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## of Applied Economic Sciences

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# Journal of Applied Economic Sciences

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## Table of Contents

|    |   |      |
|----|---|------|
| 1  | <b>Tomáš DUDÁŠ, Klaudia KARELOVÁ</b><br>Counties Analysis of Threats to the Macroeconomic Stability in Visegrad Group   | 1555 |
| 2  | <b>Alexander CHURSIN, Pavel DROGOVOZ, Tatiana SADOVSKAYA, Vladimir SHIBOLDENKOV</b><br>A Linear Model of Economic and Technological Shocks in Science Intensive Industries  | 1567 |
| 3  | <b>Leoš ŠAFÁR, Marianna SINICAKOVA</b><br>Money Supply Influence on Gross Domestic Product throughout Stock Markets in United States and European Union   | 1578 |
| 4  | <b>Natalia GRYZUNOVA, Elena SHUVALOVA, Aleksandra POLYAKOVA, Khayal KERIMOV</b><br>Competitive Capacity of Companies as a Major Goal of National Monetary Policy in the Context of Financial Globalization  | 1585 |
| 5  | <b>M. Shabri Abd. MAJID, Abdul HAMID, FARADILLA</b><br>Assessing the Productivity of Insurance Companies in Indonesia: A Non-Parametric Approach  | 1593 |
| 6  | <b>Olga Victorovna KITOVA, Ludmila Pavlovna DYAKONOVA, Victoria Michailovna SAVINOVA, Sergey Naymovich BRUSKIN, Tamara Petrovna DANKO, Vladimir Dmitriyevich SEKERIN</b><br>About the System of Hybrid Forecast Models for Regional Situational Centers | 1606 |
| 7  | <b>Pavel KOZLOV, Yulia FINOGENOVA, Irina KHOMINICH</b><br>On Equilibrium of the Financial Flows within the System of Compulsory Pension Insurance in the Russian Federation   | 1615 |
| 8  | <b>Tomáš VALENTINY, Jaroslav GONOS, Veronika TIMKOVÁ, Martina KOŠÍKOVÁ</b><br>Impact of Selected Factors on the Formation of Regional Disparities in Slovakia   | 1626 |
| 9  | <b>Bala UMAR, Chin LEE, Kaliappan, Shivee RANJANEE, Ismail, Normaz WANA</b><br>The Impact of Financial Development, Oil Price on Economic Growth in African OPEC Members  | 1640 |
| 10 | <b>Patrick Omoruyi EKE, Kehinde Adekunle ADETILOYE, Esther Oluwafunmilayo ADEGBITE, Lawrence Uchenna OKOYE</b><br>A Co-Integration Analysis of Interest Rate Spread and Corporate Bond Market Development in Selected African Economies                 | 1654 |
| 11 | <b>Jaka SRIYANA, Abdul HAKIM, HERAWATI</b><br>Managing Fiscal Risk in High Public Debt: Evidence from Indonesia   | 1668 |

|    |  |      |
|----|--|------|
| 12 | <b>Adedoyin Isola LAWAL, Tony Ikechukwu NWANJI, Ibrahim Joseph ADAMA, Adegbola O. OTEKUNRIN</b><br>Examining the Nigerian Stock Market Efficiency: Empirical Evidence from Wavelet Unit Root Test Approach                             | 1680 |
| 13 | <b>Aleksei Valentinovich BOGOVIZ, Svetlana Vladislavlievna LOBOVA, Yuliya Vyacheslavovna RAGULINA, Lyudmila Bogdanovna LUCHITSKAYA, Tatiana Valerevna SHUTOVA</b><br>Boosting Innovative Activity in Companies: Problems and Potential | 1690 |
| 14 | <b>Enikő KORCSMÁROS, Ladislav MURA, Monika ŠIMONOVÁ</b><br>Identification of Small and Medium-sized Enterprises Development in Slovakia  | 1702 |
| 15 | <b>Lidiia Vitaliivna PASHCHUK, Liudmila Oleksiivna YAROSH-DMYTRENKO</b><br>Strengthening Competitiveness of Small and Medium Enterprises in Municipalities   | 1713 |
| 16 | <b>Tulus SURYANTO, Eleftherios I. THALASSINOS</b><br>Cultural Ethics and Consequences in Whistle-Blowing Among Professional Accountants: An Empirical Analysis   | 1725 |
| 17 | <b>Fernando Luís ALMEIDA, José Duarte SANTOS, José Augusto MONTEIRO</b><br>A survey of Innovation Performance Models and Metrics   | 1732 |
| 18 | <b>Zuzana BIRKNEROVÁ, Miroslav FRANKOVSKÝ, Lucia ZBIHLEJOVÁ, Valéria PAROVA</b><br>Gender Differences in Perception of Advertising in the Context of Expectations of Advertising   | 1751 |
| 19 | <b>Michal KRAJŇÁK</b><br>Application of Selected Quantitative Methods to Assess the Development of Personal Income Tax in the Czech Republic   | 1759 |
| 20 | <b>Arsen A. TATUEV, Svetlana S. GALAZOVA, Georgiy N. KUTSURI, Sergey A SHANIN, Violetta V. ROKOTYANSKAYA</b><br>New Sources of Debt Financing Investments in Russian Real Economy  | 1771 |
| 21 | <b>INSUKINDRO, Chandra UTAMA</b><br>Provincial Inflation Dynamics in Indonesia: Hybrid New Keynesian Phillips Curve Approach   | 1779 |
| 22 | <b>Yilmaz Ulvi UZUN, Borash MYRZALIEV</b><br>Evaluation of Influence of Direct Foreign Investments on Economic Growth of Kazakhstan  | 1789 |
| 23 | <b>Katarína HOVORKOVÁ, Ľudmila LIPKOVÁ</b><br>Iceland's Integration Process into the European Union and Assessment of its Economic and Political Alignment with European Legislation   | 1805 |
| 24 | <b>Marwa BILTAGY, Manar HAMDİ, Noran Abd EI NASSER, Heba HASSAN</b><br>The Effect of Government's Health Expenditure on Economic Growth: Case Study of Turkey  | 1813 |
| 25 | <b>Tatyana Vladimirovna PONOMARENKO, Oksana Anatolyevna MARININA</b><br>Corporate Responsibility of Mining Companies: Mechanisms of Interaction with Stakeholders in Projects Implementation   | 1826 |

