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**ORGANIZATIONAL-MANAGEMENT MECHANISMS  
OF ACTIVATION OF INVESTMENT-INNOVATION  
PROCESSES AT MICRO-, MESO- AND MACROLEVELS**

**Abstract:** The paper argues that identification and modeling of the processes of interaction between the entities of innovative processes and investors as well as consolidation of organizational, informational, financial, labor resources of the state and business by common goals are the keys to effective coordination of the interests of all participants in the

investment and innovation process aimed at the competitive development of both the country as a whole and of individual socio-economic systems. The generalized model of realization of investment-innovation processes, which determines the role, functions of main actors and directions of their interaction for the achievement of the designated result, is substantiated. The fact that the efficiency and intensity of investment-innovation processes carried out within the framework of the model depend on the efficiency of investment and innovation policy on macro- and mesolevels is emphasized. The main directions of improvement of organizational and managerial mechanisms of activation of investment-innovation processes are substantiated. Activation of mechanisms of corporatization and public-private partnership is considered the most promising among them in the conditions of recession. The paper outlines the peculiarities and main problems of corporatization processes in modern conditions as well as directions of overcoming the obstacles at the level of the region, which will allow attracting additional investment resources, in particular foreign capital, and directing them to the innovation sphere. The present state and main directions of realization of public-private partnership at the regional level are researched, and the inadequate level of use of this instrument for optimizing the management of investment and innovation processes is recognized. The authors emphasize that the important condition for the formation of the integration partnership of the entities of investment and innovation activity in the region (state and regional apparatus, education, science and business) is not only the recognition of public-private partnership as an important system of creating a component of regional investment and innovation processes at the regional and program levels, but also the development of efficient tools for its implementation, which take into account the interests of each of the parties, while avoiding dictate, excessive bureaucracy, corruption and monopoly.

**Keywords:** organizational-economic mechanism, investment-innovation process, public-private partnership, partnership, corporatization, governing authorities.

**JEL classification:** O22, O31

## Introduction

Investment serves as one of the most deficit and most important resources for an economy of a region in conditions of recession. Its efficient use can become an efficient tool to secure economic stabilization and transition to the stage of sustainable development. Currently investment attraction to innovations is hampered by the processes of market relations

transformation, substantial degree of inconsistency and turbulence of investment-innovation environment and related changes of investment activity conditions, including: complicated and exhausting tax system, shift of investment activity center from the state and local governing authorities to private investors, closure and aggravation of the work of financial markets.

Therefore, there is the need for efficient governing mechanisms of rational and prioritized attraction of investment to development and implementation of priority innovation projects, development of science and innovation infrastructure. They should be, on one hand, adapted to modern aggressive conditions of market environment, and on the other hand, they should correspond to economic situation in regions and most urgent and strategic needs of their socio-economic development. However, it is also important to form the optimal model that combines state interference with the mechanisms of market self-regulation of investment-innovation development and stimulates investment activity not preventing the emergence and realization of entrepreneurship initiatives.

**The paper aims** to enhance organizational-management mechanisms of activation of investment-innovation processes.

**Main section:** Foreign direct investment in the form of purchase of corporate rights plays an important role for improving of a region's investment capacity, especially in conditions of recession. Development experience of leading countries shows that attraction of foreign direct investment serves as one of the decisive factors of advanced economy development. Entering of powerful transnational corporations with powerful financial and innovation capacity able to accelerate modernization of some enterprises and whole sectors in the economy of a country is one of the forms of corporatization with foreign capital.

The following are the motivation factors of entering of transnational corporations into the economy of Ukraine:

- 1) resource-based – access to land plots, sources of raw materials and cheap workforce;
- 2) production-economic – reduction of additional capital expenses to create new capacities and production bases;

3) marketing – expansion of markets, improvement of efficiency of current marketing system; gaining new managerial experience at regional markets;

4) natural-environmental – elimination of environmentally harmful and potentially dangerous production;

5) innovation-intellectual – possibility to attract human capital of territories, attraction of intellectual abilities of human resources, use of established models and experience of local institutions and staff.

Therefore, we can argue that currently Ukraine and its certain regions are enormously attractive for foreign capital. However, there is a range of substantial barriers that hamper the investment activity and corporatization of domestic enterprises with foreign capital: flawed legislative framework, lack of confidence in judicial institutions, administrative restrictions, insufficient development and riskiness of financial system, existing of occupied territories and threat of their expansion, etc.

