

# The State Support System of Small Business Innovative Development

Lyudmila G. Rudenko  
Moscow Witte University  
Moscow, Russian Federation  
E-mail: mila.k07@mail.ru

Dmitry E. Morkovkin  
Financial University under the Government of the Russian  
Federation  
Moscow, Russian Federation  
E-mail: MorkovkinDE@mail.ru

Elena V. Kolosova  
Plekhanov Russian University of Economics  
Moscow, Russian Federation  
E-mail: t-kev@mail.ru

Natalia I. Isaichykova  
Gomel State Technical University Named After P.O. Sukhoi  
Gomel, Republic of Belarus  
E-mail: natalyii@mail.ru

**Abstract**—The relevance of the stated topic is determined by the target setting of the Russian state to build a new economy of an innovative type, where small enterprises can become drivers of innovative development. The article investigates the issues of innovation development in Russia and in particular small innovative entrepreneurship. Based on the current situation analysis, the problems that hinder the innovative activity of small businesses are identified, the main of which is the unformed system of state innovation support for small businesses. The content is revealed and the author's interpretation of the innovative support system of small business is offered. The formed innovative support system of small business can serve as the basis of scientific and instrumental approach to the formation of strategies and programs for the development of small innovative enterprises.

**Keywords**—economy; small enterprise; small business; innovation; innovation support system; small innovative entrepreneurship

## I. INTRODUCTION

Innovations can become a decisive factor in the development of the country's economy. With their help it is possible to satisfy growing needs of society, to give new qualities to a product and service, to satisfy individual needs of the buyer, they are capable to provide competitiveness of production both in domestic, and in the world markets.

In the world economy, small enterprises (SEs) are perceived as drivers of the innovation economy, in Russia there is an opinion that the innovation economy engines are large organizations, including those with state participation. While abroad SEs have competitive advantages over large in innovation enterprises for a number of reasons: the ability to rapid scientific re-profiling, a high proportion of highly qualified personnel, narrow specialization, strong motivation, efficiency and flexibility of the organizational structure, a high proportion of R&D costs, the speed of inclusion in cooperation with other innovative companies and institutions,

high adaptability to external changes and customer requirements, the speed of production adjustment for the production of unique innovative products [9], [11].

Small businesses are able to develop and support innovation in many areas of the economy: in tourism and hotel business, in catering and services, in services industries and utilities, in agriculture and in the production of industrial goods and food products, in construction and trade, as well as in the field of innovative technologies.

The topic of the article is relevant, due to the fact that Russia is on the way to building a new economy of an innovative type. This issue has worsened due to the serious challenges of our time: economic sanctions, global crises, instability of the geopolitical situation.

## II. PROBLEMS OF DEVELOPMENT OF SMALL INNOVATIVE ENTERPRISES IN RUSSIA

Analyzing the innovative indicator dynamics, we can note the following: Russia in the innovative development ranking takes 45th place with the index 38.76 in 2017, for comparison, in 2013 it took 62nd place with the index 37.2 [18]. The evaluation was conducted on the basis of the global innovation index, which is calculated on the basis of 82 indicators characterizing the conditions of innovation and available resources and the results achieved in this activity.

Switzerland, Sweden, the Netherlands, the USA, Great Britain, Denmark, Singapore, Finland, Germany, Ireland were among the top ten leaders in innovation development in 2017. The top ten countries with the lowest level of innovation development included Mali, Nigeria, Burkina Faso, Zimbabwe, Burundi, Niger, Zambia, Togo, Guinea, Yemen.

If we compare the main innovative indicators of Russia according to Russia's state statistics for 2013-2017, we can note a negative trend in many of them. The share of

organizations that carried out technological, organizational and marketing innovations decreased by 1.6% during the study period, the share of innovative goods (works and services) in the total volume of sold goods (works and services) decreased by 2%, the share of organizations that carried out environmental innovations decreased by 0.4%.

Small enterprises in Russia did not gain significant innovative potential and according to various estimates only 2% of all enterprises can be attributed to them. While in Ireland small business occupies 75% in the industrial sector, in Germany – 62%, in Norway – 49%, in France – 38% [11].

