

**Conceptual aspects
management of
competitiveness the
economic entities**

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**Koncepcyjne aspekty
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podmiotów gospodarczych**

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M. Bezpartochnogo, I. Britchenko**

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Chapter 1

SCIENTIFIC BASES OF FORMATION AND ENSURING OF COMPETITIVENESS THE ECONOMIC ENTITIES

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**METHOD OF
EVALUATION OF
THE SYSTEM OF
INNOVATIVE
ENTERPRISE IN THE
CONTEXT OF
PROVIDING
COMPETITIVENESS
IN THE
AGRICULTURAL
SECTOR OF
ECONOMY**

In the current context of business, entrepreneurship provides dynamic economic growth through the interpenetration of the spheres of education, science, and production, upon conditions of the availability and effectiveness of mechanisms of providing it with pioneering and innovative direction. The introduction of innovation is the point of bifurcation, which allows the business entity to reach a qualitatively new level of development and forms a short-term and/or long-term rival advantage. Practical realization of scientific and technological achievements takes place under the conditions of the developed system of innovative entrepreneurship. Consequently, the role of the evaluation system of innovative entrepreneurship, including in the agrarian sector of the economy, is increasing, which will contribute to strengthening the competitiveness of both the economy of the country as a whole and economic entities in particular.

By forming a methodological tool for assessing the system of innovative entrepreneurship in the agricultural sector, it should be noted that at present there are only some methods for researching its

subsystems and assessing innovation activities in the stages of the innovation process in this sector. There are no comprehensive methodological approaches to assessing innovation entrepreneurship as a system.

O. Shpylulyak, S.O. Tivonchuk and S.V. Tivonchuk [1] formed a system for evaluating innovation activity in the agrarian sector of the economy in the main stages of the innovation process (Table 1.1). The researchers also substantiate the importance of defining a comprehensively integrated indicator aimed at assessing the achievements of an enterprise of a certain functional level in the implementation of innovation activities in the overall system of state economic development using additional indicators.

Table 1.1

The system of evaluation of innovation activity in the agrarian sector of the economy in the stages of the innovation process (the methodology of O. Shpiculiak, S.O.Tivonchuk, and S.V.Tivonchuk)

Stages of Innovation Dissemination	Criteria / Indicators
Creation	Novelty level (high, medium, insufficient) Level of value for science and production (high, medium, insufficient) Level of compliance with the latest domestic or foreign achievements (higher, at the level, lower) The level of demand for innovation (high, medium, low)
Spread	Criteria reflecting the maximum efficiency of bringing information on new knowledge to producers, the achievement of science and technology, measuring this through various channels of its receipt
Mastery	The level of technological upgrading of production by increasing its technological and economic efficiency Increase in productivity and social efficiency Increase in output per unit of production space Improvement of financial indicators and growth of actual profit Preservation of a normal ecological and environmental situation

Source: Original research by the authors [1].

Most scholars focus on assessing the effectiveness of innovative entrepreneurship and innovation. So A. Smolenyuk proposes to use an indicator of quasi-rent, which takes into account the potential level of profit from innovations, to assess the effectiveness of innovative entrepreneurship. This also emphasizes the importance of assessing the state of infrastructure development and the scientific potential of innovation entrepreneurship [2]. L. Kruchko notes that the main general indicator of determining the economic efficiency of production of innovative products should be an indicator of annual economic effect, which represents the total savings of production resources received by economic entities in the process of the activity. Among additional indicators is the growth of gross output, crop yields, animal productivity, payback periods of additional capital investments, level of profitability of production, etc. [3].

Today attention is focused on the assessment of innovative susceptibility of agrarian enterprises as part of the theory of diffusion of innovations, while highlighting eight groups of indicators: the adequacy of financial support for innovation activities; system-wide susceptibility; susceptibility of the technological system; the susceptibility of personnel to making changes; structural susceptibility to transformation; development of creative potential (innovative capacity); information susceptibility of the enterprise; and the susceptibility of natural resources [4].

The lack of clear methodologies for assessing innovation entrepreneurship is more closely related to mainstream economic theory, which excludes an innovative entrepreneur from the neoclassical theory of the firm since it is not relevant from the point of view of the problems studied in it. This is due to the stationary nature of modern theories, which are mostly represented by equilibrium models, while the activity of the entrepreneur “is to find a profit opportunity for breaking any equilibrium that causes innovation” (according to J. Schumpeter [5]) or “use opportunities caused by a violation of equilibrium for profit and pressure, under which the economy returns to a state of equilibrium” (according to I. Kirzner [6]).

In addition, according to W. Baumol [7], key barriers in the formation of a systematic methodology for assessing innovation entrepreneurship relate, firstly, to the heterogeneity of innovation, which makes it difficult to create a theory; secondly, to the uncertainty and inconsistency of the activity of innovative enterprises, which make it impossible for enterprises to use precise and simple mathematical

formulas; and thirdly, to the prevalence in the scientific arena of optimization by bringing the system to a satisfactory state, rather than one of maximizing, which is characteristic of innovation business.

