

JEL  
O320

Classification:

**INNOVATIVE ENTERPRISE IN UKRAINE AS  
BASIS OF ECONOMIC DEVELOPMENT**

UDC:

005.2:[330.341.1](477)

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**Introduction.** Should be noted that so far neither abroad nor in Ukraine has not yet been established generally accepted economic theory of entrepreneurship, although the need for such a theory has long been rather urgent. "Three waves" of development of theory of business functions – it allows you to describe the development process of scientific understanding of business practices

**The research aims** to study and disclosure key aspects of formation of innovative business in Ukraine.

**Methods:** *abstract–logical method* – for specification and justification of the main provisions of the innovative enterprise development. *Method of expert assessments* – to determine the competitive advantage of innovative companies; *Graphical method* – for visual representation of theoretical and practical study.

**Results:** A theoretical principles of innovative business development in Ukraine have been grounded and proposed for further implementation, a analysis of strategic initiatives and models of Ukraine in the context of innovation and structural change is conducted, transformational stages in Ukraine's development and their characteristics are identified, revealing the decisive role of innovative entrepreneurship in particular as the basis and engine of economic progress in the above process.

**Conclusions:** Changes taking place in Ukraine and related to changes in property relations and its structural adjustment require very large investments and developing of innovative policies for long term

**Keywords:** innovative enterprise, economic development, transformation stages of development, innovative potential.

**Problem and its connection with important scientific and practical tasks.** Should be noted that so far neither abroad nor in Ukraine has not yet been established generally accepted economic theory of entrepreneurship, although the need for such a theory has long been rather urgent. "Three waves" of development of theory of business functions – it allows you to describe the development process of scientific understanding of business practices.

"First Wave" that emerged in the XVIII century, was associated with concentrating on risk bearing by entrepreneur.

"Second Wave" in the scientific understanding of business associated with the release of innovation as its main distinguishing feature.

"Third Wave" differs in focusing on particular personal qualities of the entrepreneur (the ability to respond to changing economic and social situation, independence in the selection and decision-making, management capabilities, etc.) and the role of entrepreneurship as a regulatory principle in the economic system that balances.

**Analysis of recent publications on the problem.** Issues of businesses functioning have long been the subject of research of scientists around the world: R. Hilferding, P. Drucker, R. Cantillon, A. Marshall, J.–B. Say, Adam Smith, Y. Schumpeter and others. Since independence of Ukraine, many scientists paid attention to this issue, such as: V. Boronos, L. Buriak, W. Vorotin, S. Dryga, V. Zbarsky, A. Kvasovskyy D. Knysh, A. Kovalyuk, M. Krupka, O. Kundytsky, R. Larin, S. Lobozyńska, V. Lyashenko, V. Plis, G. Poplavska, S. Reverchuk, A. Horonzhy, M. Hurasa and others.

**The research aims to** study and disclosure key aspects of formation of innovative business in Ukraine

The current stage of development of the theory of business functions include the "fourth wave", the appearance of which is associated with the transfer of emphasis on the administrative aspect in the analysis of action employer, and therefore the transition to interdisciplinary level of business analysis of problems.

**Unsolved parts of the research.** Giving the current realities, enterprise development is a prerequisite of any state development.

**The presentation of the main results and their justification.** Phenomenon of entrepreneurship proves to be an essential attribute of a market economy. Although the history of business goes into the centuries, the modern understanding of it happened during the formation and development of capitalism. In economic theory, the concept of "entrepreneur" appeared in the XVIII century and is often associated with the term "owner". Its founder was a British economist R. Cantillon, who first introduced the term "entrepreneur" in economic theory. For Cantillon, an entrepreneur – a man with a vague, non-fixed income (farmer, artisan, merchant, thief, beggar, etc.), that purchases goods from other people by known price and will sell his goods by price, which is still unknown. Hence, the risk – the main feature of the entrepreneur and its main economic function lies in bringing supply to demand according to different product markets [1].

A. Smith also described the entrepreneur as the owner that takes the economic risks for the implementation of a business idea and profit. He plans to organize production, manages the results, etc. [2].

A similar view of the function of the entrepreneur in a market economy followed the great French economist of the late XVIII – early XIX centuries.

J.–B. Say, who described him as a person who takes his own expense and at their own risk and trying to make a product. He emphasized the active role of the entrepreneur as an economic agent, which combines factors of production and is the owner of knowledge and experience. J.–B. Say rather detailed described the specific properties of the entrepreneur and the nature of its revenues, part of which is payment for its unique entrepreneurial skills [3].

Great contribution to the development of the theory of business made German economist Werner Sombart, and Austrian economist Schumpeter. Businessperson by Sombart – a "conqueror" (willingness to take risks, spiritual freedom, wealth of ideas, will and perseverance); and organizer" (the ability to unite many people to work together) and "merchant" (the ability to convince people to buy their products, arouse their interest, gain trust). Describing the purpose of the entrepreneur, Sombart among them singled out the desire for prosperity and growth of the business, and the concomitant growth – profits, because without it, the prosperity is impossible [4].

