TO LIVE IN A SAFER WORLD

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In modern informational society and dynamic business environment innovation is the only factor which can sustain long-run growth of certain country under the influence of global development gap, rapidly changing customer needs, high level of market competition. Besides it not only governments but more and more firms are realizing the importance of innovation to gain competitive advantage. Obviously, they are engaging themselves in various innovative activities, ranging from manufacturing processes, product improvement, and brand building initiatives. Firms are creating new products, solutions and services that provide a radically better experience for the consumers.

Although innovation can help to discover what opportunities exist now, or are likely to emerge in the future. Successful businesses not only respond to their current customer or organizational needs, but often anticipate future trends and develop an idea, product or service that allows them to meet this future demand rapidly and effectively. Thus the build-up of innovation capacities has played a central role in the growth dynamics of successful developing countries.

However, companies aiming to increase their innovation levels need to improve the management of a number of areas, including the generation of ideas and their quick implementation. But the most important is financial management, because without strong financial management, innovation might come to a dead stop, never happen or just cost much more than it should. Therefore the question of financial management of firm’s innovation activity is topical and requires further development.

It should be said that efficiency of innovative activity depends foremost on efficiency of management. One of obvious problems in this context is limited nature of the financial providing. In fact, lack of financial resources is one of the big obstacles to
innovation. Besides it innovation activity is risky and has specific characteristics that have implications for finances: more uncertainty about return on investment and about the level of investments required, especially in the early stages of innovation, makes it more difficult to convince management to invest in new ideas.

Moreover finding new financial resources is only part of financial management. A firm needs to make sure to capture the right funding for the right projects and have the right financial mix for innovation and investment portfolio. Therefore effective functioning of financial management of firm’s innovation activity must be provided by corresponding mechanism of financing of firm’s innovative activity.

To our mind, the mechanism of financing of firm’s innovative activity is a complex of methods and instruments of the financial providing of innovative process included own, attracted resources and firm’s potential, and also legislative base, organizational and informative providing of firm’s innovative activity.

The main methods include planning and prognostication, financial analysis, SWOT-analysis, normative and balancing methods, estimation of project efficiency and risk, capital rating, controlling, audit, monitoring, outsourcing, studies of personnel and managers etc. The estimation of efficiency of financial management is realized on the base of different indicators: net present value (NPV), wage average cost of capital (WACC), norm of profitability, term of recoupment, optimality of capital and organizational structure, risk level, timeliness, flexibility, achievement of aims and planned indexes and other like that.