Among the problems of the low development level of small innovative enterprises (SIE) in Russia can be called:

- unformed system of small business innovative support;
- inconsistency of strategic and tactical plan documents at the federal and regional levels;
- the complexity of obtaining state and municipal orders for innovation;
- low demand in the country for innovative goods and services;
- standards for innovative products and services have not been developed, making it difficult to bring them to market;
- insufficient level of innovative forecasting [12];
- low level of public funding;
- the regulatory environment is poorly developed using a set of measures of tax, tariff, customs and antitrust regulation [10];
- the system of intellectual property protection and regulation is undeveloped [17] [22];
- bureaucratic barriers are still excessive and there is a problem of corruption and kickbacks;
- low awareness of entrepreneurs about the existing state programs to support SIE, the system of innovation support at the level of the state and regions, about the objects of innovation development (technology platforms, engineering centres, RFTD, SME Bank, Russian Foundation for Advanced Research Projects, etc.) and, accordingly, the low level of demand for the services of such institutions [10];
- passivity in the innovation assistance organization from regional authorities [13] [21];
- existing barriers in the foreign economic innovation implementation, which reduces the level of innovative ideas export, products and technology imports;
- horizontal connections are poorly developed, respectively small business is focused on individual work;
- among the non-financial support tools, there is a gap between the expectations and the quality of the following services: export support and product promotion to foreign markets; training and offer of special educational programs;
- lack of qualified personnel in the field of innovative technologies.

In order to achieve a significant competitive advantage and the planned indicators of economic growth, it is necessary to implement innovations in a complex, using all three main types — product innovations, process innovations and innovations in building a business model. The innovative way of the company development significantly increases its profitability, allows growing at a faster pace and surpassing competitors. According to a study of Granularity of Growth conducted by McKinsey, the Total Shareholder Return (or TSR) of private companies leading in the innovation implementation is 15% higher than the industry average (23.5% vs. 8.7%) [19].

### III. CREATION OF A SYSTEM OF STATE INNOVATION OF SMALL BUSINESS SUPPORT

The success of the small innovative enterprise development depends not only on their innovative potential, but also on the conditions of its development, the formation degree of the innovation support system. It should be noted that the concept of "system of innovative support of small business" (SISSB) is not fixed at the legislative level, which prevents to develop a mechanism for innovative SE development management. Many scientists also do not define the system of small business innovation support, but only consider its individual components. The uncertainty of tasks and functions of this system leads to blurred strategic and tactical goals in SIE support programs, so it is advisable to determine the content of SISSB, to reveal it through goals, tasks, functions, tools ("Fig. 1").

Following the individual scientists we believe that the content of the small business innovation support system is primarily determined by its purpose: to create conditions for the formation and development of SIE in the most technologically complex sectors of the economy.

The innovative support system is designed to solve the following problems:

- development of innovative economic sectors;
- investment attraction and SIE financing development;
- risk reduction and risk sharing for private investors;
- improvement of the investment effectiveness in innovative sphere;
- SIE advisory support;
- export support for commercialization of innovative ideas and technologies;
- improvement and retraining of personnel for the project implementation in the field of innovation;
- SIE involvement in the implementation of state and municipal orders.

Among the SISSB functions the following can be identified: stimulation of innovative activity, investment and financing, information support, technical consulting, leasing operations, providing a comfortable legal field, legal protection, in particular, intellectual property protection,

support in participation in public procurement and municipal procurement, training and retraining of personnel, accounting support, provision of export-import operations [15].

Implementation of the system is carried out through the inclusion of a number of tools: legal, program-target, financial-economic and organizational-technical.

Among the funds and organizations with state participation, support for small business is provided by the Russian venture company, RUSNANO, VEB Innovations,

Fund for the promotion of small forms of enterprises in the scientific and technical sphere, Fund for the innovation promotion, Centre for the development and commercialization of new technologies, Fund for infrastructure and educational programs, Fund for the development of Internet initiatives (IIDF), Fund for advanced research (FAR), Russian Fund for technological development, SME Bank, Rosinfokominvest, Association of innovative regions of Russia.

