

Тобм

**Management mechanisms and
development strategies of
economic entities in conditions
of institutional transformations
of the global environment**

**Collective monograph edited by
M. Bezpartochnyi**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern management mechanisms and development strategies of economic entities in order to increase the efficiency of their activities. Basic research focuses on financial diagnostics of the enterprise, assessment the quality of services, efficiency of business process management and implementation of innovative projects, monitoring of the labor market, diagnostics of the country's debt security, and research of the country's investment image. The research results have been implemented in the different models of development the commercial awareness, smartization, production of functional food products, use of eco-innovation, development of the e-commerce market, formation a new paradigm of work motivation, crisis management of economic security, modern tools of higher education management. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate the processes development of economic systems, ensuring stability and efficiency. The results can also be used by students and young scientists in modern concepts of the development of economic entities in the context of institutional transformations of the global environment.

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EFFECTIVENESS OF IMPLEMENTATION OF INNOVATIVE PROJECTS OF THE ENTERPRISE

The growth of competition both on the domestic and international markets leads to the activation of innovation activity of business entities, since its results allow to create products that would meet the constantly growing and changing requirements of the market and provide them with high profits.

Realization of innovative activity of the enterprise requires the appropriate resource support. The volume of investments directed to financing innovative projects depends, first of all, on many factors: the size of the enterprise (the larger it is, the larger amount of investment in its innovation activities should be under equal conditions); the expected profitability and riskiness of investing in alternative to innovative activities of the enterprise (in particular, in increasing the production capacities of the enterprise for the purpose of production of traditional types of products); expected profitability and riskiness of investing in this innovative project; existing and those that by the need of the enterprise can attract; the volumes of investment resources. Consideration of these factors will enable a comprehensive approach to evaluating the effectiveness of investments in innovation activity of enterprises.

The works of many domestic and foreign scientists have been devoted to the problems of investment and innovation development of

enterprises, in particular, the evaluation of the efficiency of investing innovative projects: M. Denisenko [1], V. Kozik [2], A. Kuznetsova [3], I. Skvortsova [4], M. Khuchek [5], J. Schumpeter [6] and others.

The synthesis of literary sources suggests that there are a number of scientific approaches to determining the effectiveness of investment and innovation projects [1-6], the overwhelming majority of which makes it possible to evaluate the effectiveness of the project only after its implementation. In addition, most of the techniques involve the processing of significant amounts of analytical information, which is virtually impossible to gather in terms of unpredictable market of new innovative product.

In a dynamic market environment, a variety of information plays an important role in improving the efficiency of management of industrial enterprises innovative activities, which should give an answer to the choice of the best solutions for further investing in innovative projects.

The solution to this problem is possible through the establishment of a monitoring system as a management function, which involves the collection of information, its integrated assessment and prediction based on a certain system of mutually agreed and balanced indicators.

According to the author [7], monitoring should be considered as a complex process aimed at collecting information about the object being studied, with a view to further diagnose the situation. The authors of the economic dictionaries [8, 9], considering monitoring as an integral part of management, suggest conducting it for the purpose of research, in addition to monitoring and diagnostics, and also analysis of the object being studied. In the work of Y. Poburko [10] a universal definition of monitoring has been set out, which is defined as "continuous observation of the state of the object in order to prevent unfavorable deviations from the most important parameters. The systematic monitoring of the results of the activity, their correction – it is the essence of the monitoring". Thus, monitoring is one of the methods for controlling the process of activity, identifying the trends in the dynamics of its development.

Ensuring of innovative development of domestic business entities, above all, depends on availability and accessibility of various sources of investment resources. The presence of limited investment in industrial enterprises necessitates an effective redistribution of them in different innovative directions and projects both before and during the implementation process. The development of innovative activity of industrial enterprises of Ukraine requires the allocation of a number of

basic parameters and properties, management influence on which will increase their level of innovation activity. The specificity of innovation activity, in particular, the high level of riskiness of its implementation, requires the creation of appropriate mechanisms and organizational structures for its implementation. These mechanisms and structures should ensure the fulfillment of the following main tasks:

- to create the appropriate level of informational support for the process of managing innovation activity at the enterprise, which will allow owners and managers to receive timely, complete and accurate information on the progress of implementation of innovative projects implemented by the enterprise and the expected indicators of those innovative projects to be implemented in the future;
- to optimize the amount of innovative resources that the enterprise uses (or plans to use), in particular the volume of investments directed towards the implementation of innovation projects;
- to organize the processes of accounting and control of innovation costs of the enterprise, its profits and revenue from innovation;
- to create opportunities for the operational regulation of the processes of implementation of innovative projects of the enterprise both at the stage of conducting research works, and during subsequent stages of the life cycle of the relevant innovations.

