

Point of Growth as a Tool of Development of Entrepreneurship in Conditions of Stagnation of Economy

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Abstract: The authors reveal the meaning of the term “point of growth”. Criteria requirements submitted to points of economic growth are considered and specified. Special attention is paid to the mechanism of formation of points of growth in the context of management of development of entrepreneurship in the stagnant market with a focus on innovation aspect.

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INTRODUCTION

The current situation of the Russian economy is the time of the formation of new economic relations and the reform of the management system, characterized by actualization of problems of perspective regional development and diversification of the regional structure, economy which is largely self-sufficient to the tasks of their integrated development. This is due to the fact that traditional factors of economic growth, provided the meaningful growth of the national economy of the country in the last century, are almost exhausted and today the problem of finding new sources of development is urgent.

The concept of “point of growth” has become in wide use in the titles of scientific papers affecting the industry and regional development, as well as performances in the subject in the relevant regional conferences. Meanwhile, the contents of these reports often shows insufficient understanding of the phenomenon of the point of growth

and so it is used not always appropriate and there is the risk of becoming of this term a “common place” that is discussed at the governmental, municipal and other forums of innovative development and modernization.

Definition of the phenomenon of point of growth is hampered by lack of theoretical and practical approaches, which, in turn, is caused by multiple aspects of the dynamic environment of the existence and development of the modern enterprise.

In modern economic literature there are a number of related concepts, such as:

- Points of growth;
- Potential points of growth;
- Potential points of economic growth [1].

The most common used term is, of course, “growth point” in the context of the “point of industrial growth”, “point of business growth”, “point of growth for the region” and so on. The difficulty lies in the absence of a

solid theoretical basis, supplied under the definitions of the phenomenological concept that is often the content is determined solely from the context.

Scientific Approaches to the Definition of the Term

“Points of Growth”: During the research of the term "point of economic growth," we can say that in science there are several approaches to this economic category. T.S. Lascheva in her scientific paper "The formation and activation of the poles of economic development in the region" under the "point of economic growth" understands the economic entity, industry or type of activity that can provide diversification and rationalization of the structure of the regional economy, stimulate the creation and development of its new features, improve the quality of life [2]. The main results of activation of points of economic development included in the elemental composition of the strategic choices of the region are:

- Promotion of the development and strengthening of interregional and international relations in the region;
- Positive changes in the structure of the regional economy;
- Provision of the consolidated budget revenues sufficient to finance the social sphere of the region;
- Increasing the economic activity of the citizens;
- Expanding of the range of financial sources of investment processes by increasing the investment attractiveness of the region;
- Promotion and development of interregional and international relations in the region.

This may not be directly linked to the diversification of its economy, if a traditional profile was chosen for a particular region or economic activity. However, the need for diversification within those industries and activities is possible and this requirement is based on finding and identifying points of growth and poles of economic development.

There are some approaches to the concept of “point of economic growth”. One of them describes this category as well-functioning enterprise, financially self-sufficient, capable of independent development.

Another approach is to consider businesses with potential of economic development, but able to realize it only with external financial support as the points of economic growth. The concept of “points of growth” includes a set of four elements of industry, territory, program and enterprise.

So, summarizing previous opinions, it should be noted that under the "growth point" we should mean an activity or sector of an economy or a particular project, contributing to economic growth and development of production. Point of economic growth in the region can be part or a special case of poles of development. The reason to create “points of growth” is the appearance of the source of innovation development in any field and the possibility of testing of these innovations only in a limited area and not in the wide economic space.

Until now there is no unified approach to the selection and evaluation of expediency of inclusion of innovative industry or activity in a strategic plan of development of a particular region in the scientific community. For example, one of the modifications of the concept of points of growth in the modern science is the concept of profile, which means the company's ability to operate successfully in particular territory and at the same time have the properties of attraction and rooting for the territorial socio-economic system. There are nine factors to assess the attractiveness of a particular economic entity for the area [3, 4]:

- Promotion of employment;
- Promotion of employment of certain groups;
- Promotion of the growth of living standards;
- Promotion of growth of revenue and cost reduction of the budget;
- Promotion of the growth of associated industries;
- Promotion of increase of sustainability and structural diversification of local economy;
- Impact on the environment;
- Promotion of a favorite image and perspective specialization;
- Promotion of overall economic growth.