Therefore, based on the theoretical postulates of innovation entrepreneurship, we believe that the assessment of the development of innovative entrepreneurship should be conducted through its analysis as a system with the allocation of separate methodological tools for the assessment of subsystems (scientific and educational, transfer and diffusion of innovations, production) and facilities (infrastructure, normative legal support).

Accordingly, we have identified four stages of the assessment of the system of innovative entrepreneurship in the agrarian sector of the economy. It should be noted that they are not discrete but interpenetrating and/or parallel.

The first stage includes an analysis of global indicators of the country's development (studying the position of the country and the agrarian sector regarding the level of development of knowledge of society, innovation economy, and innovation entrepreneurship). The second stage includes analysis of the development, dynamics and functional interconnections of innovative entrepreneurship by subjects and objects of its subsystems. In the third stage, it is necessary to conduct an institutional analysis (legal component) of the environment for the development of innovative entrepreneurship. The fourth stage includes a structural component analysis of the infrastructure supporting innovation entrepreneurship by levels and subsystems of infrastructure (financial, industrial-technological, information-consulting, personnel).

To assess the impact of global trends on the development of innovative entrepreneurship in Ukraine, it is, first of all, necessary to determine the strengths and weaknesses of the country by international indices. The Global Index of Innovation (GII) is the most well-known and detailed index in the world theory and practice of comparative analysis of the level of innovation development of countries. It has been calculated since 2007 by experts from the Swiss Business School (INSEAD), the World Intellectual Property Organization (WIPO), and Cornell University. The advantage of GII is the use of a large volume of international databases (World Bank, World Economic Forum, International Telecommunication Union, etc.), which allows analyzing data by groups of countries with different income levels for a detailed study of the levels of dissemination, promotion, the creation of innovations. In addition, according to N. Bohdan, the results of country

positioning are most useful for comparative analysis, to determine the relative advantages and weaknesses of national innovation systems on the basis of a rich and unique set of data [8, P.33].

Thus, the methodology for calculating GII determines the selection of two groups of indicators:

- Innovation Input SubIndex Index: Institutes, Human Capital and Research, Infrastructure, Market Attraction, Business Attraction;
- Innovation Output SubIndex: knowledge and technology, creativity.

1. Knowledge Economy Index – determines the readiness of the country to build a knowledge economy and takes into account: 1) the index of knowledge (innovation, education, information and communication technologies); 2) economic incentives and institutional arrangements.

2. The Doing Business Index – determines the level of creating favorable conditions for doing business in different countries. We are unanimous with I. Pavlenko that this methodology complements the analysis of innovative entrepreneurship since the initial basic conditions for conducting entrepreneurship is confirmed by the close dependence of the innovative development of the states [9].

Innovative activity, through which innovation entrepreneurship is implemented, is most often analyzed through criteria and indicators that characterize the costs of their creation (financial, labor, etc.) and the results of the creation (for example, the number of patents received, the number of new varieties of plants and animal breeds, etc.) At the same time, one of the tools of comparative statistical analysis of scientific and technical potential and innovation activity is the formation of scientific and innovation profiles that contain in their structure indicators characterizing all subsystems of innovative entrepreneurship (scientific and educational, innovation transfer, diffusion of innovations, production). Some aspects of the methodological toolkit for constructing scientific and innovative profiles, and assessing the scientific, technological and innovation potential of the regions are highlighted in the works of such scholars as A. Zolotukhina [10], L. Lihonenko [11], A. Frolov [12], and others. At the same time, the issue of generalizing methodological approaches to the formation of scientific and innovation profiles both in the country as a whole and in the agrarian sector of the economy, in particular, remains unresolved.

We support the position that the scientific and innovative profile of the agrarian sector of the economy should reflect the aggregate of

conditions and resources that determine the achievement of certain results of economic development, satisfaction of social and individual needs on the basis of generation of new scientific and technical knowledge and ideas, their dissemination, preservation and use for development and introduction of innovations in the agrarian sector of the economy, as well as the actual results of scientific and technological practices, innovative activities obtained during the investigated period [13]. In this case, it is necessary that all the above indicators are comparable, which makes the comparison of their relative values that take into account peculiarities of socio-economic development of different regions of the country.

With regard to the stage of the dissemination of innovations (which includes their transfer and diffusion), the criteria for evaluating this process are the efficiency of bringing information about innovations to commodity producers, best practices in their use, and the availability of special propaganda. The system of indicators will include: government expenditures on agrarian counseling; the number of agrarian consultants and their specialization; the share of enterprises with regular access to consultants; share of enterprises satisfied with the activities of consultants; share of state subsidies to repay the cost of counseling; the share of enterprises that have access to Internet resources, etc. Equally important are such innovation-oriented indicators as the share and quality of services for innovation; the number of different methods and methods of counseling; the professional development of consultants; the quality of the legislation on the protection of intellectual property, etc. [14, p. 16].

