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**Innovative Activity of Small and Medium-sized Enterprises of the Republic of Belarus in the Context of International Comparisons**

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The scientific and technological revolution, which was a qualitative leap in the development of the productive forces, made the economy substantially dependent on the achievements of science and technology. At the same time, the process of introducing new ideas, solutions, technologies into production is interpreted in economic science as the transformation of potential innovations into real products and technologies and is mediated by the concept of *innovative activity*. This concept is based on the term *innovation*, first introduced into scientific use by the famous Austrian economist Josef Schumpeter, who not only laid the systemic theoretical foundations for innovation, but also showed the role of innovation in the processes of changing technology and management. He viewed innovation as a mediator between invention and its implementation in the economy. Today there are many interpretations of this concept.

According to the Interstate Standard 31279-2004 «Innovation Activity Terms and Definitions» innovations are new or improved technologies, types of products or services, organizational and technical solutions of a production, administrative, commercial or other nature, contributing to the promotion of technologies, commodity products and services to the market. And innovative activity is the process of creating innovations, which includes applied research, preparation and

start-up of production, and activities that ensure the creation of innovations – scientific and technical services, marketing research, training and retraining of personnel, organizational and financial activities.

The motives of innovative activity can be:

- *strategic advantages*:

a) creating a favorable business reputation in the eyes of consumers, potential partners, investors;

b) increasing production efficiency due to the modernization and renewal of production facilities;

c) ensuring the development of an enterprise through the expansion of sales markets and diversification of activities.

- *increase in the profitability of an enterprise due to*:

a) temporary monopolization of the market and the possibility of obtaining super-profits from the implementation of radical new products;

b) improvement of the quality and competitiveness of products;

c) increase of the share of the product on the market.

- *reducing the costs of economic activities due to*:

a) restructuring activities;

b) reducing unproductive costs;

c) saving energy and raw materials through the introduction of saving technologies;

d) cost savings as a result of the use of secondary raw materials;

e) minimizing rejects.

- *special benefits*:

a) information and legal support from the state and private structures;

b) preferential taxation;

c) concessional lending.

## **Analysis of innovative activity of SMEs in Belarus and other countries**

Any innovative activity begins within an enterprise. The experience of most developed countries shows that small and medium-sized enterprises are a fairly effective and most dynamically developing sector. The advantages of small enterprises in the innovation sphere are manifested in the following:

- flexibility and initiative in making management decisions;
- increased creative initiative;
- active adaptation to constantly changing technological and market conditions;
- prompt response to changes in market conditions;
- increased susceptibility to new, original innovations and technologies;
- lack of bureaucracy and formalism in the activities of an enterprise;
- high ability to diversify products in accordance with the dynamics of demand;
- relatively low capital intensity;
- fast return on investment.

But despite the advantages mentioned above, SMEs in Belarus are rather passive in terms of introducing innovations. This can be seen by analyzing individual indicators of science and innovation development. Indicators – orienting economic indicators, measuring instruments that allow to foresee, to a certain extent, in which direction the development of economic processes should be expected.

The European Innovation Scoreboard (EIS) is a multi-indicator review of the results of the European states' innovative development within the European Union Initiative. The system of indicators of the European Innovation Scoreboard characterizes scientific and innovative activities in

different aspects and allows comparing countries in terms of their level of innovation. The structure of European Innovation Scoreboard allows to consider in a logical sequence along the chain *support - activity - results* the following:

- the ability of human resources to perceive innovations,
- the level of education of personnel,
- the level of financing innovative projects,
- the degree of state support for research and innovation,
- costs of research, development and innovation,
- efforts of firms in the field of innovation cooperation,
- innovative activity of organizations and economic effects from innovative activity.

According to the EIS-2019, the share of organizations engaged in innovative activities in the country is extremely small. But, in general, there is a positive trend in the indicators of innovative development (Figure 1.)

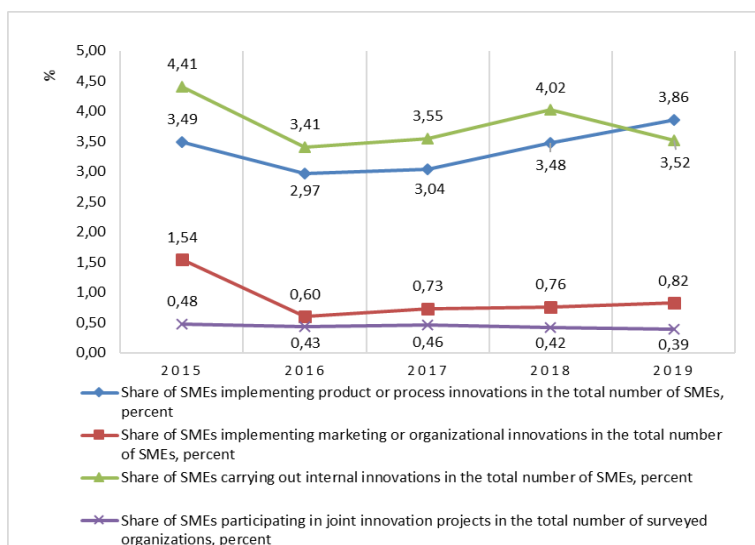


Figure 1. Dynamics of SME's innovative activity indicators in the Republic of Belarus

To confirm what has been said, let's consider the table with similar indicators of the countries – leaders of the European Innovation Scoreboard (Table 1). Comparing the innovation activity of SMEs in the Republic of Belarus with innovation leaders, it can be noted that some values of the indicators presented in the table are more than 10 times higher than those in Belarus.

Table 1. Indicators of the leading countries' innovation activity according to the European Innovation Scoreboard (EIS-2019)

The country	Share of SMEs implementing product or process innovations in the total number of SMEs, percent	Share of SMEs implementing marketing or organizational innovations in the total number of SMEs, percent	Share of SMEs carrying out internal innovations in the total number of SMEs, percent
Belarus	3,86	0,82	3,52
Switzerland	44,8	58,4	36,9
Sweden	38,3	36,3	33,5
Finland	54,2	44,80	48,50
Denmark	33,3	39,20	23,60
Netherlands	48,5	31,6	35,0
Luxembourg	40,4	52	35,1

It should be noted that the development and implementation of innovations as a form of activity aimed at creating new or improved products, services and technologies is considered in European countries as the main issue of increasing the competitiveness of companies and the growth of

the economy as a whole. Small and medium-sized enterprises (SMEs) form the backbone of the European economy. They represent 99% of all businesses in the EU.

The Swedish experience shows that the main thing is not to achieve the status of a developed leading country, but to keep it. And this is done in conditions of the strongest competition. Thanks to the development of the Swedish national innovation system, Sweden is ranked second among the countries investing in the development of high-tech and knowledge-intensive products.

Technology development in Sweden is carried out in three main areas: medicine, biology and biotechnology; information and telecommunications; ecology and climate control.

Due to these technologies, the country takes one of the leading places in the international market and attracts many scientists from other countries.

The results of the research showed that there are problems in the development of innovative activity of small and medium-sized enterprises of the Republic of Belarus. There are several recommendations on which ways it can be activated: subsidies for the development and promotion of new technologies, goods and services; full or partial compensation of bank interest from special funds or the state budget; investment tax credits; introduction of tax breaks and vacations; use of innovation vouchers; use of preferential depreciation regimes for high-tech equipment; expanding the possibilities of leasing financing for the modernization of production; assistance with patenting; development of venture financing; systematization of objects of innovation infrastructure. The implementation of the proposed measures can contribute to strengthening the role of small and medium-sized innovative enterprises in the economic development of the Republic of Belarus.