PROPOSALS FOR THE DEVELOPMENT OF INNOVATIVE BUSINESS ON THE PRINCIPLES OF PUBLIC-PRIVATE PARTNERSHIPS

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Introduction
In modern conditions in the Ukrainian economy is characterized by small proportion of entities that carry out an innovative business. This is primarily due to the absence of the main factors that affect the development of innovative entrepreneurship in the country: week consumer demand for innovative products; insufficient financing of scientific and technical capacity of the national economy; the lack of functioning of venture capital firms and investors who finance risky innovative activities.

Small and medium-sized business (SME) presents interest for the accelerating the development and use of new technologies, the production of new products, producing industrial design innovations that can be transferred to large enterprises on a commercial basis.

The presence of entrepreneurial initiative, sufficient development of SME, and the use of effective mechanisms of state incentives can be the basic principles of the implementation of innovative processes. Besides intensive innovative development of Ukraine is possible only under conditions of carrying out deep economic reforms aimed at the establishment of competitive SME, applying measures to translate innovative projects through the stimulation of innovative enterprises.

World experience shows that one of the ways to enhance the development of innovative business is to develop public-private partnerships. The use of such a mechanism would allow mutually beneficial cooperation of the state and private partners to accelerate the technological upgrading of the coal industry and, thus, improve the quantity and quality of coal products, and to accelerate industrial growth at the regional and national level.

The Problem

Despite the wide range of scientific research on the subject, the study of essence of innovative entrepreneurship, implementation of the SWOT-analysis of his status in Ukraine, identification of the main factors hindering intensification of the functioning of small and medium enterprises in innovation, the development of a set of measures to address the identified problems of insufficient development of innovative business do not lose its relevance and determine the choice of the research topic.
The main purpose of this work is to develop proposals for the development of innovative business on the principles of public-private partnerships.

**The Results**

The innovative entrepreneurship refers to a business that applies qualitatively new approaches, materials, ideas and products to meet consumer demand and get profit. Innovative process comprises of the steps of: searching for innovative ideas, evaluation of ideas, business plan development of the innovative project, the search for the necessary resources, management of created innovations.

Innovational active SME should evolve, since these structures are characterized by such features:

– The high level of flexibility in producing competitive new products, where the main indicator is the rate of renewal of the products;

– Focus on the search for fundamentally new products and processes associated with high commercial and technical risk – they account for the bulk of the costs of exploration, development and development of scientific and technological innovations;

– Responsiveness to the changing needs of consumers; creating an atmosphere of intense work;

– Organizational separation from current production.

To identify strengths and weaknesses, opportunities and threats to the development of innovative business in Ukraine SWOT-analysis was carried out. The results are shown in Table 1.

**Table 1. The results of the SWOT-analysis of innovative entrepreneurship**

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<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
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<td>– high level of scientific potential of the state and training of scientific personnel with innovative potential;</td>
<td>– insufficient State investment into innovation development;</td>
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<td>– developed system of higher education with elements of innovation management;</td>
<td>– limited possibilities for external financing (lack of venture capital funds);</td>
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<td>– the formation of innovative infrastructure facilities to meet current economic demands;</td>
<td>– no methodology for calculating the indicators of innovation;</td>
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<td>– successful cooperation between science and business environment;</td>
<td>– low level of innovation culture of entrepreneurs</td>
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<td>– the use of tools of organizational, technical and financial support for the development of public-private partnerships in innovation</td>
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<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
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<td>– the development of innovative businesses;</td>
<td>– financial and administrative factors that hinder the development of innovative businesses;</td>
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<td>– a high level of research and innovation capacity;</td>
<td>– insufficient lending resources for most innovative companies;</td>
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<td>– innovative business development through access to the various sources of funding;</td>
<td>– sophisticated selection of qualified specialists for innovative businesses;</td>
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<td>– the development of modern regulatory framework for innovation;</td>
<td>– lack of interest from the side of scientists in starting their own business;</td>
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<tr>
<td>– the development of innovative entrepreneurship in Ukraine supported by EU funding</td>
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The analysis of the dynamics of main indicators of innovation activity in Ukraine leads to the following conclusions:

The share of enterprises engaged in innovation, declined by 1.9% during 2000–2014. The share of enterprises, which are introducing innovations, decreased by 2.7% respectively. During 2000–2014 the proportion of sales of innovative products in the volume of industry decreased by 6.9% (SSSU, 2015).
According to the State Statistics Committee of Ukraine share of the costs of internal and external research projects in the total cost of innovation has increased over by 7.7% in 2000–2014, for the purchase of machinery, equipment and software the respective increase was 5.4%. The share of the costs of acquisition of other external knowledge in the total cost of innovation decreased by 3.5%.