## Boosting Innovative Activity in Companies: Problems and Potential

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### Abstract:

This paper represents a factor analysis of innovative activity in the Russian Federation and overseas. The authors examine some of the policy foundations of the innovation-driven development of certain types of economic activity. Economic modernization is viewed here as a key area for boosting innovative activity in companies. The authors highlight the need to enhance the quality of career guidance and vocational training provision to turn out a highly-skilled workforce. A priority area for galvanizing human capital is a mobilization-motivation approach to managing personnel at a company. The authors propose a set of possible ways to galvanize creativity and cultivate on this basis an innovation-driven economy. The authors' analysis substantiates the advisability of and need for studying best practices from other developed nations, putting to use the existing achievements of national science, and implementing top solutions and achievements in the activity of Russian companies. The use of the outcomes of intellectual labor in high-tech production and production of competitive products will help avoid the possibility of bankruptcy for companies and ensure their long-term operation and efficiency.

**Keywords:** innovative activity; economic modernization; personnel management; vocational training; galvanizing technical creativity; advanced development zones; entrepreneurial climate

**JEL Classification:** M13; O31; O10

### Introduction

Amid the global economic crisis, Russia has been faced with a whole array of issues governed by both internal and external factors. These include the nation's ongoing reforms (political, administrative, social, military, legal, etc.),

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difficulties in embarking on the path of innovation-driven economic development, unstable prices in the global market for hydrocarbons, as well as a set of large-scale anti-Russian economic sanctions imposed by the US and EU.

The purpose of this paper is to analyze a set of factors for external and internal impact on the efficiency of economic transformations, as well as to identify the nation's current problems in and potential for boosting innovative activity in its business.

The study owes its relevance to Russia's choice to embark on the path of innovation-driven development based on modernizing its economy, machinery, and technology. Boosting innovative activity is certain to require coordinating and integrating the efforts of all branches of the government at every level and galvanizing the nation's civil society institutions.

As is evidenced by numerous analytical materials, the nation has amassed a multitude of issues impeding the effective rebuilding of the economy. These include the nation's lack of an efficient system for distributing state support and enforcing statutory guarantees; poor investment levels; lack of new machinery and technology; businesses' poor innovation potential; insufficient demand for innovations in production due to senior management lacking confidence in the advisability of implementing them; lack of the necessary conditions for implementing the outcomes of research, which, in turn, is due to the lack of skilled personnel, the lack of a well-developed innovation infrastructure, high loan costs, and declines in the population's paying capacity.

Despite the existing situation, the nation has continued to implement its program for economic modernization and expand its partnership with the EAEU (Eurasian Economic Union), BRICS (Brazil, Russia, India, China, and South Africa), APEC (Asia-Pacific Economic Cooperation), CIS (Commonwealth of Independent States), etc., member states.

There is a set of relevant policy documents (The 2013–2020 Development of Education State Program of the Russian Federation, The Concept on the Long-Term Development of the Russian Federation Through to 2020, The 2016–2025 Federal Space Program of Russia, The Long-Term Program for the Development of Russia's Coal Industry Through to 2030, The Forecast for the Long-Term Social-Economic Development of the Russian Federation Through to 2030, etc.) charting a specific course for development, both across the types of economic activity and across the nation's regions.

In addition to the above conditions, it is worth focusing on a set of environmental issues associated with global climate change, as well as the development of relevant policy documents promoting the sustainable development of the global community, a process which Russia is now a keen part of. In April 2016, the Paris Agreement, an agreement within the United Nations Framework Convention on Climate Change, was opened for signature, and a little earlier, in January of the same year, the Russian president had signed a decree designating 2017 as the Year of Ecology.

An important consideration to keep in mind is the state's guarantees of sovereignty and security for the nation amid growing concerns about global extremism, terrorism, and drug trafficking, as well as escalating technogenic threats.

It goes without saying that all of the above conditions and factors ought to be taken into account when developing strategy and tactics for the process of cultivating an innovation-driven economy in Russia. The following areas may act as a potential for boosts in innovative activity in companies:

- boosting the innovation attractiveness of the Russian economy;
- improving the entrepreneurial climate;
- mobilizing and motivating the nation's economically active population to assume a proactive and creative attitude toward economic modernization.

Conducting proper analysis of the nation's economic sectors, as well as identifying specific issues in and searching for proper ways of developing an innovation-driven economy, requires galvanizing fundamental and applied science and actively engaging the nation's pool of engineers and specialists in intellectual labor (technical creativity).