Execution of the above-mentioned tasks should promote the level of innovation activity of domestic industrial enterprises.

One of the main directions of improving the functions of accounting and control of innovation activity as part of the overall system of innovation management of the enterprise is to improve the registration of innovation costs. Grouping of investment resources of the company in terms of financing innovative costs is a prerequisite for assessing the effectiveness of investment support for its innovation activities. Obviously, such an assessment should include comparison of the amount of innovation costs with the amount of financial results that a particular enterprise receives from innovation. In this case, it is necessary to solve several tasks, the main of which are:

1. Determination of the length of the time period during which the comparison is performed. This period of time should be sufficiently large, taking into account the specificity of innovation activity. If for a certain year the value of innovative costs exceeds the financial results of the company's innovation activity, then in general this does not indicate that the innovative activity of the company is ineffective. Indeed, such activities are characterized by a significant level of risk, and the

presence of a time lag between the moment of investing and obtaining a result from its investment. Consequently, the duration of the time period during which the comparison of innovation costs with the results from the implementation of innovation activities should be several years (on average, not less than 5-10).

2. Determination of the value of financial results from the implementation of innovation activities. The conducted research shows that in the process of comparing the innovative costs of an enterprise with the size of financial results from the implementation of innovation activity as the latter it is expedient to accept the amount of discounted at the present moment of net cash flow (the amount of profits and depreciation) from investing in a particular direction of innovation activity of the enterprise.

3. Determination of the duration of the investment lag, that is the time interval from the start of investment in the development of new (improved) products until the beginning of receipt of income from their production. The duration of such a period of time at the stage of the preliminary assessment of the efficiency of investing in the innovation activity of the enterprise may be taken at the average level on the retrospective data on similar innovative projects that were implemented earlier by the given enterprise and (or) other enterprises of the industry.

4. Selection of integral indicators for assessing the effectiveness of investment support for enterprise innovation. As such indicators, it is advisable to adopt the most generalized indicators for evaluating the effectiveness of investment (in particular, innovative) projects, namely, the net present value of the expected return on the project and the index of return on the project.

Taking into account the foregoing, it is possible to propose indicators for assessing the economic effect of investing in innovative activities of the enterprise, which include:

- the indicator of the current effect of innovation, which characterizes the net current value of those innovative projects that began to generate income in a given period (year);
- the indicator of the retrospective effect of innovation, which characterizes the accumulated amount of net present value of those innovative projects that began to generate income in a certain prior period (in a year);
- the indicator of the predictive effect from the implementation of innovation activity, which characterizes the present (discounted) value of the net present value of those innovative projects that, according to

the prediction, will start to generate income in a certain subsequent period (in a year);

- the indicator of the cumulative current effect of innovation, which characterizes the net present value of those innovative projects that began to generate income over several consecutive periods (years);

- the indicator of the cumulative retrospective effect of the innovation activity that characterizes the amount of net present value of those innovative projects that have started to generate income for several successive previous periods (years) accumulated at the moment;

- the indicator of the cumulative predictive effect of the innovation activity, which characterizes the discounted value of the net present value of those innovative projects that, according to predicted estimates, will begin to generate income over several consecutive previous periods (years);

- the indicator of the cumulative effect of the innovation activity, which represents the sum of the values of the indicator of the aggregate retrospective effect and the cumulative predictive effect of the innovation activity of the enterprise.

The above-mentioned indicators of estimation of the economic effect of investing in innovation activities should be one of the important elements of the overall system for monitoring the investment support of innovation activities of the industrial enterprise.