Obviously, that this approach is aimed mainly on the classification of business entities in a territory to contribute selective territorial economic policy without a focus on identifying or shaping points of economic development as the locomotive of social and economic development of the area.

We distinguish the concept of “strategic choice” and “economic core” for the region, noting that these concepts are similar, but not identical, because the elements of the features of the core include not only activities planning to implement (functions performed by region), but also the methods of economic regulation, which may be means but not the source of the multiplier effect. Thus, the economic core is a broader category than

a strategic choice. Such elements of the economic core as methods of regulation extend beyond strategic choice and can be considered as a component of the mechanism for their implementation.

Based on the above analysis, we can conclude that the strategic approach to social and economic development of an area involves identifying such basic requirements for economic growth points in business, as the possession of the necessary intellectual, educational, technological, logistical resources to enable national and regional interests that aim to change not only quantitative but also qualitative properties (characteristics) of a region in the long term.

Modeling of the Structure of Points of Growth in Business: The modeling shows the presence of a point of growth in a company of any sphere of activity, in every industry and region [5]. It should be noted that, despite the fact that points of growth may be the same for different enterprises in one industry, the effect of a sub-system to address certain urgent problems may differ.

It is particularly important to identify and support points of growth in a period of stagnation, because this way you can run a synergistic mechanism of development of the industry or region. In our opinion, review and evaluation of the business confidence index can indirectly help in identifying potential points of growth.

Business confidence index is a qualitative indicator, allowing describe business activity using responses of managers of forecast output, balances and demand. In the industrial production business confidence index is calculated as the arithmetic average of balances of assessments of current levels of demand (portfolio), stocks of goods (with opposite sign) as well as expected in the next 3-4 months changes in output.

In the construction business confidence index is defined as the arithmetic average of balance of actual estimates of demand and expected in the next 3-4 months employment change in organizations.

In the retail and wholesale business confidence index is calculated as the arithmetic average of balances of assessments of inventory levels (with opposite sign), changes in economic conditions in the current quarter compared to the previous and the expected changes in the economic situation in the next quarter (in percent).

Regular researches of conjuncture of business activity of industrial and construction enterprises, retail and wholesale trade organizations, the third sector of

economy constitute sample researches, representative of territorial and sectorial basis, covering all groups of organizations with any ownership and size.

To spread sample estimates of the business climate indicators to general complex they are adjusted in accordance with the statistical weight of the surveyed organizations on employment and the structure of the general complex.

Information obtained as a result of generalization of estimates of heads of organizations, can be used with statistical data for operational analysis of the economic situation, existing micro-economic trends, development of composite indicators of business climate in economic sectors, evaluation of short-term prospects for of development of organizations and to identify the most important factors, which impact on economic activity.

The business confidence index increased in 2012 compared with the previous period by 6.7%. This figure shows a positive trend emerging in the Russian economy. However, the index is not yet able to reach pre-crisis level.

The main adverse factor for the Russian economy is excessive tax burden from which retail organizations suffer more, industries suffer less. The lack of demand for products and services was also marked in 2012. This factor has always remained one of the most important in times of crisis. Besides the activities of enterprises become more complicated because of lack of funds and the uncertainty of the economic situation in the country, high rent, as well as a lack of skilled workers.

Points of Growth as a Factor of Promoting Entrepreneurial Activity in Stagnant Markets:

Stagnation is situation in economy, in which there is stagnation in production and trade over a long period of time. Stagnation accompanied by a decline in living standards and wages, as well as an increase of unemployment.

Stagnation characterized by nil or negligible growth, stable structure of economy, its resistance to innovation and scientific and technological progress. Stagnation was characteristic of the U.S. economy in the 1930s., for the economy of the USSR in the late 80's.

In economics there are two types of stagnation: "monopoly" and "transition", different in origin, forms and ways of overcoming. The first type of stagnation is the result of eliminating competition by prevailing monopolistic associations that is resulted in economic stagnation, covering first of all productions with dominated monopolies. The second type of stagnation is

a result of changing of economic structure, such as transition from a command to a mixed economy, of consequence of the ignoring the economic laws and tolerance of economic mistakes by government.

