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Kyiv National Economic University
named after Vadym Hetman**

**FORESIGHT MANAGEMENT:
FORMATION AND TRANSFORMATION
ADAPTIVE BUSINESS ORGANIZATIONS**

*International
collective monograph*

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The monograph is devoted to the improvement of theoretical, scientific and methodological provisions, the development of practical recommendations for foresight management: the formation and transformation of adaptive business organizations. The Foresight is a system of methods for the transformation of priorities in the area of economy and production, social and cultural development. Analysis of Foresight Competencies as a component of dynamic capabilities of enterprises demonstrates their leading role in the implementation of the remaining components of dynamic capabilities, as well as the fact that the Foresight of enterprises exerts a transformative impact on the development of the system, helping to convert, rather than only predict, the development of a sector or an enterprise. The Foresight includes the application and transformation of enterprises' routine work, as well as innovations in production and industrial relations. It aims at selecting and using the change markers – weak and strong signals of future and probable changes. Active and accurate identification of these markers of change, including the modification of the enterprises' routine work makes it possible not only to predict implicit trends but also to intervene in the course of processes, adjusting them with the least amount of utilized energy and resources. In addition, it allows influencing both the markets themselves and the reality of enterprise activity as a whole. Given the Foresight Competencies, an enterprise not only efficiently adapts to the changes in the environment (market), but also participates in changing it. Therefore, special attention is paid to the study of the international experience of Ukraine, Belarus, Georgia, Poland in the implementation of behavioral economics, reputation management and social responsibility of business, risk management in transformation periods, management of financial and information systems in business, accounting and analytical support of management activities, modernity technology partnerships and inter-firm cooperation, modern logistics management and effective marketing, strategic management of competitive advantage of business I bear the innovative methods of teaching economic disciplines in high school.

The publication is of interest to economists, civil servants, scientists, lecturers and post-graduate students whose activities relate to the topic.

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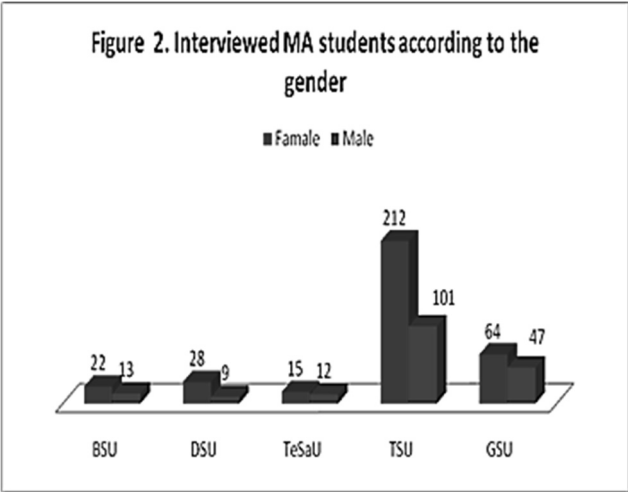
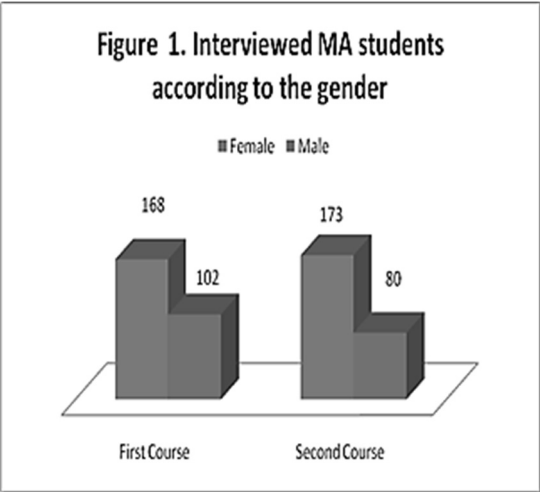
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SECTION 1. BEHAVIORAL ECONOMICS

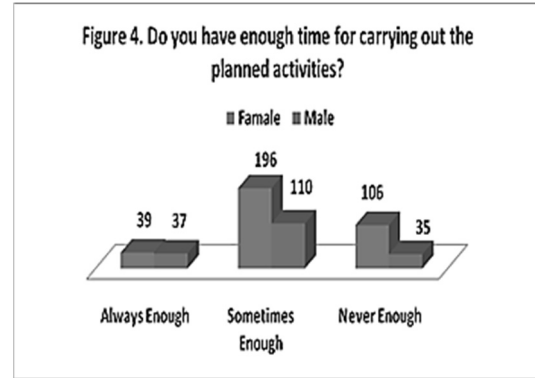
1.1. TIME MANAGEMENT PECULIARITIES BASED ON GENDER

In the frames of the project ‘Management of a Student’s(Master’s) Time Budget - the Basis for Getting the High-Quality Labor Resource’ several scientific articles were written based on the research of Time Management of Economics and Business specialty MA students at Georgia's Leading Universities: “Self Management Peculiarities of Master’s Students in Georgia”[135]; “Time Management Peculiarities of Shota Rustaveli State University MA Students” [136]; “Impact of Time Management on Personal Development of MA Students”[89]; “Time Management Challenges in Young Scientists”; “Free-time Management among MA Students of Georgia”[134] . This time we will focus on the peculiarities of MA students’ time management in terms of gender. We think that it is interesting to see what peculiarities of gender have been revealed.

Among the surveyed respondents there were 65,2% females and 34.8% males. In almost all universities the females were twice as much as males. (Figure 1, Figure 2)

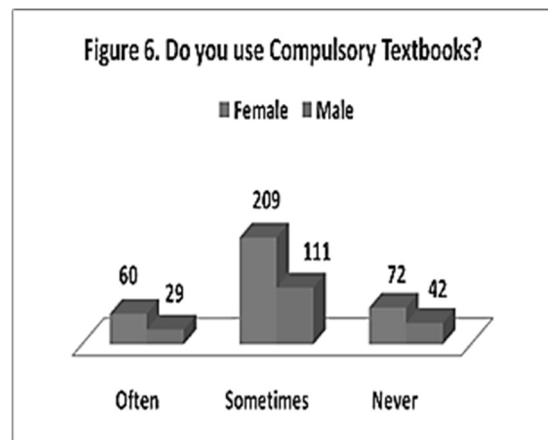
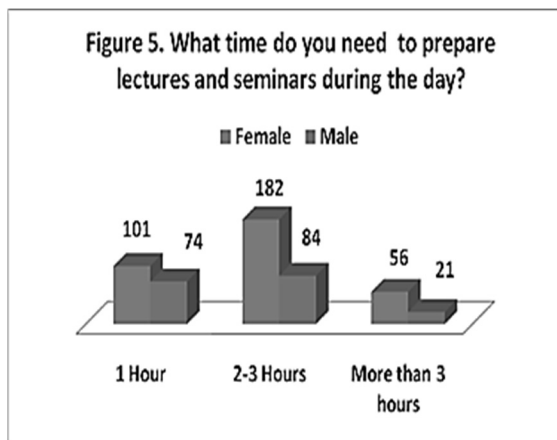


As for being employed 83.3% of the interviewed women are employed, while the males account for 78.6% (Figure 3). More than 70% of the respondents are employed full time in both groups. 88.5% of the interviewed women sometimes or almost never have enough time, while in males this indicator is 79.6%. (Figure 4)



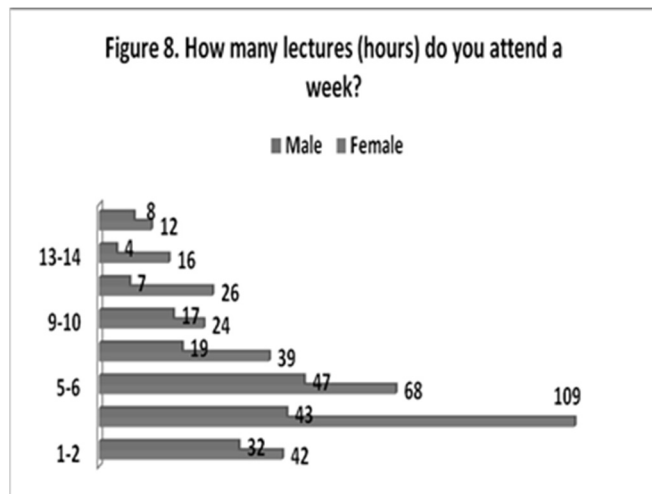
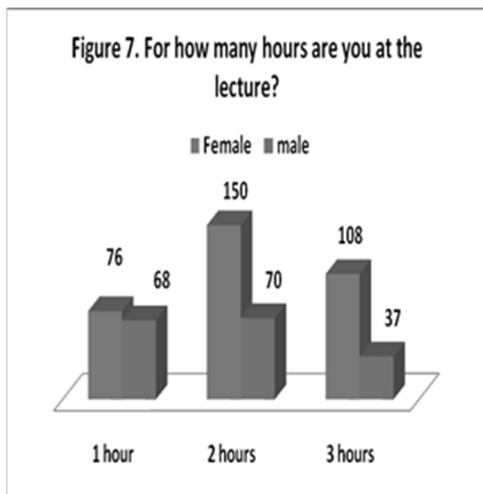
Both groups of the respondents use working hours equally to prepare lectures.

During studying on the master's program only 1-2 hours for preparing lectures and seminars is rather low indicator. The study has shown that MA students give rather little time to the main task and only 16.4% of the surveyed women and 11.5% of the men give more than 3 hours to it (Figure 5). Against such backgrounds, it is not surprising that only 17.6% of the interviewed women and 15.9% of the men are able to get acquainted with any additional material and the vast majority of both genders are satisfied with the material provided by the professors (Figure 6).

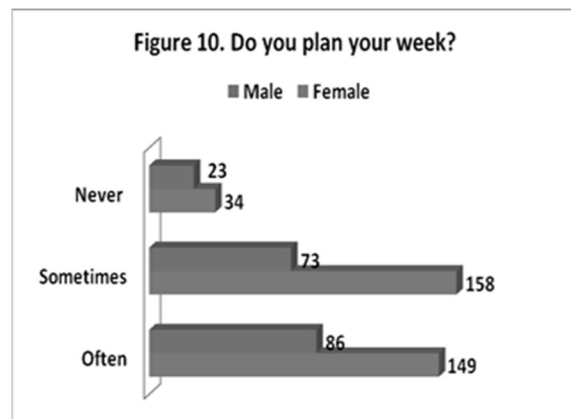
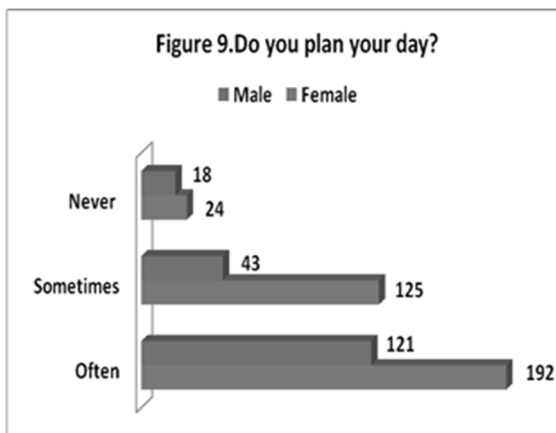


The daily load of the MA students is 3-4 hours on average, and the study has shown that 33.7% of the interviewed women and

24.1% of the men attend lectures and seminars fully. In this respect women are much more mobilized (Figure 7, Figure 8).

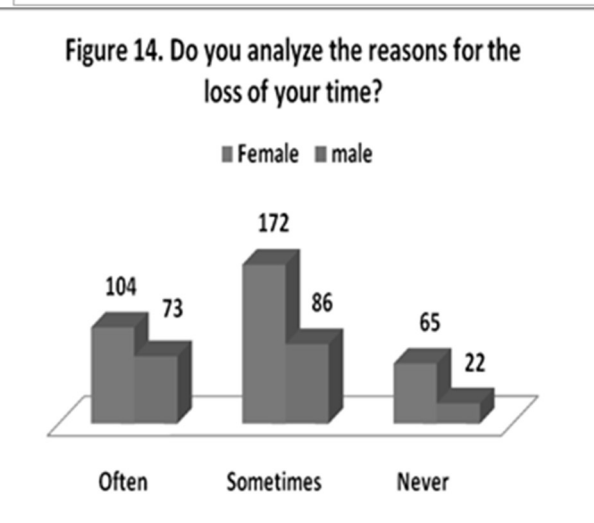
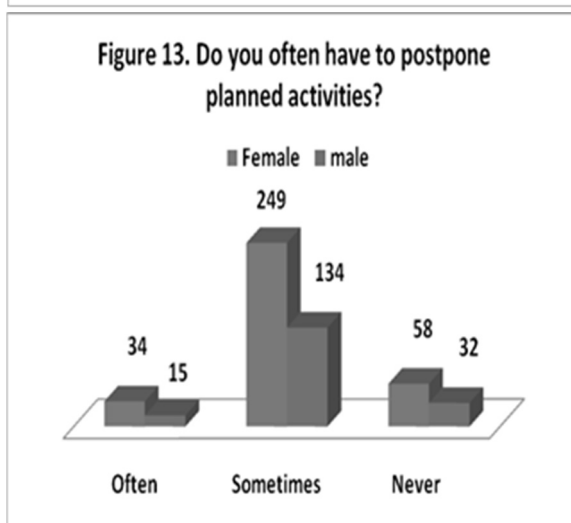
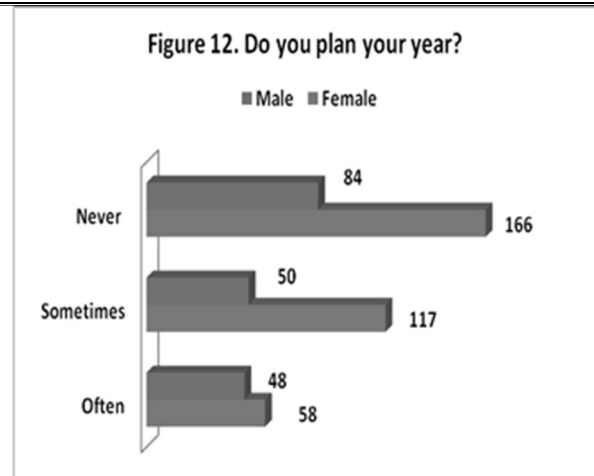
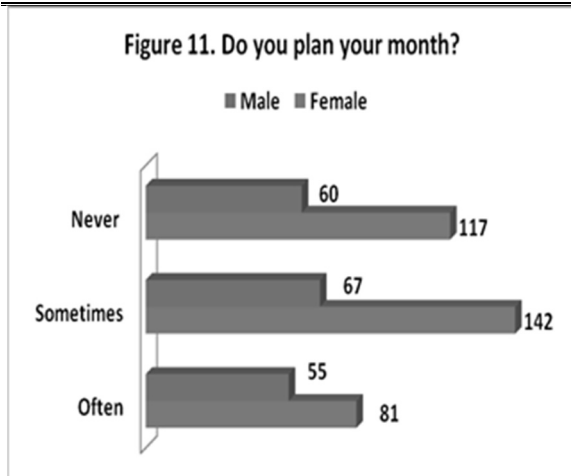


It is interesting to know whether the MA students manage to plan different intervals of their time during the hard and tense regime. Studies have shown that men manage to plan all the periods of time better (days, weeks, months and years) than women.



