

**УДК 351.82: 330.341.1**

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## **MECHANISMS OF STATE REGULATION OF INNOVATIVE ACTIVITIES IN THE ECONOMY OF UKRAINE**

*It has been substantiated in the article that at the present stage of the economy development the state should play a leading role in the development of innovative processes. Deterring the development of technological innovations will inevitably lead to a reduction in economic growth or, conversely, contributing to the accelerated process of technological modernization, will improve the economic condition of the country, increase its military power and social welfare during the following few years.*

**Keywords:** *state regulatory mechanisms of innovation activities, higher education institutions, scientific and technical potential.*

**Problem settings** The transition to an innovative model of economic development intensifies competition in all segments of the business, which directs any business entity to constantly seek new opportunities to accelerate the recovery and improvement of the finished product, technology, technology, organization of production processes and management at all levels and at all areas of activity. The basis of such development are innovations aimed at rapid response of production to market demands from the range of products, quality of the finished product (works, services) and price loyalty, which is possible only on the basis of rationalization of production costs. Thus, innovation becomes a major factor in maintaining the

efficiency of ongoing operations and the long-term growth of the organization's value.

**Analysis of recent research and publications** Issues related to the state regulation of innovation activity began to be widely investigated after the Second World War, when public funding for scientific research increased substantially and the state became more actively involved in the scientific and technological sphere. Significant contribution to the substantiation of the mechanisms of state regulation of the sphere of innovation support was made by Ukrainian and foreign scientists [1 - 7].

**Purpose of the article** is an analysis of mechanisms of state regulation of innovative activity in the economy of Ukraine.

**Paper main body** Ukraine still belongs to the countries with low innovation activity of economic entities. This, in turn, is the result of centralized regulation of the economy, in which investment activity was the prerogative of centralized governing bodies. At the same time, it should be borne in mind that rationalization issues have always been given serious attention in each enterprise, which determined, firstly, the continuous improvement of technology and organization of production, and secondly, often led to serious proposals for changes in the finished product, technological schemes and technical equipment. production. However, many fairly effective and innovative proposals remained interesting innovations, but were not implemented in practical activity and state regulation.

The term "innovation" was introduced into the scientific circle by Joseph Aloise Schumpeter in the early twentieth century. The definition of innovation was formulated in his book "Theory of Economic Development". "Innovations are changes with the purpose of introduction and use of new types of consumer goods, new production and vehicles, markets and forms of organization in industry [2]".

Schumpeter identified five changes in development: the use of new technology, technological processes or new market support for production; introduction of

products with new properties; use of new raw materials; changes in the organization of production and its logistics; the emergence of new markets.

In order to restore the true meaning of Schumpeter's definition, it is necessary to take into account the context in which it was presented. Schumpeter introduced in the economic and managerial sciences the distinction between managerial growth and economic development. The reason for economic development, he considered "new combinations", the main types of which are:

- the production of new goods that are not yet known to consumers, or the creation of a new quality of a particular good;
- the application of new methods of production and commercial use of the benefits of existing ones, that is, the introduction of a new method of production for the industry, which is not necessarily based on a new scientific discovery;
- the development of new markets in which the country's industry has not yet been represented;
- development of new sources of raw materials or semi-finished products;
- change of branch structure (creation or undermining of monopoly).

Economic innovation is the fate of people whom Schumpeter called entrepreneurs. According to him, the entrepreneur is the driving force of economic development in the country. Due to organizational skills, intuition, entrepreneur's ability to take risks, the economy has an incentive to improve. It is important to note that the entrepreneur is not the inventor, but at best a person who economically implements the invention. The entrepreneur's goal is to make a profit. According to Schumpeter, innovation is the main source of income: "profit is, in fact, the result of the implementation of new combinations", "without development there is no profit, without profit there is no development". Thus, it follows from his theory that entrepreneurs in the pursuit of rising profits and under the pressure of competition are resorting to innovation as a tool for generating more profit. The set of actions of

entrepreneurs gives birth to economic development in the state and science, which, in turn, affects economic growth.

It is believed that in this definition, the boundaries of innovation are more blurred and it is not possible to separate the process of the enterprise's progressive development from the process of innovation. The reason is the complexity in assessing the "significance" of improvements. In this case, the likelihood of subjective attitude to "significance" is high. History proves convincingly that even the greatest inventions that changed the life of mankind were initially rejected for subjective reasons.

It is important to understand that such diverse definitions of the term innovation are due to the fact that humanity has undergone four stages of economic and state development during the term's existence. Each stage of development is characterized by critical factors of competitive advantage, role and definition of innovation.

Value-less innovation leads to technology, market-leading or futuristic focus. But our research has shown that know-how companies are different from other businesses by not having the latest technology. Value innovation is achieved only when the company combines innovation with aspects such as practicality, price and cost.

We believe that innovation is an economic term. As a rule, it is not the author who is making the new technology and the discoveries, but the company that can quickly realize the opportunities that have arisen.

In our opinion, these examples are innovations because all the necessary conditions for recognition of innovation are fulfilled. In the Ukrainian practice, innovation is overwhelmingly represented as a direction of scientific and technological progress (above all, its high-tech component) associated with the implementation of research and development results into practice.

