

**BUSINESS-INCUBATORS AS AN ELEMENT OF THE
SOCIAL-ECONOMIC SYSTEM “AUTHORITY-
BUSINESS-COMMUNITY” IN THE CONTEXT OF
ECONOMIC SECURITY OF UKRAINE**

Pomaz Oleksandr,

*Ph.D. in Economics, Associate Professor, Poltava State
Agrarian Academy, Poltava, Ukraine*

Pomaz Julia,

*Ph.D. in History, Associate Professor, Poltava State Agrarian
Academy, Poltava, Ukraine*

Shulzchenko Iryna,

*Ph.D. in Economics, Associate Professor, Poltava State
Agrarian Academy, Poltava, Ukraine*

The high effectiveness of the relations management in the social economic system "authority-business-community" and stimulation of the small and medium-sized businesses become more and more important in the context of creating of the modern democratic and information society in Ukraine and radical modernization of the social-economic system.

One of the ways to fulfill this task is to implement business-incubators as infrastructural mechanism of business support, designed for the long term.

The business-incubators essence, classification and functioning were studied by a number of foreign and domestic authors, such as: Boychenko E.B. [1], Vasilyeva L.M. [2], Vodianka L.D. and Goroshovska K.V. [3], Shevchenko O.V., Romanova V.V., Zhalilo Ya. A. [4], Zavadyak, R.I. and Kopusyak J.F. [6], Mykytyuk O.P. [9], Nemchenko A.B. [11], Pulina T.V., Teslenok I.M., Nosov M.P. [13], Stepanenko V.V. [14, 15] .

However, the role of business-incubators in the social economic system “authority-business-community” has not been adequately studied yet.

Business-incubators help to create small and medium companies, usually of the innovative type. This function is becoming more important, because the enterprises entry into the old and new markets is complicated by the increased internal and external competition. The necessity to develop the processes of business incubation is aimed at supporting and disseminating innovation and it is confirmed by the experience of the world's leading economies [1]. Business-incubators help to attract investment and entry the market of new innovative products [13].

The opinions of different researchers about the essence and main purpose of business-incubators differ, but it is common to say that these organizations are created to help and promote small and medium-sized businesses at both regional and state levels. Such researchers as T.V. Pulin, I.M. Teslenok, and M.P. Nosov noted, that by solving the problems of small and medium-sized businesses, we solve the problems of the region, because the entrepreneurship is the basis of economic and social state and development [13].

One of the priority areas for improving the efficiency of communities’ activities is the formation of the strategic vision of the community development. It is done by assessing its weaknesses and strengths, determining competitive advantages, planning social and economic processes in the medium- and long term, foreseeing the possible consequences of the implementation of such goals and objectives [10, p. 6].

Business-incubators should provide the significant assistance in formation of the strategic vision of the community development.

As it is stated in the scientific report of the National Institute for Strategic Studies, the successful further promotion of the

decentralization consist in both the promotion of state processes of openness and transparency and the involvement of local communities in these processes [4 p. 119]. We believe that participation in these business-incubator processes will help businesses and local communities to reach a common opinion, find common ground and work together to achieve common results.

Business-incubators will allow creating the effective tools for the budget funds usage that will help to achieve a cumulative effect. Thus, it is possible to create the added value and additional working places, attract investors and provide citizens with educational, medical, social services of high quality [10, p. 6].

The classification of business-incubators is quite complex. There are several different classification criteria. The majority of the domestic researchers [1, 3, 9, 11, 13, 14] adhere to the following classification:

1) based on the approaches of the “companies incubation”:

- “classic business incubators” - structures that help new companies at the stage of their formation;
- “virtual business incubators” – structures that offer their services in cyberspace - the unique IT product created to help entrepreneurs;
- “business incubators focused on the development of knowledge-intensive small companies” – structures that are focused on the development of knowledge-intensive small companies;
- “venture incubators” – structures that use the umbrella brand of the business incubator and establish interaction with venture investors - public authorities, large companies from other countries [1, 3, 13];

2) based on the organizational forms of implementation of the business-incubator functions:

- “industrial zones” - they provide a dynamic approach to the problems of regional social and economic development, taking into account the interests of local municipalities and regional development bodies;
- “export-oriented zones” – they promote business services by providing access to the infrastructure and tax benefits, they also promote foreign direct investment;
- “scientific (technological) parks” are scientific and productive territorial complexes; their main task is to form the most favorable environment for the development of small and medium-sized innovative and scientific-intensive companies;
- “territorial productive complexes and cooperation networks” – companies associations that work in geographical proximity to each other in one industrial sector [1, 3].