## 1. Methodology

The information basis for the authors' investigation into current issues in the innovation-driven development of Russian enterprises and identification of the potential for galvanizing it are publications by scholars and practitioners, government statistics data, information from international sources, as well as legislative and other regulatory enactments.

This study utilizes a systemic approach, methods of comparison, analogy, analysis, synthesis, and others. Despite an extensive scientific and practical focus on issues related to Russia's innovation-driven development, so far little attention has been devoted to labor education, career guidance, and occupational training, which should be oriented toward the competitive environment of the nation's nascent market economy. For this reason, in this paper the authors attempt to summarize best international practices and examine specific ways to implement these practices in Russian reality.

In a fragmentary manner, the paper draws upon public platforms that are used periodically to examine, monitor, and discuss the state of development of Russia's innovation-driven economy and search for ways to enhance it going forward.

## 2. Results

### 2.1. State of and issues in the development and use of human capital

The lack of skilled manpower is regarded by the government as one of the primary factors today impeding boosts in the innovative potential of Russian companies and posing a major threat to economic stability in the nation.

The government, represented by the Ministry of Education and Science, Ministry of Labor and Social Protection, Ministry of Defense, Ministry of Economic Development, Ministry of Industry and Trade, as well as the nation's professional communities and associations of employers, may need to consider altering the moral and ethical foundations of labor education in the family and career guidance for children and teenagers in preschool institutions and schools and, what is most important, enhancing the quality of occupational training and cultivating a respectful attitude toward workers in any occupation in the form of decent working conditions, quality of working life, and pay. Without these foundations, no measures will help resolve the nation's existing issues in occupational training for its workforce.

What is more, employers ought to work closely with institutions of tertiary learning. They ought to be encouraged to engage in putting together relevant educational programs, as is suggested by Federal Law No. 307-FZ 'On Amendments to Certain Legislative Acts of the Russian Federation for the Purposes of Empowering Associations of Employers to Take Part in Implementing State Policy in the Area of Vocational Education' of December 1, 2007. Employers should be expected to focus on the provision of quality occupational training with a view to preparing highly-skilled production workers, engineers, and managers. Furthermore, professional standards and vocational training programs ought to be synchronized with the needs of employers (Kiselev, Chechina and Zbyshko 2012). It would help to introduce financial literacy classes in schools and special courses on the basics of entrepreneurship in institutions of tertiary learning.

Russia has the necessary potential and a decent scientific school to conduct quality fundamental and applied research. It will be worth using best practices and technology from foreign nations, as well as the achievements of domestic scientists and inventors working in advanced sectors like space exploration, aviation, the nuclear power generation industry, and the defense-industrial complex. Unfortunately, many scientists are leaving Russia due to lack of decent conditions for engaging in quality intellectual work and implementing solutions of one's own design. There is a need to invest in education (starting in preschool), organize research platforms and labs, and raise student allowances and teacher salaries. There is all the more reason for this as many innovative solutions from overseas have a direct relation to Russia – not necessarily in a legal sense, but definitely do factually. According to the UN, over the last couple of decades as many as 15,000 inventors have left Russia for various reasons. By various estimates, inventions by these individuals have generated \$3–4 billion worth of patent proceeds in foreign jurisdictions (Gryzlov 2009). Accordingly, there is a need to create the right conditions for people to start believing

in their significance, seeing prospects for development, and seeing an opportunity to engage in serious intellectual and creative work – right in Russia, their homeland.

Another factor affecting innovative activity in companies is their low innovation potential (Veselovsky, Gnezdova, Romanova, Kirova and Idilov 2015).

The innovation potential of industrial enterprises incorporates:

- workforce potential (the composition and structure of the workforce, movement of staff over a certain period of time, labor productivity, changes in output per worker, *etc.*);
- financial potential (earnings, profitability, liquidity, financial stability, *etc.*);
- production potential (technology, equipment, and methods used in the management and operation of the company);
- information potential (professional and business information the company possesses, information technology it uses, and the level of information protection achieved by it);
- intellectual potential (staff's qualification characteristics, length of service and experience, potential, learning ability, *etc.*).

There is a need to continually streamline personnel management and enhance its development and learning in order to enable timely reacting to changes in external factors, capable of influencing the company's activity as a whole. Greater significance is being attached to executives in the system of management, for the outcomes and efficiency of the operation of the company's management system are, in large part, determined by one's experience, capacities, skills, and abilities needed to organize and knit the team together, encourage it to engage in active and fruitful work, and forge a team spirit. According to the Soviet researcher N.A. Vitke, "Any team's behavior is grounded in certain laws of a social-psychological nature. Having established and mastered these laws, you can construct the team in such a way as to have it operate with maximum relevance, as a genuine social apparatus" (Bezdenzhnykh 2014).

The reform of the education system is not over yet – what is more, it is actually in its active stage at the moment. Amid intensifying competition in the labor market, graduates from institutions of learning – future qualified and highly-qualified specialists – ought to not just acquire, during the course of study, the knowledge, abilities, and skills needed in a climate of implementation of innovative technology but also be able to form, nurture, and awaken in themselves the aspiration to continually perfect themselves and learn new things. They ought to gain an awareness of the need for and advisability of continual self-development and learning. This requires taking a new motivation-based approach, both in the system of vocational training and in the workplace, to help galvanize large-scale creative technical work. There were 4 Russian colleges listed in the 2015 US News and World Report world subject rankings of Physics: M.V. Lomonosov Moscow State University (ranked 23<sup>rd</sup>), National Research Nuclear University MEPhI (Moscow Engineering Physics Institute) (127<sup>th</sup>), Novosibirsk State University (170<sup>th</sup>), and Saint Petersburg State University (241<sup>st</sup>).