The role of these indicators in the proposed monitoring system can be described as follows:

- the indicator of the cumulative current effect from the implementation of innovation activity for a certain retrospective period gives an opportunity to provide averaged over this period information on the effectiveness of investment in innovative projects implemented by the enterprise. If the value of this indicator is greater than zero, then it is possible to draw a preliminary conclusion that in general investment of investment resources into the innovative activity of the company was successful;

- the indicator of the cumulative retrospective effect from the implementation of innovation activity makes it possible to take into account the time factor in assessing the efficiency of the company's innovative costs incurred. In general, the more successful innovative projects were implemented in the first half of the retrospective segment, the higher value of the total retrospective effect of the implementation of innovation activities would be. Thus, the indicator of the total retrospective effect enables to assess the effect of the company's

innovation costs taking into account the time distribution of both these costs and financial results from the implementation of enterprise innovation projects. At the same time, the value of the cumulative retrospective effect is not a direct basis for making future investment decisions regarding further investment of the innovation activity of this enterprise;

- the indicator of the cumulative predictive effect of the implementation of innovation activity makes it possible, with a certain level of probability, to estimate the volumes of further investment of the innovation activity of the enterprise. If the value of this indicator is greater than zero, then it can be concluded that it is advisable to continue investing in the implementation of innovative projects by the enterprise;

- the indicator of the cumulative effect of the implementation of innovation activity makes it possible to carry out an integrated assessment of the efficiency of investment support for the innovation activity of the enterprise both in the past and in the future. It should be noted a somewhat paradoxical phenomenon, namely, in other equal conditions, the growth of the magnitude of the total retrospective effect (and this is possible, first of all, when the effectiveness of innovation activity at recent intervals is relatively low compared with earlier periods of time) may indicate deterioration of predictive indicators the cumulative effect of the implementation of innovation activity (if the trend of the level of efficiency of the innovation activity of the enterprise will last in the next predictive periods). Therefore, the indicator of the cumulative effect of the implementation of innovation activity makes it possible to provide a comprehensive assessment of its efficiency over the entire period during which the enterprise (or its specific owner) will innovate.

It is expedient to determine the duration of the retrospective period within a period of time during which the owner of an enterprise finances innovation activity and, accordingly, assess the amount of innovative costs and results from its implementation, depending on its share in the authorized capital of the enterprise. In other words, if a certain investor, a co-owner of an enterprise, invests in its innovative activities for several previous years and plans to invest in the next several years (the predicted period), then he must get a final assessment of how much such investment will generally be expedient and effective. For the solution of this problem the application of the indicator of the cumulative effect of the innovation activity implementation has been proposed.

If the total retrospective effect at the given moment will turn out to

be negative, it is generally a negative signal for the owner of the company, since it is not known in advance whether he will be able to foreclose this negative value in the future at the expense of revenues from future innovation projects. At the same time, there are three main reasons for the negative significance of the cumulative retrospective effect of the implementation of innovation activity, namely:

1) the presence of fluctuations in innovation costs and outcomes – it is possible that in recent years, not very successful innovation projects have been implemented (as was observed in some prior periods), but overall, the prospects for innovation of the enterprise are positive. It is obvious that in this terminology the fluctuations of innovation costs and results are the direct result of the increased riskiness of innovation activity, that is, the phenomenon which is inherent to it;

2) the presence of some ineffective areas of innovation activity by the enterprise. Under such conditions, the owners of an enterprise should review the content of their program of innovation by reducing (or terminating) funding of those areas that are currently unpredictable and, possibly, increasing the volume of investment in more effective areas of development and implementation of innovations;

3) the absence of perspective directions of innovation activity at the enterprise. It is possible that at this stage of the life cycle of the company it is expedient to completely freeze the implementation of its innovation program.

The answer to choosing the best solutions for further investing in the innovation activity of an industrial enterprise should be provided by a permanent monitoring system. This system should contain the following components (Figure 2.16):

- information about the composition and structure of the innovative development fund of the enterprise. This information should include information on the movement of investment resources directed at financing the innovation activity of the enterprise, in all areas throughout all periods of the retrospective period;
- information about the financial results of the innovation activity of the enterprise, which contains the net cash flow figures from the implementation of each innovation project, initiated at the beginning of its implementation, in terms of each period of time during the retrospective period;
- comparison of information about the composition and structure of the innovative development fund of the enterprise and the financial results of its innovation activity;