The stagnation of economy in general and of individual markets in particular is a kind of natural selection in which only the strongest "survive", becoming more competitive. In turn this is particular test business on success and prospects, entrepreneurs on endurance, resourcefulness which, forcing to survive, stimulate development.

Many middle managers are in a situation of finding new jobs because they were fired in the current conditions. Because of reduced economic activity in stagnant market and low demand for labor, many of them come to the idea of ??creating their own business on using savings and credit. The form of a small business is not important, it can be a shop, tutoring or driving taxis.

To overcome the competition and maintain the position in the stagnant market entrepreneurs seek new or "forgotten old" urgent niches. In a small business, there are three such areas developing most active this year: repair, rental and commission shops [6].

An important condition of dynamic development of a stagnant economy may be development of investment processes in regions by small enterprises that in turn will stimulate development of bank participation in the promotion of entrepreneurship for the development of the investment potential of various economic sectors.

Small innovative businesses have a better chance of getting business profits than larger entities on condition of:

- Use a strategy focused on small market niches;
- Absence of a competitive and complex barriers in market, low capital intensity of production and marketing;
- Use of results of basic, pioneering researches in frontier areas of science and technology;
- Possibility of direct contact with customers;
- Possibility of using the multivariate results of R&D, their application to a variety of needs;
- Stability of economic environment and stability of prices of raw materials, components, energy, etc.

Besides, speaking about the innovative business, we should emphasize that the creation of a national system does not mean the closure of the system. Such system is not competitive, Russian companies not only have to

enter foreign markets, but also integrate into global value chains. It is necessary to understand which exactly link in the chain is the most profitable to be.

The state has to become innovation primarily and it should provide a favorable environment for innovation activities through successive elimination of the existing administrative barriers and constraints.

Tools of promotion and support of innovation should be built in a single chain, supporting innovation at all stages of their life cycle, from idea to put it into a successful product and the release of this product to market. One of the tools of coordination may be the so-called technology platforms.

The Mechanism of Activation of Points of Growth:

Under constant threat of stagnation in the domestic and international markets, there is a constant deceleration of growth in many spheres of production. Statistical studies in the second half of 2011 showed that there were the resumption of growth of new orders received by the company's manufacturing industries of Russia, however, according to analysts, in particular, expert HSBC, its rate was weak and well below the historical average. This situation is caused by a low level of external demand - new export orders rose slightly - and decline in the Russian market.

To form mechanism of activation of points of growth in the field of entrepreneurship we should focus on the innovative aspect. The innovative potential of enterprises affected by the internal relations of the components of the company, as well as the relations formed by the internal components of the company.

In the transition to an innovative economy the main purpose of business development is to ensure its sustainable growth, which is based on the fundamental factors (Figure 1).

Sustainable development of the enterprise can be defined as a balanced socio-economic development through efficient use of all resources of the territorial subsystem, including geological and geographical, labor, economy, industry, infrastructure without limit loads on the environment (urban ecosystems).

High transport costs are major factor of low competitiveness of Russian enterprises. Transportation costs per unit of production in Russia, according to expert estimates, are up to 6 times higher than in the U.S. and up to 4.5 times than in China. The density of main form of transport in Russia - railway network - is insufficient. A number of large territorial units of the country don't

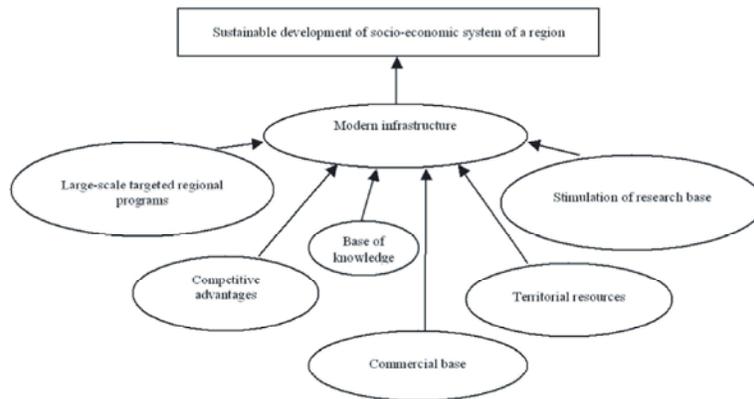


Fig. 1: Factors of sustainable development of socio-economic system of the enterprise