Unfortunately, it can be stated that business-incubators in Ukraine is not properly developed yet. It happens due to a number of problems, including:

- lack of the legislative basis for business-incubators;
- uneven concentration of the existing network of business-incubators in different regions of Ukraine;
- low awareness of local businesses and communities about the opportunities of business-incubators in the process of entrepreneurship development in the region;
- low level of interest and support of local authorities in the establishment and operation of business-incubators [13].

Despite the difficulties, Ukraine has several examples of successful experience of business-incubators creating and operating. Let's focus on a few basic examples that relate to the interaction in the social-economic system “authority-business-community”.

In 2018, the Association of Cities of Ukraine, within the PULSE project, implemented the initiative “Incubator of able (successful) communities”. It is a virtual system of various

ideas, tools, models and relevant practices and exercises, aimed at creating and implementing of a comprehensive (synergistic) competitive model of development for each selected united territorial communities. Each model of such type is based on the synergy of different components and it is individual for each community, it has its own algorithm and it is combined with different tools and models, taking into account the characteristics of the community. These models aim at systematic increasing and multiplying own resources to ensure economic development. The best practices of optimization and rationalization of usage of the recourses, which were received as a result of decentralization, are implemented within the frame of “Incubator of able (successful) communities”. These resources are used for economic development, according to the designed models. The exchange of models or best practices between communities is foreseen in order to use them for study by other communities [10, p. 6].

One of the options for the business-incubators implementation is the project “Network business incubator for business development in the sphere of creative industries, tourism and production of goods by local brands in the communities of Kharkiv region”. It helps to expand the infrastructure of support to the small and medium-sized businesses, improve the system of specialists training in small and medium companies and provide the resource and information support of the small and medium companies’ development.

The entrepreneurship centers will be created in all united territorial communities of Kharkiv region. 25 courses about starting the own business in different spheres are developed. When a person listens to the training course, he or she will be involved into a business-incubator. Additionally, all possible resources, which promote the development of entrepreneurship,

will be added to this platform, i.e, this platform will allow to discuss funding issues [8].

Ukrainian business-incubators exist mainly at the expense of funding from international donor organizations, the premises are provided by employment services at state administrations of cities and regions. The sources of their funding are often from international funds and grant programs, and only to a small extent from local administrations and sponsors. The Ukrainian Association of Business-Incubators and Innovation Centers was established to promote the development of business-incubators in Ukraine. Eastlabs, iHUB, Happy Farm, GrowthUp, Wannabiz, Voomy IT-park and Polyteco are considered to be the most successful business incubators in Ukraine [5].

Thus, it can be stated that despite of the number of problems, challenges and difficulties, business-incubators as an element of the social and economic system “authority-business-community” have significant prospects for successful operation and development. The state has to play a key role in this.

The first and main step should be to ensure the development of business-incubators at the legislative level. At the same time, definitions, functions of business-incubators and services, provided by them, should be clearly formulated. The state must create the most favorable conditions for the development of business incubation in Ukraine. In addition, the state must ensure proper protection of intellectual property, including the distribution of intellectual property rights between the developer and the research center.

The second step should be to provide support from research institutions and higher education institutions. However, to do this, the state should encourage educational institutions to create business-incubators, assist in the projects’ development and implementation. This is one of the main factors in the emergence of innovations in production and planning. Research centers can be created both on the basis of research institutions and

educational institutions, and in abandoned buildings, which are in almost every city.

The third step should be to ensure adequate support from local authorities and communities. Local executive and local governments should provide financial support and, if necessary, premises.

The fourth step should be the study and dissemination of the best practices of business incubators, the development of information and methodological framework for the creation, operation and work of business-incubators.

The development of business-incubators as an element of the social and economic system “authority-business-community” will certainly help to improve the investment climate and innovation. This, in turn, will improve both the competitiveness of individual companies and the economic security of the state as a whole.

