

**Management mechanisms and
development strategies of
economic entities in conditions
of institutional transformations
of the global environment**

**Collective monograph edited by
M. Bezpartochnyi**

ISMA University
Riga (Latvia) 2019

**Ekonomisko vienību vadības
mehānismi un attīstības
stratēģijas globālās vides
institucionālo pārveidojumu
kontekstā**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern management mechanisms and development strategies of economic entities in order to increase the efficiency of their activities. Basic research focuses on financial diagnostics of the enterprise, assessment the quality of services, efficiency of business process management and implementation of innovative projects, monitoring of the labor market, diagnostics of the country’s debt security, and research of the country’s investment image. The research results have been implemented in the different models of development the commercial awareness, smartization, production of functional food products, use of eco-innovation, development of the e-commerce market, formation a new paradigm of work motivation, crisis management of economic security, modern tools of higher education management. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate the processes development of economic systems, ensuring stability and efficiency. The results can also be used by students and young scientists in modern concepts of the development of economic entities in the context of institutional transformations of the global environment.

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**THE ROLE OF ECO-
INNOVATIONS IN THE
RURAL AREAS
DEVELOPMENT**

Problem Statement. In the modern conditions, the new global trends as well as innovations are influence on the economics all over the world. Most scientists are agreed that innovation and innovative technologies is the key to the economic growth and success. At the time, the development of the economy is depending from the producing of goods and recourses usage as well as from the ecology and nature save technologies. Thus, it is the necessity for the eco-innovations development as the foundation organic producing, healthy diet and save live conditions for society.

Analysis of research and publications. The research in the field of eco-innovation development has been provided by the numerous of the national scientists such as: Andreeva N. [1], Pisarenko T., Rebryna N. [8], Musina L. [6], Savchuk O., Yavorskaya N. Furthermore, the definition of the eco-innovation has been analysed in the scientific researches, provided by: Charter M. [2], Clark T. [2], Triguero A. [12], Moreno-Mondéjar L.[12], Davia M. [12] and other.

For example, Charter M. and Clark T. are analysing the sustainable innovation as a process where sustainability considerations are integrated into company systems from idea generation through to research and development and commercialisation. Other group of scientists (Triguero A. at al.) argues that eco-innovation can be identified by its favourable impact on the environment. It applies to goods, services, manufacturing processes or business models [2].

However, taking into consideration the contribution of the scientists to the eco-innovation development it is need to be underline that implementation of the eco-innovations into Ukrainian economy as well as its influence for the rural areas development is not investigated enough. It is justifies the aim of the research and its main tasks.

The aim of the research is developing of the classification of eco-innovations, analysing the types and evaluating of the influence of the

eco-innovation on the agricultural sector and rural areas development.

Results of the research. The development of the eco-innovations in Ukraine is connected with the innovations in general. The state of the innovation technologies and its expansion can be presented through the Global innovative index. According to The Global Innovation Index 2017 Report the leaders of the innovation implementation are Switzerland and Sweden. The third position is occupied by Netherlands. Also, in the ten most innovative countries are included: USA, Great Britain, Denmark, Singapore, Finland, Germany and Ireland. The report includes 127 countries and the measure them by 82 indexes [11].

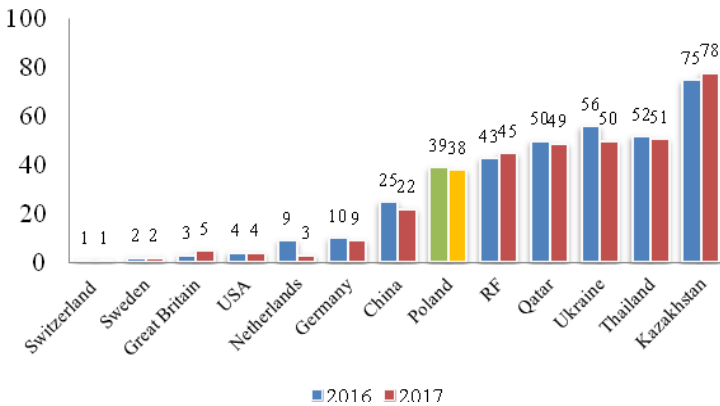


Figure 2.3 The rank of Ukraine in the Global Innovation Index in 2016 and 2017

Source: developed by authors, based on [11]

As the Figure 2.3 presents Ukraine is occupied 50th place between 127 countries. The strengths in the innovation sphere are presented by the subindexes “Human capital and research”, “Education”, “Creating knowledge” etc.

