

# State Support for Creation and Development of Socially-Oriented Innovative Enterprises

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Received: August 13, 2014 Accepted: September 11, 2014 Online Published: November 14, 2014

doi:10.5539/ass.v10n23p215

URL: <http://dx.doi.org/10.5539/ass.v10n23p215>

## Abstract

The article presents an analysis of international experience and of state support of social and innovation activity of organizations and possibilities of its application in Russian enterprises are considered. International experience of state support for social and innovation activity of enterprises is considered. Socially-oriented innovative enterprises must be considered as the most important instrument for the development of innovative environment. These companies should primarily provide interaction between the production and public sectors.

In modern conditions, one of the key factors of economic development is innovation. Key role in the innovation process is given to social oriented innovative enterprises. These companies are the source of innovation initiatives; they create demand for innovation, responsible for their implementation. The article examines the factors of innovation activity of socially-oriented enterprises and establishes the reasons hindering rates of innovation activity.

When selecting the directions of innovative development of individual economic entities it is necessary to consider many components of both external and internal environment: innovative climate, innovative position, innovative potential and innovative activity.

Essential preconditions for increasing the innovation activity of the country, as a whole, are to improve scientific, educational and operational components of the innovation potential.

One of the biggest indicators of innovation activity of the economy as a whole is the willingness of enterprises to adopt innovative solutions in its operations. Demand for innovation, both product and technological ones, is directly related to the need of modernization, technical re-equipment, reconstruction of existing enterprises.

**Keywords:** state support, socially-oriented innovative enterprises, foreign experience

## 1. Introduction

The interests of society are presented by public authorities and local governments. Public authorities (federal level) are interested in the formation and implementation of state scientific and technical policy aimed at improving the scientific and technical level in all spheres of economy and social development (Shmelyov, 2006).

Socially-oriented innovative enterprises (SOIE) are an important component of national innovation systems, as they act as a liaison between the science, production and society (Manakhova, 2011). It is socially oriented innovative enterprises often take the risk of the development of new products and technologies, converting knowledge into a commodity, as well as support the development of the local community and general population. In this connection, especially important is to establish a system of state support for SOIE for enhanced action on creation of this kind of organizations. One of the key problems of formation and functioning of mechanisms of state support to create SOIE is the problem of determining the role of public institutions in the innovation development as a separate business entity, and the environment in general. The state and its government structures ceased to perform a coordinating function for innovation market, and therefore, there was an element of interaction between business entities within the innovation environment. You can also argue that the interaction factors been derived from human factors have the nature of subjectivity, and therefore using them we can provide control action on the innovative development.

Innovative activity is regarded as the intensity of the development and introduction of new or improved products (technologies) in the economy. Experts identify several approaches to the evaluation of innovative activity. The first approach is to assess the development of innovation infrastructure and determining the ability of companies to commercialize innovations (Vossen, 1999). This approach is mainly used in the formation of accounting and statistical data on the status and prospects of the development of innovation in the country as a whole and at the regional level. The second approach is to use the evaluation of innovative activity in the initial stage of the process as the development of innovative strategies of individual enterprises. In this case, the main task is to analyze the economic development of a particular business entity and associated structural elements (Arvanitis, 1997).

When evaluating innovation activities it is expedient to carry out the calculation and comparison of the values of the coefficients with the established baseline values. As such comparative values we may take the figures for previous periods, average values, the corresponding figures of competitors, data of surveys of innovation of the leading Russian and foreign companies.

Economics of industrialized countries forms such a system of relations between science, industry and society, in which innovation is the basis for development of industry and society, and those, in its turn, promote the development of innovation and determine their direction in science (Schnabel & Wagner, 1992).

Central role in the innovation process is assigned to the company. It is a source of innovation initiatives, makes the demand for innovation, provides their implementation, establishes relationships with customers to explore their needs and research organizations that produce new knowledge.

Innovative activity of enterprises depends on many economic factors, which can be divided into two categories: external and internal (Sliwka, 2003).

External factors - they are basically uncontrolled by the organization factors that affect its internal processes. Innovative activity is dependent on supply and demand determining connection between production and consumption; opportunities for additional revenue, which is the motivation for the development of innovations; nature of competition; innovation policy; cyclic development, causing the connection of business activity with a specific phase of the cycle.

Factor that may intensify competition in modern conditions is a dynamic competition in the domestic market due to its openness. To win the competition companies should strive for technical leadership, find new markets and transform old ones, strive as much as possible to more accurately guessing changes in consumer preferences and as fully as possible implement them in the appropriate product (Czarnitzki & Kraft, 2004). In this case, innovative costs are considered by entrepreneurs as inevitable investments to ensure the "survival in a dynamic competition".