The main factor influencing the introduction of innovations into production is the innovative activity of agrarian enterprises, which involves their purposeful activity in the generation, creation, development, and production of agro-innovations and intellectual property objects (patents, licenses, etc.). Since innovation activity (including innovative activity) in the agrarian sector of the economy is not subject to state statistical observation, we propose to evaluate it on the basis of monitoring special scientific literature and surveying managers of active agrarian enterprises using the questionnaire method.

In the third stage, an assessment of the level of development of innovative entrepreneurship involves the implementation of institutional analysis, which in general takes into account the assessment of the organizational, legal, administrative, and political environment, in which the development of innovative entrepreneurship and the adaptation to

this environment will be implemented. The object of scientific research of institutionalism is the formal and informal institutions (rules, norms, traditions, organizational achievements of past periods of life, codified normative legal acts, which are formed in the process of evolution of the system and mechanisms of socio-economic development) [15]. Under the conditions of proper state support for innovative entrepreneurship, economic development takes place more intensively after economic cataclysms and thus creates institutional conditions for an efficient economy.

A key player in innovation entrepreneurship, which plays a crucial role in transforming new knowledge (innovations) into innovation, and thus enhances efficiency and competitiveness, is an entrepreneur-innovator. Theoretically, entrepreneurs, differing from managers who make decisions mostly about traditional business models, are divided into replicators and innovators. According to M. Henrexon [16], from the Stockholm School of Economics, the actions of replicative entrepreneurs push the economy upwards towards the existing boundary of the production capacity curve (Figure 1.1) (from point C to point D), changing only the ratio of priorities in production. At the same time, innovative entrepreneurs shift the boundary of the production potential of the economy (point D) with their efforts, changing the number of resources and the effectiveness of their use. Thus, the task of innovative entrepreneurs (in practice, they can simultaneously be managers) is finding new ideas and implementing them, in practical activities, which is the result of the vision of the shortcomings of current activities and awareness of their hopelessness for the future.

Thus, in our opinion, an obligatory component in the assessment of the development of innovative entrepreneurship is the study of the system of goals and values of modern entrepreneurs in the agrarian sector of the economy. Indeed, a different system of goals and values of entrepreneurs leads to unsustainable innovation development.

The scientific and educational subsystem, defined by us as the basis in the system of innovative entrepreneurship, is providing for the development of innovative entrepreneurship since it forms an innovative type of thinking for future specialists. Education and science should become key integrators of the intellectual and innovative provision of economic actors. In order to assess their impact on the development of innovative entrepreneurship in the agrarian sector of the economy, we consider it expedient to use the following indicators: the proportion of innovation disciplines in the work curricula of agricultural institutions of

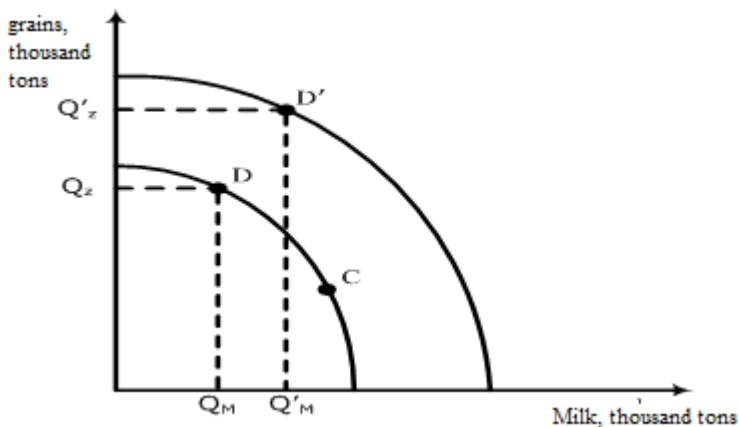


Figure 1.1 Moving the productivity curve of the agrarian sector of the economy under the influence of the development of innovative entrepreneurship

Source: Original research by the authors [16]

higher education in Ukraine; assessment of the type of thinking students (innovators, adapters) in conjunction with the assessment of their entrepreneurship; assessment of the influence of innovation activity of research institutions on the development of innovation entrepreneurship, etc.

Thus a comprehensive approach is needed when defining the methodology of assessing the system of innovative entrepreneurship in the agrarian sector of the economy. It provides a combination of different indicators and indicators, and tools of statistical analysis: from assessing the strengths and weaknesses of the country in terms of innovation development by international indices to assessing the system of goals and values of modern entrepreneurs in the agrarian sector of the economy, as well as taking into account a number of indicators for evaluating the transfer of innovations and their diffusion and assessing agrarian education and science as the main impetus of innovation entrepreneurship.

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**REGIONAL
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FOR PROVIDING
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ECONOMIC ENTITIES**

Competitive and dynamic development of economic entities is possible only by virtue of full realization of existent regional potential, the main element of which is the infrastructure. Methodical approaches to manage the development of the regional infrastructure should always have an idea of the economic entities' potential. Nowadays, the effectiveness of methods of managing the region's infrastructure in the domestic-Ukrainian area is being evaluated in terms of increasing its competitiveness on the one hand, and on the other hand in terms of volume of economic entities entry into the system of world economic