Namely 56,3; 43,7%; 23,4% 17,0% of the women often plan a day, a week, a month and a year, in case of the men the data were distributed in the following way: 66,6% 47,2% 30,2% and 26,4% (figures 9, 10, 11, 12).

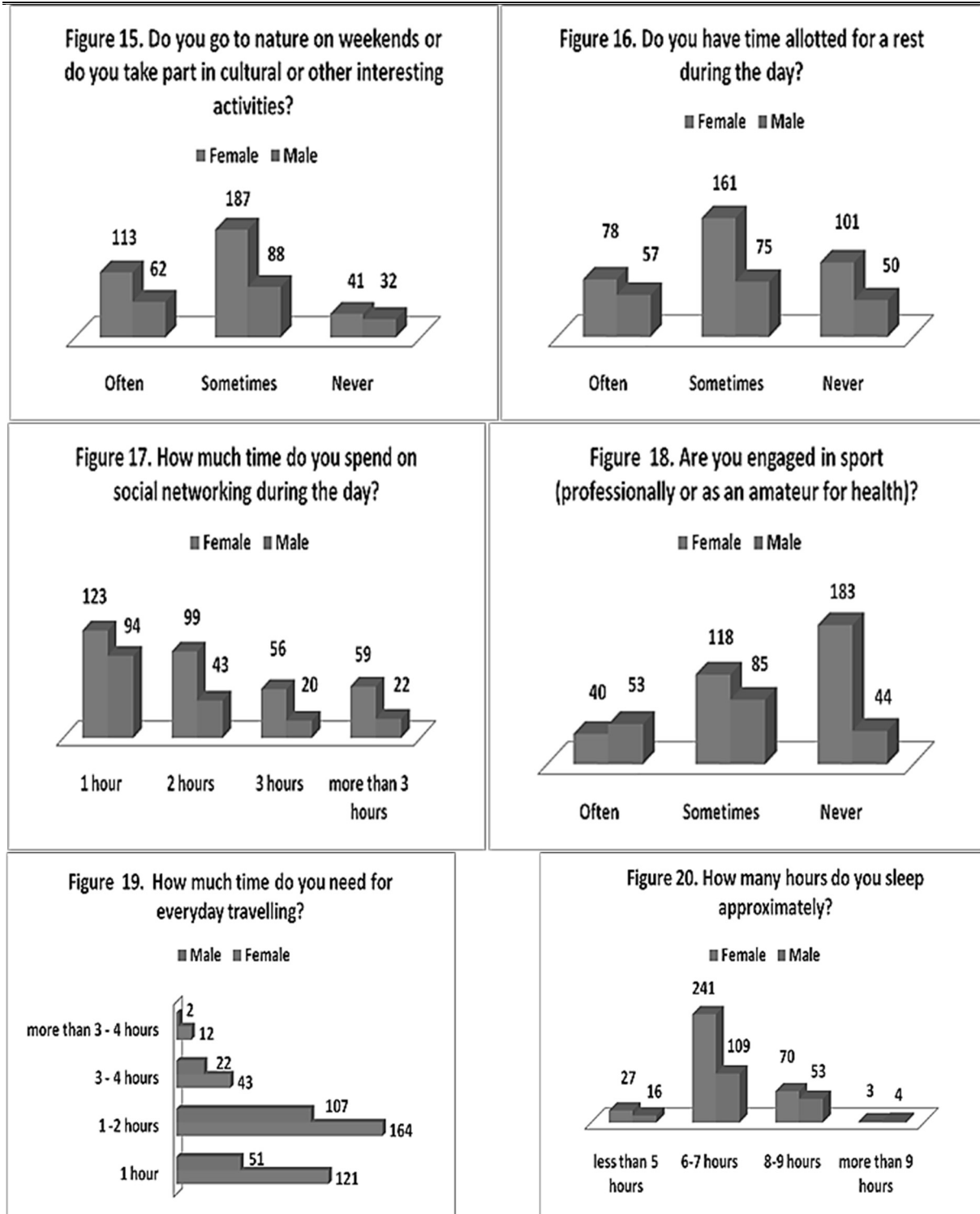
Disregarding the long-term planning of the activity is reflected in the fact that the MA students often have to postpone the planned activities, in particular, only 17% never have to postpone the planned activities in both groups (Figure 13). The fact that 30% of the women and 40% of the men analyze the causes of time loss can be regarded as a positive indicator (Figure 14).



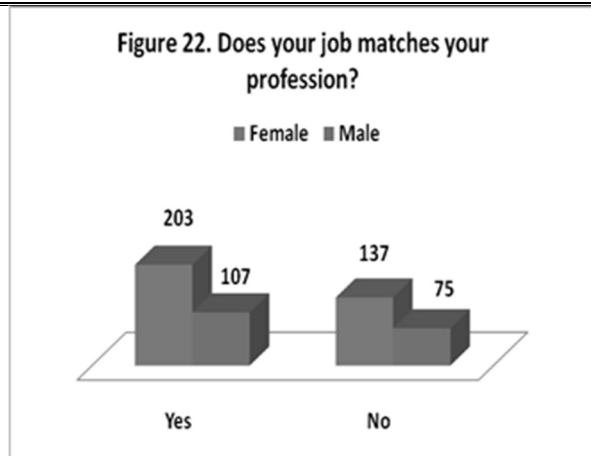
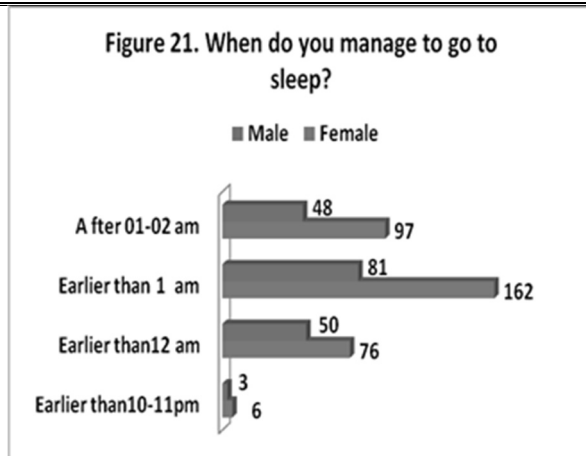
It is interesting if they plan how to spend free time and what they spend this time on. The survey has found that only 22.9% of the interviewed women plan free time and 30% of the men. Weekends are the most important period for employed MA students, but even in this case only 34% of the respondents in both women and men can have a rest (Figures 15, 16).

33% of the women and 23% of the men spend 3 hours and more every day in social network (Figure17). 11% of the interviewed female respondents and 29% of the men are engaged in sport (Figure18).

A large portion of the time budget is used for transportation of the MA students. 35% of the men and 28% of the women spend less than one hour (Figure 19). The vast majority lose 3-4 hours and sometimes even more from their time budget. After such a tense day, it is not surprising that their sleep regime is not excellent (Figure 20).



In particular, 79% of the women sleep up to only 5-7 hours, while this indicator in males is 69%. Sleeping time is also important. It reduces tension. Unfortunately 75.9% of the women are unable to sleep until 01-02 am and the same happens in 70.8% of the men (Figure 21).



41.1% of the female students and 41.2% of the men do not work with their own profession (Figure 22) and their compensation more than 500 GEL is 46,3% in case of the women and 54,6% in case of the men. It is important to note that the vast majority of the MA students are not married, in particular 85% of the women and 61% of the men.

It is interesting to evaluate the influence of individual factors. We have formulated the following hypotheses:

H1: Gender, working at public or private sector, working by profession, social networking time have a significant impact on variables: **Q10** – For how many hours are you at the lecture per day? **Q11** – About how many lectures do you attend per week? And **Q8** – How much time do you need to prepare lectures and seminars during a day?

As it turned out gender does not affect only the Q11 variable ($P = 0,953, P > 0,05$). Gender influences the Q10 variable (For how many hours are you at the lecture per day?) statistically significant connection on 0.01 level with a weak negative attitude and also it affects the Q8 variable (How much time do you need to prepare lectures and seminars during a day?) statistically significant connection on 0,05 level, besides, according to the F test and Eta coefficient the gender affects the Q10 more than the Q8 variable. There is a weak negative attitude between gender and the Q8 variable (Table 1).

It is interesting to know the crosstab analysis between gender and remuneration. Determine the hypothesis: **H2:** The gender of the student influences his/her remuneration. We have used the crosstab analysis to prove this hypothesis.

Table 1

Univariate Tests

Dependent Variable		Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Q10 For how many hours are you at the lecture?	gender	5,649	1	5,649	11,705	0,001	0,024
	Error	228,753	474	0,483			
Q11 How many lectures (hours) do you attend a week?	gender	0,01	1	0,01	0,003	0,953	0
	Error	1373,825	474	2,898			
Q8 What time do you need to prepare lectures and seminars during the day?	gender	1,844	1	1,844	4,546	0,034	0,009
	Error	192,253	474	0,406			

The female students have the highest salary, 155 students have more than GEL 500, and from the males 97 students have the same salary. According to the frequency the compensation from GEL 400 to GEL 500 is on the second place (Table2).

Table2

Q28 How much is your salary? / Q1 Gender Cross tabulation

Frequency				
		Q1 Gender		Sum
		Female	Male	
Q28 How much is your salary?	Less than Gel 100	11	1	12
	From Gel 100- to Gel 200	7	2	9
	From Gel 200 - to Gel 300	19	8	27
	From Gel 300 - to Gel 400	32	13	45
	From Gel 400 - to Gel 500	51	19	70
	More than Gel 500	155	97	252
Sum		275	140	415

As a result of the survey, certain conclusions and recommendations have been elaborated:

The research has shown that the representatives of the weaker gender are not discriminated, including in terms of employment or pay.

The most significant problem that has been revealed on the basis of the research and is trendy is that organizations are not run by the knowledge-based management systems, in most cases it is instinctive [5]. Also, the situation on the job market leaves the place for the employee's interests to be less taken into consideration.

It has been revealed that the attitude of the women and the men to time management is similar in mainstream issues, they show similar approaches and habits, so both genders have similar errors in time management and equally need the correction of their attitudes, behaviors or habits.

Generally, in terms of managing young people's time we can conclude that an inadequate attitude towards time management creates a lot of problems, causes health deterioration, a significant decrease in work efficiency both in the short-term and particularly in the long-term.

It is advisable to introduce teaching of self-management and time management issues to undergraduates; Limiting MA students' employment at full-time; It would be desirable to take some incentive measures for married students from both employers, as well as from institutions, because they are particularly affected by time deficiency; It is also necessary to set up part-time, flexible working and training schedules for MA students. Considering the abovementioned recommendations would significantly alleviate the situation for young people and create more guarantees for their future professional development and formation of healthy, competitive workforce.

1.2. НЕКОТОРЫЕ АСПЕКТЫ СИСТЕМЫ УПРАВЛЕНИЯ РЕКЛАМНОЙ ДЕЯТЕЛЬНОСТЬЮ

В нынешних условиях реклама представляет собой одну из крупнейших отраслей. От того, насколько эффективно будет работать эта система, в немалой степени зависит

эффективность функционирования предприятия в целом. Система управления рекламной деятельностью – сложный комплекс процессов, мер и приемов по планированию, руководству, организации, контролю и информационному обеспечению реализации рекламной функции фирмы с использованием системного подхода в тесной координации и интеграции с другими маркетинговыми функциями предприятия. Зарубежный и отечественный опыт показал насколько велико значение разработки плана рекламной деятельности, как одного из средства стимулирования продаж и создания имиджа фирмы [285,288,304,318,328,333,300].

Как нет двух совершенно одинаковых предприятий, так и не существует одного общего подхода к организации рекламной деятельности предприятия.

Реклама может быть квалифицирована по самым различным признакам. В рекламе выделяет: субъект, предмет и цель. К субъекту рекламы относится предприятие, учреждение, частное лицо, которые являются заказчиком рекламы. Предмет рекламы – это то, что рекламируют, что является главным в содержании рекламного сообщения. Предметом может быть товар, событие и само предприятие. Цель рекламы – достижение конкретного результата (стимулирование продаж, создание имиджа предприятия, его торговой марке).

В целом в рекламной деятельности имеются три главные группы действий [285]:

- информирование (сообщение о том, что продукт существует и каковы его качества);
- убеждение (пробуждение приятных эмоций, формирование позиции признания товара, переключение решений потребителя на его покупку);
- поддержание лояльности (закрепление существующих потребителей как главного источника будущих продаж).

Менеджмент рекламного бизнеса способствует достижению главной цели предприятия: быстрой и выгодной продаже товаров (услуг) [288,333]. При этом одновременно решаются три задачи рекламы:

- аттрактивная – привлечь внимание потенциальных потребителей к предприятию или его товарам и услугам;
- доверительно-имиджевая – вызвать положительное отношение к фирме или ее товарам и услугам;
- аргументационно-гарантийная – доказать, привести убедительные аргументы и гарантии в пользу выбора потребителем именно этих товаров и услуг.

Каждый этап, начиная с момента создания продукции и заканчивая ее сбытом, должен сопровождаться активной программой рекламного воздействия. Целенаправленные рекламные усилия должны присутствовать как в сфере производства, так и в сфере торговли. Это обязательное условие для современного рынка товаров и услуг. Для производственного предприятия реклама является связующим звеном между продукцией и потребителем, она так же имеет обратную связь – между потребителем и производителем (связующее звено для обратной связи). То есть, реклама помогает отслеживать конкурентов и способствует постоянному усовершенствованию качества выпускаемой продукции. За счет рекламы предприятие обретает имидж и становится узнаваемым для потребителя. Реклама способствует достижению разнообразных целей. В общем случае цели рекламы заключаются в удовлетворении информационных потребностей целевых потребителей путем максимизации ее полезности, а главная цель маркетинга рекламодателя – в стремлении максимизировать экономическую и коммуникационную эффективность от рекламы.

А. Файоль среди главных функций управления, выделил следующие [328]:

- информационное обеспечение процесса управления;
- целеполагание (для рекламной деятельности – определение целей и задач, разработка планов и программ по их реализации);
- организация и руководство практической реализации поставленных целей;

- контроль (сопоставление фактических показателей с их планируемым уровнем, корректировка, анализ эффективности рекламной деятельности).

Схема взаимосвязи главных функций управления рекламой деятельностью представлена на рис. 1.

Эффективность рекламной кампании зависит от того насколько точно рекламное обращение будет ориентировано на целевую аудиторию. Оптимальному определению аудитории способствует точное позиционирование компании среди других подобных. Поэтому рекламодатели стремятся занять свою нишу, что невозможно без оценки своего места на рынке, то есть всестороннего изучения среды, в которой приходится существовать и развиваться предприятию, а также реализовывать рекламную деятельность. [300]. Чем больше самостоятельности у рыночных структур, тем больше проявляется потребность в активной рекламной информации, которая влияет на поведение хозяйствующих субъектов на рынке. При содействии рекламной деятельности рынок становится более ясным и доступным для потребителей с различными потребностями, доходами, традициями. Таким образом, становится очевидным то, что рекламная деятельность, состоящая из множества компонентов, принадлежит к категории сложных систем (рис. 1).