The innovation development as well as the eco-innovation expansion is the important for Ukraine as far as it is a key for producing ecologically save goods in general and in agricultural sector. Eco-innovation is a broad concept that encompasses a large range of innovations in different areas of human activity to maintain the capacity to use resources while creating products, services and technologies while minimizing the negative effects of human activities on the environment.

As Urbaniec M. mentioned that eco-innovations are not only an important component of sustainable development, owing to their multifaceted nature they are contributing to significant cost savings and increasing resource efficiency both in the manufacturing and services sectors [13].

Moreover, Musina L. underline that eco-innovation in general is similar to other types of innovations, but they have two important differences. Firstly, the result of their introduction is the reduction of the environmental impact, regardless of whether such impact was anticipated or not. Secondly, the scale of influence can go beyond the usual boundaries of innovative organizations, allowing for significant changes in socio-cultural norms and institutional structures [6].

According to the aim the eco-innovation can be classified on the types:

- products, including goods, services, equipment;
 - processes;
 - marketing methods and other market-oriented strategies;
 - organizations such as the management structure and division of responsibilities;
 - institutions that include broad social areas greater than one organization's control, such as institutional mechanisms, social norms and cultural values [8].
- The typology of eco-innovations can be seen on Figure 2.4.

The structure of eco-innovations can be presented as the multilevel dependence. On the top of it we can see the eco-innovations of the product, eco-innovation of the process and system eco-innovation.

Innovation process includes organizational innovation, integrated environmental management of production, experiments with existing processes, marketing innovations. Product innovation – product eco-innovations include new or significantly improved products / services that are designed to minimize overall environmental impact. System innovations concern not only technological systems, radical and advanced technologies that change market conditions, but also all kinds of systemic changes – industrial, social or in the behaviour.

To implement these types of eco-innovations it is necessary to create the appropriate conditions. First of all, the formation of a favorable climate to stimulate ecological innovation and investment processes as well as introduction of an effective mechanism for attracting domestic and foreign investments for ecologization of innovation activity, investment insurance, protection of investors' rights. Secondly, to

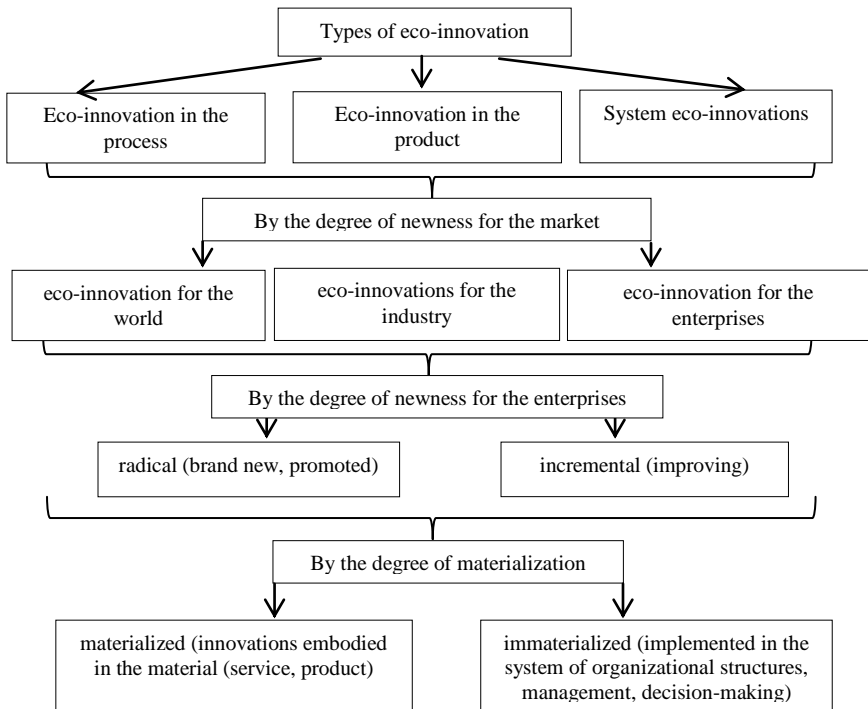


Figure 2.4 Types of eco-innovation

Source: developed by authors based on sources [5, 9]

promote the priority of the development of energy, resource-saving, environmentally sounds technologies that are implemented in the governmental policy. Thirdly, to develop the basic industries and technologies through the combination of the industrial and financial assets as well as the provision of tax, credit, depreciation incentives for domestic enterprises and institutions introducing eco-innovations. Fourthly, to rebuild the infrastructure of innovation activity (innovation exchanges, consulting centres, certification firms that carry out scientific, technical and innovative activities) and as the result ensuring the formation on a competitive basis and financing of state scientific and technical programs on the priority areas of science and technology development [6].