During 2000–2014 the growth rate of total spending on innovation amounted to 11.1%, out of which: spending through own funds of enterprises increased by 11.6%, through the state budget – 31.2%, through foreign investments – 0.3%, through the funds from other sources – 8.4%.

The share of enterprises' own funds in the total amount of financing of innovative activity has increased over 2000–2014 by 5.3% of the state budget – by 4%. The share of foreign investors in the total volume of funding decreased by 5.8% from other sources – by 3.6% (SSSU, 2015).

According to the State Statistics Committee of Ukraine the quantity of new introduced manufacturing processes has increased by 24.2% over 2000–2014, or from 1403 to 1743.

The share of low-waste and resource-saving processes in the total implementation of innovative processes decreased by 5% and amounted 25.7% in 2014. Quantity of the introduction of innovative products decreased by 76.1%, or from 15323 to 3661. The share of new types of equipment in the total amount introduced innovative products increased by 31.8%. During 2000–2014 the quantity of new types of machinery increased by 2.1 times.

The share of industrial enterprises, which introduce innovative products, accounted for 10.5% in 2012–2014, innovative processes – 11.3%, organizational innovations – 2.3%, marketing innovations – 2.9% (Ukraine, 2015).

According to the State Statistics Committee of Ukraine innovative processes in 2014 we have implemented 614 enterprises, of which 459 – new or improved methods of processing and production (processes), the number of which was 1743, including low-waste and resource – 447; 123 companies – new or improved methods of logistics, delivery or distribution of products, 190 – new or improved activities to support the processes of logistics services and procurement transactions.

Organizational innovation carried out 125 enterprises, marketing – 157. In 2014 905 companies have implemented innovative products to 25.7 billion UAH, or 2.5% of the total volume of industrial products (R&D, 2015).

Innovation in 2014 involved 1595 enterprises (15.9% of the surveyed industries), including: innovative products introduced in 1054 enterprises, of which 257 – a new market and 923 – new only to the enterprise; innovation processes – 1127 companies, of which 926 – new or improved methods of processing and production, 233 – new or improved methods of logistics, delivery or distribution of products and 349 – new or improved activities to support processes, in particular, the system of financial service operations procurement, accounting and estimates.

In order to meet the needs of consumers as well as to increase sales 289 companies have introduced marketing innovations. 232 enterprises increased their efficiency through the introduction of organizational innovations (R&D, 2015).

Based on the results of the study revealed the factors that hinder the efficient functioning of small and medium-sized businesses in innovation (Figure 1).
With a view to enhance the development of innovative business in Ukraine, it is expedient to develop a set of proposals (Figure 2).

In order to overcome the above barriers to innovative entrepreneurship in Ukraine it is necessary to conduct a series of incremental steps:

- Identification of innovative companies in the country, determination of their share in the total volume of innovative products produced by these enterprises;
- Analysis of the needs, problems, the main reasons hampering the innovative development of innovative companies;
- Development of models and mechanisms that promote cooperation between business structures and scientific organizations;
- The formation of clusters of promising companies operating in key technology sectors with high potential for development.

**Figure 1. Factors That Hamper the Effective Development Innovative Entrepreneurship in Ukraine**
The task of overcoming barriers related to insufficient infrastructure to support innovative entrepreneurship

The objectives to overcome barriers associated with low specific weight high-tech exports in innovation

The challenge of overcoming barriers related to low demand for innovation from the side of government and departmental structures

In order to overcome barriers related to insufficient budget expenditures on scientific and technical sphere

The challenge to overcome barriers related to the lack of venture capital and the underestimation of the stock and mechanisms

Challenges to overcome barriers related to the precarious financial state of the enterprises that produce innovative products

The challenge to overcome the barriers associated with insufficient infrastructure to support service organizations

In order to overcome barriers related to the lack of motivation to use the results of budget research on the issues of innovative entrepreneurship from the side of entrepreneurs

The challenge to overcome barriers related to the lack of training for the innovation economy and a qualified management innovation

The task to overcome the barriers associated with a weak stimulation of innovation of non-state funding of innovation, lack of venture capital investment

To overcome administrative barriers

The challenge to overcome barriers related to the lack of a comprehensive legislative support of innovative entrepreneurship

Challenges to overcome barriers related to insufficient effective development of innovative business environment

In order to overcome the barriers associated with low and limited access to information innovation environment (business available market information, resources, public procurement, regulations, etc.)