Opportunities to profit from innovation, which would be higher than from other activities is another factor stimulating innovation. It should be noted that the modern market more often causes getting high rate of profit at the expense of innovation.

As already noted, the frequency of occurrence of innovations or periods of burst of innovative activity is due to a certain period of the economic cycle. The peak of wave of innovation is necessary for the phase of economic recovery. In times of crisis and depression innovative activity drops sharply - it makes no sense to improve the outdated equipment, and there is a major investment for the development of techniques and technologies of new generations. However, the structural crisis, crisis of overproduction and unemployment create the conditions under which making profit is possible only by way of radical innovations (Audretsch, 1998).

The greatest influence on innovative relationship, especially, has a government policy in the sphere of innovation. Interventions of the state in the field of innovation can be divided into direct and indirect. Their value is determined by the economic situation in the country and the chosen concept of state regulation. Direct stimulation is focused on certain research organizations, a specific innovation project. Among the methods of the direct impact of the current incentive systems they still use the traditional public procurement, targeted subsidies, and a system of grants which became widespread in recent years. Contract financing of innovative projects provides an opportunity not only to strengthen the innovative activities of individual companies, but to stimulate the development of their cooperatives. At present, the majority of government programs in Western countries include measures to encourage co-operation of industrial corporations in the field of R & D and cooperation between universities and industry.

Indirect methods used in the state innovation policy propose the promotion of innovative processes mainly through the creation of a favorable climate for innovation. Decisive role in this respect is given to the policy of liberalization and tax depreciation processes, their legal regulation, preferential loans.

Special importance in the system of indirect measures of the state innovation policy has legislation on intellectual property (patent and licensing law, laws on industrial designs). Clear legal regulation of intellectual property creates economic interests in the innovation rent - charges for possession of a rare good (Pokrovskaya & Pashigoreva, 2013).

Diverse external factors influence each other and determine the combined effect of innovative enterprises relationship.

The innovative activity is commonly understood as the intensity of the economic stakeholders in the development and the involvement of new technologies or fine-tuning products in the economy. In the analysis of innovation activity, it is mainly made to assess the development of infrastructure businesses in the area of science and technology and development (R & D), as well as to determine their ability to commercialize innovations. This approach is used mainly in the formation of accounting and statistical data on the status and development of innovative activity in the country as a whole. However, evaluation of innovative activity can be used as the initial step in the development of innovative development strategies of individual enterprises. In this approach, the main task of evaluation of innovative activity will consist of analyzing the economic development of a particular business entity in the field of research and development and interrelated with it structural elements. Then, depending on the current state of innovation sphere in the analyzed company further innovation and related strategic, investment, financial, manufacturing, marketing policy will be formed.

The concept of evaluation of innovative activity, as it is known, is closely connected with such economic category, as innovative activity, which is usually characterized as a process that aims to embody the results of research and development or other scientific and technological achievements into new or improved product sold on the market, new or improved technological process used in practice. It follows that the process of innovation (and innovation projects) at the enterprises can initially be aimed at development and implementation of innovative technologies and / or just improving innovations.

The basis of selection in favor of new or improving innovations should be introduced with research expertise and economic opportunities of companies to implement basic or just fine-tuning technology, in other words, their innovative activity. If the company has some positive experience in the implementation of innovative projects and especially in developing innovative products, such economic agents tend to choose a research strategy of leadership, radical advancing, advanced R & D intensity, phase overcome. If enterprise has prevailing experience in implementing enhancing technologies that will only be improved and offer consumers modified versions of well-known products, in this case the most probable strategy of innovative development can be attributed such as temporizing leader, following the market, technology transfer, and product simulation, conservation of technological positions, parallel development or licensing strategy. Thus, the meaning of innovation activity as an economic category is to not only assess the extent of implementation of new technologies or improving business entities in general, but also allows individual businesses to the choice of directions of innovative development and build an effective investment policy on this basis.

### *1.1 Foreign Experience of State Support for Social and Innovative Activity of Enterprises*

It is necessary to consider that each country has the natural innovative priorities, independent of the proposed scientific concepts that have long-term strategic nature. State institutions must take more active stance on innovation development, especially in the social sphere, and this problem must be considered in the light of market development. The country has a significant number of legislative acts of the Russian Federation, affecting various aspects of the development of socially-oriented innovative enterprises: development of society, innovations and innovative activity (Cherednichenko, 2012).