In this regard, there is a relevant opinion of Levkivskyi O.V. that creation of conditions to attract innovation-intensive foreign investment, particularly through corporatization of domestic companies, is the main task at current stage. The author names the following main directions of innovation-intensive foreign investment's impact on the results of innovation activity of a hosting country:

1) substantial investment of TNCs and their affiliates in research and development strengthen the development intensity of scientific and research activity of a hosting country in fundamental research, which can become the basis for radical innovations;

2) transfer of related effects of innovations that are the result of foreign innovation activity from foreign to local companies (transfer of knowledge along the supply chain, inflow of qualified workforce, demonstration effects);

3) granting rights to use advanced technology, know-how, etc;

4) use and transfer of advanced practices and experience in innovation management and its efficiency improvement (Levkivskyi, 2016).

Activation of corporatization processes requires implementation of a range of reforms, in the first place the land and administrative reforms,

improvement of the system of stock market functioning, growing role of regional authorities and expansion of their competences in establishing the rules of the use of land, water and other resources, forming of fiscal and other preferences to stimulate investment attraction in a region, in particular innovation-based, impact on forming of educational programs on training specialists for priority industries in the region.

The need to review the conditions of forming of financial resources, directions of capital flows and improvement of capital market functioning mechanisms emerges in conditions of accelerated paces and scales of transformation of socio-economic systems under the impact of growing aggressive factors of external economic environment and deepening of economic recession processes that have brought about the deficit of free investment resources. Additional attention should be also paid to the processes of search for new organization forms of investment attraction and control mechanisms.

We agree with an opinion of Yefimenkova N. that “in market conditions, encounter of the interests of investment-innovation process takes place in a single investment-innovation environment, which should be actively formed and constantly controlled by authorities through public and market mechanisms. Market-based self-regulation of investment-innovation environment is possible, when the entities of investment-innovation process realize their interests in legal framework and secure fulfilment of commitments to employees and state only based on and within the competences and in the manner provided by the Constitution of Ukraine and relevant laws of Ukraine” (Yefimenkova, 2014).

Making managerial decisions on regional investment from regional budget is an important component of regional mechanism of investment-innovation processes management. Its role grows in conditions of decentralization.

Kolyanko O.V. mentions that “unlike private investors that can abandon some project and select the most economically beneficial option, the peculiar feature of investment decisions of state and regional authorities is that investment should be directed in the first place at solution of the tasks in socio-economic sphere, environmental improvements and security of

regions' population. Therefore, essential share of regional development projects should definitely be implemented, even if their profitability is low or even if the project is not subject to calculation of payback periods, e.g. reconstruction and modernization of hospitals, schools and other social objects. Yet these projects are not uncontested either. There is also the problem of making investment decisions, because even if there is only one investment object, there is always a range of options of its implementation, selection of different suppliers, development of various reconstruction and modernization projects" (Kolyanko, 2006)

From the viewpoint of economic pragmatism, regional investment should be directed primarily at development of high technology and export-oriented industries, which can secure economic growth of a region in a short-term perspective and become the driving force of regions' transition to innovative development model in a long-term perspective. However, having substantial circle of social liabilities, the factors that define the impact of investment-innovation projects on the change of socio-economic and ecological environment should become additional benchmarks for public investment, namely:

- 1) environmental situation, food and technological safety;
- 2) development of social, transport and market infrastructure;
- 3) growing employment and personal income;
- 4) improvement of a region's investment image;
- 5) stimulation of development of core industries and problem territories, in particular rural and depressive.

Efficiency of public investment and implementation of priority investment-innovation projects in a region depends to a large extent on efficient organization of investment-innovation processes management. Public-private partnership is one of its directions.

Udovytska Y.A. mentions that "public-private partnership in innovative development means creation of mutually beneficial form of cooperation, the parties to which jointly implement socially important projects based on agreement on division of knowledge and risks" (Udovytska, 20016). According to the Law on Public-Private Partnership adopted by

Verhovna Rada in 2010 with further amendments, the following are the main spheres the public-private partnership is realized in:

- search for, exploration of mineral resources and their extraction, excluding those carried out based on agreements on division of products;
- production, transportation and supply of heat and distribution and supply of natural gas;
- construction and/or exploitation of highways, roads, railways, runways at airfields, bridges, overpasses, tunnels and subways, maritime and river ports and their infrastructure;
- engineering;
- collection, purification and distribution of water;
- healthcare;
- tourism, leisure, recreation, culture and sports;
- maintenance of functioning of irrigation-drainage systems;
- wastes management, excluding collection and transportation;
- production, distribution and supply of electricity;
- real estate management;
- providing of social services, management of a social establishment, institution;
- production and introduction of energy saving technologies, construction and major repairs of residential buildings completely or partially destroyed by military actions at the territory of anti-terroristic operation;
- construction of modular buildings and temporary accommodation for internally displaced persons;
- providing educational and healthcare services;
- architectural and cultural landmarks management (Verkhovna Rada of Ukraine).

