

THE ENTERPRISE RISK MANAGEMENT AND FINANCING INNOVATION IN MODERN MARKET REALITIES

Today not only governments but more and more enterprises are realizing the importance of innovation to gain competitive advantage. The modern tendencies in national and world economy, global markets development, dynamic business and informational environment, high level of market competition, socioeconomic and political instability in Ukraine, rapidly changing customer needs and many other factors have caused the necessity to discover what opportunities exist now, or are likely to emerge in the future. Thus enterprises are engaging themselves in various innovative activities, ranging from manufacturing processes to product improvement, service propositions and brand building initiatives, because innovation is the only factor which can sustain long-run growth.

Obviously 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. However, companies aiming to increase their innovation levels need to improve the management of a number of areas, including financing and marketing risk management.

It should be said, that every competitive enterprise wants to receive maximum profit on the assumption of minimum costs. But limited self-financing has caused the necessity to find alternative financial recourses for enterprise innovation activity. This process is problematic, expensive, risky and demanding highly experienced personnel. Managers and investors wish to receive all the information necessary to find better solutions and improve decision-making. Therefore the question of riskiness evaluation and chosen direction of scientific research are topical because of real necessity to optimize the financial providing structure of enterprise innovation activity.

The aspects of enterprise risk management and financing innovation, methods of qualitative and quantitative risk evaluation were explored by V. Aleksandrova, I. Balabanov, F. Black, I. Blank, T. Coleman, V. Geets, G. Goldshtein, V. Granaturov, S. Illyashenko, L. Krushvits, J. Lintner, H. Markowitz, M. Melnikoff, R. Merton, L. Modigliani., F. Modigliani, W. Sharpe, S. Valdaytsev, V. Vitlinskiy and other scientists. However, scientific and methodical approaches to risk evaluation of financing innovation are investigated fragmentary, thus they require further development and improvement.

It should be said that risk is inherent in most economic activities depending on attempting to predict the unknown. This is especially true of financial activities where results of decisions made today may have many possible different outcomes depending on future events. In turn innovative projects are one from the most high-risk for investment. To make the right investment decision it is necessary not only to determine the value of the expected income, the degree of risk, but also to assess whether the expected return compensates the perceived risk. However, the difficulty deals with the fact that the risk evaluation of enterprise innovation activity is a less formalizing than other methods of assessment.

So companies cannot usually insure themselves completely against risk, they have to manage it. Of course it is a hard task even with the support of advanced mathematical techniques (range, standard deviation, sensitivity analysis, breakeven analysis, simulation analysis, decision tree analysis, value at risk analysis, cash flow at risk analysis, method of adjusting the discount rate, method of reliable equivalents, sensitive analysis of performance criteria, scenario method, Monte Carlo method, methods of analogy, scoring, expert methods etc). A modern approach to risk management requires quantitative risk measures that adequately reflect the vulnerabilities of a company (portfolio variance in the H. Markowitz MVO model, the Value-at-Risk, the Capital Asset Pricing Model developed by W. Sharpe and others).

However, above-said approaches to risk evaluation are backward looking and don't capture the modern risk characteristics, that may be differ today or in the future from what they were in the past. Such situation can lead to errors in valuation. Thus risk control techniques need to be implemented to adapt to rapid changes in the values of risk measures. Therefore summarizing and improving investigated scientific and methodical approaches to risk evaluation we propose to determine the coefficient of risk innovation financing. It should display sensitivity changes of certain enterprise return from innovation activities to change in the average market return based on the return from innovation activity of chosen domestic enterprises with orientation both for retrospective and prospective analysis of micro and macro indicators of enterprise development and functioning with the help of expert rating. Besides it to our mind the proposed expert rating should include marketing risk evaluation because of innovation activity is characterized by high levels of uncertainty dynamics of the main factors determining the results.

The proposed scientific and methodological approach should be used in the process of optimizing the structure of financial providing of enterprise's innovation activity and in financial management in general.

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