

# Development of Innovative Entrepreneurship in Ukraine

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**Abstract – In this paper the organizational aspects of innovative entrepreneurship development are reviewed, along with the emerging synergy effects, social spillover effects, improvement of institutional environment, along with regulatory and financial aids, instrumental to the processes of fostering growth of innovative entrepreneurship.**

Keywords – innovation, innovative entrepreneurship, entrepreneurship, innovative development, institutional infrastructure, synergy effects, social partnership.

## I. Introduction

Ukraine possesses considerable potential for innovative economic development with regards to governance and regulation at the national level, as well as locally. Ukraine's versatile economy is witnessing a dire need for implementation of effective mechanisms that could underlie further innovative economic development. A peculiar need for innovative development is observed in the markets for energy efficiency improvements and energy efficiency management. Due to the lack of consideration for regulatory assistance the innovative aspects of the development of energy efficiency sector is lacking. Thus, the goal of the paper is to determine and summarize the experience of implementing innovations on the regional and municipal level, as well as suggest possible improvements to the financial mechanism of implementing and wider adoption of relevant innovation. Such innovation will lead to a more effective resource allocation.

## II. Main Results

Current research by Ukrainian scholar Fedulova L., suggests that the main obstacles to the processes of development and implementation of a stimulating economic policy aimed at fostering and spreading innovation are: policy efficiency gaps dictated by a technological policy that is considerably vague; a lacking institutional environment and imperfect competition within the markets; an inefficient and incomplete support from the government; an intermittent and fragmented nature of cooperation of government authorities and bodies with economic agents pertaining to implementation of innovations; low efficiency of the policies that are currently in effect [1] (no consideration for cyclical nature, as well as mitigation of risk associated with implementing innovations; inefficient communication between the stakeholders of innovative practices; a lack of institutional support for implementation of economic policies aimed at spreading innovation, including greater cooperation between scientific and research institutions with market agents that provide innovative technological solutions.

The Ukrainian scholar Kutsenko T. addresses the issues of researching theoretical underpinnings for effective development of strategies of fostering and encouraging innovation. The author is comparing Ukraine's strategy to similar innovative strategies concerned with breakthrough, innovation adoption and innovation and technology transfer from across the globe [2, 3]. Ukraine's strategy in its essence might be summarized as aimed at maintaining market parity and inertia, while at the same time creating provisions for the inflow of foreign capital, slowing inflation and limiting government support for investments [2]. While most of the existing policy measures could be regarded as adequately present, the same thing cannot be concluded of inflation. According to the forecasts, inflation is expected to not only slow down, but gain momentum, along with the associated negative social and economic effects.

Ukrainian scholars and researchers Ischuk S. and Sozanskiy L. are studying practical implication of implementing economic innovation in Ukraine and Poland. The authors analyze innovative development and its effect on competitiveness of regional economies and their respective economic clusters [4]. According to their research, Polish regions were 1.9 times more active in terms of engaging in innovative economic activity in 2015, while the average for the whole period stands at 2.2 times. The most drastic difference was with the proportion of innovation-related expenses in the overall value of capital investment expenses. This proportion of innovation-related expenses in Poland, dwarfed the relevant Ukrainian statistic by 4.75 times in 2014. At the same time, in 2015, the difference has fallen to 2.62. Overall, revenue from innovative products with Polish industrial sector is almost double, as compared to that of Ukraine. At the same time, the proportion of enterprises implementing innovation in Ukraine grew to 15.2% in 2015, as compared to 12.1% in 2014. The relevant values for Poland stood at 16.1% and 15.8% in 2015 and 2014 respectively [4, p. 74-75].

Researches have shown that implementation of effective innovations is strongly linked to the following positive economic consequences:

- managerial and technological efficiency;
- resource allocation efficiency;
- economic, manufacturing and technological activity;
- growing investment and rising exports [4].

While choosing a growth strategy for development and implementing innovation for Ukraine's economy, the following factors should be taken into consideration:

- certain historical irregularities of regional distribution of economic sectors;
- a subpar implementation of previously announced government innovation policies and measures aimed and adoption and spread of relevant economic innovation [3, 4, 5];
- poor planning and ineffective localization of domestic institutions for innovation, as well as centers for international and inter-sectorial economic cooperation;
- complete stages of national strategy of innovative development, concerned with attaining innovation-

driven economic growth have been ignored in the period of 2004-2015;

- lowering the priorities of development through innovation is often associated with the negative effects of Russian military aggression, and growing military expenses that draw away from the policies and programs aimed at stimulating economic growth.

There are a number of factors that exert an influence on the economic development through implementing innovation. Among them are the following: globalization processes; international economic integration; considerable rate of the increase in price of natural resources, which stems from both, economic and political underpinnings; a very limited understanding of importance of innovation on part of the government officials and bodies and thus limited budget availability when it comes to innovative economic policies and programs; a decrease in the rate of domestic savings and therefore a decreasing rate of investment activities; a low volume of foreign investment designated for innovative economic projects; an increasing rate of inflation and a downward dynamic of turnover for economic agents engaged in innovative activity; poor institutional environment and high inertia of existing values and practices.

Innovative development of Ukrainian economy should be based on comprehensive adoption of innovation within domestic institutions and entrepreneurship practices and culture. Such development should become a priority at every level of organizational hierarchy, while also being acknowledged through resource allocation. Such goals are attainable long-term, but if there exists a worthwhile instrument of facilitating this endeavor, it must be government policy.

The following organization and institutional changes should be addressed for a more effective advancement of innovation and economic growth:

- Improvement of legislation as a platform for innovative growth;
- Drafting and implementing innovation support programs;
- Improvement and spread of innovative infrastructure;
- Adoption of innovative technologies, best practices and know-how with medium and small businesses;
- Creating and culture and innovative mindset as well as a favorable institutional environment for implementing organizational and technological innovation with the management and personnel;
- Training, appointment and motivation of managers, as the drivers for change, within the organizational structure of economic agents;
- Taking into consideration the peculiarities of managing engineers and highly skilled personnel through the adoption of concepts and best practices of talent management;

- Keeping in mind the peculiarities of implementing innovation in varying fields and sectors [4].

Fostering innovative development strategies and entrepreneurship is also highly dependent on the availability of funding through specialized loans, as well as venture and capital funds.

## Conclusion

The context of innovative development policy realization has a synergy effect that is closely related to institutional development, creating a social infrastructure and social partnership between stakeholders. The end result of the above mentioned policy measures should be a wide-spread adoption of organizational strategies and institutional change that will serve as a platform for seeking a more effective and active innovation-driven culture of entrepreneurship.

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