It is no secret that the level of staff qualification is what the efficiency of the entire organization depends on. This can be felt especially hard in a climate of economic instability. It is when staff members are motivated, when there is a powerful team spirit maintained in the workplace, when there is every opportunity to develop and learn, and when they are fully aware of their significance that the organization will be able to operate successfully even under conditions of a crisis (Altindağ and Köseadağı 2015).

Today, to stabilize the situation, many companies resort to cutting staff numbers, which is not always justified. Based on data from the Rabota.ru service, in 2015 the number of unemployed residents increased in 81 out of 85 regions examined in the study. The rising unemployment rate is causing increased competition for jobs, which is quite logical and natural. There are 2 possible ways to resolve this issue. First, senior management may need to start acting proactively by focusing more on using methods of analysis and monitoring. In particular, it helps to carry out regular staff audits.

Here are just some of the benefits of carrying out staff audits:

- integrating all members of the management team into the system of HR management;

- classifying expenditure on staff not as the company's costs but as investment that ensures continual professional employee growth and, as a consequence, sustainable profit generation going forward;
- employing the highest qualified staff for the company;
- focusing in the HR management system on key staff members, who have what it takes to really help ensure the company's competitiveness, by giving them priority over rank and file employees;
- cultivating a robust, adaptive culture oriented toward displaying initiative and striving to achieve the company's strategic objectives;
- creating the right conditions for staff to build a successful career and actualize their creative potential.

Another method for galvanizing staff is the use of the Pareto Principle (also known as the 80/20 Rule), whereby 20% of our effort produces 80% of the results, while 80% of our effort produces only 20% of our results.

Without question, everyone's success depends on their mindsets and aspirations. The awareness of the complicated situation in the labor market and growing unemployment should inspire you for self-development and the improvement of your professional level, which should ensure you competitiveness and demand in the labor market going forward. What can help in this regard is the efficient planning of your working day (the use of the Eisenhower Matrix, priority planning, the Schwab method, the ALPS method, etc.), as well as spending your off-work time with the benefit for yourself and your family.

Furthermore, greater significance is being attached to assessing staff performance, as it helps appraise job applicants during the probationary period, during their engagement in work activity, and based on the outcomes of their work. Here, it is worth noting the significance of the staff composition of one of the company's major departments – its HR department. For it is the professionalism of staff at this department that the correctness of planning, shortlisting, selecting, positioning, and adapting personnel, motivating and stimulating them, and training and developing them often depends on. Conducting relevant and timely activities and their qualitative assessment, just like assessing staff performance, helps work out and implement at the right time the very mechanism for influencing personnel that will have a due effect on the efficiency of their work and actualization of their potential.

As was mentioned earlier, the company's success and its innovative activity depend on the qualification level of its staff. It is worth calling to mind the School-To-Work program, whose efficiency has been substantiated by research conducted by the National Employer Leadership Council (NELC).

Implementing this program, and adapting it if necessary, will help not just enhance the quality of national education but also motivate young people (high-school and college students) to engage in effective learning, strive to acquire as much knowledge as possible, and prepare themselves to pursue a career in a promising company.

The company's well-developed potential (production, intellectual, information, etc.) plays a significant role in boosting its competitiveness. That being said, it is impossible to achieve a positive effect from the use of the company's resources without conducting objective assessment of its performance and using the findings to manage its production process more efficiently. Today, it is important for companies' senior management to realize that, under conditions of the crisis, galvanizing innovative activity may constitute an inevitable condition for not just being competitive but being able to, at least, survive in the market (Figure 1).

