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KEY ISSUES OF INNOVATIVE MANAGEMENT DEVELOPMENT (ON THE EXAMPLE OF GEORGIA)

ANNOTATION: Article provides discussion of innovative menejment and its significance and economic aspects of development. It demonstrates that because of limited monetary assets of small enterprises operating in Georgia no significant amounts could be invested in new equipment, technologies, marketing; manufacturing of innovative products stays far behind the process and requirements of market formation. So in the article focus is made on the issues of development of innovative-technological potential of Georgia and its effective state support.

KEY WORDS: Innovative Management, innovative-technological potential, Fisher's distribution model.

Development of contemporary business could not be imagined without science. It generates new technologies, production of new goods, new, advanced material & technological basis, innovative management. Innovative management implies formation of the management system resulting in costs reduction, improvement of responsiveness and flexibility, substantial optimization and profitability growth.

In 2010, only 3% of 4 thousand small enterprises were engaged in innovative activities.. Development of innovations sphere is of

particular significance in our country as this is the area where on the basis of fundamental and applied researches the market goods with the high consumption characteristics — scientific-technological products are created [1, p. 217-230].

Shota Rustaveli National Scientific Foundation has announced the first competition for the state scientific grants award for the fundamental and applied researches in 2011, before, the fundamental and applied researches were funded within the state scientific grants' competition. In 2011, 780 applications were in the sphere of fundamental researches and 290 applications — in the sphere of applied researches. Finally, only 35 of the fundamental researches and 25 applied researches were funded. In 2012, 525 applications were in the sphere of fundamental researches and 207 — applied researches and 73 and 38 of these applications were funded respectively [3]. This shows that in 2011-2012, Shota Rustaveli National Scientific Foundation has funded 4.5-13.9% of the submitted fundamental projects and 8.6-18.4% of the applied researches. In the mentioned period the funding was basically allocated to the Georgian studies, precise and natural sciences, engineering, environment and information technologies.

To find out, what was the impact of costs made for expenses on the growth of gross domestic product, on the example of Georgia, we have conducted econometric analysis In particular, we applied Fisher's distribution model [2]. Table 1 provides nominal GDP and costs on education for the 2005-2012 period [4]. Y resulting variable denotes GDP and X factor variable — costs on education.

Table 1

NOMINAL GDP AND EDUCATION COSTS IN GEORGIA IN 2005—2012 PERIOD (GEL MILLION)

Figure/Years	2005	2006	2007	2008	2009	2010	2011	2012
Nominal GDP (GEL million)	11,620.90	13,789.90	16,993.80	19074.9	17986.0	20743.4	24344.0	26167.3
Education costs (GEL million)	80.90	355.80	389.30	458.30	519.40	874	1050	1092,3

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On the basis of the specified data we obtained the regressive model.

$$Y=10\,973\,880\,000+13\,055\,850\,X$$

Statistical characteristics of this model are provided in the following table:

SUMMARY OUTPUT

Regression Statistics								
Multiple R	0.962073							
R Square	0.925584							
Adjusted R Square	0.913182							
Standard Error	1449.56							
Observations	8							

ANOVA

	df	SS	MS	F	Significance F			
Regression	1	1.57E+08	1.57E+08	74.6283	0.000132541			
Residual	6	12607345	2101224					
Total	7	1.69E+08						

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	10973.88	1044.882	10.5025	4.38E-05	8417.14231	13530.61	8417.142	13530.61
X Variable 1	13.05585	1.511309	8.638767	0.000133	9.357806754	16.75389	9.357807	16.75389

Regarding the results provided here we can offer that this model is suitable as b coefficient equaling to 13.055.8/50 is statistically significant. Hence, we can conclude that: **1. increase of costs made for education results in GDP growth; 2. Growth of costs made for education by GEL 1 million, with other factors unchanged causes growth of GDP by GEL 13.055.850 millions. Thus, the study showed that growth of the costs for education significantly impacts GDP growth;** i.e. the role of education is quite significant for economic development in Georgia.

In 1980, in the USA, adoption of Bayh-Dole Act [5, p. 44] stimulated the process of science commercialization. Bayh-Dole Act allowed US universities, research institutes, NGOs and small firms to patent the inventions in their own names. In our country, in this respect, much should be done. In our country, the main factor hindering innovative development of the enterprises is poor financial condition of the enterprises, as well as absence of the relevant innovative infrastructure and high risks associated with innovative business.

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INNOVATION POLICY ALTERNATIVES: LESSONS FROM THE EUROPEAN COUNTRIES

ABSTRACT. Generally, there can be several alternatives of innovation policy. Pro-market ideology fully supports for market forces and innovation development lead by the market without any public intervention. However, through the history of technological development of several advanced countries radical shifts and changes took place with the active involvement of public sector in these processes. This evidence suggests that the innovation policy can have an active supportive role in the development of private initiatives with such common instruments as public financing of R&D activities, public procurements of technologies, etc.

Another alternative is the traditional approach to innovation policy, which involves the adjustment of market failures. This approach has been often criticized recently, for example, by Adquist (5, 2008), as innovations are of evolutionary character and it is not always possible to define what is the optimal condition and where the market fails.

Many researchers and policy makers support for the systemic approach in innovation policy. Within this alternative identification of systemic problems and their resolution is based on the empirical analyses and comparison of different innovation systems with each other.

KEYWORDS: Innovation system, innovation policy

The present paper analyzes the experience of innovation policy implementation in several European countries. The actuality of the innovation policy issues in Georgia is related to process of convergence with the European Union. Georgia represents a small economy with scarce natural and human resources. Therefore innovations are crucial in its economic success and competitiveness. Innovation policy is at the hearth of economic growth, employment and regional developments strategies of the European countries. Their experience can be interesting for Georgia in many aspects. We take small European countries as the objects of analysis in order to ensure more degree of comparability with Georgia.