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**DEVELOPMENT OF THE INNOVATIVE ENTERPRISES OF THE AGRARIAN PRODUCTION IN THE CURRENT ECONOMIC SYSTEM OF UKRAINE**

**Abstract.** The article is devoted to defining the causes of innovative business failure in supporting stable economic growth of its own enterprises. Historical trends and world experience of big business innovative development have been revealed. Factors that impede effective sustainable business growth due to innovation have been defined. It is shown that the current strategies of large foreign companies' takeover are not consistent with the objectives of their growth. Practical recommendations for the survival of small-scale and average business in terms of current economic system of Ukraine have been formulated.

**Keywords:** innovations; agricultural production; agricultural sector of economics; the current system.

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**РОЗВИТОК ІННОВАЦІЙНИХ ПІДПРИЄМСТВ АГРАРНОГО ВИРОБНИЦТВА В СУЧАСНІЙ СИСТЕМІ ЕКОНОМІКИ УКРАЇНИ**

**Анотація.** Стаття присвячена визначенню причин інноваційної ділової відмови в підтримці стійкого економічного зростання власних підприємств. Обґрунтовано історичні тенденції і світовий досвід інноваційного розвитку великого капіталу. Визначені чинники, які перешкоджають життєздатному діловому зростанню із-за нововведення. Показано, що поточні стратегії великого іноземного перевороту компаній не погоджені з цілями їх зростання. Практичні рекомендації для виживання невеликого і середнього бізнесу в термінах поточної економічної системи України були сформульовані.

**Ключові слова:** нововведення; сільськогосподарське виробництво; сільськогосподарський сектор економіки; поточна система.

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**РАЗВИТИЕ ИННОВАЦИОННЫХ КОМПАНИЙ АГРАРНОГО ПРОИЗВОДСТВА В СОВРЕМЕННОЙ СИСТЕМЕ ЭКОНОМИКИ УКРАИНЫ**

**Аннотация.** Статья посвящена определению причин инновационного делового отказа в поддержке стойкого экономического роста собственных предприятий. Обоснованы исторические тенденции и мировой опыт инновационного развития большого капитала. Определенные факторы, которые препятствуют жизнеспособному деловому росту из-за нововведения. Показано, что текущие стратегии большого иностранного переворота компаний не согласованы с целями их роста. Практические рекомендации для выживания небольшого и среднего бизнеса в терминах текущей экономической системы Украины были сформулированы.

**Ключевые слова:** нововведение; сельскохозяйственное производство; сельскохозяйственный сектор экономики; текущая система.

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**Urgency of the research.** Changing business environment, the current economic system generates new problems in running the business, leads to renewal of ways and means of its solvation, forcing each entity to seek their own development directions, compete with competitors for market share. In such circumstances, the business operates today and, obviously, will operate in the future.

**Target setting.** Innovations are the key factors for effective development of any economic system. Nowadays it is a global trend. Over the last decade, the modern development of leading economic systems is provided due to innovations by 40%. Innovations led to a fundamental shift from traditional science and technology policy to research and innovation one.

**Actual scientific researches and issues analysis.** Global scientific community considers J. Schumpeter as the founder of the theory of innovations. Currently, the number of his followers in various sectors of the world economy is constantly growing. Problems of innovative development in the field of agriculture have been revealed in the works of such famous domestic scientists as I.Iu. Gryshova & I. O. Kryukova (2015), V. V. Lagodiienko V., V. V. Safonov (2015), Stoyanova-Koval S. S. (2016) and others.

**Uninvestigated parts of general matters defining.** However, the conditions that have been created today in Ukraine require another approach to ground the directions of effective development of innovative food complex formations.

**The purpose of the article.** The aim of the article is to establish the reasons of innovative business failure in supporting sustainable economic growth of its own enterprises; identify and justify the key features which should have been focused on in the formation of innovation policy of food complex enterprises development in terms of current economic system of Ukraine.

**The statement of basic materials.** Implementation of innovations leads to loss of balance, causing the formation of a new equilibrial state. The spread of innovations is the process of economic system adaptation to new equilibrial state that, as a precondition for next cycle start, always ends with crisis. However, the scientist claimed that the frequency of crises is not strictly periodic, but depend on the type of innovation, the degree of novelty. So, in Schumpeter's theory of innovations, innovation plays the role of external breaker in economic system movement.

It is not difficult to trace the dynamics of innovation development in some economic industries by means of adapting this theory to the conditions of current economic system of Ukraine. Implementation of extensive scientific and technological progress achievements within the medium-term cycle leads to minor modifications of existing types of equipment. Implementation is fundamentally new types of equipment and techniques spread on most economic industries, changing their structure, laying the long-term trends in the economic system functioning, changing the technological mode of production in general. These deep transformations relating to reproduction of production means, human resources and organizational structures are the basis of long-wave fluctuations. The fact of recognizing scientific progress as the inner part of the economic system explains the mechanism of cyclical fluctuations.

The experience of innovative activity of American companies and their markets shows the influence of innovations on economic growth and competitiveness of business formations.