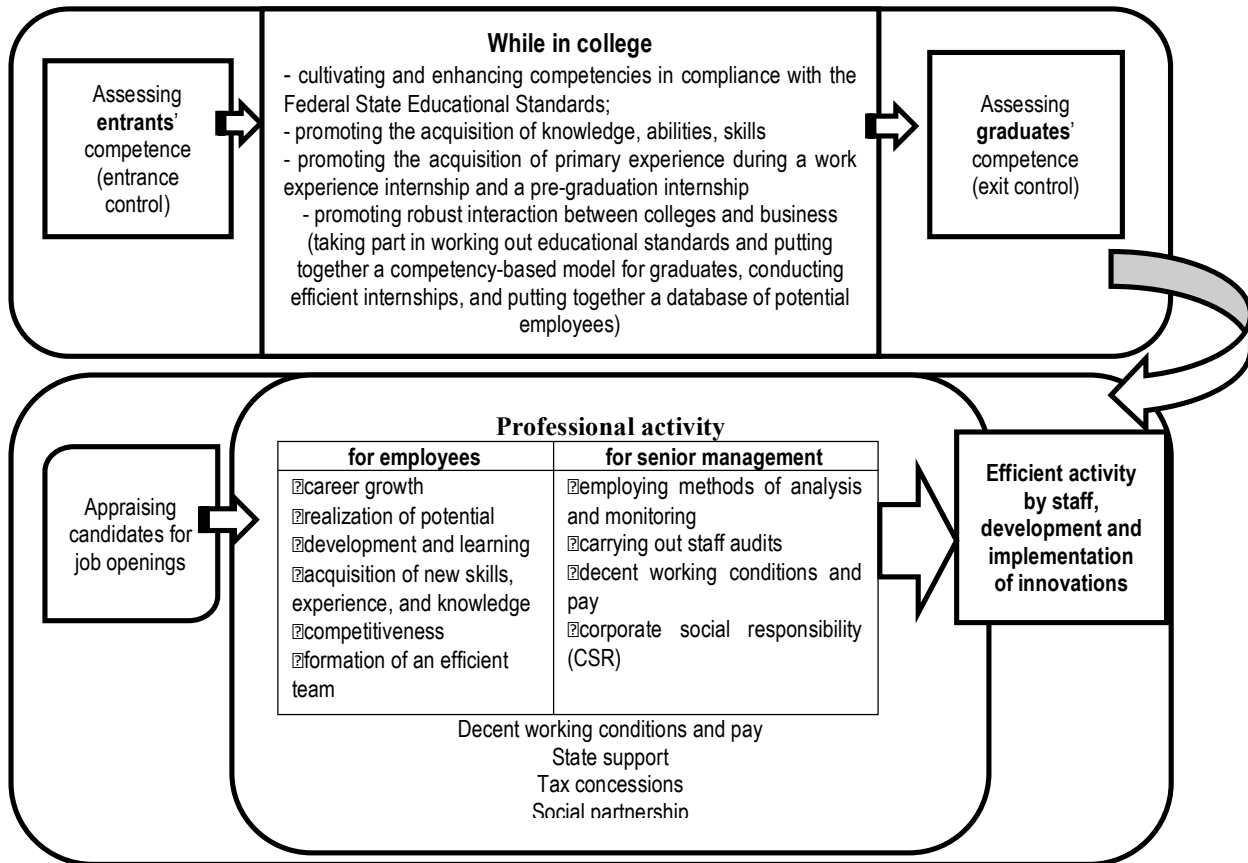
However, Russian companies appear to be taking their time with implementing any kind of innovation. This may also be due to lack of confidence in the possibility of deriving economic gains from this type of investment on the part of the team of specialists capable of developing them and/or implementing them in practice, which currently is testimony to the nation's imperfect system of motivating one to engage in creative work and innovate (Podgornaya, Grudina, and Avdonina 2015).

Back in the previous century, foreign scholars brought forward 2 hypotheses providing a rationale for the generation of innovations – the so-called “technological push” and “market pull” models. Based on the “technological push” hypothesis, innovations emerge as a result of internal research and development activities (Mensch 1975), while the “market pull” model implies a demand from consumers for new or improved products (Freeman and Soete 1999). It has been proven that the need for economic modernization and boosts in companies' innovative activity is caused by factors that, indeed, deal either with internal laws governing production (the

changing needs of the production process) or with changes in demand in the market for goods and services (demographic changes and people’s changing moral and value mindsets).

The last few years have seen a galvanization of efforts to expand the sphere of tourism and leisure for Russians and foreigners. There is a special program in place that is currently being implemented by the Russian government called ‘Development of Internal and Incoming Tourism in the Russian Federation (2011–2018)’. The nation also continues to develop cross-border trade and economic ties between its regions and the states it neighbors (China, Kazakhstan, Turkmenistan, Mongolia, etc.).

Figure 1. Components of innovative activity in companies.



It has been a common practice around the world to conduct assessments of nations’ achievements and development using a variety of criteria. Below are some of the findings of this kind of research. A total of 9 criteria were used in the study below to evaluate a nation’s performance, including assessment of its levels of power and influence on global politics.

Based on the 2016 world rankings released by US News & World Report, Russia placed 24<sup>th</sup> among the world’s best 60 countries that year (Table 1). The above source has also mentioned Russia as the world’s second largest exporter of military weapons, after the United States. In economic growth, Russia ranked 10<sup>th</sup>, ahead of Vietnam (11<sup>th</sup>), South Korea (13<sup>th</sup>), and Israel (14<sup>th</sup>). The top three spots in this metric were occupied by India, Singapore, and China (Filatov 2016).

Table 1. Russia's 2016 international rankings across a set of US News &amp; World Report metrics

| Criterion   | Russia's global ranking |
|---|-------------------------|
| 1. Movers (as an up-and-coming economy)   | 10                      |
| 2. Open for business (as a business-friendly nation)  | 60                      |
| 3. Power (as a nation that projects its influence on the world stage)   | 2                       |
| 4. Quality of life (as a nation that ensures broad access to food and housing, quality education and health care, employment, etc.) | 42                      |
| 5. Cultural influence (as a center of art, entertainment, and fashion)  | 25                      |
| 6. Entrepreneurship (as a nation that successfully supports its entrepreneurs)  | 20                      |
| 7. Citizenship (as a nation that cares about human rights, gender equality, and religious freedom)                                  | 33                      |
| 8. Heritage (as a nation with distinctive ways of life that values the past)  | 19                      |
| 9. Adventure (as a travel destination)  | 47                      |

Russia ranked 12<sup>th</sup> in the 2016 Bloomberg Innovation Index of the world's most innovative economies. The system ranked South Korea 1<sup>st</sup>, the Top 5 including also Germany, Sweden, Japan, and Switzerland.