The integration of the eco-innovations in the agricultural sphere is important factor of the economic growth in Ukraine as far as agricultural

sector is of the donors of the national economy. Moreover, eco-innovation can be a platform for the social wellbeing as well as for the rural areas development.

The main vectors of the eco-innovation implementation in agricultural sphere and on the rural areas are:

- manufacturing, installation and operation of environmental protection (cleaning) facilities;
- development and implementation of environmentally friendly technologies;
- production of environmentally friendly products;
- life cycle management of goods;
- processing, transport and burial of waste, elimination of toxic waste;
- trade in environmental technologies, products and waste; energy saving;
- conservation of land resources;
- water, air control;
- eco-audits and eco-expertise;
- environmental lending and insurance;
- environmental advocacy and education;
- ecotourism;
- environmental medicine and occupational safety;
- Information Technology;
- life-saving systems;
- maintenance of equilibrium of ecosystems [1].

As the result, to implement the eco-innovations into the national agricultural the 5 stages have to be done (Figure 2.5).

In general, in order to identify trends and assess the achievements of countries in the field of environmental innovations and the transition to a green economy it is necessary to evaluate five groups of indicators, which covering the following areas:

1) eco-innovation investments (including indicators such as government allocations and research and development costs in the environment and energy sector, the total number of employed and researchers as a percentage of total employment, the total cost of green investments at an early stage);

2) eco-innovation activity (firms that have implemented innovations aimed at reducing the material and energy intensity per unit of output, the percentage of the total number of firms, organizations registered in ISO 14001);

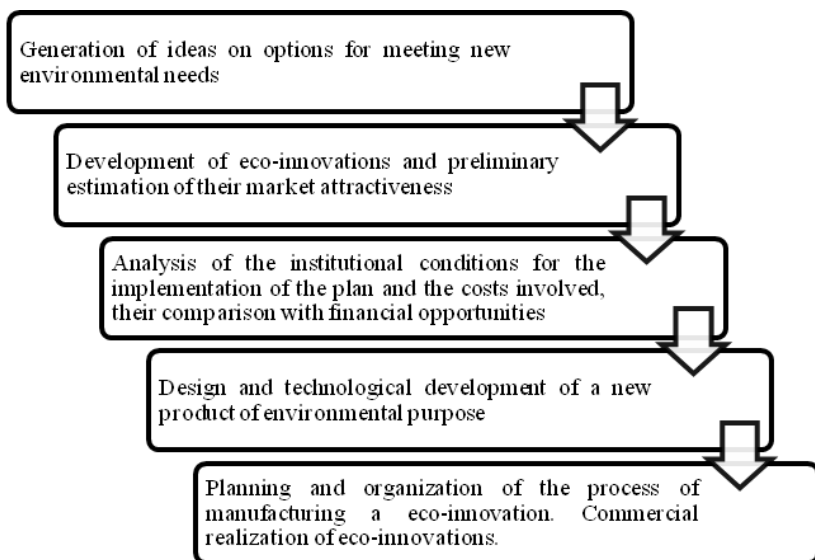


Figure 2.5 Main stages of the eco-innovation implementation in the national agricultural sector

Source: developed by authors

3) eco-innovation results (number of eco-patents in the field of reducing environmental pollution, waste management and energy efficiency, number of academic publications in the area of eco-innovation);

4) consequences for the environment (productivity of raw materials use, efficiency of water resources use, energy, intensity of greenhouse gas emissions);

5) socio-economic consequences (employment, commodity turnover, export of products of ecologically oriented industries) [5].

Thus, to identify trends and assess the achievements of Ukraine in the field of eco-innovation development the number of certificates ISO 14001 can be measure (Figure 2.6).