Results of the survey of owners of about 200 US companies, conducted by Economist journal, found that more than half of these companies at least 25% of the proceeds had received from the sale of goods and services created no later than during the last three years. Most of these organizations quickly implemented innovations to meet the new needs of consumers. 90% of companies are capable to support its economic development and derive stable income no more than for 10 years. Factor of success, implemented by these companies innovations, is quite low - about 25%. According to respondents, the inhibiting factors that prevent the effective, integral and sustainable economic growth due to innovation were: 1) overrun of time and money (60%); 2) competitive development priorities (53%); 3) inadequate preliminary analysis of the market (52%); 4) failure in picking up or attracting enough relevant information from end-consumers (44%); 5) poor interaction between business units (39%) [3].

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Historical trends of large global businesses development indicate that only a third part from 100 modern large and successful companies keep their economic force in 25 years. Thus, according to Forbes journal, only one company General Electric from TOP 100 companies will operate in 2017. Moreover, the average attendance at this list reduced nowadays to 10 years. Studies also proved that about 90% of companies can not sustain the income of the shareholders at a level higher than the average, more than ten years [1].

So, at the beginning of new millennium only a small proportion of companies were able to use innovations to ensure sustainable income growth. Thus, there is a considerable gap between objectives and the actual state of affairs.

If the main source of growth for US companies were absorptions, which usually opened up new opportunities for innovation development and access to new markets, then today most companies are satisfied that the strategy of absorption is not consistent with the objectives of growth.

This experience is very important for the food sector of Ukraine, as throughout the period of independence, there was a process of international integration of food industry and its resource-based industry. The concentration of international capital through mergers and acquisitions of companies that led to the development of transnational corporations touched some Ukrainian enterprises that have operated in a permanently unstable conditions.

Today Ukraine lives in historical moment when not only inflation and foreign debt are in constant movement, but also the country's territory, population, relationships with key foreign trade partners, volume of major export goods etc.. These circumstances led Ukraine to the inhibition of industrial development, which in turn contributed to food production sector leading position. Today food complex of Ukraine is the most attractive for foreign business, which, with limited opportunities to expand the business on its own territory, actively seizes markets of Ukraine.

"Cargill" corporation was one of the first that came to the Ukrainian market in 1991. Despite of the losses from operations zone in the east of Ukraine, today the company is one of the powerful exporters of grain, sunflower oil and shot. Over the years, the company has invested in Ukraine more than 200 million USD of direct investment in the reconstruction of oil extraction plants in Kakhovka, Donetsk and 6 elevators. Besides, "Cargill" is present in 66 countries and is the exclusive supplier of raw materials and ingredients for other "food giants" - McDonald's, KraftFood, Walmart [7]. According to public reports, annual income of the company founders ranges from 1 to 3 bln. USD.

Today, foreign companies operate in all sectors of the food industry. In particular, in 1992-2014 domestic dairy industry included such foreign companies, as: Parmalat (Italy), Lactalis Group, Groupe Danon, Groupe Bel and Bongrain (France), Wim-Bill-Dann and Unimilk (Russia), Pepsi Co (USA). Cross mergers and acquisitions occur so often that it is difficult to track it.

An undamped interest to businesses in the food industry is shown by the volume of direct foreign investments, which annually account for 13-15% of total foreign direct investments in Ukraine [7]. However, increasing the number of foreign companies in the Ukrainian market has already raised certain cautions. Taking into consideration the rapid development and rapid extinction of these companies (as it was noted above), within one or two decades, they can deplete the resource potential of the country and completely displace domestic producers from markets.

Economic growth depends on its own productivity and product competitiveness in foreign markets. The food industry also produces final consumption products, which production is generally established, but the considerable effort should be taken to put it to foreign markets.

The main product of Ukrainian exports is agrarian raw material, and traders receive the greatest benefit on its sales. The government does not seek to motivate traders to direct the received considerable profit to innovative development of production with high added value. An excessive government support of raw material export, conscious disregard for processing in the agro-food sector is a direct path to final impoverishment of villagers and impairment of Ukrainian lands.

However, despite of globalization, international trade has many regulation instruments, which allow to balance the internal and external markets. The government should control and influence all these processes, should make the producers and other entrepreneurs to develop as innovation and technological business always effective then material one. For example, introduced export duty on sunflower

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oil at one time was a key motivator for domestic producers on investments in building new technological lines to its production. Thus, due to this duty Ukrainian producers have learned to not only how to grow sunflowers, but also how to produce it and export oil. Currently, this market has significant competitive advantages, as most European countries have small amounts of sunflower growing. According to State Statistics Committee data, the level of profitability of growing sunflowers is 37%, grain legumes - almost 26%, rape - about 29%, sugar beet - 18%. This level of profitability is sufficient to develop processing and production of domestic food production, increase job places and wages, increase the export potential of products with high added value. But, the government supports it only selectively [10].

Many scientists have studied the constraints that impede economic growth [1; 2; 8]. Their conclusions are indisputable and largely coincide with the findings of the proposed research. Companies are not able to maintain high growth rates because they do not institutionalize innovation and adapt to changes at the speed of financial markets change. It is necessary to create rapid innovation, in other words the process of creating new products, services, processes, business models and markets with sufficient differentiation and such a speed that allows the company to maintain profitability at a level higher than average for decades.