In other words, any scientific and technical activity and everything that provides it is declared innovative, for the sole reason that the purpose is to obtain results that must be implemented in production, products, processes.

Consider the hypothesis of the relationship between innovation and economic effect. The benchmark of innovation for the economic effect for the manufacturer is presented in the definitions, including, B. Santo, B. Twiss. In support of the hypothesis, we note that if we do not consider the economic effect, innovation will be inseparable from the scientific discoveries of the parties, which are not in demand among consumers of inventions. It is impossible to consider the economic effect in a limited sense, ie as profit from the sale of goods (services). A product (service) is likely to be sold at cost or free of charge. The economic effect for the enterprise in such cases can be obtained from another element of the business model. Yes, sales at cost are called "bait-hook" or "related products." This business model began to be used in the early XX century.

In our view, it is advisable to consider innovation as an element of socio-economic system of state regulation. A market economy is built on meeting the needs of man, which are inherently limitless in man. While there are unmet needs - there is a need for innovation. On the other hand, in a developed, highly competitive market, innovation is a major opportunity for legal rapid enrichment. Enrichment is the ability to meet most needs. In such an embodiment, the system will never enter a state of rest and equilibrium. On the other hand, in a developed, highly competitive market, innovation is a major opportunity for legal rapid enrichment. Enrichment is the ability to meet most needs. In such an embodiment, the system will never enter a state of rest and equilibrium.

The first category of sources includes the following:

- unexpected, more precisely, unexpected success, unexpected failure, unforeseen side event;

- inconsistency with what is reality, and how that reality is or “is supposed to be”;
- innovation due to the urgent need to modernize the existing process;
- changes in the sectoral or market structure that catch everyone by surprise.

The second group is:

- demographics (change in population size and composition);
- changing moods, perceptions and values;
- new knowledge, both scientific and non-scientific.

In the context of this study, we consider this list to be exhaustive but not mutually exclusive. Innovative opportunities can be a derivative combination of sources. All of these innovative opportunities come from the dynamic of change.

Thus, we observe a cyclical process in which unmet needs give rise to change, and change in turn creates need. An unmet need means an opportunity for the entrepreneur. The ultimate goal of an entrepreneur is to create value. The most cost effective can be created in the absence of competition. It is the lack of competition, a temporary monopoly on part of the market and an attractive innovation. We agree with the definition that monopoly is the control of a certain market space over a period of time [3].

The negative attitude to the term monopoly was formed on the basis of the situation when the monopoly is the result of collusion. The state encourages monopolies based on patents, etc., thus rewarding innovators.

According to the actions (inactions) of business entities, monopolistic activity is not considered if the result is or may be the following:

- improvement of production, sale of goods or stimulation of technical, economic progress or increase of competitiveness of the goods of the Ukrainian production in the world commodity market;

- receiving benefits (benefits), sizeable benefits (benefits) received by the business entities as a result of actions (omissions), agreements and concerted actions, agreements.

Monopolistic activity is the abuse of a dominant entity, group of persons by its dominant position, agreements or concerted practices prohibited by antitrust law, as well as other activities (inaction) recognized in accordance with state laws as monopolistic activity.

Summarizing the results of the analysis of the essence of innovation and innovation activity, we take the following conditions as the basic provisions of further research.

Innovation is a new consumer value that has economic meaning for the monopoly manufacturer and is divided into supportive and subversive.

He has embraced new technologies that help to improve the product to support innovation. Supportive technologies can be new, radical, etc. The common feature of all supporting technologies is the improvement of the quality of existing products within the technological characteristics that are important for the main consumers in the main markets.

Disruptive innovations include new market offerings. Thus, products of a different quality than those available on the market, but possessing other properties and other values for new consumer groups, appear.

Innovative activity is the implementation of specific organizational, commercial, financial, scientific, technological, motivational structural measures, which collectively provide purposeful and systematic state regulation of innovation creation.

The specificity of state regulation of innovation activity is that it should involve all employees of the enterprise, and it is necessary to make adjustments in a number of business processes of enterprises, focusing them on innovation activity. The process of state regulation of innovation activity consists of four specialized

large-scale business processes and eight business processes existing in the innovation-oriented economy.

**Conclusions from this study and prospects for further exploration in this area** Thus, communication systems are critical to the system of state regulation of innovation, because innovation is a new combination of different factors, new relationships. And it is at the point of mixing different components that innovation is more likely to be created. The communication system, in this case, acts as a mixer.

Methodologically, it follows from this scheme that, as an object of state regulation, innovation is a clearly structured managed system. The stage of identification of innovative opportunity involves the translation of innovative opportunities within the enterprise and the initial examination of ideas. At this stage, from the point of view of state regulation, it is important to create channels of ideas entry, as well as a system of examination of ideas entrants.

Formalization of ideas involves a comprehensive study of ideas selected at the stage of examination, as well as drawing up a vision of the improvement of the manufactured product in the long run.

The basis of the project evaluation stage is the principles by which projects from the whole population are selected for implementation.

The content of state regulation of innovation activity is the transformation of innovative opportunities, through the stages of innovation activity in maximizing shareholder value.

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