На основе главных функций управления рекламой, представленных на рис. 1, разрабатываются однородные по содержанию и направленности целей виды деятельности:

1. анализ и планирование управления спросом;
2. определение целей и задач;
3. принятие решений о широте охвата, частоте появления и силе воздействия рекламы;
4. отбор основных видов средств распространения рекламной информации;
5. разработка концепции и производство рекламы;
6. проведение рекламной кампании;
7. определение конечного результата рекламной деятельности и контроль.

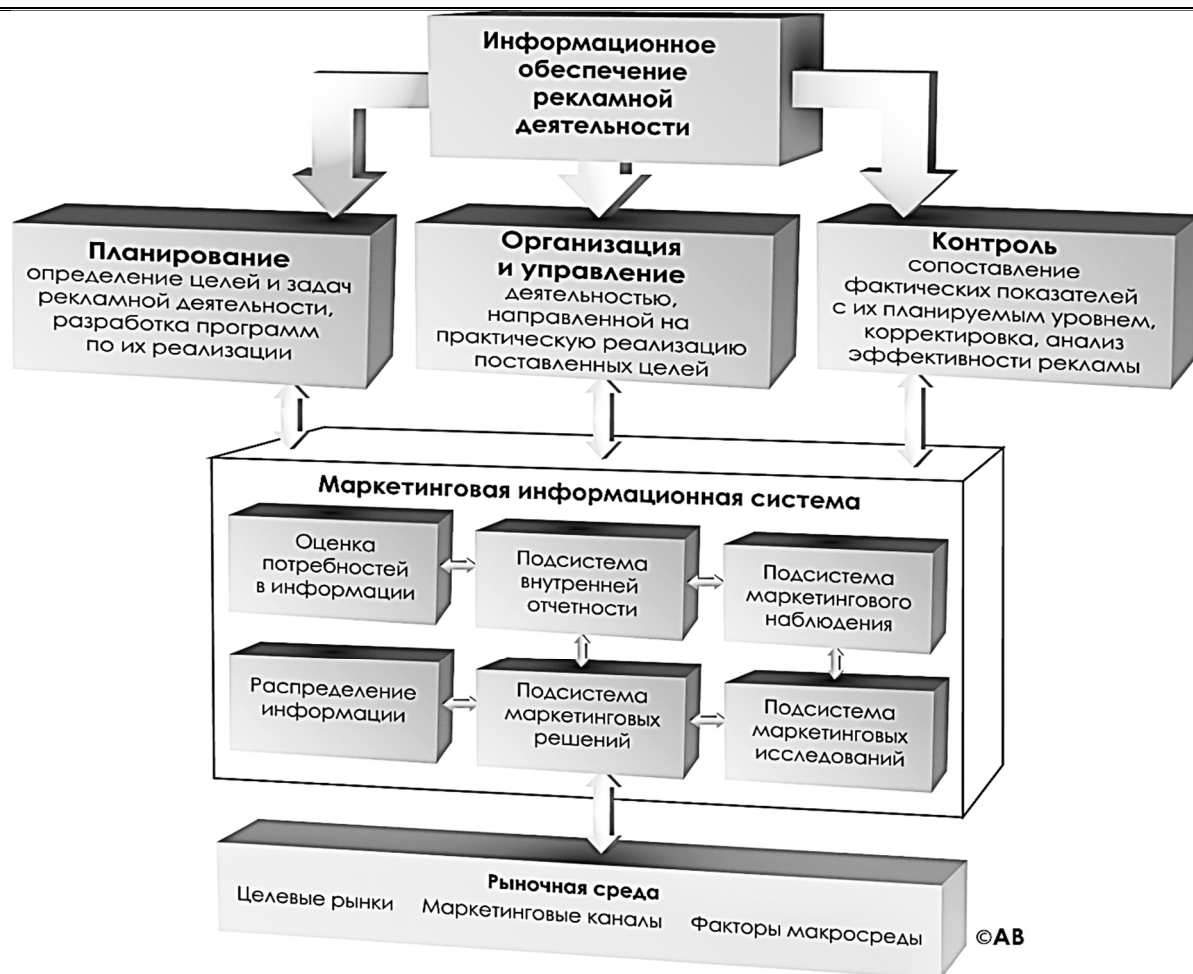


Рис. 1. Схема взаимосвязи главных функций управления рекламой деятельностью

Если фирма разрабатывает план рекламной деятельности, она избегает множества ошибок при ее проведении и создает такую рекламу, которая направлена на потребителя, с учетом всех его особенностей, более точно, чем необдуманные и бессмысленные рекламные акции, которые порой просто вредят фирме, например, снижая ее имидж.

Становлению современной рекламной деятельности способствовали следующие условия: рост конкуренции товаров предприятия на рынке, новые рекламные технологии и зарубежные апробированные методики рекламных кампаний, дифференциация желаний потребителей, тенденция сокращения жизненного цикла товара, рост рекламных бюджетов рекламодателей, возрастающие требования законодательства к рекламе. Новые подходы рекламной

деятельности можно охарактеризовать следующими положениями:

- потребитель рекламы рассматривается как активный оператор-поисковик рекламного товара с регулярным обменом информацией с субъектами рекламного рынка в расчете на длительную перспективу;

- рекламодатель и другие субъекты рекламной деятельности рассматриваются как активные участники рекламного процесса, деятельность которых направлена на удовлетворение потребностей целевого потребителя и получение взаимной прибыли от рекламного бизнеса по конечному результату рекламной кампании;

- новые рекламные средства изменяют конструкцию передаваемой маркетинговой информации для формирующегося профиля «нового» потребителя рекламы;

- мультиатрибутивная концепция товара в рекламе рассматривается для принятия стратегии рекламного позиционирования;

- коммуникационная эффективность выступает главенствующим критерием рекламной деятельности.

Реклама выступает в роли балансирующего фактора между производством и потреблением товаров и услуг. Управление рекламной деятельностью, а особенно выбор рекламных аргументов заслуживает особого внимания. Современный рынок характеризуется все большим насыщением рыночного пространства информацией, ростом ее значимости и ценности. В этих условиях существенно осложняются процессы формирования спроса и вкусов потребителей, осуществления маркетингового влияния на них. Исследования, проводимые в этой области, призваны повысить эффективность рекламы продукции. Одним из таких путей является использование потребительских утопий. Суть рекламы, основанной на утопиях в том, что она соответствует новым требованиям мирового рынка и потребностям потребителя. С помощью такой рекламы можно формировать и закреплять у потенциального потребителя устойчивую систему предпочтений к рекламируемым объектам, вносить

определенные коррективы в сбытовую деятельность производителя.

Используя возможности потребительских утопий по направленному воздействию на потребителя, реклама способствует не только формированию спроса, но и управлению им.

Управленческие утопии – организация идеальной управленческой деятельности (определение автора).

Потребительские утопии – разновидность потребительских утопий, целью которых является воздействие на потребителя и формирование у него идеальных (для фирмы) потребностей (определение автора).

Потребительские утопии направлены на формирование правильных вкусов, правильных желаний и правильного поведения «идеального потребителя». То есть, предприятия создают потребителя «под себя», формируя у него необходимые фирме потребности, а не просто подстраиваются под потребности своих потребителей. Одним из методов позволяющих сформировать собственного потребителя есть «Модель Кано» [131].

Утопия «Модель Кано» – метод, используемый для оценки эмоциональной реакции потребителей на отдельные характеристики продукции. Полученные с его помощью результаты позволяют управлять удовлетворенностью и лояльностью конкретной группы потребителей. В данном контексте реклама выступает как первый посыл к потенциальному клиенту, и поэтому она должна использовать эмоциональные мотивы и акцент на зрительный образ, который сформируется у будущего потребителя (т.к. зрительные образы и текст, использованные в рекламе могут инициировать привлекательные ассоциации в правом полушарии мозга, в результате у потенциального потребителя может возникнуть побудительный импульс, мотив, который приведет к приобретению товара или услуги). Использование данной модели непосредственно привлекает потребителя к разработке товара, завлекая «в сети» утопии «потребительского рая».

Для оценки потребительского восприятия была разработана особая методика опроса потребителей, при которой каждый вопрос задается дважды: в позитивной и негативной формах. Сведя затем вместе ответы на оба вопроса, устанавливаются тип данной характеристики продукции по определенной матрице ответов, на основе которой строится график, представленный на рис. 2.

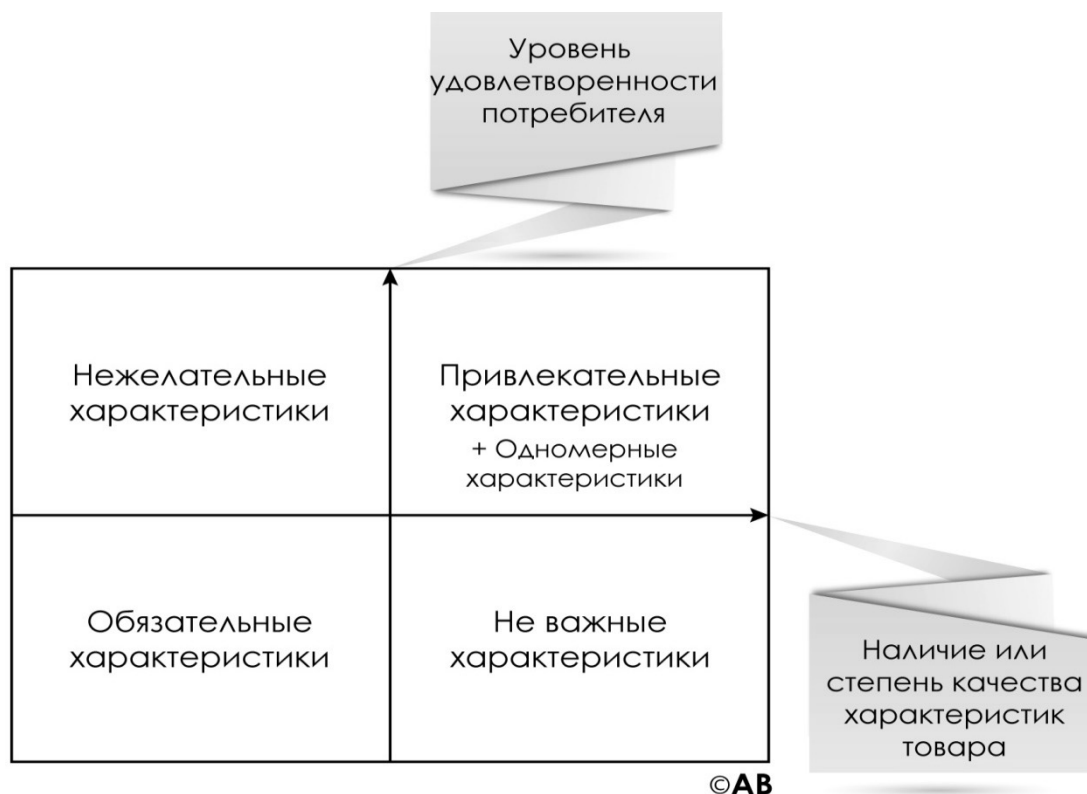


Рис. 2. Модель Кано (интерпретация автора)

Согласно представленной модели, идеальный товар в утопии «потребительского рая» (разновидность потребительской утопии) должен обеспечить на должном уровне наличие базовых характеристик, как можно более учесть характеристики правого верхнего квадрата с ориентацией на будущее, он не должен включать характеристики левого верхнего квадрата, и для снижения затрат на производство не использовать характеристики нижнего правого квадрата.

Рассмотрим другой достаточно действенный способ завлечения в потребительскую утопию. Предприятию необходимо провести маркетинговые наблюдения за главными

интересами, желаниями, проблемами потенциальных потребителей, выделить наиболее значимые для него (и которые может обеспечить предприятие), и которые в дальнейшем войдут в основу предложения. Далее главные потребности целевой аудитории включают в слоганы товаров и услуг. Увидев в рекламе, что товар способен решить некоторые проблемы человека, потребитель на подсознательном уровне задумывается о необходимости его приобретения.

В рекламе также может создаваться некая проблемная ситуация, ставится вопрос о решении, который пробуждает интерес. Такой подход побуждает к размышлению о возможных путях решения поставленной проблемы. И, конечно же, в рекламе предлагается «идеальный» вариант, который полностью удовлетворит потребности потребителя.

Еще одним методом воздействия на человека являются специальные обороты речи, усиливающие воздействие рекламы. Один из наиболее популярных оборотов речи, помогающий убедить в необходимости покупки это антитеза. Это достаточно короткий слоган, чтобы легче было запомнить, с использованием приема противопоставления, который помогает заострить внимание на выгодах потребителя. Например: мы работаем - Вы отдыхаете («Indesit»); квасу – да, «химии» – нет! (квас «Никола»); жажда – ничто, имидж – всё! (напиток «Sprite»).

Потребительские утопии учитывают также ментальное взаимодействие с потребителем [295]. Примером такого взаимодействия может быть эксперимент, проведенный в 2012 году Райаном Элдером и Ариадной Кришна. Они продемонстрировали участникам эксперимента рекламу кофейной кружки. Оказалось, что испытуемые с большей вероятностью хотели приобрести товар тогда, когда ручка кружки была обращена вправо (в сторону ведущей руки для большинства людей). Исследователи считают, что это связано с высокой внутренней симуляцией действия. Когда ручки были расположены справа, то участники эксперимента мысленно взаимодействовали с предметом в большей степени. Однако этот эффект пропадал, когда участники брали что-то в руку.

Так, когда доминирующая рука участников эксперимента свободна, соответствующее визуальное отображение предмета приводит к усилению намерения покупки. Однако, если доминирующая рука занята, эффект становится обратным. Данный факт необходимо учитывать в рекламной деятельности. Также утопии учитывают влияние через СТА (кнопку призыва к действию.). Людям свойственно следовать за пристальными взглядами других. Эта черта помогала нашим предкам быстрее обнаруживать угрозы, а эволюция укоренила эту способность в наших миндалинах. Так если реклама содержит изображения людей, необходимо ориентировать их на свою СТА. Так будет привлечено больше внимания к этой области.

Еще один метод манипулирования сознанием через потребительские утопии и построение через них определенных методов влияния. является продакт-плейсмент [296].

Продакт-плейсмент (англ. Productplacement, дословный перевод размещение продукции) – прием неявной (скрытой) рекламы, заключается в том, что реквизит, которым пользуются герои в фильмах, телевизионных передачах, компьютерных играх, музыкальных клипах, книгах, на иллюстрациях и картинах – имеет реальный коммерческий аналог.

Одной из важных составляющих управления рекламной деятельностью через потребительские утопии является формирование имиджа предприятия и создание твердой уверенности – данное предприятие работает на конкретного потребителя и совместно с ним формирует необходимые характеристики товара (рис.3). РР ненавязчиво формирует у потребителя мнение о предприятии, его товарах или услугах, тем самым содействует росту узнаваемости и имиджа предприятия, которые являются неотъемлемыми составляющими конкурентоспособности.