Sales of the new product or service are the culmination of the entrepreneur's efforts, and consumers usually determine its usefulness and feasibility. Innovation in the food sector have their own characteristics. Experience shows that they hardly can be called discontinuous, but they can unexpectedly and rapidly create an external disturbance on the market and cause a surge of innovation activity not only in their environment, but in related industrial markets. In turn, the innovation activity of enterprises to create new products that best perceived by consumers, in practice leads to competition not of final products, but, in fact, technologies of its production and technologies (or models) of business management. Thus, these two technologies are closely interrelated.

These circumstances confirm the evidence of a number of grounds, and without its realization we cannot look for the viability of the aforementioned innovative technologies in the modern economy. Let us examine some of them.

1. Domestic producers will never be competitive if the consumers of its products will be deprived of adequate purchasing power and solvency. Taking into consideration the fact that more than half of small businesses operating in Ukraine today, are part of a food complex (including trade and catering), participation of the state in the development of this sector of the economy should be aimed at creating conditions, that facilitate to self-financing innovative business due to the solvency of the population [6].

2. In terms of a deep economic and political crisis that led to structural deformation of economy of Ukraine and absence of distinct innovation priorities, neither large corporate business, no state are still not interested in funding innovative economy of Ukraine. Currently, the country has such situation, when expendable factors of economic development dominate in the rising of economic competitiveness. According to statistics, the load on the worn food industry enterprises equipment is rapidly growing. The degree of depreciation of fixed assets is approaching to 60%, and their profitability decreases annually by 3% (in 2013 reached nearly 10%). Taking into consideration the fact that the predominant share of food products are processed and produced by large monopolies, they have the primary responsibility for investment support of innovative development and post-crisis recovery of the food industry sectors [4].

3. In today's economy conditions, domestic enterprises implement mainly food products that have already been on the market, and cannot reverse the extensive way of its development, since do not fund and motivate employees to their own research. Technological innovations are not actually implemented. Innovation policy of most of the food industry enterprises (more than 90% in 2013) does not focus on the implementation of their own researches, but focuses on the acquisition of licensed equipment, machinery and software. Only 3% of enterprises invest in research. Thus, it is necessary to motivate for the development of technological innovation.

4. Diagnosis of modern markets shows that the most effective ones in the social and commercial application of innovations are those with qualified labor potential and industrial relations are built not on competition but on cooperation of employers and qualified employees. Ukraine has competitive and

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motivational asymmetry of labor and creative potential in the segment of unskilled and skilled labor of all sectors of employment. For this, it is essential to find a practical solution of innovation and investment objective – to create new, modern job places with preparation of skilled labor forces.

5. Diversification by type of production is necessary to optimize the flow of material flow, stability raising and protection from negative external factors. For example, sugar production, that provides proper cultivation and processing of sugar beets. In general, the plant growing should work in conjunction with the processing of cultivated crops and simultaneously ensure the parallel development of animal husbandry.

6. Innovations are supported by changes, and the ability to forecast the unknown future or, at least, awareness of the possibility of its occurrence. One of the hallmarks of successful business entity thinking under continuous of uncertainty and existence in the modern system is almost supernatural ability (as a result of experience and training) to understand the origin of changes, respond and act in an unknown environment. It cannot be done without scientific platform [9].

The innovative structures of the developed countries base their activities primarily on creating basic scientific basis. The attempts to form such an effective platform for national enterprises and organizations encounter on considerable number of different problems. One of such problems is the inconsistency of the institutional environment with modern cycle of passing the innovative products from its scientific development to implementation. For example: the Law of Ukraine “On stimulation of the development of domestic machinery construction for agriculture complex” declares that «new» is the machinery and equipment that are «designed according to approved by the Cabinet of Ministers of Ukraine programs, have been tested, meet the applicable standards, set for production, certified in Ukraine and mass-produced by machine-building enterprises for agriculture complex not more than three years after staging the production”. The specified by Law innovation chain of passing innovations, is complicated by the procedures duration and financial costs for certification. Therefore, equipment that will overcome all these procedures and finally get into production is unlikely to be called innovative and competitive.

**Conclusions.** Opportunities for innovations base on the understanding of the need for new approaches, including business community behavior. Major changes and downturn in the political, military, economic spheres can be perceived as either the time to maintain the usual course of thought, or as an occasion to review the established principles. Awareness of the problem on the result is not the best way to find innovation. Only knowledge that go beyond what is already known can create the concept of fast identification of new trends [5].

Research has established that in the modern economic system of Ukraine, which is struck by a constant, often unfounded, price fluctuations, currency fluctuations and other risks, survival of innovative businesses, especially small and medium, is possible only if the enterprises have their own supplies; gradually develop at the expense of their own profits; have not significant external liabilities; are provided with professional, small management that does not burden the internal communication with formal and bureaucratic procedures; have proven partners; support transparency in the work, structure and own an excellent reputation; engage in socially oriented policies by strengthening consumer confidence.

Further researches should be aimed at deepening the theory of innovation, particularly in the development of effective innovation system of food industry.

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