRAINE

In developed countries, revenues of legal services firms are based on two pillars – a customer base and reputation of a firm and employers. Therefore, activity regarding formation, usage, and maintenance of competitive advantages is eventually aimed at development of a customer base and enhancement of reputation. In Ukraine, the third pillar – social capital – may play the significant role. It is defined as informal relationships of lawyers with law enforcement and other officials, which provide competitive advantage compared to other legal services firms. If one lawyer can pass on bribes to a judge or a prosecutor and other cannot, a firm, where the first lawyer works, gains competitive advantage and may receive a cash award for its services.

In order to figure out the relationship between three pillars, which may influence revenues of legal services firms in Ukraine, there is a need to consider concepts of the relevant and fundamental structure of competitive advantages.

The fundamental structure of competitive advantages encompasses all potential sources of competitiveness. Its content does not change. The fundamental structure is referred to as a list of all the factors, which may provide advantages for a firm in competitive fight under particular conditions. Nevertheless, at a certain point, a significant part of these factors does not influence competitiveness of a particular firm.

The relevant structure of competitive advantages consists of elements of fundamental one. It is characterized by certain correlation between elements of the

fundamental structure. It indicates what competitive advantages are relevant (i.e., plays the significant role under certain conditions) and what advantages are not relevant (do not considerably influence).

The fundamental structure of competitive advantages includes the following components: a) military and security; b) administrative and managerial; c) market. The military and security competitive advantages are based on an advantage in armed forces, groups, and security forces. The administrative and managerial competitive advantages are based on an advantage in leverages of governmental power influence. The market competitive advantages are based on an advantage in application of laws and mechanisms of market functioning.

Factors of only one of groups dominate the actual structure of competitive advantages. Advantages of a lower level are more powerful. That is to say, the military and security advantages usually prevail over the administrative and managerial ones. In turn, the latter are stronger than market ones.

A more powerful level of competitive advantages may lose relevance due to influence of external factors. For instance, if a government reclaims monopoly on the use of violence, firms will not be able to use military and security advantages. In that case, the administrative and managerial advantages actualize. If a law enforcement system, self-governing organizations of lawyers, and a civil society are able to minimize corruption, firms will lose an opportunity to apply the administrative and managerial advantages. As a result, the market advantages will play the leading role.

It is worth mentioning that co-existence of competitive advantages of several levels in the relevant structure is possible under certain conditions. In that case, there is the mixed relevant structure of competitive advantage. Although the mixed structure is able to exist for a while, it is not sufficiently sustainable. Such non-sustainability is caused by gradually increasing contradictions between those possessing various groups of competitiveness factors: they try to change the relevant structure of competitive advantages, to leave only one group of advantage, which is favorable for owners, to eliminate other groups.

Returning to three pillars of competition, which influence revenues of legal services firms in Ukraine, the author may attribute a customer base to the market advantages and social capital to the administrative and managerial advantages. The author highlights that in developed countries social capital plays the considerable role in rivalry of legal services firms. However, it does not usually happen because of effective fight against corruption and high legal consciousness and legal culture.

The relevant structure of competitive advantages of legal services firms in our country may be defined as mixed one, because the administrative and managerial advantages may not be always applied. For instance, a case may be resonance and it is kept under surveillance of mass media and public society institutions. In an-

other case, entrepreneurs are not able to establish links with a judge or an attorney. When the administrative and managerial advantages leave out of competition, the market advantages usually become crucial. If entrepreneurs are able to apply the administrative and managerial resource, the market advantages take a back seat. The mixed relevant structure of competitive advantages complicates competition and makes it more unpredictable.

Consequently, there is the specific structure of competitive advantages of legal services firms in Ukraine. In some case, social capital and the administrative and managerial competitive advantages formed on the basis of this capital play the important role in the process of formation of firms' revenues.

It is worth mentioning that the structure of competitive advantages, which are needed for gaining high revenues, is not always principled for legal services firms oriented towards profit of organizations. If there is a need to give bribes and to establish informal relationships with governmental officials for the purpose of gaining and maintenance of advantages over competitors, some firms will hand out bribes and develop informal networks of influence. If there is a need to enhance quality of legal services and to decrease their cost for the purpose of intensification of marketing efforts, firms will work towards these goals.

However, there is a principled difference for Ukraine and its citizens. In the first case, destructive relationships develop. These relationships negatively influence the society: they lead to development of criminality, loss of confidence in the authority, the spread of mistrust in the authority, they distort public morality, deteriorate social and psychological climate. The second case comprises enhancement of quality and reducing the price of legal services, the increase of effectiveness of a legal system, development of legal culture and consciousness, and regaining confidence in justice.