Challenges to overcome barriers related to insufficient innovation culture in the field of innovative entrepreneurship

The challenge to overcome barriers related to insufficient support for small innovative businesses at regional and local level

**Figure 2. Proposals to Improve the Efficiency of Innovative Entrepreneurship in Ukraine**

The results of this research suggest the need to address the major challenges for the development of innovative business in Ukraine in the contemporary economy. Among them:

– The formation of innovative infrastructure objects, which should work as a single mechanism;
– Establishment of a regional network of business incubators in all fields of
knowledge, including higher education;
   – Creating a network of strategic centers for innovative development in Ukraine, with the main objective of the development and implementation of innovative projects. Center of strategic development sectors should be focused on the development of the sector or industry clusters;
   – The formation of innovative clubs for entrepreneurs whose main task is to create conditions for innovative entrepreneurship in innovation;
   – Databases formation of innovative ideas which should be available to entrepreneurs and other interested categories;
   – Providing advice on intellectual property protection of innovative entrepreneurs;
   – Monitoring technologies and forecasting macro and micro levels;
   – Assessment of technological production in Ukraine;
   – Training of administrative staff through seminars, trainings, meetings;
   – Overcoming psychological barriers;
   – Growth of innovative development financing from the state budget and investment resources;
   – Development and implementation of legislation on venture capital funds and innovation funds to support the development of innovative entrepreneurship;
   – Creation of a national venture capital fund for targeted support to promising projects of innovative character;
   – Restructuring of internal management of enterprises to their adaptation to market changes, the establishment of effective relationships with customers innovative products and services;
   – Training of management staff of enterprises to attract highly qualified professionals to the management;
   – The formation of service structures as part of major innovation units;
   – Attracting professionals at all stages of the implementation of innovative projects;
   – The creation of a unified system of training and professional development for professionals in the field of technological innovation, including distance learning;
   – Development of a national site «innovative entrepreneurship» to establish new contacts between entrepreneurs, experts and solutions to their common problems in the field of innovation;
   – Attracting foreign investors at the expense of benefits provided for the production of innovative products;
   – The introduction of tax benefits for taxpayers, which are aimed at improvement of the existing equipment and technologies or the creation of innovative products;
   – Expansion of the use of tax holidays;
   – Expansion of the list of high-tech imported equipment, which is imported duty-free;
   – Funding for state guarantees and interest rate subsidies on loans for export contracts;
   – The creation of venture capital funds and the national innovation fund for entrepreneurship;
   – Development of national strategic innovation development program up to 2030;
– The widespread use of procedure «single window»;
– The use of administrative responsibility for the delay in decision-making on innovation;
– Develop a set of laws necessary to ensure the actual functioning of innovative entrepreneurship;
– Introduction of incentives for companies producing innovative products;
– Compensation to owners during first three years of operation of the business incubator (60, 40 and 20% respectively);
– Introduction of accounting in the field of marketing;
– Providing free consulting services;
– Innovative entrepreneurs are to provide a continuous exchange of information through the media, internet resources;
– Formation and development of a national system of information and consulting support to innovative entrepreneurship and its integration into a single information system consulting;
– The formation of a positive image of the entrepreneur on the basis of an innovative promotion of innovative ideas among the population and increase the social responsibility of business through a mechanism of social accountability and moral incentives;
– Providing financial, informational, educational support at the expense of local budgets through the establishment of special funds to support innovative entrepreneurship.

Conclusions
Innovative entrepreneurship is a dynamic form of public-private partnership, where the processes carried out: intensive restructuring, change of activity, the creation of new and liquidation of inefficient enterprises in a prescribed manner.

To improve the situation in the innovative business in the short term expedient implementation of a number of the following activities are needed:
– Analysis of the actual state of development of innovative business;
– Increase in the number of small enterprises in innovation, as close to the standards of building an innovative economy (60–80%);
– Creating the conditions for small businesses to reduce costs by introducing new products to improve competitiveness;
– Ensure access of small innovative businesses to various sources of funding in order to reduce the costs of the introduction of innovative products;
– Implementation of the selection of projects that require subsidies;
– Formation of a system of training for the innovation sphere, which should be gradually integrated into the international system in the future;
– The creation of scientific and methodological center of a multi-level system of training specialists in the field of innovation;
– Formation of innovative infrastructure objects, for example, a consortium whose main task should be to find and to implement large innovative projects, usually with the use of new technologies. Consortium in innovation can be a certain time agreement between banking institutions, innovative enterprises, companies, research centers on high-tech and capital-intensive projects.
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References


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Abstract

In the paper the SWOT-analysis of innovative business in Ukraine is performed. The major indicators of innovative activity in Ukraine are analyzed. The factors, that inhibit the activation of the functioning of small and medium enterprises in innovation, are investigated. The proposals to enhance the development of innovative entrepreneurship as the effective form of public-private partnership in Ukraine are developed.

Keywords: innovative entrepreneurship, small business, revitalization, development, public-private partnership, indicators, factors, proposals