



## THE IMPORTANCE OF AN INNOVATIVE APPROACH IN ECONOMICS

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### ABSTRACT

*This article discusses the role of innovation in the economy of a country.*

**KEY WORDS:** *Economy, innovation, development, growth, market, competition*

### DISCUSSION

Innovation is the result of scientific and technical activity, designed as an object of intellectual property materialized in the production sphere (implemented in the service sector) and claimed by the consumer.

J. Shumpeter, who first applied this term, interpreted innovation as a new combination of resources, motivated by entrepreneurial spirit. A common value is also the understanding of innovation as an innovation that has gained public recognition through commercialization, transformation into a product or service.

All the interpretations of the concept of «innovation» are united by a common characteristic - the new consumer value of the product created in the process of innovative activity. The main properties of innovation:

- Scientific, technical, technological or managerial novelty;
- Practical applicability (possibility of implementation in a specific project);
- Compliance with market demand (social needs);
- Potential profitability.

The following innovation functions stand out:

- A transforming function, the essence of which is that innovation allows you to combine theory with practice in a specific subject area; Reify scientific knowledge; Apply them to the benefit of society. A successful innovation in the case of wide distribution can change the economic structure and direction of economic development in a single country, in a group of countries of the same technological level or in the world as a whole;

- A stimulating function that consists in the fact that innovation gives impetus to the development of human capital and science in the

country through the material interest of all participants in the innovation process;

- Reproductive function, consisting in the fact that innovation serves as a source of economic growth and changes the structure of the country's gross domestic product in favor of its greater science intensity. This is due to the increase in the share (proportion) of high-tech industries;

- Social function, confirming the inseparability of the bilateral relationship of economic processes and social factors. Innovation contributes to the saturation of the market with quality goods and services, which is important, because most of the needs of modern man is still in the material plane. Through innovations in the direction of increasing comfort, the habitat changes and the quality of life improves. A prerequisite for the recognition of the success of the innovative solution is currently considered its ecological purity.

In the process of innovative activity, an enterprise can function with the greatest efficiency, only clearly focusing on a certain object and guided by maximum consideration of the impact of external and internal factors. This requires a detailed classification of innovations, their properties and possible sources of financing. A single, universally recognized classification of innovations, or at least of classification characteristics, does not exist. Each author considers it his duty to offer both his own set of classification characteristics and his list of innovations falling under these signs.

Most researchers give the following types of classification characteristics:

- On technological parameters of innovative change objects;
- Scientific and technical importance;
- Cause of occurrence;
- Frequency of application;



- The place of innovation in the microeconomic system;

- The realm of concrete incarnation;
- On the scale of novelty.

By the criterion of technological parameters of the objects of innovative changes, food and process innovations are singled out. Product innovations include:

- Obtaining fundamentally new goods and services (both consumer and industrial);
- Use of new materials, semi-finished products, components.

Process innovations involve the use of new technologies (usually more productive), new methods of organizing economic activities, various kinds of managerial innovations.

Technological innovations appear either as a result of a single innovation process, i.e. close relationship of Experimental design work on the creation of a product and technology of its production, or as a product of independent special technological research. In the first case, innovations depend on the constructive and technical features of the new product and its subsequent modifications. In the second - the object of innovation is not a new product, but a basic technology that is subjected to evolutionary or revolutionary transformations in the process of technological research.

By the criterion of scientific and technical importance, innovations are divided into basic and improving. Basic innovations are the results of major scientific and technological developments. They are the basis of fundamentally new products and technologies of a new generation that have no analogues. Basic innovations mark a breakthrough in the consumer market and the market of investment goods.

Today, among them - nanotechnology, the creation of new materials; Yesterday - cellular communication, the Internet, an output in space.

Improving innovations are the results of medium and small scientific developments that underlie significant changes (modernization) of already existing products, technologies, methods of organizing economic activity. Examples of improving innovations are telephone sets equipped with additional functions (photo, video camera), or cars with on-board computers.

From improving innovations, it is necessary to distinguish so-called pseudo-innovations, or minor changes in the characteristics of the goods (color, finish, etc.) that do not affect its design features and do not add fundamentally new consumer properties.

By the criterion of the origin of the cause, reactive and strategic innovations are singled out. Reactive innovation is a response to innovation, applied by a competitor. The goal of reactive innovation is to reduce the economic backwardness

from the industry leader, to prevent a decrease in the competitiveness of their products and to maintain their positions in the competitive struggle.

Strategic innovation is proactive. They are the result of a scientific and technological breakthrough and are aimed at long-term individual leadership in the industry.

By the criterion of the frequency of application, one-off and diffuse innovations are distinguished. One-off innovations do not spread outside the scope of an enterprise or an innovator company. In the early stages of commercial development, almost all innovations are one-off. Diffuse innovations arise during the implementation of innovation by imitation companies. Innovations of this kind characterize the process of spreading innovation in time and space.

By the criterion of the place of innovation in the microeconomic system, innovations in the input, output and internal innovations are singled out in the technological process at the enterprise. Innovations at the entrance affect the resource provision of the core business of the enterprise. Innovations at the output affect the characteristics of the products. Internal innovations modernize technological and management processes within the enterprise.

According to the criterion of the sphere of concrete embodiment, material, technical, managerial, service, social innovations are singled out.

Social innovations are innovations aimed at smoothing or resolving conflicts within an active organizational system.

Social innovations differ from the material and technical ones:

- A closer relationship with specific social relations, business culture. This can not be overlooked, since the same innovations can manifest themselves differently even in different regions of one country;

- A large field of application, since the introduction of technical innovations is often accompanied by social (necessary management, economic and other changes, reorganization);

- A stronger dependence of the use of innovation on the group and personal qualities of users;

- Not so obvious advantages, as at technical innovations, efficiency is more difficultly defined. All experiments and tests here have to be conducted not in the laboratory, but on the operating object - hence the difficulty in distinguishing the overall contribution of this innovation;

- The absence of the stage of «fabrication» (it merges with the design). This avoids the emergence of an innovative process from one industry to another, accelerates the process of creating innovation;



- The peculiarity of the phenomenon of «invention», contributing to a special authorial activity and progress at all stages. Management innovations, as a rule, are developed collectively, with a lot of coordination. Therefore, novelty is often not laboratory, but «field» origin, which makes them more viable.

According to the scale of novelty, global, sectoral, regional, local innovations are distinguished. Global innovation involves fundamentally new types of products, technologies, new management methods that have no analogues in world practice. The potential result of global innovation is the provision of long-term advantages over competitors. In the future, they are the sources of all subsequent improvements, improvements, adaptations to the interests of certain consumer groups and other product upgrades. Industry innovations involve innovations that were not previously applied at enterprises of this industry.

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