Securing the common and target-oriented work of authorities, science and business for the development of innovative forms of project funding, facilitation of development and introduction of advanced technologies, including in social and management areas, bringing closer the goals of state and business, reduction of communication barriers are the major

goals of forming and implementation of public-private partnership projects.

Moreover, “public-private partnership is an alternative to privatization of public and community property objects, because it consolidates the advantages of public and private sectors, namely: social responsibility, public accountability and top priority of environmental standards of activity peculiar to public and communal organizations; financial resources, technologies, managerial efficiency and entrepreneurial spirit of private sector. Public-private partnership helps to solve a range of issues, namely opportunity of authorities to focus on main functional matters. Major role of authorities is to promote community interests by conducting efficient policy” (Harbarynina, 2014).

Analysis of foreign experience shows that implementation of public-private partnership in investment-innovation sphere in most cases leads to positive result: growing capitalization of enterprises in basic industries, securing of innovative ideas realization on the market; growing functioning efficiency of public enterprises.

Public-private partnership in the EU countries is considered as the priority instrument of investment-innovation policy implementation, namely in the following spheres: social, managerial innovations and high technology critical for society and state development; maintaining the transfer of technologies and making them available on the market; support of entrepreneurship entities (in particular, small business enterprises) at the expense of partnership funding of important innovation projects and distribution of innovation risks among private and public partners. Annual growth of the share of public budgets on the development of science and technology in well developed countries confirms the efficiency of projects in the framework of public-private partnership.

Efficiency of public-private partnership realization depends also on compliance with additional principles not provided by legislation that are important in the first place for investors:

- comprehensiveness of information provided to investors and all parties to concluded agreements;
- securing of fairness and equality in making decisions;

- economic pragmatism and social responsibility;
- responsibility to the public;
- transparent conditions of agreements implementation;
- comprehensibility, predictability and flexibility;
- economic and financial stability (Tarash, 2014).

The methods of realization of public-private partnership are based on general managerial and financial approaches and include planning, motivation, prognosis, investment, crediting, insurance, taxation, self-accounting, control, etc.

According to scientists Taranenko I.V. and Ohinko O.V., “motivation of private companies to participate in public-private partnership is usually stipulated by new opportunities for the development of innovative business:

- secured access to public funding, results of research and development of public sector and its infrastructure as well as to information and equipment;
- eliminated restrictions for innovation activity of enterprises (resources limitation, time factor, monopolistic restriction of innovations expansion);
- broad opportunities for innovations: from innovative idea to test sample” (Taranenko, 2011).

The practice shows that in the first place the political governmental support of public-private partnership and interest and political will of regional authorities that create all the necessary organizational, administrative and financial conditions are the key to successful implementation of projects in investment-innovation sphere.

The instruments of public-private partnership implementation in a region can be conditionally divided into financial and organizational. Financial ones depend on current financial-credit, tax and investment policies and can include some combination of financial instruments to stimulate scientific-technical and innovative initiative, namely taxes, contributions, assignments, donations, credits, charges, subsidies, credit agreements, stocks, certificates, futures, options.

The following are the most efficient organizational instruments of regional impact on the efficiency of implementation of investment-innovative projects:

- forming of specialized centers to accumulate and transfer technologies to medium and small business;
- development and support of regional innovation infrastructure objects;
- forming of regional orders for innovative products or services;
- support of available and forming of the network of new cluster organizations;
- introduction of an efficient system of business consultations;
- carrying out of expertize of technical-technological production modernization with attraction of scientific-technical organizations of the region;
- information and consulting assistance to innovative projects based on regions innovations center;
- promotion of small enterprises attraction to participation in investment-innovation projects of powerful companies of the region.

### **Conclusion**

Activation of the mechanisms of corporatization and public-private partnership is among the major directions of improvement of organizational-management mechanisms of investment-innovations processes stimulation. The examined peculiarities and main problems of corporatization processes in current conditions as well as the directions of overcoming the obstacles at the level of regions allow for attraction of additional investment resources, namely foreign capital, and its forwarding to innovation sphere.

Analysis of modern condition and main directions of implementation of public-private partnership at the level of regions brought us to conclusion that currently the instrument of optimization of investment-innovation processes management is not used sufficiently. Not only acknowledgment of public-private partnership as an important core component of regional investment-innovation processes at regional and program

levels, but also development of efficient instruments to implement it taking into account the interests of each party avoiding dictate, excessive bureaucracy, corruption and monopoly are the important conditions for forming of the integration partnership of the entities of investment and innovation activity in the region (state and regional apparatus, education, science and business).

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