Schumpeter calls entrepreneur a person who works with the implementation of new combinations of inputs and thus providing economic development. Thus, Schumpeter believed that the entrepreneur does not necessarily own the production and is individual capitalist – it can be manager of any field. In fact, combining in one person the owner and entrepreneur was start collapsing during the development of credit relations [4].

The most visible separation of business from the property is joint – stock companies. In terms of equity, corporate economy the ownership as a legal fact loses its executive prerogatives. Authorities in the production moved from property to the organization, the role of property becomes more passive. Instead of real physical objects, which have traditionally been linked with the concept of ownership, shareholder owns only a "scrap of paper", the title of the property. Over most entrepreneurs, the owner of shares has enough conventional control. However, he is not responsible for the performance of the corporation. This is the responsibility of managers.

Thus, the development of credit relations and transfer of wealth from the individual forms of private property ownership in corporations causes separation of ownership from the disposal of businesses.

So between the entrepreneur and the owner there is no fixed connection, business is basically not a function only of the owner, it can be participate by persons not directly being the subjects of property rights.

In the scientific literature, business is considered in three aspects: as an economic category; as a method of management; as a type of economic thinking [5].

To characterize entrepreneurship as an economic category, the central problem is the establishment of its subjects and objects. Business entities may be primarily individuals (organizers of individual, family and larger production). The activities of such enterprises is carried out both on the basis of their own labor, and with the assistance of hired. Entrepreneurial activity can also be a group of people connected by contractual and economic interests. The subjects of collective entrepreneurship are the corporations, rental collectives, cooperatives and others. In some cases, entities can be state in its relevant bodies. Thus, in a market economy, there are three types of business: state, collective and private, each of which finds its "niche" in the economic system [5].

The object of business is to implement the most efficient combination of inputs to maximize revenue. All sorts of new ways of combination of economic resources, according to Schumpeter, are the main business of the entrepreneur and that is what distinguishes it from ordinary entity. Entrepreneurs combine resources to manufacture new, unknown to customers benefits; the discovery of new methods of production (technologies) and the commercial exploitation of an existing product; development of a new market; development of new sources of raw materials; reorganization in the industry to create its monopoly or to compromise others [4]. For the enterprise, as a method of business, the main condition is the autonomy and independence of the entities, availability of a certain set of rights and freedoms – to choose the type of business and for the formation of the production program, funding sources, access to resources, sales, installation of its prices, profits etc. Autonomy of entrepreneurs should be understood in the sense that no governing body indicates to it what to do, how much to spend, to whom and at what price to sell, etc. But the entrepreneur is always depending on the market dynamics of supply and demand, the price level, i.e. the existing system of commodity–money relations.

The second condition is responsibility for business decisions, their consequences and the risks involved. The risk is always associated with uncertainty, unpredictability. Even thoroughly made calculation and prediction cannot eliminate the factor of unpredictability; it is the constant companion of entrepreneurial activity.

The third feature of business is targeting to achieve commercial success, the desire to increase profits. However, this feature is not self-sufficient in today's business. The activities of many business structures goes beyond purely economic problems, they take part in solving social problems, donate their funds to the development of culture, education, health, environment, etc. [6].

Entrepreneurship is characterized by the presence of mandatory moment of innovation – whether it is manufacturing a new product, or changing the profile of the foundation of the new company. The new system of production management, quality, new methods of production or new technology – it is also innovative aspects.

Innovative entrepreneurship as a form of manifestation of the innovative model of economic development of Ukraine has become a decisive factor in the development of "new" Ukrainian society under globalization. The main focus now moves to task for accelerated innovation development strategy, transition to the strategy of knowledge economy, which is based on intellectual resources, intellectual capital, science, process transfer of the results of creative activity in the production of material and spiritual wealth. In developed countries, the share of sectors with intensive use of intellectual capital now stands at over 50% and this figure is growing [5].

In terms of methodology to distinguish innovative entrepreneurship in a narrow and in a broad sense. On the one hand, innovative entrepreneurship can be seen as a specific activity of a business entity for the use of research and development and other scientific and technological achievements, which leads to a qualitatively new and better properties for the goods or services sold in the market, or technologies that are used in practice. The nature of innovation entrepreneurship in the country at every stage of its economic development depends on innovation policy as a specific business entity, and the state as a whole. Innovative entrepreneurship, particularly entrepreneur can be divided into the following steps: search of new ideas and their evaluation, business plan, finding resources, production and testing its product in the market, management of the created innovative enterprise [7].

On the other hand, from the macroeconomic position, innovative entrepreneurship can be seen as a model, form of expanded economic reproduction based on innovation in all aspects of life. Innovative entrepreneurship provides dynamic changes in the economy and economic theory thus acquires new characteristics, features and qualities. It is in this context, we believe that innovative entrepreneurship in a market economy becomes a new branch of knowledge of economic theory.