References

1. Boychenko E. B. (2017), «Problems and prospects of business incubation processes development in Ukraine». Efficient economy. 2017, available at: <http://www.economy.nayka.com.ua/?op=1&z=6509> [Accessed 2 February 2021].
2. Vasilyeva, L. M. (2010), “Business incubators as part of the small business support infrastructure”, Countries and regions: a scientific and production journal, vol.1, available at: http://www.nbu.gov.ua/portal/soc_gum/dtr/ep/2010_1/files/EC110_11.pdf [Accessed 5 March 2021].
3. Vodianka, L. D. and Goroshovska, K. V. (2015), “PROSPECTS OF BUSINESS INCUBATORS DEVELOPMENT IN UKRAINE”, available at: [vknpuen_2015_10_6% 20 \(2\) .pdf](http://vknpuen_2015_10_6%20(2).pdf). [Accessed 7 March 2021]
4. Decentralization and formation of regional development policy in Ukraine: science. ext. (2020) / [Shevchenko OV,

- Romanova VV, Zhalilo Ya. A. and others]; for science. ed. Dr. Econ. Sciences Ya. A. Zhalila]. Kyiv: NISS, 2020. 153 p. [Accessed 15 March 2021]
5. History of development and essence of business incubation. The most popular business incubators in Ukraine. National educational infrastructure for improving innovation and entrepreneurship of IT students. Available at: <http://tempus.nung.edu.ua/uk/news/%D1%96%D1%81%> [Accessed 11 March 2021]
 6. Zavadyak, R. I and Kopusyak, J. F. (2014), “Theoretical bases of functioning and types of business incubators in Ukraine.”, *Uzhgorod University Scientific Bulletin*, vol. 2. pp. 78–81.
 7. National educational structure for the development of innovation and entrepreneurship in the field of IT students English (2016), “History of development and essence of business incubation. The most popular business incubators in Ukraine”, available at: <http://tempus.nung.edu.ua/en/news> [Accessed 15 Oct.. 2020]
 8. Merezhevyy biznes-inkubator dlya rozvytku pidpryyemnytstva v sferi kreatyvnykh industriy planuyut' stvoryty na Kharkivshchyni. [A network business incubator for the development of entrepreneurship in the field of creative industries is planned to be created in Kharkiv region]. Available at: <http://www.oblrada.kharkov.ua/ua/press-center/news/24135-merezhevij-biznes-inkubator-dlya-rozvitku-pidpriemnitstva-v-sferi-kreativnikh-industrij-planuyut-stvoriti-na-kharkivshchini> [Accessed 15 March 2021]
 9. Mykytyuk, O. P. (2009), “Business incubators in the system of financial support of small business”, *The World of Finance: A Scientific Journal*, vol. 2, no 3, P. 249.
 10. Models of local economic development: successful practices. (2019), Kyiv, available at:

- https://www.auc.org.ua/sites/default/files/sectors/u-139/posibnyk_mer_amu_2019.pdf [Accessed 17 March 2021]
11. Nemchenko, A. B. (2010), "Business incubators in the field of modern state support for the development of regional innovation infrastructure", Scientific papers of Kirovograd National Technical University, vol. 17, available at: http://www.nbu.gov.ua/portal/natural/npkntu_e/2010_17/stat_17/06.pdf. [Accessed 15 Oct.. 2019]
 12. Pulina, T. V. (2013), "Relationship between the development strategy and the competitive strategy of the food industry", Agrosvit, vol. 20, pp. 21-26
 13. Pulina T. V., Teslenok I. M., Nosov M. P. (2019) "Problems and prospects of business incubators development in Ukraine as an innovative organizational structure". Efficient economy. 2019. (№12), available at: http://www.economy.nayka.com.ua/pdf/12_2019/7.pdf [Accessed 15 March 2021]
 14. Stepanenko, V. V. (2015), "Business incubation and innovation centers are promising forms of support and development of small business in Ukraine", Sustainable economic development, vol. 1. pp. 148-153
 15. Stepanenko, V. V. (2013), "World and domestic experience of creation and operation of business incubators", Regional economy, vol. 1. pp. 178-184.