To solve the problems associated with government support and activation of establishment of socially oriented innovative companies let us consider foreign experience in this area (Table 1).

After analyzing the data in Table 1, it can be concluded that social and innovative activity of enterprises is mostly supported by the United States and this country can be regarded as the most progressive in relation to others. Accordingly, the economy of the country is characterized by the highest number of measures that can be used for innovative development in Russia with little modification.

It should also be noted that government support of R & D performed in the United States began a long time ago, and it especially has been developed in the postwar period (as in the USSR). For example, considering the law

on the financing of research and development of small businesses in the U.S., we were able to identify the fact that funding from the budget happening locally. To implement the law on technological innovations locally, special organizations are created that promote innovative industry, and provide diverse and comprehensive assistance. Also it can be noted that the majority of legislative acts have been adopted and implemented in the 80-ies.

Table 1. Foreign experience of state support for social and innovative activity of enterprises

Country	Form of state support	The availability of such support in the Russian Federation "0" - no "1" - yes	Possibility to use in Russia 0 - not possible 1 - possibly with modifications 2 - possible to take completely
1	2	3	4
Some measures of state support of innovative activity			
USA	1. Law on R & D funding, obliging local authorities to finance Small Business Innovation every year	0	1
	2. Law on technological innovations (support of innovation in the industry)	1 (grants)	1
	3. Laws, the purpose of which is to form the opportunities for private companies to use the results of research, research centers	0	2
	4. Exchange system for qualified personnel between universities, enterprises and state laboratories are created	0	2
	5. Series of grants of the Federal Agency "National Institutes of Health» - NIH (National Institutes of Health) for innovative research for small high-tech business	1	0
	6. Program SBIR (Small business innovation research), enabling small businesses to participate in the research and development that have prospects for commercialization	0	1
	7. Program STTR (Small business technology transfer out reach program) was established by the Law "On the transfer of technology to small business". The essence - the expansion of public-private partnerships in innovation, creation of joint ventures for the execution of innovative projects.	0	1
Some measures of state support of social activity			
France	5. Concessional loans	0	1
	1. Reduced rates for income tax	1 (separate regions)	1
	2. Development of major targeted state programs	1	0
Germany	3. Program of the National Agency for the promotion of scientific research – ANVAR (Agence Nationale de Valorisation de la Recherche)	1	0
	1. Creation of a special state structure (the most important subjects - German federal lands)	0	0
	2. Technology cities development (for example, in Karlsruhe)	1 (Skolkovo)	0
Great Britain	3. Exemption from 50% of taxes on R & D	0	1
	Tax exemption	0	0
	Some measures of state support of social activity		
	European model of social responsibility	0	2
	American model of social responsibility	0	1
	Japanese model of social responsibility	0	0

Analyzing the social component of SOIE activities and state support in this area, it should be noted that today social responsibility has become mandatory for medium and large enterprises in the world's leading states.

In scientific literature there are three main models of social responsibility: American, European and Japanese.

A distinctive feature of the American model of social responsibility is a weak state regulation in this sphere. The government is focusing on strengthening the social security system, while shifting a significant part of the solution of social problems and issues at the local level and non-profit organizations and business structures. Local authorities, having lost the support at the state level, forced to find ways to solve the problem by entering into alliances with commercial entities for solving social problems.

There are a number of basic characteristics of the American model of corporate social responsibility (Parahina, Astahova, & Boris, 2010):

- “Narrowly focused” social responsibility (has a reference to a specific social sphere: youth, education, environment, etc.);
- "Business" (used to enhance the image, relationships with customers and within the team);
- Focused on local contingent (characterized by activities related to strengthening the status of the enterprise in the territorial entity in which it operates);
- Partnership with other companies, nonprofit organizations, local government, etc.
- “Economical" (expected measurable return on each investment);
- Complex (in developing and implementing programs with different departments of the corporation interact);
- Volunteer (volunteer activity is encouraged).

With modern European model of social responsibility orientation of business on three areas of initiative showing occurs - economy, employment and environmental protection. The enterprises themselves are not directly involved in solving social problems of society, and implement this direction by working with non-profit organizations and public institutions of civil society.

The basis for the development of this model is the concept of corporate citizenship, where the business itself is regarded as a cell of civil society - interested participant of social networks (Boris, 2011).

In Japan, corporate social responsibility is supported by cultural traditions of the country. The Japanese model of corporate social responsibility is in the form of social cohesion at the level of certain industrial groups. This model is characterized by the active role of the state, which for a long period of time was involved in strategic planning. Business should be focused not only on maximizing and making profit, but it must also take into account public perception of life, the needs of society and the world, awareness of its social responsibility and commitment to innovative progress of civilization as a whole.

