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DOI: https://doi.org/10.30525/978-9934-26-569-3-38

INSTITUTIONAL ASPECTS OF THE DEVELOPMENT OF INNOVATIVE ENTREPRENEURSHIP

The institutional environment plays a key role in the study of entrepreneurship, as it shapes the framework within which entrepreneurs operate and make policy decisions. Before starting a business, entrepreneurs usually clarify a number of important questions: how much life and property are protected in the region, whether they will be able to control the profitability of their investments, whether there is a sufficient number of qualified workers. The answers to these questions often depend on the features of the institutional structure that has developed in a particular region.

The concept of the institutional environment encompasses a set of fundamental social, political, legal and economic rules that determine the framework of human behavior and form the basis for production, exchange and distribution. The institutional environment creates conditions that are conducive or not conducive to innovative activity. The development of socio-economic institutions, the quality of the functions they perform, have a significant impact on the formation of entrepreneurs' expectations, and therefore on innovation [1].

In modern economic research, there is no consensus on the components of the institutional environment. Each researcher offers his own vision of its components. The main approaches to assessing the quality of the institutional environment are:

– transaction cost assessment – the total amount of transaction costs is calculated per transaction or per business unit;

– expert assessment – certain components of the institutional environment are ranked according to the opinions of experts;

– integral index assessment – using expert assessment and statistical methods, indices of the state of the institutional environment are derived. The most developed method is the latter, which is a version of the expert method supplemented by the analysis of statistical data [2].

Institutional settings provide guidelines for what actions are permitted or restricted, who has the right to make decisions, what procedures should be followed and what benefits can be obtained. They shape and regulate interaction between people, providing the ability to predict the actions of others in advance [3]. Their goal is to provide the necessary protection mechanisms even before the start of transactions [4]. Thus, institutions have always been created by people to regulate social relations and reduce uncertainty in the exchange process [5]. Thus, institutional mechanisms try to make the world of innovative entrepreneurship less chaotic.

In general, entrepreneurship performs two key functions in the economy. The first is associated with the desire to obtain maximum profit, the second is with the self-realization of the individual, the opportunity to demonstrate individual abilities and initiative. On the one hand, the actions of an entrepreneur are motivated by commercial goals – through the organization of production and the introduction of innovations, he reduces costs and increases profitability. On the other hand, this result is also influenced by his personal qualities: the ability to see new opportunities, combine resources in a non-standard way. Those who are the first to introduce new technologies or forms of organization receive additional income in the form of innovation rent or quasi-rent.

But innovative development is possible only under certain conditions, which have both institutional and historical foundations. World experience demonstrates: Institutional changes that occur gradually are accompanied by economic innovations that transform the rules of the game in the economy. By institutional innovations, scientists understand changes in both formal norms (laws, regulations) and informal ones (customs, social norms), as well as in their interaction. The basis of these changes is transformations in property rights, mechanisms of exchange and distribution, organizational management structures [1].

Accordingly, in modern conditions, the institutional environment is a fundamental factor that determines the possibilities and directions of development of innovative entrepreneurship. Its role is not only to create rules of the game for economic entities, but also to ensure predictability, reduce uncertainty and support economic activity. It is the quality of institutions that determines the ability of the economic system to adapt, transform and innovate.

The formation of an innovative development model requires constant improvement of both formal and informal institutions. Institutional innovations are changes in the system of norms, property rights, distribution and management mechanisms, which in the future can become a catalyst for new forms of entrepreneurship. If earlier the driver of such changes was the innovative entrepreneur himself, now the key role is increasingly played by institutions that determine the rules of interaction and resolve conflicts of interest in a complex environment.

Thus, innovative entrepreneurship is the result of a complex interaction of personal, market and institutional factors, and successful economic development is possible only under the condition of purposeful institutional evolution.

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