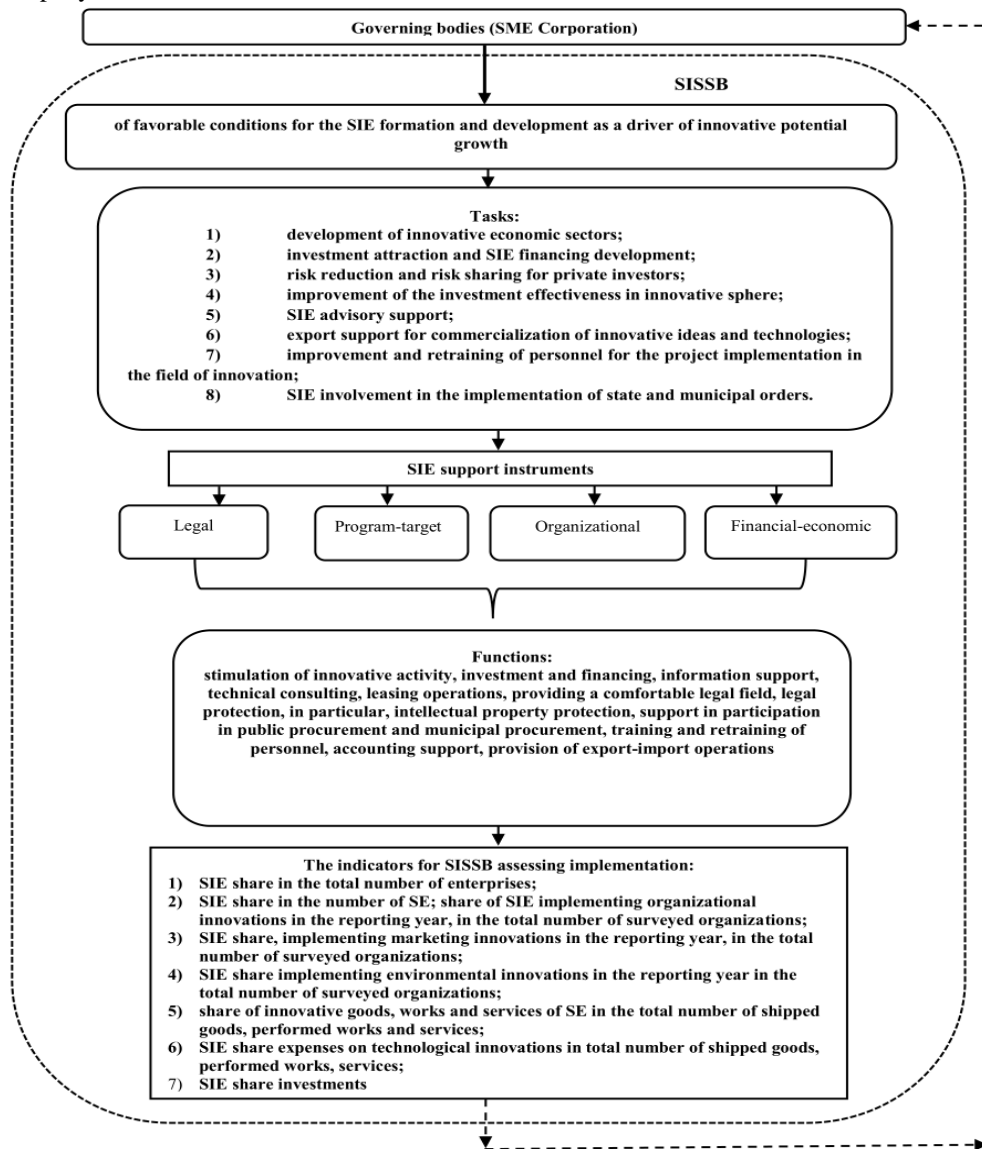


Fig. 1. System of state innovation of small business support (Compiled by the authors of the study).

Program-target instruments are the Order of the Government of the Russian Federation of 15.04.2014 N 301 "On the approval of the state program of the Russian Federation "Science and technology development" for 2013-2020" [7], Fundamental scientific research program of the state academies of Sciences for 2013-2020 [4], Strategy of scientific and technological development of the Russian Federation, Scientific and technological development forecast of the Russian Federation for the period till 2030 [3],

State programs of the Russian Federation, such as "Economic development and innovative economy" [6], "Information society (2011-2020)" [8], etc. Financial and economic instruments of SISSB are preferential taxation, provision of loans at a reduced rate and guarantees, leasing operations, microfinance, etc. [16].

Having defined the elements of SISSB, the author comes to the conclusion that the system of state innovation support

for small business is a set of socio-economic relations arising in the implementation of innovative processes between the state, business, science and education in order to create conditions for the implementation, actuation of the innovative potential of SIE and bringing the innovative good (service) to the state of commercialization.

#### IV. CONCLUSION

Thus, SISSB proposed by the author allows combining into a single whole the existing disparate elements of the innovation support system.

The next step in building a system of innovation support for small business is to assess its effectiveness. As indicator evaluation it is proposed to use the following values: SIE percentage in the total number of enterprises; SIE share in the SE; SIE proportion to carry out organizational innovations in the total number of organizations; SIE share to carry out marketing innovations in the total number of the surveyed organizations; the share of SIE costs on technological innovations in total volume of shipped goods (works, services); the SIE proportion to carry out environmental innovations; share of innovative goods, works, SIE services in total volume of shipped goods (works, services); share of SIE investments.

The system of innovative support for small business allows creating conditions not only for the SIE creation, but also for their further sustainable development and disclosure of innovative potential. The prospects for the innovation policy development will largely depend on the condition formation methodology for the SIE support, on the removal of existing barriers to their formation. The proposed SISSB can serve as a basis for a scientific and instrumental approach to the formation of the SISSB development strategy and programs both at the state and regional levels. A new approach to the formation of such a system will allow synchronizing strategic and operational documents at all levels of government.

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