## 2.2. Ways to shift from outmoded and underproductive machinery and technology to innovation and mass technical creative work

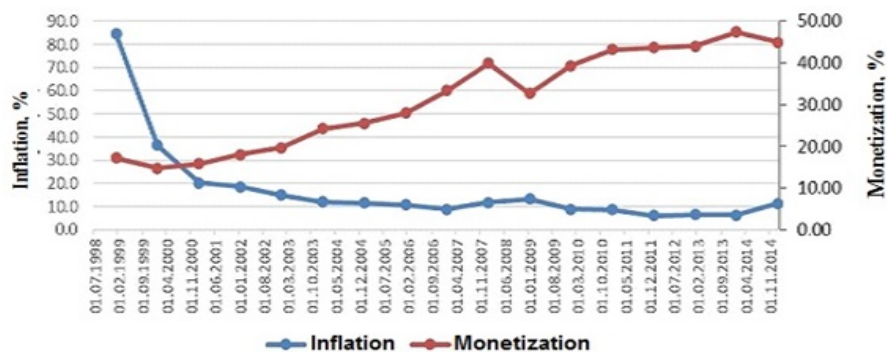
The use of outmoded, worn-out equipment and outdated technology results in declines in the company's productivity and the quality of its product, which may then lead to declines in demand for its product and affect its competitiveness in the market for goods and services (Ercis and Unalan 2015).

Upgrading the company's technological fleet and equipment and training and retraining its personnel will help it not just boost its competitiveness and conquer new positions in the market for goods but will also help motivate its personnel to display initiative, be creative, and innovate (Faskhutdinov 2015).

A major element in, above all, the development of industry and production of both producer and consumer goods is the further development of technoparks. Currently, there are 300 of them in Russia and there are plans to create new ones, which may significantly help revive the economy's production sector.

An important consideration, when it comes to the state's investment policy, is the fact that Russia has been subjected of late to enormous political, economic, and information pressure on the part of Europe and the US. It may help to shift to import substitution and develop a new monetary policy (Figure 2). Russia does fit into the trend, similar to other countries.

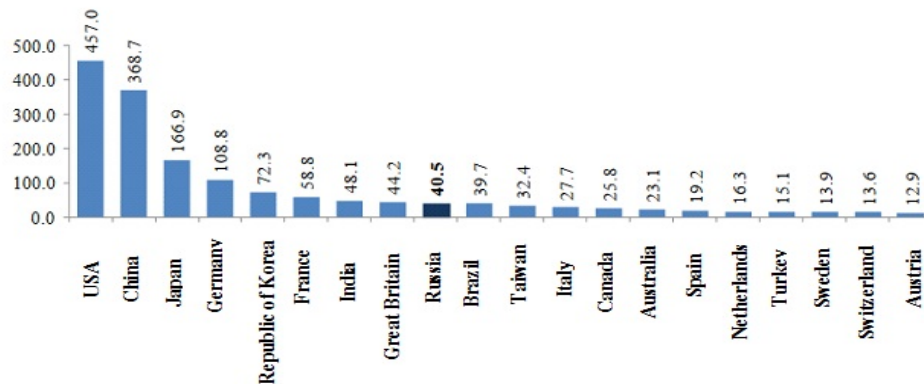
Figure 2. Dependence of inflation on monetization levels 1998–2014 (Odintsov 2015).



As was mentioned earlier, compared with Russia, developed countries spend heavily on research and development. To be specific, Russia's 2015 volume of domestic expenditure on R&D was 914.7 billion rubles, which is \$40.5 billion (calculated based on purchasing power parity). This placed Russia 9<sup>th</sup> in the world, behind the US, China, Japan, Germany, the Republic of Korea, France, India, and Great Britain (Figure 3) (Ratai 2016).

Among the areas for boosting innovative activity in companies – and, especially, galvanizing business and expanding the sphere of entrepreneurship, engaging creative youth in production, and providing a wide spectrum of services to the population – is enhancing the nation’s entrepreneurial climate (Izmailova, Burak, Rozhdestvenskaya, Rostanets and Zvorykina 2016). In this indicator, in recent years Russia has advanced into 51<sup>st</sup> place from 54<sup>th</sup>, which, however is clearly not enough to ensure the efficient development of the nation’s entrepreneurship.

Figure 3. Top 20 nations in expenditure on research and development 2015 (billion dollars; based on a national currency's purchasing power parity).



The important issue that persists is getting funding for innovative projects, with the lack of investment felt especially hard when it comes to funding research and activity related to the implementation of resulting solutions. There is a need for considerable investment, and such investment is needed long-term. There are several sources of funding for innovative activity that are known today: venture capital funds, private investors (business angels), grants, and state support for startups (Veselovsky, Suglobov, Khoroshavina, Abrashkin and Stepanov (2015). Business angel investing may help ease part of the process of getting funding for innovative projects, while, aside from financial assistance, business angels can also provide non-financial assistance (business plan development, marketing research, project management, *etc.*) (de Moraes, Lobosco and Lima 2013).

However, the above institutions still need to be developed more in-depth in Russia and are currently unable to satisfy most financial needs. In this case, it may be hoped that changes in restriction policy will help reduce loan rates and increase money supply, which in the end will have a positive effect in terms of funding innovative projects.

One of the possible sources of investment resources is people’s savings. Yet, evidence from practice indicates that Russians have yet to improve their financial literacy levels and ability to manage their personal investments.