Наличие и использование потребительских утопий, создает для предприятия множество возможностей донесения необходимой маркетинговой информации к целевому рынку. Каждое коммуникативное решение, выбранное из

многочисленных существующих средств, способов, моделей, методов, непосредственно влияет на уровень интереса со стороны потребителей к предприятию и его продукции. Тем самым предприятие формирует своего потребителя.

Таким образом, проанализировав все описанные процессы управления рекламной деятельностью, можно сделать следующие выводы: управление рекламной деятельностью является неотъемлемой частью в структуре управления предприятием, а современная ненавязчивая реклама, основанная на использовании потребительских утопий, содействует расширению целевой аудитории, привлечению большего количества потребителей, росту продаж, а следовательно и росту конкурентоспособности предприятий.

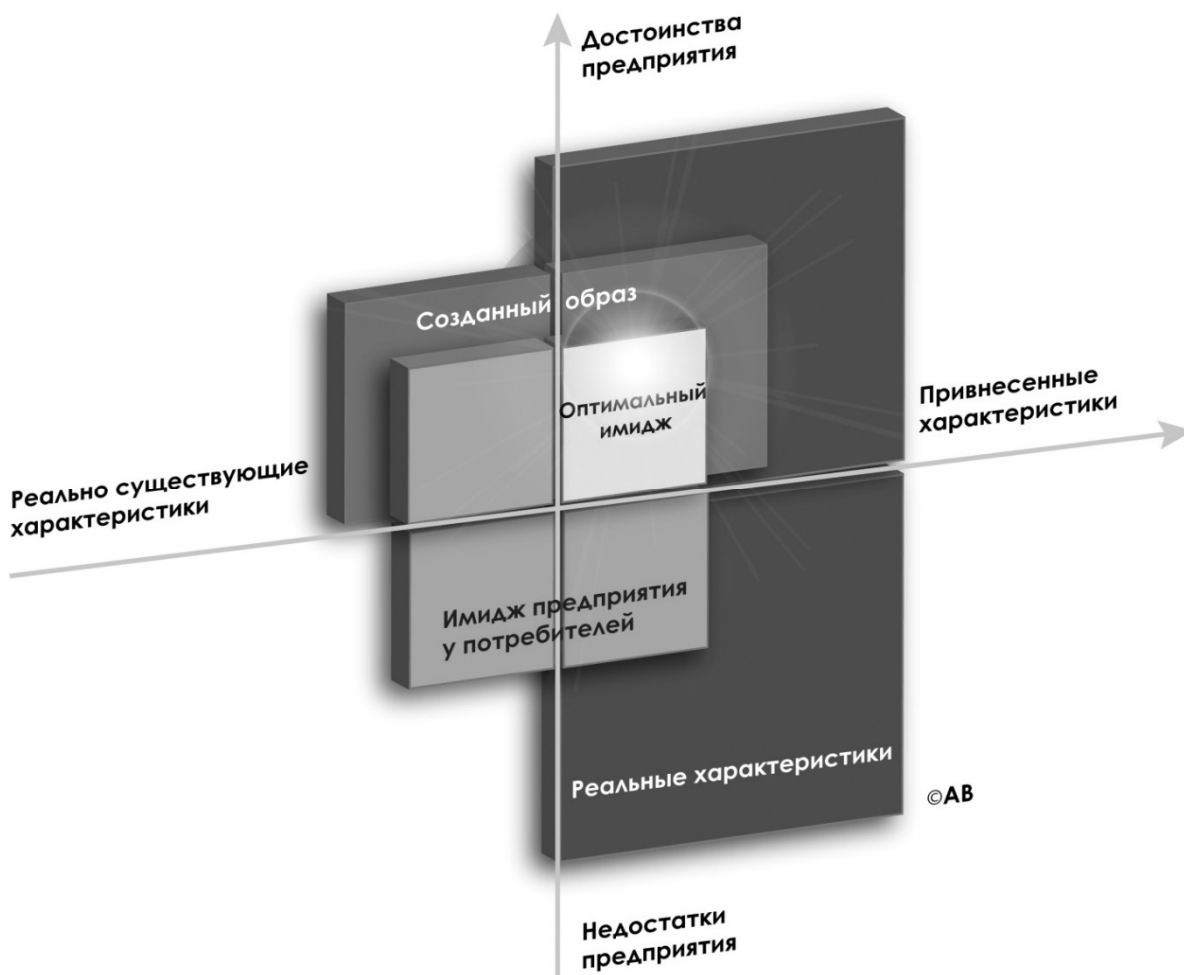


Рис. 3. Формирование имиджа предприятия

SECTION 2.

REPUTATIONAL MANAGEMENT AND SOCIAL RESPONSIBILITY OF BUSINESS

2.1. INSTITUTIONAL DETERMINANTS AND THEIR INFLUENCE ON ECONOMY IN GEORGIA

The institutional development is one of the actual topic in economics science. New trends and directions of institutional development is depended on its structure and framework. Transformation of institutions is important problem for every economy, especially for developing countries.

First research goal is to determine importance and interactions between different institutions in Georgia. Using WGI and economic freedom indexes it can be calculated size of each institutional types.

Second aim of research to evaluate Georgian institutional backwardness between other post-communist economies. We use statistical and econometric methods to evaluate difference between institutional development levels of Georgia and Estonia.

Georgia, post-transition developing country with very interesting transition history. Post-Communist Georgia was characterized by both institutional and economic backwardness.

Economic development is mostly determined by institutional foundations. Institutions mostly lead economic and other social activities. They are different by their importance, structure and nature. When we take analyze about institutions, it is required their arrangement into different groups characterized by specific features.

Institutions are not permanent and institutional space is always transforming. Some of institutions are replaced by new institutions, some of them are changing their structure and keep living. Construction and destruction – economic and non-economic

– do not occur vacuum, but are the result of people's perception stemming from historically derived opportunities and values [184]. Changes in the institutional structure have its costs. Volume of costs is one of the important factor to promote transforming processes. The institutional framework will affect both transformation and transaction costs, first by influencing the technology employed and second because there are direct connections between institutions and transaction costs [183].

To analyze institutional foundations of corruption in post-communist economies it is better to review them separately by formal and informal institutions because different institutions have different characteristics. This is most popular distinction between institutions. Informal institutions defined by codes of conduct, norms of behavior and conventions. They come from socially transmitted information and are a part of heritage that we call a culture. Unlike informal one, formal institutions are written; they include political (and judicial) rules, from constitutions, to statute and common laws, to specific bylaws, and finally to individual contracts defines constraints, from general rules to particular specifications [181].

Within the scope of the survey, the level of institutional development of the country was evaluated by indicators given from major international organizations. According to the approach, instead of indicators we use the assessment of their deviation (i.e. lag) from indicator of different country which should be compared.

Multiple linear regression model was chosen. The following variables were selected at model specification stage:

Worldwide Governance Indicators (WGI) have been chosen as the dependent variable. They are based on the World Bank's researches from the 1990s. The indicators (indexes) are calculated from 1996 covering 200 countries. It consists six major composite indicator about of state governance:

1. Voice and Accountability (VA) – capturing perceptions of the extent to which a country's citizens are able to participate in

selecting their government, as well as freedom of expression, freedom of association and a free media.

2. Political Stability and Absence of Violence/Terrorism (PV) – capturing perceptions of the likely hood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.

3. Government Effectiveness (GE) – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

4. Regulatory Quality (RQ) – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

5. Rule of Law (RL) – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

6. Control of Corruption (CC) – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

The aggregate indicators are based on several hundred individual underlying variables, taken from a wide variety of existing data sources. The data reflect the views on governance of survey respondents and public, private, and NGO sector experts worldwide.

WGI indicators ranging from -2, 5 to 2, 5. At the same time, the higher the significance of the state management, the higher the level of development of the institution.

From these 6 indicators, first and second are characterized by political factors, while the remaining four indicators are influenced by economic factors. Because purpose of this study is to identify the economic reasons of institutional lags of Georgia,

survey has included 4 economic indicators - Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.

As stated at the beginning of this chapter, the research aims not to discuss any of the indexes, but to consider the extent of their lag (difference). Due to the fact that WGI indicators consist of several components, the average arithmetic mean was taken to consider a variable of different institutions within a single variable. Estonia is one of the most developed and stable countries institutionalized [2]. Consequently, the differences in the average values of 4 selected from WGI indicators between Estonia and Georgia were taken as a dependent variable.

Heritage Foundation 2015 Index of Economic Freedom was chosen as an independent variable. Total Index consists of 10 Independent Indicators: Property Rights, Freedom from Corruption, Fiscal Freedom, Government Spending, Business Freedom, Labor Freedom, Monetary Freedom, Trade Freedom, Investment Freedom and Financial Freedom. Because indicator of the corruption has already included as dependent variable, it is excluded from independent ones. Also, there is no data on past years Labor Freedom, which also cannot be included in the model. Conversion of the factor variables was made to get the factor variables. Each indicator was modified as difference between Georgian and Estonian data.

It is noteworthy that before model building, it was necessary to convert dynamic columns into a standardized variable as a factor, because variables are from different sources, respectively in different units. To assess quantitative impact of independent variables and comparing with other factors, the data of each variable deduced by the arithmetic mean value of the corresponding row and divided into the standard deviation of the same row.

Modified data for the regression is given below.

Column WGA dif is dependent variable, other columns are independent variables.

Table 1

Independent and dependent variables for model

	WGA dif	property rights	fiscal freedom	government	business freedom	monetary freedom	trade freedom	investment freedom	financial freedom
1996	-1.58	33.71	16.73	0.66	28.58	16.52	3.65	37.70	37.63
1998	-1.73	33.71	17.43	43.96	28.58	61.52	12.65	37.70	37.63
2000	-1.71	33.71	16.23	60.36	28.58	6.62	14.65	37.70	37.63
2002	-1.42	33.71	8.63	29.66	28.58	18.82	4.45	37.70	57.63
2003	-1.65	33.71	8.13	29.16	28.58	10.12	18.05	37.70	37.63
2004	-1.71	33.71	4.73	33.16	28.58	5.82	17.65	37.70	37.63
2005	-1.74	33.71	4.93	27.46	28.58	8.82	18.25	57.70	37.63
2006	-1.97	33.71	8.23	31.96	6.58	8.72	13.45	37.70	17.63
2007	-2.14	53.71	4.63	25.16	-0.52	4.42	13.45	27.70	17.63
2008	-2.22	48.71	2.63	17.76	-1.12	9.82	13.65	17.70	17.63
2009	-2.28	48.71	3.23	5.86	9.28	8.02	3.85	17.70	17.63
2010	-2.31	33.71	6.83	1.66	3.38	0.12	0.25	17.70	17.63
2011	-2.42	33.71	4.73	6.66	4.98	1.22	0.25	17.70	17.63
2012	-2.55	33.71	6.63	15.56	9.78	4.12	0.75	17.70	17.63
2013	-2.52	33.71	6.43	11.26	10.98	3.72	1.05	12.70	17.63
2014	-2.55	43.71	4.83	12.26	8.78	0.72	-0.55	7.70	17.63

Source: Authors calculation from World Banks and Heritage Foundation

Results show that regression line approximates the real data points based on high coefficients of determination (R Square and Adjusted R Square). Therefore dependent variable is explained by independent variables. However, all of the selected variables were not statistically significant. 10% of significance It can be said that 2nd, 3rd, 6th and 8th variables are statistically significant at 10% significance level. These variables are: fiscal freedom, government spending, trade freedom and financial freedom. Therefore, it is recommended to leave only these variables be in the model. The results of the regression evaluation are only shown below using these variables (Table 3).

Table 2

Regression analysis results

SUMMARY OUTPUT

Regression Statistics

Multiple R	0,9853
R Square	0,9709
Adjusted R Square	0,9376
Standard Error	0,0960
Observations	16

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Signi- ficance F</i>
Regression	8	2,152	0,269	29,184	0,000
Residual	7	0,065	0,009		
Total	15	2,217			

	Coeffi- cients	Standard Error	t Stat	P- value	Lower 95%	Upper 95%	Lower 90.0%	Upper 90.0%
Intercept	-3,098	0,241	-12,849	0,000	-3,668	-2,528	-3,555	-2,641
X Variable 1	0,002	0,005	0,369	0,723	-0,011	0,015	-0,008	0,012
X Variable 2	0,029	0,009	3,15	0,016	0,007	0,050	0,011	0,046
X Variable 3	-0,006	0,003	-2,256	0,059	-0,013	0,000	-0,012	-0,001
X Variable 4	-0,010	0,006	-1,682	0,136	-0,023	0,004	-0,021	0,001
X Variable 5	-0,002	0,002	-0,888	0,404	-0,008	0,003	-0,007	0,002
X Variable 6	0,024	0,009	2,743	0,029	0,003	0,045	0,007	0,040
X Variable 7	0,005	0,005	1,029	0,338	-0,006	0,016	-0,004	0,013
X Variable 8	0,027	0,005	5,294	0,001	0,015	0,039	0,017	0,037

Source: Authors calculation from World Banks and Heritage Foundation

As shown in the table, coefficient of determination in the model is somewhat lower compared to the first model, but it is still high enough.

Since initially we have modeled for a variables in standardized scale, it is possible to make conclusions about which variables are stronger, and about their influence of dependent variable. Table 2 below consists systematized independent variables with appropriate coefficients.

Table 3

Significant regression coefficients

	Indicators			
	Fiscal Freedom	Government Spending	Trade Freedom	Financial Freedom
Value	0.020708092	-0.006682334	0.027348468	0.021807581

Source: Authors calculation from World Banks and Heritage Foundation

Table 4

Regression analysis results for significant variables

<i>Regression Statistics</i>					
Multiple R					0,9740
R Square					0,9486
Adjusted R Square					0,9299
Standard Error					0,1018
Observations					16

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	2,103	0,526	50,731	0,000
Residual	11	0,114	0,010		
Total	15	2,217			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 90.0%</i>	<i>Upper 90.0%</i>
Intercept	-2,879	0,066	-43,547	0,000	-3,025	-2,733	-2,998	-2,760
X Variable 1	0,021	0,007	2,927	0,014	0,005	0,036	0,008	0,033
X Variable 2	-0,007	0,003	-2,473	0,031	-0,013	-0,001	-0,012	-0,002
X Variable 3	0,027	0,005	4,990	0,000	0,015	0,039	0,018	0,037
X Variable 4	0,022	0,003	8,296	0,000	0,016	0,028	0,017	0,027

Source: Authors calculation from World Banks and Heritage Foundation

Institutional analyze shows important correlation between developments of different institutional groups. Three from four independent variables have a positive coefficient. Considering the fact that variables are difference between two countries indicators the positive coefficient means independent variable are increasing through deepen difference between countries (difference between the values of the WGI indicator). This is logic, as one of decreasing

causes institutional backwardness of the country. Also, it is noteworthy that the 2nd variable (government spending) is characterized by a negative coefficient.

In addition, results can use to compare strength of variables. Depending on the absolute value of the coefficients, trade freedom has most share to eliminate institutional backwardness of the country. Second is financial freedom and then fiscal freedom. The role of government spending impact is relatively small compared to the rest of the factors and as already noted, its impact is negative.