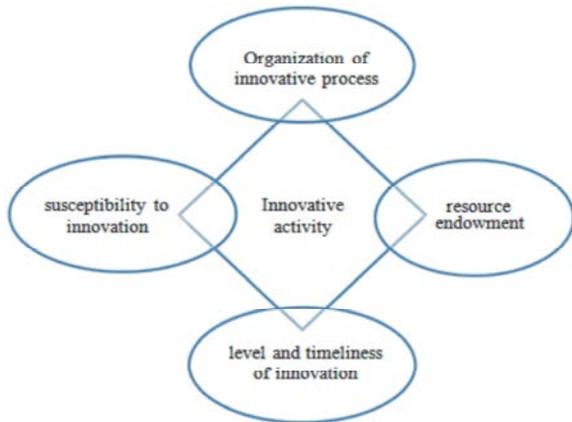


Fig. 2: The diamond of innovative activity

have an access to the railway. The average speed of Russian railways is 4 times lower than in developed countries. The low degree of mechanization of loading and unloading increases the cost of transportation of goods.

The general trend for all the developed countries in transportation of cargoes is the shift to automobile transport. As for Russia, this trend is exacerbated by lack of development of the road network: the highest road density per unit area in the U.S. is 22.5 km/1,000 km², the highest density per 1000 km² in Germany - 1.8 km/1,000 citizens, in Russia these figures are 5,5 km/1000 km² and 0.06 km/1,000 citizens, respectively. Even if we assume that 35% of Russian territory is outside of any economic activity, the above figures quite clearly indicate the direction of the federal government and the efforts of government and management areas [7].

Such elements as natural resources, climate, geographical location does not depend on human activity and provide a competitive advantage, as a rule, unstable,

dependent on many market factors. A number of regional components are formed in the process of human activity.

This is modern infrastructure, including innovative and telecommunication infrastructure, high qualified personnel. It is necessary for the enterprise and industries using innovative technologies to use innovative technologies to have competitive advantages of high level. And for the development of these competitive factors they need to require substantial and long-wearing nature of human capital.

Innovation activity in the region is characterized by readiness to update the basic elements of the innovation system – knowledge, technological equipment, information and communication technologies and conditions of their effective use (structure and culture) as well as susceptibility to anything new [8]. There are four the most important factors of the innovation process, which can be summarized in the so-called “diamond of innovative activity” (Figure 2).

Processes of diffusion of innovations allow new technological mode to dominate in social production. It is resulted in the restructuring of economy by upgrading the technology of most industrial products and services. New technologies and techniques, working on their basis, cannot be immediately incorporated into existing production system.

Usually this requires the development of new methods of work, the higher training of production personnel, modification of the range of products as well as redevelopment of areas and business premises, etc. In this case, changes of one process related to the system of production as a whole. Therefore, it is used to achieve limited objectives at first. The most significant factor determining the rate of diffusion is the level of demand in the socio-economic system for this type of innovation.

To ensure a high rate of diffusion of innovation it is extremely important to provide state support of innovative companies operating in the field of modern infrastructure of the region, especially in the early stages of their work.

Innovative mechanism of creating modern infrastructure requires a favorable innovation environment, high rate of diffusion of innovation and is the main component of innovation-oriented economy and its individual businesses. The effectiveness of the organization and mechanisms of support of innovative activity at the macro and meso-level influence the intensity of innovation processes at the level of micro businesses.

CONCLUSIONS

In Russia in recent years, increasing attention is paid to not only rise of individual sectors in the region, social protection, improving the welfare of citizens, but also the way to make these processes interlinked, i.e. to provide the contribution of economic growth to the improvement of social conditions and effectively influence of social situation to economic processes.

Formation of interconnected points of economic growth in the region may be based on the following principles:

- Optimization of use of resources by different sectors through sharing;
- Stable relationship with the same suppliers;
- Presence of common technologies;
- Use of products made in other industries.

Overcoming of complex of problems mostly related to the low efficiency of the economy of the Russian regions should be started with deliberate, correctly calculated efforts to develop specific (individual) programs at the regional and federal level with the definition of economic, technical and social priorities for each area, as well as the search points of growth.

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