In Japan, the company is regarded as a kind of "production family." Worker is member of this family, and his/her responsibilities and rights go far beyond the usual job duties. In its turn, business structure should support him/her all the way of life: help in the acquisition and improvement of living conditions, allocate financial assistance for child birth, and training them, pay generous severance payments and corporate pensions (Bezrukova and Shanin, 2014).

### *1.2 Theory of Social Responsibility in Russia*

The basis of selection in favor of new or improving innovations should be introduced with research expertise and economic opportunities of companies to implement basic or just fine-tuning technology, in other words, their innovative activity. If the company has some positive experience in the implementation of innovative projects and especially in developing innovative products, such economic agents tend to choose a research strategy of leadership, radical advancing, advanced R & D intensity, phase overcome. If enterprise has prevailing experience in implementing enhancing technologies that will only be improved and offer consumers modified versions of well-known products, in this case the most probable strategy of innovative development can be attributed such as temporizing leader, following the market, technology transfer, and product simulation, conservation of technological positions, parallel development or licensing strategy. Thus, the meaning of innovation activity as an economic category is to not only assess the extent of implementation of new technologies or improving business entities in general, but also allows individual businesses to the choice of directions of innovative development and build an effective investment policy on this basis.

Analysing the Russian social responsibility, it is possible to define the following models (Boris and Shanin, 2013):

1. The first model - is regarded as forming enterprise, which affects all sectors in a particular locality.
2. The second model - a charity based on voluntary-coercive. For example, its symbol in Moscow - Cathedral of Christ the Savior. Almost in all regions some bright object presents related to this type of model.
3. The third model - is trades. Large business organizations are constantly trading: for example, buying and selling shares.
4. The fourth model - a model of social partnership. Today it can be found less than the first three aforementioned.