2.2. IMPORTANTS OF GOVERNMENT IN ECONOMIC GROWTH AND BOOST OF PUBLIC WELL-BEING

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP, usually in per capita terms. [225, p.94-99]

Growth is usually calculated in real terms – i.e., inflation-adjusted terms – to eliminate the distorting effect of inflation on the price of goods produced. Measurement of economic growth uses national income accounting. [225, p.94-99] Since economic growth is measured as the annual percent change of gross domestic product (GDP), it has all the advantages and drawbacks of that measure.

The "rate of economic growth" refers to the geometric annual rate of growth in GDP between the first and the last year over a period of time. Implicitly, this growth rate is the trend in the average level of GDP over the period, which implicitly ignores the fluctuations in the GDP around this trend. An increase in economic growth caused by more efficient use of inputs (such as labor productivity, physical capital, energy or materials) is referred to as intensive growth. GDP growth caused only by increases in the amount of inputs available for use (increased

population, new territory) is called extensive growth. Extensive growth, in economics, is based on the expansion of the quantity of inputs in order to increase the quantity of outputs, opposite to that of intensive growth. For example, GDP growth caused only by increases in population or territory would be extensive growth. Thus, extensive growth is likely to be subject to diminishing returns. It is therefore often viewed as having no effect on per-capita magnitudes in the long-run. Reliance on extensive growth can be undesirable in the long-run because it exhausts resources. To maintain economic growth in the long-run, especially on a per-capita basis, it is good for an economy to grow intensively; for example, by improvements in technology or organization, thereby increasing the production possibilities frontier of the economy. [158, p 87-93]

Economic development is the process by which a nation improves the economic, political, and social well-being of its people. The term has been used frequently by economists, politicians, and others in the 20th and 21st centuries. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment and environmental issues. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out, "economic growth is one aspect of the process of economic development".

Both in scientific literature and in practice, "Economic development" is frequently confused with the term "economic growth". This is due to the fact that past changes in economic development took place so slowly that they were barely detectable, thus more emphasis was placed on growth. This attitude was common abroad. Then when former communist countries entered a stage of post-communist development, little attention had been

given to the study of the specificity of their economic development problems.

Research shows the relationship between economic development and economic growth. Economic development means “perfection” in economics, a transition to a new quality, while economic growth refers to the quantitative increase of economic scales. Processes of development happen within a specific context, or economic system, as a result of change in key components: types of property, physical and human capital, technology, information, institutions, etc. and the interrelations between these components. If changes between components of the economic system concur, there is a synergistic effect that can strengthen the economic development process. When there is resistance between these components it becomes urgent to make changes that accelerate economic development, which create new forces that strengthen the economic development process. As international experience shows, synergistic effects can be achieved when private property plays a dominant role in economics and when there is economic freedom, competition, healthy finances, balanced budget, optimal tax value, etc. The state plays a key role in regulating these processes. State policy should ensure the establishment of these economic conditions and eradicate all forms of nepotism, paternalism, state interference and corruption.

There is a strong connection between economic development and economic growth. The very fact that a quantitative change finally moves to a qualitative change proves that economic growth is one of the essential factors of development. In turn, economic development creates conditions not only for qualitative perfection in economics, but also for its further quantitative growth. However, in the short term, economic growth might take place without economic development. This can happen, for example, when there is extensive growth of production factors, as illustrated by the development of pre-industrialization economic systems. Special emphasis should be placed on traditional economies, where increase of scales over millennia happened practically without economic development.

Economic development is also possible without growth, even under conditions of economic backwardness--the process of economic transformation, or qualitative perfection in economics, in most post-communist countries are good examples. As paradoxical as it sounds, economic development can even be directed to slowing down the rate of economic growth. This happens at the expense of material and energy capacity, the quality of goods, and other qualitative changes resulting from the use of modern technologies, and by increasing public welfare and national defense. In future this process will be strengthened on the basis of creating new technologies. [155, p.7-20] However, in the future there is an unprecedented acceleration of economic growth as a result of this type of economic development. Economic development processes determine the rates of growth and increased public welfare over the long-term.

This study created a system of economic development indicators. The quantitative measurement of economic development is extremely difficult as qualitative changes are hard to express quantitatively. No single indicator alone reflects economic development. The research discusses a number of factors of economic development, such as: natural-resource potential, physical capital, entrepreneurship, science, technology and technological knowledge, high technologies, invention, innovation, education, structural changes, unemployment, poverty, sustainable development, population figures and standard of living, energy, foreign economic relations, globalization, ecology, corruption, freedom, equality, democracy. [259, p.89-97]

Policymakers are divided as to whether government expansion helps or hinders economic growth. Advocates of bigger government argue that government programs provide valuable "public goods" such as education and infrastructure. They also claim that increases in government spending can bolster economic growth by putting money into people's pockets.

Proponents of smaller government have the opposite view. They explain that government is too big and that higher spending undermines economic growth by transferring additional resources

from the productive sector of the economy to government, which uses them less efficiently. [65, p. 227-236] They also warn that an expanding public sector complicates efforts to implement pro-growth policies-such as fundamental tax reform and personal retirement accounts- because critics can use the existence of budget deficits as a reason to oppose policies that would strengthen the economy.

This paper evaluates the impact of government spending on economic performance. It discusses the theoretical arguments, reviews the international evidence, highlights the latest academic research, cites examples of countries that have significantly reduced government spending as a share of national economic output, and analyzes the economic consequences of those reforms. [165, p.15-21] The online supplement to this paper contains a comprehensive list of research and key findings.

This paper concludes that a large and growing government is not conducive to better economic performance. Indeed, reducing the size of government would lead to higher incomes and improve America's competitiveness. There are also philosophical reasons to support smaller government, but this paper does not address that aspect of the debate. Instead, it reports on-and relies upon-economic theory and empirical research. [165, p.15-21]

Economic theory does not automatically generate strong conclusions about the impact of government outlays on economic performance. Indeed, almost every economist would agree that there are circumstances in which lower levels of government spending would enhance economic growth and other circumstances in which higher levels of government spending would be desirable. Economists will generally agree that government spending becomes a burden at some point, either because government becomes too large or because outlays are misallocated. In such cases, the cost of government exceeds the benefit. The downward sloping portion of the curve in Figure 1 can exist for a number of reasons, including:

The extraction cost. Government spending requires costly financing choices. The federal government cannot spend money

without first taking that money from someone. All of the options used to finance government spending have adverse consequences. Taxes discourage productive behavior, particularly in the current U.S. tax system, which imposes high tax rates on work, saving, investment, and other forms of productive behavior. [9, p.5-8] Borrowing consumes capital that otherwise would be available for private investment and, in extreme cases, may lead to higher interest rates. Inflation debases a nation's currency, causing widespread economic distortion. [37 p.18-30]

The displacement cost. Government spending displaces private-sector activity. Every dollar that the government spends necessarily means one less dollar in the productive sector of the economy. This dampens growth since economic forces guide the allocation of resources in the private sector, whereas political forces dominate when politicians and bureaucrats decide how money is spent. Some government spending, such as maintaining a well-functioning legal system, can have a high "rate-of-return." In general, however, governments do not use resources efficiently, resulting in less economic output. [211, p. 234-248]

The negative multiplier cost. Government spending finances harmful intervention. Portions of the federal budget are used to finance activities that generate a distinctly negative effect on economic activity. For instance, many regulatory agencies have comparatively small budgets, but they impose large costs on the economy's productive sector. Outlays for international organizations are another good example. The direct expense to taxpayers of membership in organizations such as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD) is often trivial compared to the economic damage resulting from the anti-growth policies advocated by these multinational bureaucracies.

The behavioral subsidy cost. Government spending encourages destructive choices. Many government programs subsidize economically undesirable decisions. Welfare programs encourage people to choose leisure over work. [240, p.55-90] Unemployment insurance programs provide an incentive to

remain unemployed. Flood insurance programs encourage construction in flood plains. These are all examples of government programs that reduce economic growth and diminish national output because they promote misallocation or underutilization of resources.

Among the factors contributing to the state of Georgia's impressive international growth are access to the world's busiest and most efficient passenger airport, Hartsfield-Jackson Atlanta International Airport, the state's young and skilled workforce, low costs of living and doing business and the increasing utility of the state's seaports. While these assets draw international companies to Georgia, it is the welcoming business community in all corners of the state that keep them here.

The Georgia Department of Economic Development works closely with international firms looking to establish or expand business operations in the United States. We have representatives in 11 strategic global markets in: China, Japan and Korea, Israel, Munich & United Kingdom, The Americas.

All are eager to introduce you to the State of Georgia and to provide you with an exciting opportunity to bring your business to a region where it can grow and thrive.

In Georgia's Atlanta office we have an experienced II team which helps international companies to establish, relocate or expand business operations in Georgia. The Georgia II team can do business in more than a dozen languages and has extensive experience living and working abroad. Project managers are familiar with the cultural nuances of doing business in many countries and regions.

The II team specifically assists the executives of foreign-based businesses with an interest in locating in the U.S. by coordinating a variety of services that include: Customized site searches for available buildings or sites; Information on operating costs, taxes, potential suppliers, industry sectors, etc.; Information on Georgia business and financial incentives; Access to programs for work force recruiting and training. As an additional service to the state's international business community, Georgia offers a

searchable database of international businesses located in the state.

The International Trade division provides Georgia exporters with free market intelligence, key in-country contacts and cost-effective international sales opportunities. The division leverages the state's international representatives located in 11 strategic markets, including Brazil, Canada, Chile, China, Colombia, Europe, Israel, Japan, Korea, Mexico and the U.K. & Ireland. With the support of the state's international representatives, the International Trade division, provides a variety of programs and services to qualified Georgia exporters.

Exclusive to Georgia, the Centers of Innovation provide over 1,500 businesses each year the technical industry expertise, collaborative research, and partnerships to help the State's strategic industries connect, compete and grow globally. The Centers of Innovation provide valued-added services that assist companies in Georgia's key industries to develop new products, services and markets through partnerships with state, federal and private institutions that comprise Georgia's Innovation Ecosystem. This Ecosystem contains a large and diverse array of participants and resources, including the state's universities and technical colleges, which contribute to and are necessary for ongoing innovation in the state's modern economy.

The study provides more detailed analyses of the reasons. Globalization provides unprecedented opportunities for the development of human society, but also threatens its existence. It is crucial to direct the process of globalization correctly, i.e. to carry out "fair globalization". Leading countries should contribute to this process as the issues often depend on their decisions. It is a hugely competitive process but simultaneously there is opportunity for enormous mutual assistance between the world market players and the states. Globalization shouldn't be rejected outright, but each country should be assured of possibilities to access scientific development, the creation of high technologies, cultural improvement, intellectual growth and so on. Although some functions of the

state are sacrificed to globalization, a country would acquire more international visibility and impact, which should be directed to neutralizing the negative impacts of globalization. This includes the effective use of aid, raising competitiveness, maintaining and developing the best national and cultural traditions. Otherwise, the country faces the threat of economic collapse followed by a loss of education, culture, traditions, etc.

2.3. ЭКОНОМИЧЕСКИЙ ПОТЕНЦИАЛ ПРЕДПРИЯТИЯ КАК ФАКТОР ЕГО КОНКУРЕНТОСПОСОБНОСТИ

В условиях рыночной экономики повышение конкурентоспособности отечественных предприятий все больше зависит от эффективности управления социально-экономическими процессами на макро- и микроуровне.

Эффективным и конкурентоспособным в условиях изменчивости внешней среды будет то предприятие, у которого четко определены стратегические цели и которое нацелено на поиск долгосрочных конкурентных преимуществ. В условиях нестабильности предприятие должно наиболее полно использовать собственные внутренние факторы и максимально быстро реагировать на внешние. Одним из факторов эффективной деятельности предприятия является его экономический потенциал.

Важность данной проблемы состоит в том, что переход экономики Украины к рыночным отношениям вызывает необходимость обновления и улучшения созданного потенциала на предприятиях страны, а также в том, что имеющие место и возрастающие в последние годы диспропорции в производственной сфере, вызванные замедлением (практически прекращением) внедрения достижений научно-технического прогресса, новой техники, прогрессивных (наукоемких) технологий, нарастание морального старения и физического износа технологического

оборудования, привели к несбалансированности производства продукции и снижению ее конкурентоспособности.

Потенциал (от лат. *potentia* – сила, мощь) в широком смысле – средства, запасы, источники, которые имеются в наличии и могут быть мобилизованы для достижения определенной цели, осуществления плана, решения какой-либо задачи [35].

Потенциал определяют как совокупность имеющихся средств, возможностей в какой-либо сфере деятельности, но в то же время термин «потенциальный» указывает на существующую возможность, а не на ее реализацию.

Потенциал – это объективно существующая система, состоящая из нескольких взаимосвязанных элементов, каждый из которых требует правильной оценки и научного управления; эффективность использования потенциала зависит от качества управления факторами, дифференцированными по своему составу в зависимости от элемента потенциала, состояния внешней и внутренней среды [83].

Потенциал (применительно к системе управления) – «источники, возможности, средства, запасы, которые могут быть использованы для достижения целей социально-экономического развития» [89].

Как отмечает А. Романова «когда потенциал рассматривается как совокупность ресурсов, его оценка заключается в установлении качественных и количественных характеристик значений отдельных видов ресурсов, причем их взаимное влияние не учитывается и не измеряется. Когда речь идет о системе ресурсов, то характеристики ее отдельных составляющих должны дополняться показателями, описывающими систему в целом» [98].

В. Свободин описывает ресурсный потенциал как «совокупность всех имеющихся в распоряжении данного объекта ресурсов». Такой же подход использует Ю. Василенко «...совокупность трудовых, природных, материальных затрат, которая определяется количеством, качеством, внутренней

структурой каждого ресурса...» [35]. Исходя из этого, ресурсный потенциал можно рассматривать как совокупность имеющихся видов ресурсов, скоординированных между собой, использование которых позволяет достичь максимального экономического эффекта. При данном подходе понятия «ресурсный» и «экономический» потенциалы совпадают [34].

Большинство исследователей считает, что ресурсный потенциал является фундаментом создания и развития экономического потенциала.

Экономический потенциал предприятия, по мнению И. Гуниной, представляет собой систему, включающую в себя совокупность кадровых, финансовых, производственных, инновационных, информационных и др. потенциалов, направленных на обеспечение долгосрочного экономического развития предприятия на основе принятых к реализации стратегий [65].

Д. Головкин под экономическим потенциалом предприятия понимает способность предприятия обеспечивать свое долговременное функционирование и достижение стратегических целей на основе использования системы имеющихся ресурсов с учетом возможностей, открытых перед предприятием, компетенций предприятия в целях удовлетворения спроса потребителя в товарах и услугах в том объёме и качестве, который определяется его индивидуальными потребностями [68].

В. Ковалев [76] под экономическим потенциалом видит «способность предприятия достигать поставленные перед ним цели, используя имеющиеся у него материальные, трудовые и финансовые ресурсы». Для формального описания экономического потенциала можно основываться на бухгалтерской отчетности, представляющей собой определенную модель предприятия, при этом выделяются такие стороны экономического потенциала как имущественное положение предприятия (имущественный потенциал) и его финансовое положение (финансовый потенциал).