In the politico-economic sense innovative entrepreneurship – a special subsystem of economic relations which are formed on the creation, implementation and expanded reproduction innovations.

Innovative entrepreneurship devoid of transcending class and political character because the development is subordinated to the general laws of social development and is based on the general economic laws of development of productive forces, the main of which is compliance with the law of industrial relations and level of development of productive forces of nature. Revolutionary advances in science, engineering, and technology determine changes in the productive forces, which eventually causes a change in production relations and the superstructure of society. This pattern reveals the crucial role of innovation in the development of society.

The system of innovative business concepts includes such important terms as "innovation", "innovation process", "innovation potential", "innovation policy". Among professionals and academics, single point of view on the definition of these concepts currently exists. Some definitions such as business innovation, innovation, innovation process used as synonyms [5]. However, despite the similarities, the terms have features in the definition as characterizing the different economic phenomena and processes.

Innovation activity – is a specific economic category, which has the distinction of innovative entrepreneurship. Innovative activities inherent to all kinds of human activities that can be done as an individual, collective, region and country in general and in different amounts on different issues. A characteristic feature of these activities are new ideas and implementation of them embedded in the building. Innovation activity – a complex system of interaction between different methods, factors and authorities involved in the research, development of new products or services, improving processes, forms of work organization, planning, financing and coordinating research and technological development, improvement of economic instruments and incentives, developing measures to accelerate intensive development of scientific and technological progress and improving the socio-economic efficiency. The main varieties of innovation in production include: preparation and organization of production for the modified technology; pre-design and design modifications on technologies, products and services; marketing of new or modified goods and services; acquisition of new technology in the form of patents, licenses, know-how, trademarks, designs, models and services; purchase of machinery and equipment that are innovative. Other areas (legal, information, trade, etc.) are characterized by other types of innovation [8, 9].

We agree with the definitions that innovation – is any activity that is directly related to the production of new scientific ideas and their realization in tangible and intangible areas, which leads to the release of new competitive goods and services, as well as that innovation process – a sequential chain of events in which the novelty of the idea turns into a design and appear as specific products, technologies or services. Systematized innovation process – a purposeful and organized search for changes and diagnostic potential of these changes as a source of social and economic transformation.

The functional sequence of stages of the innovation process served various authors with varying degrees of detail depending on the schemes, which examine innovations: technology, product, information or other [5]. However, most researchers consider innovation process in terms of a particular company, but a variety of types of innovation leads to different approaches to the structure and nature of the stages of the innovation process. In general, the process of innovation can provide a logical sequence of stages: basic research, application development, deployment and commercialization (i.e. spread to other areas of the economy).

It should be noted that experts and scholars considering the innovation process on specific innovations and particular company, argue that this process has a beginning and has an end, that the end is profitable commercial use of innovations [7]. In terms of individual business entity, where innovation is implemented, this position is not objectionable. However, from the perspective of innovative business innovation processes occurring in all sectors of the economy, affecting the quality and quantity of the formation of the social product, created by the implementation of successive phases: science – production – distribution – exchange – consumption. Moreover, this innovative process converts this sequence of stages in a closed cycle of expanded reproduction. This is because the innovation of the production of goods and services increases income of a business entity. This means larger contributions and revenues to the state budget, improving the social and cultural spheres, welfare, and it is possible to increase state appropriations for basic research, applied development, which is the initial phase of locked loop. That is the expanded reproduction of innovative entrepreneurship.

The effectiveness of said cycle of expanded reproduction is entirely dependent on innovation policy, implemented in the country. Innovation policy – is part of social and economic policy, which defines the objectives and priorities of innovation strategy and government bodies. Innovation policy should include the search for optimal ways of society, to identify priority sectors and industries for financial support, economic regulation of innovative processes, organizational, financial, legal, resources for implementation in the sphere of production and services of science and technology, diffusion of innovation that reach large segments of the domestic market and / or markets in other countries. Thus, we consider innovation policy – as a set of organizational, technical, social, legal and other measures aimed at facilitating the emergence and practical implementation of innovations in all spheres of public life.

**Conclusions and recommendations for further research.** Changes taking place in Ukraine and related to changes in property relations and its structural adjustment require very large investments and developing of innovative policies for long term. The main objectives of innovation policy at this stage of the market economy are the following: definition of innovative business strategies for the medium and long run to accelerate economic restructuring; predicting the most effective paths for innovation business in the country and its individual sectors; funding basic research; support research, involve the creation of new models for the transfer to the sphere of material production; formation of the country's legal framework to ensure the economic interest of innovative entrepreneurship in the creation of innovations and their implementation to speed up economic recovery and achieve high rates of growth; formation of mechanism of sustainable economic development and scientific innovation to provide reproductive nature; formation of effective organizational structure of innovative businesses; conditions for maneuvering necessary investment resources of concentration on core tasks; coordination of training for implementation of state policy in the field of innovative entrepreneurship; ensuring control at all stages of innovative entrepreneurship in order to achieve the set goals of economic development with the least cost.

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