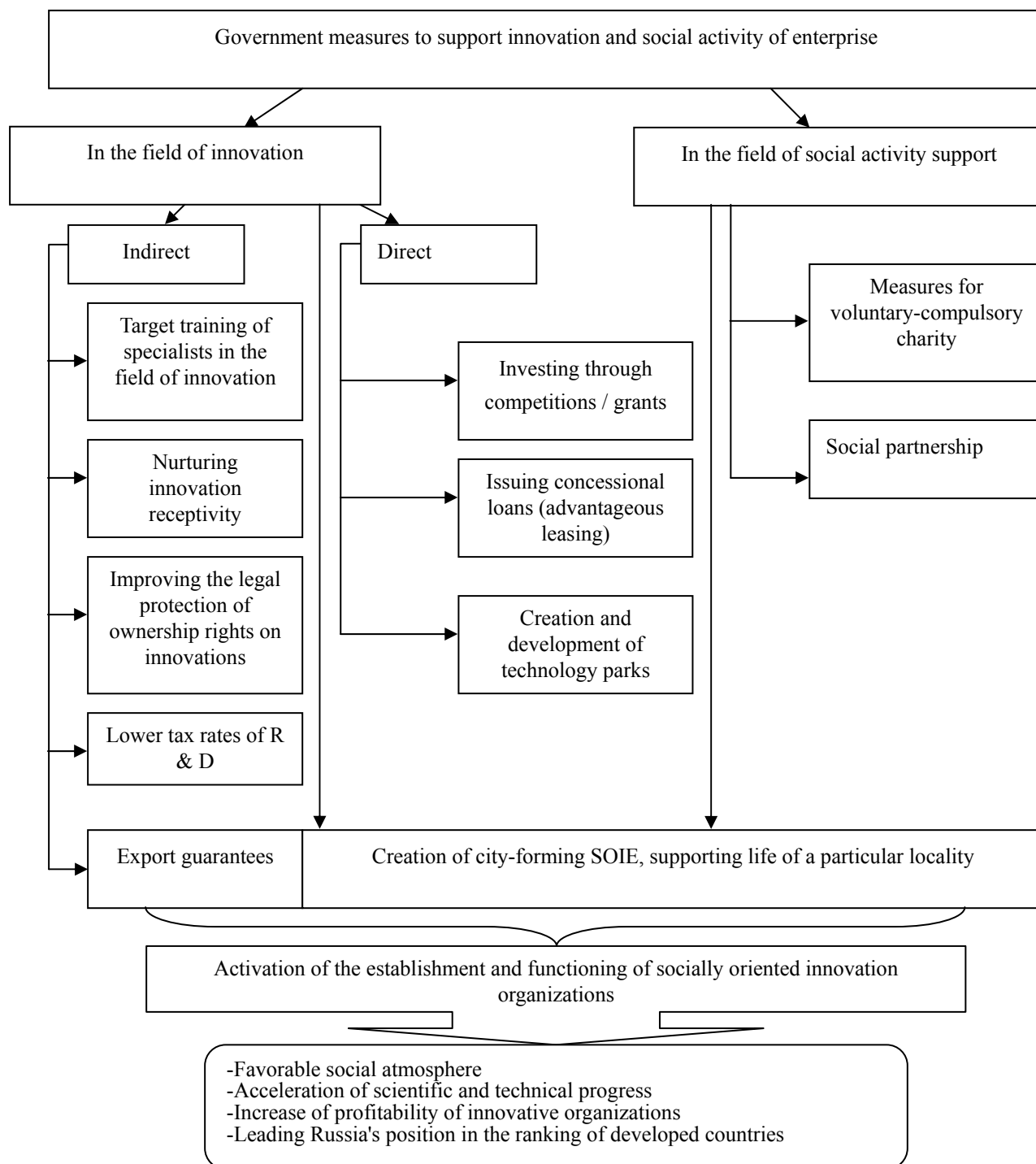


Figure 1. The system of state support measures enhancing innovation and social enterprise activity in Russia

Different views in the understanding of corporate social responsibility and business of Russian and foreign business circles is due to the fact that Russian companies bring to the forefront of the social responsibility and social reporting, as a rule, one-time projects (as a tool for reputation management). And Western companies use social responsibility and accountability on the basis of long and continuous process of constructive and mutually advantageous and a sustainable cooperation of employer with all interested participants: employees, customers and clients, community organizations and local authorities.

Thus, the most of socially responsible corporations in Europe (and not only) create internal committees on ethical and social responsibility. The task of these committees is to combine the most extensive range of organizations and individuals, related with enterprise, to participate in the development of strategic directions for the company in matters of corporate ethics and social policy. All this is happening in relation to employees and society in general, policies to protect the environment, creation and maintaining an effective management code of business structure, respect for human rights in its relations with suppliers, customers and staff.

It is in this notion, corporate social responsibility to the community is understood by the majority of foreign enterprises and companies that promote and implement the idea of social responsibility and civic partnerships which include the largest association of U.S. corporations "Business for Social Responsibility".

It should be noted that, in principle, the theory of social responsibility in Russia survives with difficulty. Thus, according to the National Institute of Entrepreneurship Systemic Problems, in 2010 the process of entering of small business out of the shadows stopped, because the more apparent it became, the more it is examined by tax authorities. The Russian stock market is sufficiently indifferent to the problems of good and evil (if it is not a conflict with the law), and most importantly - local business has not yet feel serious pressure from the community. However, certain steps in this direction have already been made. Proclaiming itself a social state, Russia is striving to achieve a certain level of social protection of its population, to achieve certain social standards.

Figure 1 shows the model of state support for creation of socially-oriented enterprises in Russia.

Analyzing Figure 1, we can conclude that the transition of the Russian economy to innovative development should be a priority for the country's development. Innovative way may give a significant contribution both in the company's development and production and creating new unique technologies and social and economic development of the country as a whole. One of the main activities of the company must act as the desire to create innovation and investment projects with joint participation of business organizations and other entities. Thus, the creation of new oriented innovative enterprises - it is a priority task of the Russian Federation, as they will help lead our country to a new level of high-tech development in the global community.

## 2. Conclusion

Every state has a set of fairly efficient necessary methods of regulation, successfully interacting with levers and methods of market self-regulation. The state has the ability and should solve the problem of effective interaction of academia and business, creating institutional conditions for the introduction of new and high technology through the regulatory system (faster adoption of new technical regulations and state standards). Also, the state should be involved in solving the problem of raising funds in the academic environment and high-tech enterprises, based on the use of tools of public-private partnership, participate actively in the implementation of priority and significant investment programs, such as the development and support of technology parks, technology cities, the definition of special economic zones, support of promotion of domestic innovative products both in domestic and foreign markets.

For the maintenance and development of R & D, state should apply the principle of "manage - means creating the conditions." Only innovative environment will contribute to identify priority areas in research, and to assess achievement. State institutions based on expert analysis of trends in the world science and technology should define their own priorities, encourage their implementation or support with tools, available in government agencies, that will direct the company to participate in innovative programs and social development.

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