Широко распространенным является мнение о том, что содержание экономического потенциала предприятия составляют два компонента:

- объективный компонент – это совокупность трудовых, нематериальных, материальных и природных ресурсов, вовлеченных и не вовлеченных по каким-либо причинам в производство и обладающих реальной возможностью участвовать в нем;

- субъективный компонент – это способности работников, коллективов к использованию ресурсов и созданию максимального объема материальных благ и услуг, и способности управленческого аппарата предприятия, организации, отрасли, хозяйственной системы в целом к оптимальному использованию имеющихся ресурсов.

Таким образом, из анализа методологических подходов определения «экономический потенциал» можно сделать вывод, что потенциал предприятия определяется как совокупность ресурсов, предоставленных в его распоряжение для производственной деятельности.

Авторский коллектив А. Алексеева, Ю. Васильев, А. Малеева, Л. Ушвицкий к важнейшим составляющим экономического потенциала относят: производственный потенциал, рыночный потенциал, финансовый потенциал [68]. То есть система экономического потенциала предприятия состоит из ряда подсистем, представленных на рис.1.

Целый ряд ученых указывают на необходимость рассмотрения экономического потенциала во взаимосвязи с производственными отношениями, которые возникают между отдельными работниками, трудовым коллективом, управленческим аппаратом предприятия, с внешней средой в целом по поводу полного использования их возможностей и способностей к производству конкурентоспособных товаров (услуг) [76]. Под производственным потенциалом предприятия, с их точки зрения, понимаются отношения, возникающие в организации для достижения максимально возможного производственного результата при наиболее

эффективном использовании интеллектуального потенциала, имеющейся техники, материальных ресурсов и т.д.

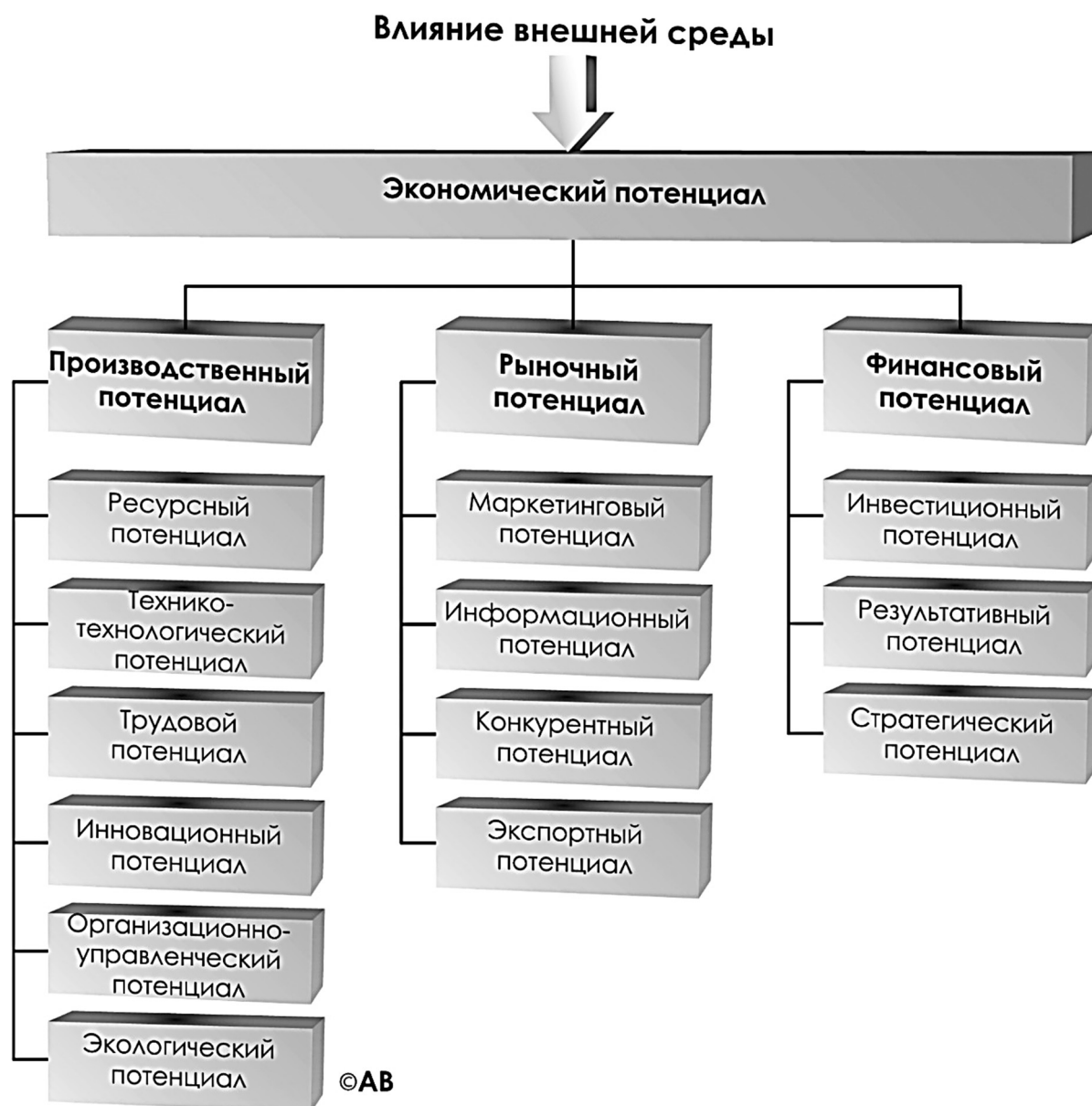


Рис.1. Система экономического потенциала предприятия

В. Гусаков категорию «производственный потенциал» характеризует как совокупность ресурсов и условий хозяйствования, обеспечивающих формирование определенных возможностей для производства соответствующего запросам рынка количества и качества продукции [67].

А. Анчишкин включил в понятие «производственный потенциал» набор ресурсов, которые в процессе производства принимают форму факторов производства [87].

А. Мозоль отмечает, что производственный потенциал – экономическая категория, выражающая системную характеристику производительных сил как совокупность различных комбинаций производственных ресурсов, которые функционируют в конкретных природных и экономических условиях и определяют способность материального производства, его отдельных отраслей и подотраслей, предприятий, их объединений и внутрихозяйственных подразделений произвести в единицу времени определенное количество продукции соответствующего качества, состава и ассортимента в сроки и местах, наиболее целесообразных с точки зрения интересов общества [87].

Производственный потенциал комплекса – это системное взаимодействие основных групп ресурсов, в результате которого «создаются оптимальные объемы производства при нормативных затратах труда и средств на единицу продукции и в конечном итоге – необходимая для расширенного воспроизводства сумма прибыли [87].

Производственный потенциал и его отдельные элементы (подпотенциалы представленные на рис. 1) оказывают существенное влияние на совокупный потенциал предприятия и его способность к деятельности в условиях конкуренции. Следует отметить, что различные сочетания элементов могут создавать большой набор вариантов возможного потенциала: от очень низкого до очень высокого. Причем если система эффективна и наблюдаются тенденции к ее устойчивому развитию, то, следовательно, предприятие обладает конкурентоспособным потенциалом.

Так же под производственным потенциалом следует понимать имеющиеся и потенциальные возможности производства к выпуску конкурентоспособной продукции при эффективном использовании основных факторов производства на основе обеспеченности основными видами ресурсов.

С. Пласкова понятие производственного потенциала рассматривает двояко. С одной стороны, как объем продукции, который возможно выпустить при полном потреблении имеющихся ресурсов, то есть производственная мощность предприятия. С другой стороны, «как имеющиеся и потенциальные возможности производства, наличие самих факторов производства, его обеспеченность определяющими видами ресурсов» [68]. С. Пласкова, исследуя производственный потенциал организации, отождествляет его с ресурсным потенциалом. Кроме этого, она отмечает, что изменение объема выпуска и реализации продукции, следовательно, выручки зависит от результативности использования ресурсного потенциала.

А. Шеремет под производственным потенциалом понимает «максимально возможный выпуск продукции соответствующего качества и количества в условиях эффективного использования всех средств производства и труда, имеющихся в распоряжении предприятия». При этом «максимально возможный» – означает при достигнутом и намеченном уровне техники и технологии, а также при полном использовании оборудования, при передовых формах организации производства и стимулировании труда. В отличие от производственной мощности, по мнению А. Шеремета, производственный потенциал предприятия характеризуется оптимальным использованием всех производственных ресурсов как применяемых, так и потребляемых в конкретных условиях научно-технического прогресса. В свою очередь, автор отмечает, что совокупный резерв повышения эффективности производства на предприятии характеризуется разницей между производственным потенциалом и достигнутым уровнем выпуска продукции [35].

Важнейшим компонентом производственного потенциала предприятия является трудовой потенциал. Приоритетами предприятий в области управления человеческими ресурсами должны быть [36]:

- поддержание процесса воспроизводства человеческих ресурсов на всех этапах развития производства;
- подготовка кадров для решения управленческих и производственных задач возрастающей сложности;
- создание условий, обеспечивающих повышение профессионализма кадров, направленных на достижение рабочих целей, развитие персональных компетенций;
- формирование и развитие системы социального обеспечения работников, поддержание и развитие корпоративной культуры.

Следует отметить, что экономический потенциал реализует свою функцию лишь в системе координат, которые определяются экономическими отношениями, охватывающими стадии производства, распределения, обмена и потребления, в результате которых формируются спрос, предложение и цена (рис. 1).

В настоящее время рыночный потенциал предприятия определяется с различных позиций, и единого подхода к пониманию этой категории нет. Так, одни авторы идентифицируют его с уровнем конкурентоспособности производства, другие понимают его как возможность реализации произведенной продукции.

Часто под термином «рыночный потенциал» понимается возможность предприятия оказывать решающее влияние на общие условия обращения товара на соответствующем товарном рынке и/или затруднять доступ на рынок другим предприятиям, и которая не связана напрямую с долей хозяйствующего субъекта на товарном рынке.

Рыночный потенциал, по мнению ряда ученых, характеризует максимальный объем реализации товара при определенном уровне обеспеченности ресурсами и представляющий собой меру использования производственного потенциала [65].

Основным показателем рыночного потенциала является индекс конкурентоспособности предприятия, определяемый как произведение индекса конкурентоспособности товарной

массы, поставленной предприятием на рынок, и индекса эффективности.

Е. Попов, рассматривая маркетинговую деятельность предприятия, характеризует категорию рыночного потенциала как совокупность средств и возможностей предприятия в реализации рыночной деятельности. Кроме этого, по мнению автора, сущность рыночного потенциала представляет собой максимальную возможность использования предприятием всех передовых наработок в области маркетинга. А рыночный потенциал в укрупненном виде является суммой методических, человеческих, материальных и информационных ресурсов, обеспечивающих рыночную деятельность [78].

Взаимосвязь и взаимодействие производственного и рыночного потенциалов формируют фундаментальные основы экономической деятельности, базирующиеся на вопросах: «Что производить?», «Как производить?» и «Для кого производить?». Иными словами, по мнению Е. Врублевского, экономический потенциал предприятия должен расширенно трактоваться не с позиции технико-технологических возможностей производственной системы, а величиной возможного к получению дохода как экономического результата деятельности предприятия [78]. Последний реализуется только будучи включенным в механизм рыночных отношений и формирует возможности производства, содержание которых определяется как сущность экономического потенциала предприятия.

Третья составляющая (рис. 1) – финансовый потенциал организации, представляющий собой отношения, которые возникают в организации для достижения максимально возможного финансового результата [78].

По мнению Т. Толстых, Е. Уланова финансовый потенциал предприятия – обеспеченность финансовыми ресурсами, необходимыми для нормального функционирования предприятия, целесообразность их размещения и эффективность использования [65]. По мнению П. Фомина,

М. Старовойтова это отношения, возникающие на предприятии по достижению максимально возможного финансового результата при условии [65]:

1. наличия собственного капитала, достаточного для выполнения условий ликвидности и финансовой устойчивости;

2. возможности привлечения капитала в объеме, необходимом для реализации эффективных инвестиционных проектов;

3. рентабельности вложенного капитала;

4. наличия эффективной системы управления финансами, обеспечивающей прозрачность текущего и будущего финансового состояния.

Ряд авторов определяют финансовый потенциал как способность предприятия получать денежный капитал и управлять им [45]. В данном случае рассматривается уровень финансовой устойчивости и зависимости, возможность привлечения внешних финансовых ресурсов, наличие стандартов бухгалтерского учета различного уровня, качество управления инвестициями и другие характеристики. Н. Сорокина определяет его как совокупность финансовых ресурсов, вовлеченных в оборот, с учетом привлечения дополнительных финансовых источников, исходя из стратегических перспектив и инвестиционной привлекательности фирмы [45].

В. Кунцевич вводит понятие финансового потенциала развития предприятия в виде совокупности имеющихся финансовых ресурсов, возможностей системы по их привлечению и эффективному управлению для достижения тактических и стратегической целей предприятия [46].

Таким образом, при определении категории «финансовый потенциал предприятия» акцентируют внимание на следующих аспектах:

▪ совокупность финансовых ресурсов (возможностей) предприятия;

▪ возможности предприятия по привлечению и эффективному управлению финансовыми ресурсами

(капиталом, денежным капиталом, денежными потоками, фондами денежных средств);

▪обеспечение деятельности предприятия (текущей и перспективной);

▪обеспечение достижения тактических и стратегических целей предприятия.

Комплексное развитие и использование всех потенциалов (подпотенциалов) входящих в систему экономического потенциала обеспечивает повышение эффективности деятельности предприятия за счет эффекта синергизма и как следствие повышение его конкурентоспособности. При этом следует отметить, что некоторые составляющие экономического потенциала могут иметь и отрицательный знак, что неблагоприятно влияет на функционирование всей системы.

Исходя из выше сказанного, экономический потенциал предприятий является функцией многих параметров, включая параметры состояния предприятия и факторов внешней среды. На рис. 2 приведена модель формирования экономического потенциала.

К основным характерным чертам экономического потенциала можно отнести:

1. Сложность. Экономический потенциал состоит из нескольких элементов (подпотенциалов), каждый из которых представляет собой подсистему.

2. Целостность. Все элементы экономического потенциала служат общей цели, стоящей перед системой, которой является современное предприятие.

3. Упорядоченность взаимосвязей и взаимодействие элементов.

4. Взаимозаменяемость элементов, что создает возможность выбора эффективных вариантов функционирования предприятия.

5. Способность к развитию путем непосредственного использования новых технологических идей.

6. Гибкость. Возможность адаптации к изменениям внешней среды и переориентации системы на выпуск новой продукции без коренного изменения материально-технической базы.