A significant area to tap into in building an innovation-driven economy in Russia is its economic forums (Petersburg, Krasnoyarsk, Far-East, Sochi, *etc.*), which are held on a consistent basis and provide ample opportunity to learn about the latest strategic proposals by the nation’s constituent regions, as well as help expand the horizons of international cooperation aimed at exploring and developing the nation’s vast natural resources and further developing the nation’s production sector, transport corridors, occupational training system, *etc.*

Among the top-priority mechanisms for development worthy of note under current conditions are public-private partnerships (PPP), internationally significant projects on the creation of transcontinental transport corridors for the southern neighbors of Russia and Europe, as well as the ‘New Silk Road’ project, which aims to link Asia with Europe and the Middle East.

Today, special attention is being devoted to regions with excess supply of manpower. Worthy of note is the state’s development of industrial-purpose facilities and cultivation of the service sector in Chechnya, Dagestan, Karachay-Cherkessia, Adygea, Kalmykia, and other regions.

The nation has great expectations of the development of so-called advanced development zones (ADZ), some of which are already in operation (Nadezhdinskaya, Khabarovsk, Komsomolsk, Belogorsk, Priamurskaya,

Kangalassy, Mikhailovskaya, Kamchatka, and Beringovsky) (Table 2), with more expected to be launched in the coming years in Russia's Far East region.

It is worth noting that weak ties between business, universities, and science, as well as the lack of highly-skilled manpower and the existence of administrative barriers, are among the major factors impeding the development of innovative activity in Russian companies today.

Table 2. Information on certain advanced development zones (ADZ)

| ADZ, name and location                                   | Specialization                | Investment, billion rubles |           | Number of jobs created |
|--|-------------------------------|----------------------------|-----------|------------------------|
|  |                               | Private                    | Budgetary |                        |
| 'Predmostovaya', Blagoveshchensky District (Amur Oblast) | Industrial-logistics          | 128.90                     | 0.00      | 1,530                  |
| 'Kamchatka', Petropavlovsk-Kamchatsky (Kamchatka Krai)   | Industrial-logistics; tourism | 28.10                      | 8.30      | 2,918                  |
| 'Mikhailovskaya', Primorsky Krai                         | Agriculture                   | 39.03                      | 4.40      | 2,401                  |

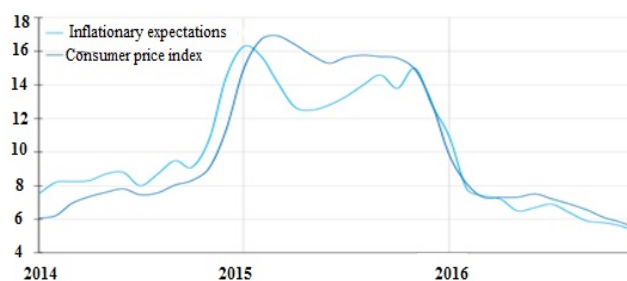
In putting together an innovation-driven economy in Russia and charting a course for its dynamic development going forward, it may also help for the government to consider creating a powerful vocational-education framework for training skilled and highly-skilled specialists, who will have the creative ability to help continue the nation's economic development across all life-sustaining areas.

There is an opportunity to tap new horizons based on the further development of scientific-technical and production clusters, similar to those created and being created in the Kaluga, Tula, Rostov, Lipetsk, Omsk, Kemerovo, Penza, and Moscow oblasts.

In a climate of sanctions and counter-sanctions, the mechanisms for galvanizing innovative activity in industrial enterprises can be set in motion only at the state level. Government support for small business is not just about allocating funds toward certain objectives but should also include all types of concomitant assistance, which is no less sought-after than financial resources. For entrepreneurs are simply unable to alter the economy's orientation on their own (based on expert estimates, the share of Russian small and medium-sized innovative businesses in the total turnover of all organizations is just a little over 20%, while large business is mainly represented by mineral resource companies) (Lavrent'ev 2009).

In a climate of economic instability, creating the right conditions for the development of entrepreneurial activity through the tax regulation area is a crucial aspect of efficient state policy. Here, of major significance is economic stimulation in the form of tax concessions for business, especially companies involved in the development and implementation of innovations. An example of this kind of support is providing a business with a 3–5-year-long tax holiday (depending on the degree to which the product is significant and sought-after). It is worth noting that today the government already has in place a number of laws aimed at easing some of the tax load and administrative pressure on small and medium-sized business. In particular, the special depreciation allowance has been increased from 10 to 30%, while the government has also ordered and reduced checks by supervisory agencies, as well as made significant cuts in the powers of the police (Gryzlov 2009). Russia's annual inflation rate dropped more than double in 2016, hitting a historic low of 5.4% (Figure 4).

Figure 4. Population's inflationary expectations for the year 2017



Source: Ministry of Economic Development of the Russian Federation 2017

However, in a climate of the current economic crisis this is still not enough, and there is a need for government assistance with creating a positive image for entrepreneurial activity and reducing the cost of utilities (expenses associated with the use of natural gas, electricity, and communal infrastructure).

Among the possible means of creating a positive image are mass media and the Internet. More specifically, the way the entrepreneur will look in the eyes of the audience depends directly on journalists, as it is them who gather and process information for articles, describe one's appearance, project one's social and psychological image, as well as one's level of erudition and professionalism – it is this information that will be perceived by the audience. It is worth taking account of the fact that the entrepreneur's image develops not just during the process of professional activity but also based on their daily behavior and life (their interaction with their family and clients).