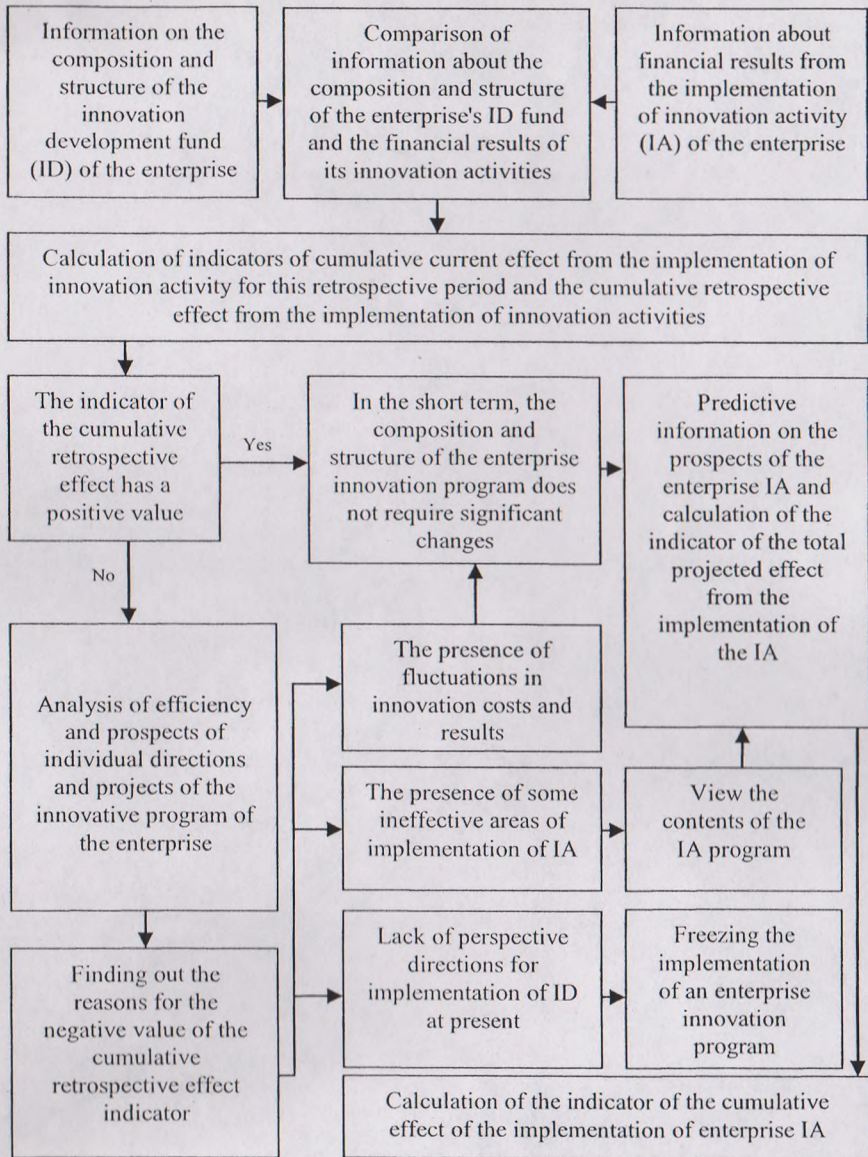


Figure 2.16 System of monitoring of investment support of innovative activity of the enterprise

- calculation of the indicators of the cumulative current effect from the implementation of innovation activity for this retrospective period and the cumulative retrospective effect from the implementation of innovation activities. The values of these indicators are obtained on the basis of information containing the previous component of the monitoring system of investment support for the innovation activity of the enterprise;

- prognostic information about the prospects of innovation activity of the enterprise and calculation of the indicator of the combined predictive effect from the implementation of innovation activity;

- analysis of the efficiency and prospects of separate areas and projects of the enterprise's innovation program. This component involves the identification of the directions and projects of innovative activity of the enterprise, the further realization of which is inappropriate, as well as the selection of the most promising innovative projects of the enterprise;

- making a decision about further development of the innovation activity of the enterprise in the context of individual projects and areas. This component contains the procedure and results of calculation of the rational allocation of investment resources between innovative projects and directions of innovative activity of the enterprise at future intervals;

- calculation of the indicator of the cumulative effect of the innovation activity of the enterprise. The value of this indicator is an integrated assessment of the efficiency of investment support of the innovative activity of the enterprise, taking into account both retrospective and predictive estimates.

Thus, the use of the given system of monitoring of investment support of innovative activity of industrial enterprises will allow to increase the level of efficiency of investments invested in the implementation of innovative projects, due to timely detection of changes in their efficiency indicators, to find out the reasons for these changes and to respond promptly through redistribution of investment resources between separate directions and projects of the industrial enterprise innovation program.

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