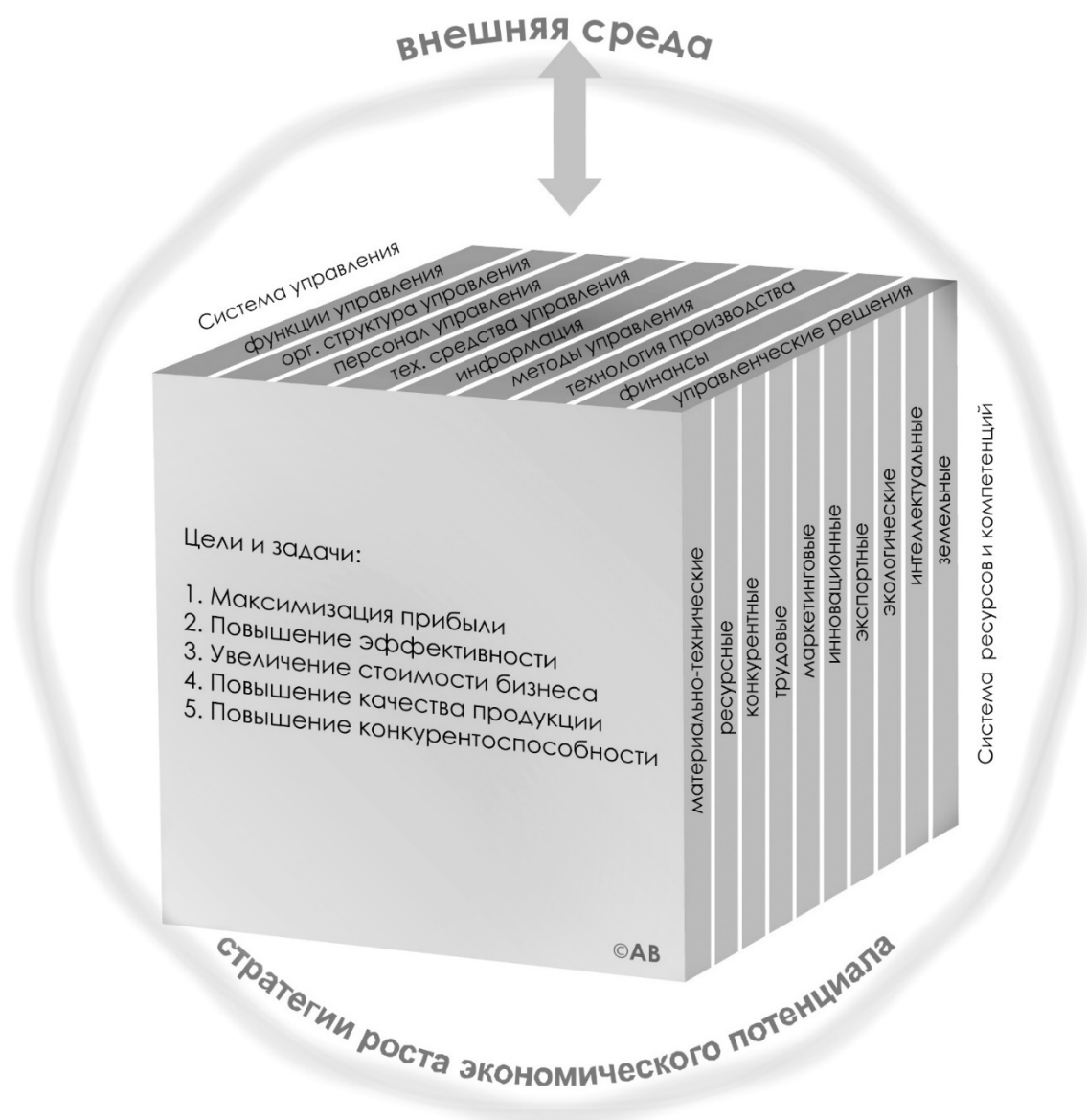


Рис. 2. Модель формирования экономического потенциала предприятия

Таким образом, конкурентоспособность экономического потенциала предприятия – сравнительная характеристика, содержащая комплексную оценку состояния его важнейших параметров относительно каких-либо выбранных стандартов – мировых, национальных, отраслевых, другого предприятия.

Конкурентоспособность предприятия определяется с помощью двух групп показателей:

- конкурентоспособность выпускаемой продукции;
- эффективность использования всех потенциалов.

Анализируя экономический потенциал конкретного предприятия в ряду отраслевых предприятий по основным его элементам, можно выявить уровень его конкурентоспособности.

Обобщая выше сказанное, можно сделать вывод, что экономический потенциал предприятия представляет собой сложную систему, состоящую из потенциалов различного уровня (подпотенциалов), имеющих свои функции и цели, возникающие в зависимости от факторов внешней среды. Взаимодействие этих потенциалов формирует экономический потенциал, характеризующий возможности предприятия эффективно функционировать в рыночных отношениях, обеспечивая его устойчивую конкурентоспособность.

2.4. EU BUSINESS ENVIRONMENT, INSTITUTIONAL BASICS OF STATE'S SOCIO-ECONOMIC DEVELOPMENT AND COMPETITION

European orientation of Georgia stresses the urgency of a systematic and effective consistent integration of our country in the EU and Euro-Atlantic structures. At the same time, there is certainly the expectation in the Georgian society that the new European potential will be used for the country's socio-economic development in the modern and global conditions.

By reference to the characteristics of the EU, as a socio-economic system, and due to Georgia's current and future multilateral correlation positions in the framework of the Association Agreement, first of all, it is important for our country to identify challenges and to develop and implement relevant social and economic policy based on the same.

In our opinion, proper understanding of the issues and their consistent solution is possible only with the institutional

approach. It is transformation of the institutions which is a really important foundation for Georgia to benefit from the EU and its business environment potential [33]. We believe that the urgency of the institutional approach casts no doubt as world-known researches have proved that predominantly institutional factors were involved in the formation of different levels of development between countries during long historical periods.

Under the contemporary globalization conditions, it is of great importance to ensure competition in the economic activities for a country's socio-economic development and the effective business operations. For Georgia, this issue has become particularly important after the EU association agreement. Naturally, it is urgent for the country to improve the separate mechanisms of the internal competition, as well as to ensure consistency of the competition institutional environment.

The most important issue is that the process of creating institutions (institutionalization) must be systemic and synchronous in the dynamics (time). It should be noted that institutionalization ultimately means changing of spontaneous and experimental behavior to regulated, expected and predictable behavior. In addition, due to the positions of effective functioning of institutions in the process includes (theoretically and methodologically must be separated) several interrelated stages, such as: Development (identification) of demand which requires organized joint (not spontaneous) activities from humans; Development of standards and regulations in the process of natural social and economic interaction; application of sanctions imposed for the promotion of such regulations; Determination of respective status and roles for each member of the institute; Establishing formal and informal organizations, which will regulate the institute activities. Thus, it can be said that in case of institutionalization, institutions (primarily economic institutions, but not only) are "cultivated" locally and not imported from outside i.e. "transplanted" (see [311] for economic transplantation of institutions). As the transformation practice of post-communist period shows, import of institutions to other

countries, when an imported institute evolved for many years and functioned efficiently in a qualitatively different environment other than the "importer" country, in most cases, tends to yield no desired results, which is due to a number of reasons (the complex analysis of the same is provided in the paper [261]).

Prior to immediate consideration of the above issue, we consider interesting to analyze the dynamics of gradual improvement of the competitive mechanism and competition policy in Georgia, which is displayed by its chronological development especially in Georgia and in other various countries of the world [34].

As the development process of the competition legislation of Georgia took into consideration the international experience in this field, as a whole, it was still considered as a progressive legislation despite a number of deficiencies and shortcomings, which were pointed out by Georgian as well as foreign experts. Unfortunately, the legal and institutional reforms carried out in the field of competition in 2005 neglected a number of very important competition rules and regulations that led to estrangement of the country's competition law instead of its approximation to the European legislation, the harmonization of which is Georgia's officially declared priority and targeted criterion. This applies first of all to the law "On Free Trade and Competition", which was the framework law within the competitive legislation of Georgia in both hierarchical and functional point of view. The major competition law adopted in 2005 unfortunately did not regulate the universally recognized key issues of the competition law such as:

- Improper use of the position by economic agents having a dominant position;
- Anticompetitive horizontal and vertical agreements and concerted actions of economic agents in the goods market;
- Merging of economic agents;
- Competence spheres of exclusive property owners (natural monopolies);
- Detection and eradication of cases of unfair competition.

Here it is necessary to note that the latter due to its particular importance in many countries is regulated by a separate law whereas the Georgian competition law generally ignored it and did not even define it at the definition level.

The retrospective analysis of the normative documents related to the competition policy within the various sectors and areas enables to outline several typical and common shortcomings: absence of unified, comprehensive and consistent state policies; declarative character of regulations and provisions and therefore, the absence of the comprehensive mechanisms for specific objectives and their implementation.

The retrospective of the competition policy development points out the apparent lack of the state's activities in 2004-2012. The analysis of the government programs indicates that Georgian government recognized the need for the development of competition, but there was not enough understanding how, by what means and ways to carry out these activities. The problem was not the underestimation of the role and importance of competition in the economic development of the country (in terms of market relations it would be nonsense to announce it), but the lack of appropriate valid mechanisms for promotion of sound competition environment and the constant protection of the competition. Otherwise, even the healthy competitive struggle is often followed by a gradual concentration of economic power in the hands of an economic agent and emergence of a monopoly entity with the relevant consequences and market behavior.

In response to the criticism of the European experts and the need for improvement of the competition policy, the systematic pseudo-intensive work was carried out in the country for years for reconstruction and re-organization of the competition policy and relevant executive bodies and increase (change) of their powers, which never reported to have even the slightest positive result. In fact, it could never happen as there was (at least was not visible) no desire and the State's will to achieve it. In December 2010, Georgian government, by adopting the comprehensive strategy of the competition policy, expressed its political will to develop the

modern competition policy and to bring the competition law into conformity with the international practices and at the same time acknowledged that the law "On Free Trade and Competition" was developed for the transitional period and actually it was necessary to adopt a new framework law which would cover all the sectors of the economy, including non-liberal and public procurement areas. Within the institutional reform provided pursuant to the strategy, the Presidential Decree of 26 February 2010 created an independent LEPL - Free Trade and Competition Agency with the promise that with the further actions it would be granted respective powers and capabilities outlined in the Action Programme. At the end of 2011, the agency merged with the State Procurement Agency and at the beginning of 2012 it was operating as a legal entity of public law- Competition and State Procurement Agency, whose numerous structure completely "engulfed" a small group of employees working on the issues of competition; In our opinion, it was even functionally incompatible to assign powers of the two agencies to one.

After the long anticipation and permanent promises, in May 2012, a new edition of the Georgian law "On Free Trade and Competition" was adopted, which in its essence was behind both the European standards of the competition regulations and rules and the criteria defined under the comprehensive strategy of the competition. It is necessary to say that the wording of the above mentioned edition of the law is more adequate than the version of 2005, which was completely away from the EU framework of competition law, and as it was mentioned above, it virtually did not meet any basic competition regulations. However, the new law did not comply with the EU norms. Unluckily, the law did not apply to the markets whose goods turnover did not exceed 0.25% of GDP; In addition, with no reason it did not apply to the facilities important for the State's security and the goods and services required for the defense and public safety; The horizontal agreements remained beyond the scope of the law if the parties' joint market share did not exceed 25%, and in vertical agreements - 40%, while the relevant EU regulations account for 10% and

15%; The logic of the competition is inconsistent with the fact that the regulatory provisions of the state aid do not apply to the expenditures allocated from the reserve funds of President, the Georgian Government and Tbilisi City Hall. Moreover, it is not right that the legislation allowed any kind of tax cuts and restructuring if decisions were made by the Georgian government; the similar situation is in respect of the suspension of the actions ensuring the payment and write-off of tax liabilities. Totally incomprehensible and illogical is the fact that the law did not allow the competition body, if required, to act independently from the government and make the analysis of the goods markets and make the decision in terms of restoration of the competitive environment. Therefore, the Competition Agency was not responsible for non-competitive situation on the markets, which was not included in the priorities predetermined by the government.

The Georgian authorities (the Government and the Parliament), who in their pre-election programs provided the regulation of the competition and its approximation to the European standards, have been working intensively with the non-governmental organizations and foreign experts in this direction for over several years and discussed various bills and drafts for implementation of the radical changes in order to improve the current competition legislation and develop the optimal structure of the relevant executive body. Indeed, in response to the recommendations of the EU's relevant competition authorities, the Georgian government approved for the operation a new competition legislation compatible with the new and modern requirements, implemented an institutional reform, which will enlarge and enhance the Agency's authorities, considerably improve its structure, promote the work efficiency and ensure transparency. In particular, after the new government came to power, in March 2014 the law "On Competition" was amended and a new body was established – the Competition Agency.

In addition, we believe that the following measures should be considered, without which the work of the new competition agency will be inefficient.

The activities of the Agency will not be effective without the adequate cooperation between the regulatory bodies (the Communications Regulatory Commission, Energy and Water Supply Regulatory Commission).

It is necessary to develop the methodology for qualitative and quantitative assessment of the market, as well as to develop and improve the methods for detection of significant monopolies. Each of the above document should focus on the question: Does it limit the number of suppliers? Does it limit customers' choice?

The competition agency should be a regulatory body, which will regulate the conduct of companies in the market to ensure maximum welfare of the community and it should not be necessarily identified with the body fighting against crimes. Combat against crime is the prerogative of the law enforcement agencies and not of the regulator's.

The opinion that the competition law will be an obstacle for the business is incorrect. The essence of the competition law includes the inadmissibility of any actions against free competition in any country. This can be done by both governments and private businesses, for example, such as cartel arrangements. The competition law is aimed at disallowance of competition restriction regardless the party implementing thereof. None of the valid legislation prohibits the monopoly conditions that can be achieved through a successful strategy. Merely, there is a list of the actions that fall within a certain amount of monitoring.

The regulatory agency should impose appropriate sanctions on violations, including monetary penalties and pricing restrictions. The amount of such penalty shall be at least equal to the size of the loss; Otherwise, the mechanism of resources allocation will be inefficient and generate more losses rather than it happens during the monopoly.

The Competition Agency was created with the view to implementing the effective state supervision of free, fair and

competitive environment in the market. The powers of the Agency include the implementation of any effective measures in order to prevent an economic agent which has a dominant position from abusing its position in the market, promotion of small and medium businesses, timely and appropriate response to any violations of the competition regulatory legislation.

Pursuant to the article 109 of the Treaty (TFEU - Treaty on the Functioning of the EU), the regulatory authority shall be authorized to carry out a market analysis in the relevant goods and services markets, which are subject to regulations. The regulator agency, in accordance with the Treaty, shall determine, impose, maintain, amend or suspend obligations. Based on the market analysis, it shall determine whether the market is competitive or not.

In the event that the regulatory authority considers that the market is not competitive, it shall identify some service providers with significant market power on the market and impose, maintain or amend any specific obligations in accordance with Article 107 of the Treaty.

The governing provisions of the competition institutional framework established the independence guarantees for the Competition Agency: the implemented changes led to increase of the Agency's independence. In particular, the Agency may independently start investigation of any market segment if there is any sign of competition restriction in the area and the situation requires intervention of the competition authority. Since the effectiveness of the Agency activities and provision of the fair competition in the market requires timely decision making from the Agency, the Agency introduced some amendments to its regulatory provisions to ensure timely investigation of each individual case. The Agency service fee was cancelled and an applicant does not have to pay it when filing any claim or submitting any application.

Generally, according to the EU law, the common monetary penalties apply to subjects of the Cartel. Very often, the cartel subjects admit their guilt on the grounds that with the

"cooperation" with the State they are partially or fully exempted from the sanctions.

It is important that the Leniency Program - one of the basic tools for fighting against anti-competitive behavior of economic agents in the US and Europe- is being introduced into the Georgian legislation.