### 3. Discussion

In today's world, as has been pointed out more than once, the key resource is man – it is people's well-being, confidence in tomorrow, and being goal-oriented that the outcomes of their life's activity depend on. In 2016, the government of the United Arab Emirates put in place the nation's Ministry of Happiness and Ministry of Tolerance. This can be interpreted variously, but it is hard to ignore the fact that happy people always work more productively and are more benevolent and more tolerant to all sorts of aggravators. According to Federation Council Speaker V. Matvienko, the nation ought to make every person happy, build happy schools, and provide people with such level of service that would leave them happy. And that is so true!

A while ago the UN released its 2016 World Happiness Report. It uses the following parameters to compare the levels of happiness with life across the world: the nation's real GDP per capita or Human Development Index (HDI) ranking; healthy life expectancy; freedom to make life choices; a sense of security and confidence in tomorrow; family stability; guarantees of employment; levels of corruption, as well as such categories as levels of trust within society, magnanimity, and generosity (Table 3).

Russia placed 56<sup>th</sup> with a score of 5.856, while no top economic powerhouse made it into the top 10 countries, the US ranking 13<sup>th</sup>, Germany 16<sup>th</sup>, the UK 23<sup>rd</sup>, and France 32<sup>nd</sup>.

Table 3. 2016 World Happiness Report rankings (Ukraine Ranks 123<sup>rd</sup> 2016)

| #  | Country         | Happiness score | #   | Country     | Happiness score |
|--|-----------------|-----------------|-----|-------------|-----------------|
| 1  | Denmark         | 7.526           | 11  | Israel      | 7.267           |
| 2  | Switzerland     | 7.509           | 12  | Austria     | 7.119           |
| 3  | Iceland         | 7.501           | 13  | the USA     | 7.104           |
| 4  | Norway          | 7.498           | 14  | Costa Rica  | 7.087           |
| 5  | Finland         | 7.413           | 15  | Puerto Rico | 7.039           |
| 6  | Canada          | 7.404           | 16  | Germany     | 6.994           |
| 7  | the Netherlands | 7.339           | 17  | Brazil      | 6.952           |
| 8  | New Zealand     | 7.334           | 18  | Belgium     | 6.929           |
| 9  | Australia       | 7.313           | 19  | Ireland     | 6.907           |
| 10   | Sweden          | 7.291           | 20  | Luxembourg  | 6.871           |
| Happiness levels in other countries based on UN data |                 |                 |     |             |                 |
| 56   | Russia          | 5.856           | 118 | India       |                 |
|  |                 |                 | 157 | Burundi     | 2.905           |

According to Jeffrey Sachs, head of the Colombia University Earth Institute, "measuring self-reported happiness and achieving well-being should be on every nation's agenda as they begin to pursue the Sustainable Development Goals" (Ukraine Ranks 123<sup>rd</sup> 2016). This statement can hardly be further from the truth. Suffice it to recall Aristotle's definition whereby the state is a living creature that develops striving for the moral perfection and happiness of private individuals.

In 2015, in his presidential message to the Federal Assembly, President Vladimir Putin gave an assessment of the economic situation in the nation and brought forward 5 key areas for the nation's future development, which are as follows:



- diversifying the economy and launching competitive production operations within such sectors as agriculture and small and medium-sized business;
- providing state support for at-risk sectors of the economy (construction, automotive industry, light industry, railroad rolling stock manufacturing);
- providing social support for citizens by reference to the individual needs of various categories of people;
- pursuing a sound budgetary policy, maintaining budgetary discipline, and boosting control over the movement of state funds;
- boosting trust between business and the government.

The Russian government has put together and been implementing a number of federal targeted programs focused on the key sectors of the national economy. The consistent execution – and, if need be, adjustment – of these programs will help the nation thrive in the global arena. Russia, according to President V.V. Putin, being a strong state, will definitely succeed!

### Conclusion

Addressing and discussing the improvement of the current situation is something that can and should be done, but today's realities are such that the population's paying capacity has declined amid the economic crisis and sanctions. What is this testimony to and fraught with? We all know that dissatisfaction may lead to lack of confidence, social-psychological instability, and professional burnout. What sort of innovative activity are we talking about when someone does not have enough to pay for what is most essential? Under conditions of this kind, of special significance are the professionalism and acumen of companies' management team.

Members of the management team are expected to act in proactive mode and try to prevent any negative influence from without. Working out a strategy for the company's development, intellectualizing human capital, and reducing the shortage of decent work are the key aspects of effective corporate social responsibility (CSR), cultivating and implementing which on a large scale in the life of Russians is another mechanism for combating corruption and, consequently, boosting the efficiency of the nation's economy, which is being modernized.

Currently, the world's more developed countries account for no less than 90% of all innovative solutions produced globally, with each nation using its own mechanisms for boosting innovative activity in companies. It will help to study best practices from these nations, utilize the existing achievements of national science, and implement all top solutions in the activity of Russian companies. The use of the outcomes of intellectual labor in high-tech production and production of competitive products will help avoid the possibility of bankruptcy for companies and ensure their long-term operation and efficiency. Russians are a creative nation, but there are still some real issues with the way innovation is approached in Russia.

The set of measures developed by the authors to help boost innovative activity in Russian industrial enterprises do not cover the entire diversity of existing approaches and methods, but implementing them may help achieve some pretty solid results.

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