We are witnessing a leap-like dynamics of changes in the number of ISO 14001 certificates in Ukraine, their maximum number recorded in 2016, when the warehouse is 442, at the same time in 2017 the number of certificates decreased slightly to 223 units. Among these enterprises, food industry enterprises (14.3%), electrical engineering, precision mechanics, optics (14.3%) [15].

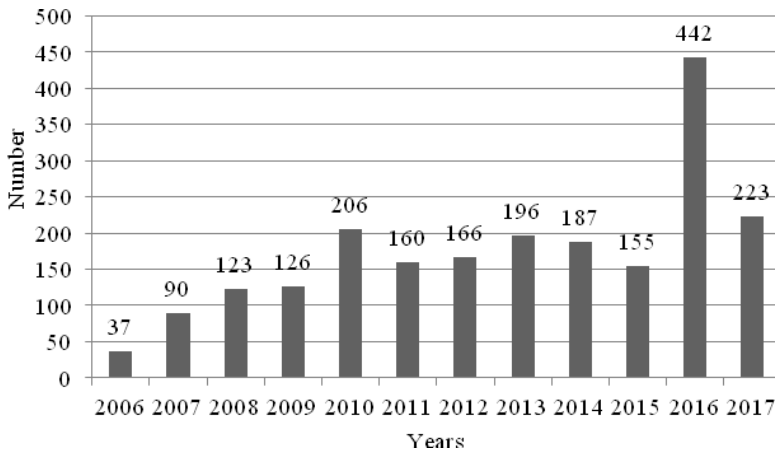


Figure 2.6 Dynamics of the number of the series ISO 14001 certificates in Ukraine, 2006-2017 years

Source: developed by authors based on [14]

Thus, management of rural development should include the active use of eco-innovations. The interdependence of eco-innovation and rural development will be reflected in Fig. 2.7.

Conclusions and the perspectives of the future researches. The result of the investigation underline that implementation of the eco-innovations has a direct positive impact on the development of economy as well as development of the rural areas as far as it helps to promote environmental friendly. Moreover, the types of eco-innovations have been classified into the groups according to the influence on the market and enterprises. Future researches have to be based on the enterprises example and connected with the mechanism of implementation of the eco-innovations in the agricultural firms.

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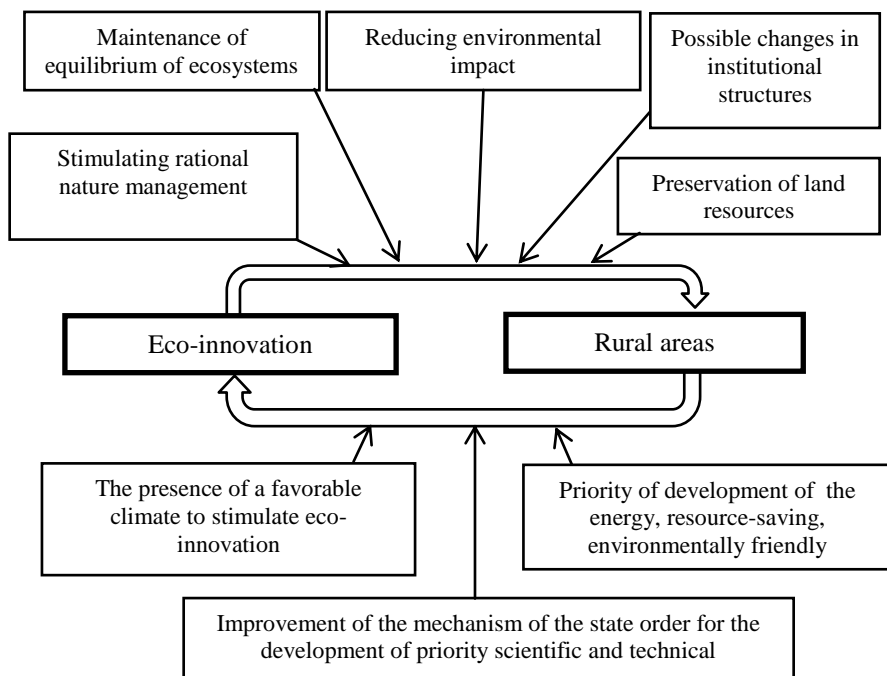


Figure 2.7 The influence of the eco-innovations on the rural areas development

Source: developed by authors

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