As it is known, the program involves a full or partial exemption of an economic agent from any liability established by the law if it during the investigation of anti-competitive conduct cooperates with the Agency. Through the cooperation program, the Agency will be able to obtain the necessary information for the purpose of investigation of the anti-competitive behavior of any economic agent.

According to the experts, the real practice has revealed a number of problems, which should be solved in order to effectively implement the new mechanisms of the competition. In particular, the insufficient period for consideration of concentration cases; imperfections of the mechanism for identification of cartels arrangements with indirect evidence; functional failure of the State aid agreement procedures; non-binding nature of obtaining the data requested from any economic agents operating in any relevant market under the concentration; immaturity of the legal mechanisms for obtaining any information at own initiative requested from economic agents during the investigation; ineffective penalty sanctions for non-provision or incomplete provision of any information requested from any economic agent; inefficiency of the mechanisms against dishonest competition provisions; absence of the legal mechanism for obtaining primary data required for the assessment of the competitive environment in the relevant markets from the National Statistics Office of Georgia; imperfections of the mechanisms for checking economic agents in place; Insufficient term of limitation applicable to any breach of the competition law.

Encouraging the effective functioning of the economy and business within the context of improving the competition mechanisms in the country, it is particularly critical for Georgia

to present the individual areas of the Georgian community and the institutional environment in a clear system, to monitor the dynamics of their structures and to solve relevant problems adequately [33].

The key to the issue of institutionalization in our view is an adequate measurement of the development level of the institutional structure (the main structural component which ensures effective functioning and complexity of dynamics of the country's socio-economic system) [32]) to provide effective monitoring of development and functioning of institutions, as well as to determine a specific country's state with regard to other countries (benchmarking).

It logically raises the question about the EU's business environment, also the compatibility of institutional structures of the socio-economic systems of the EU countries and Georgia. Therefore, it is of great importance, if necessary, to determine certain directions for institutional changes, and their practical and systemic implementation.

As mentioned above, the mechanical copying of institutions is not effective for the country. Based on the logic of systemic institutionalization, the first phase should include identification of needs and relevant problems, which could be solved with an institutional approach (arrangement). In this respect, we think it is recommended to consider the areas where the country is experiencing a significant lag, which essentially prevents the country's socio-economic development and probably business operations.

For Georgia's institutional benchmarking purposes, we will choose Switzerland (a European country with effective institutional arrangement, although not a EU member) and Estonia. The efficiency of the institutional structure, we think, can be indirectly measured by the country's sustainability level in extreme (crisis) periods (generally, with the economic theory instrumentals for measurement of institutions, previously argued by R. Matthews [157]). Indeed, Switzerland shows quite good dynamics during the 2008 crisis and the following periods, and

Estonia also has the favourable characteristics upon the post crisis stage (see, for example, the statistical data [254]).

Here, it is interesting to bring up a question: is economic development level important for the quality of its economic dynamics sustainability? In general, of course, it is, but not decisive. The effectiveness of the institutional structure is more significant, we believe. This is clearly evidenced in the Euro Zone and some countries, for example, USA, China, Turkey, Japan (the statistical data applied [4]).

As for the institutional structure, as the country's socio-economic development sustainability ensuring factor, as noted above, in our opinion, the key is identification and monitoring with, for example, the Index of Economic Freedom, which has been developed (calculated) annually by The Wall Street Journal and Research Center Heritage Foundation since 1995 in the light of most countries of the world. [4].

According to the 2017 data, Georgia belongs to the group of countries with mostly free rating as it moved from the last year's 23rd place to 13th in the world, while among 44 European countries it already takes the 5th place. Pursuant to the Economic Freedom Score (76), it stands alongside with the countries such as Taiwan (76.5), the United Kingdom (76.4), Luxembourg (75.9) and the Netherlands (75.8). For example, the United States is rated 17, while the corresponding score is 75.1. As for the top five countries, they are: Hong Kong (89.8), Singapore (88.6), New Zealand (83.7), Switzerland (81.5), Australia (81.0). It should be noted that the world average score is 60.9 (which corresponds to the level of moderately free score), and the average regional (European) is 68.0 (also moderately free country level with freedom level higher than moderate world average score). Thus, Georgia according to its Economic Freedom integral indicator takes higher position in the region (in Europe) and the world.

For years, unfavorable lower level of systemic institutionalization has been observed in Georgia, although some subsystems of institutions were evolving quite rapidly. It should be noted that according to 2017 data, Georgia's state has

significantly improved compared to previous years, but still it lags behind the benchmark and leading European countries in terms of development of market openness (investment freedom and financial freedom), also Law and Order (property rights and freedom from corruption)institutions.

We believe that a gradual reduction of the above mentioned lag should be one of the main directions of systemic institutionalization of our country in the coming years. This will allow to fully use modern European institutional structure and the EU business potential for our country's socio-economic development. The implementation of a complex of activities has already been included in Georgia-EU Association agenda [9], as well as in the socio-economic development strategy of Georgia (2020)[10].

One can confidently say that Georgia is facing fundamentally new challenges, and in our opinion, the key for our country, which is a part of Europe, is to manage and establish closer ties with the European countries within globalization processes taking place in the world in parallel with mutually beneficial and pragmatic cooperation with other countries. In addition, the focus must be placed on strengthening of objectively positive aspects of our own state social and economic system, and transforming of negative and weak elements of our society with a consistent and clear, acceptable and painless for the society methods and forms. At the same time, we should take into account Georgia's own national and world civilization centuries-old experience of the past and best samples and models of modern periods.

2.5. БЛАГОДІЙНІСТЬ ЯК РІВЕНЬ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ БІЗНЕСУ

Сфера благодійної діяльності є маловивченою, хоча це найяскравіший прояв соціальної відповідальності бізнесу. Виходячи з цього, перспективним можна вважати вивчення можливостей поєднання потенціалу благодійної діяльності із новітніми методами та технологіями забезпечення соціальної відповідальності бізнесу. Основним таким методом є механізм соціального інвестування.

За результатами міжнародного дослідження World Giving Index 2017 на Україна піднялася в світовому рейтингу благодійності на 3 процентних пункти, посівши 90 місце. Про це свідчать дані міжнародного благодійного фонду Charities Aid Foundation (CAF) за 2017 рік. Для порівняння, у 2010 році Україна посідала 147 місце, а у 2013 році – 102 місце, тож спостерігається позитивна динаміка. Це підвищення зумовлене інтересом до благодійної діяльності серед українських бізнесових організацій та приватних осіб, що постійно зростає.

Улітку 2016 року Український форум благодійників провів опитування провідних вітчизняних компаній, які займаються благодійною діяльністю, у якому взяли участь 25 компаній України з різних сфер діяльності. Було виявлено, що компанії більш охоче взаємодіють безпосередньо з представниками цільової аудиторії своїх благодійних програм. Вони надають благодійну допомогу безпосередньо адресатам (68%) або самостійно виконують благодійні програми (68%); не дуже широким є використання волонтерської діяльності співробітників (28%). Найбільш поширеними сферами роботи є: соціальний захист (85%), освіта (69%), та охорона здоров'я (62%). Це дає зрозуміти, що деякі компанії здійснюють благодійну діяльність за декількома напрямками одразу.

За даними дослідження «Компаративна оцінка бізнес-практик корпоративної соціальної відповідальності в Україні» (2015-2016 рр.), відомо, які за розміром підприємства більш

залучені до благодійництва. Наочно ця картина зображена на рис. 1.

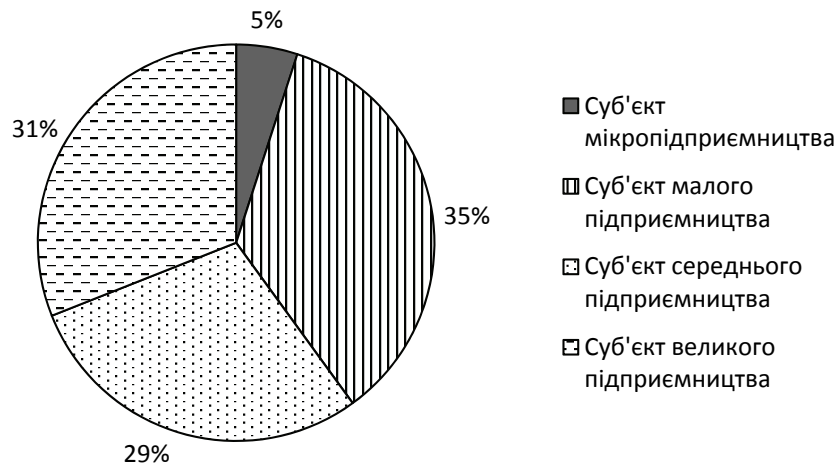


Рис. 1. Розподіл вагомості суб'єктів підприємництва у благодійності (%)

Джерело: Побудовано автором за даними дослідження «Оцінка бізнес-практик корпоративної соціальної відповідальності в Україні» (2015-2016 рр.)

Як бачимо, найбільший сектор – це сектор малого підприємництва та великого. Великі підприємства (31%) хоч і не займають найвагомішу частку, але жертвують більш значні суми на благодійність. Структура витрат великих підприємств на благодійність за 2012–2016 рр. має неоднозначні стрибки. У 2013 році витрати значно збільшились, на 17% у порівнянні з 2012 роком. 2014 рік не ніс суттєвих змін, у 2015 році ця тенденція до спаду збереглася. Та незважаючи на попередні спади, 2016 рік показує значне підвищення розмірів витрат на благодійність (табл.1 та рис.2).

Для переважної більшості компаній-благодійників найбільш виправданим видається надання допомоги у подоланні соціальних проблем (підтримка соціально незахищених верств населення: діти-сироти, люди похилого віку).

Таблиця 1

Рівні витрат на благодійність 2012-2016 рр.

Рік	Витрати на благодійність	
	млн. грн.	%
2012	593,4	100%
2013	695,8	117,26%
2014	699,5	100,57%
2015	653,9	93,48%
2016	925,0	141,46%

Джерело: розраховано за даними [5–8]

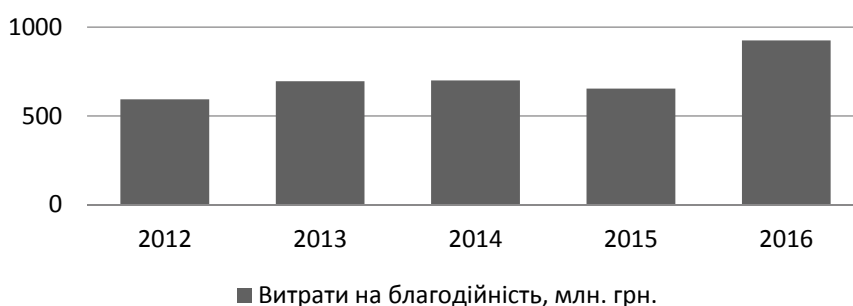


Рис. 1. Динаміка витрат на благодійність 2012-2016 рр.

Джерело: побудовано автором за даними [322,323,290,289]

Таблиця 2

Сфери розподілу надання допомоги, %

Сфера	Рівень зацікавленості, %
Соціальні проблеми	73
Охорона здоров'я	45
Люди з вадами здоров'я	39
Освіта	38
Культура	38
Спорт	33
Охорона навколишнього середовища	16
Наука та технології	13
Захист інтересів громадян	10
Підтримка видатних особистостей	10
Інше	9

Джерело: [293]

Охорона здоров'я, допомога людям із вадами здоров'я, проекти в культурній, освітній, спортивній сферах як напрямки благодійництва цікавлять опитані компанії у другу

чергу, і приблизно з однаковою мірою (від 33% до 45%). Решта напрямків (охорона навколишнього середовища, підтримка проектів, пов'язаних із наукою і технологіями, правовий захист громадян, підтримка видатних особистостей шляхом надання коштів для стажування чи стипендій) є привабливими для найменшої частки компаній (від 16 до 10 відсотків) (табл.2 та рис.3).

59% компаній готові надати кошти на підтримку бюджетних організацій (лікарні, дитячі будинки, будинки для людей похилого віку). 41% бажають підтримати освітні та наукові заклади, в той час, як 35% організацій підтримують асоціації та професійні спілки, що допомагають своїм членам. Підвищується рівень допомоги релігійним установам і церквам, адже їм допомагає 22% організацій. Низький рівень підтримки мають благодійні фонди, які акумулюють кошти для подальшого розподілення між неприбутковими організаціями. Це викликано низьким рівнем довіри організацій та фізичних осіб до фондів такого типу. Лише 4% організацій добровільно підтримує політичні рухи та партії [293].

Більшість компаній надає фінансову підтримку на здійснення певних проектів (80%). Ще 47% опитаних роздають продукцію, що виробляє компанія і 30% послуги (безкоштовна реклама, залучення працівників компанії до виконання благодійних проектів тощо). 23% компанії надає перевагу наданню продовольчих та побутових товарів пошукачам благодійної допомоги на відміну від перерахування фінансової допомоги.

Важливим критерієм оцінювання благодійних програм є такий вид економічного оцінювання програм, як аналіз витрат і результативності, в якому здійснюється порівняння витрат на певну програму (або набору програм, пов'язаних близькими цілями) та її наслідків. Витрати наводяться у грошовому еквіваленті, тоді як наслідки програми виражаються у своїх природних одиницях, як от число врятованих життів [307].

В таблиці 3 представлені приклади співвідношення витрат на благодійну допомогу деяких організацій та отриманого результату.

Таблиця 3

Витрати-результати благодійних програм

Організації	Затрачені ресурси	Отриманий результат
ВБФ «Крона» групи компаній НІКО	241 586 грн	60 дітей отримали допомогу в рамках програми «Велике серце»
Воля	16 000 грн	4 навчальні заклади отримали допомогу
ВБФ «Соціальне партнерство»	1 000000 грн	182500 виданих порцій їжі в рамках програми «Соціальний патруль»
МБФ «Міжнародний Альянс з ВІЛ/ СНІД в Україні»	150 000 грн + in-king внески (товари та одяг)	175 дітей та 10 закладів отримали допомогу

Джерело:[307]

Згідно отриманих даних, організації витрачають значні суми коштів на допомогу набувачам допомоги та закладам.

Благодійні програми на сьогодні є перспективною сферою для бізнесу та благодійних організацій. Все більше підприємств реалізовує благодійних програм, напрямки та сфери яких є індивідуальними для кожної організації. Такий розвиток благодійництва є вигідним та зручним як для благодійників, так і для набувачів благодійної допомоги. Процес реалізації та його успіх залежить від цілей, поставлених організацією-благодійником, а також від обраних нею інструментів. Наразі в Україні спостерігається підвищення зацікавленості бізнесових організацій у благодійництві. Великі компанії задають цю тенденцію, а малий та середній бізнес підхоплює та створює рушійну силу, що забезпечує розвиток благодійництва, та, як результат, підвищення рівня соціальної відповідальності.

2.6. ПРАКТИКА КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ В КРАЇНАХ ЄВРОПИ

У сучасному житті гостро постає питання корпоративної соціальної відповідальності, адже, людство прагне до досягнення вищих цілей у розвитку цивілізації. Тому, щоб розвиватися поступово, але цілеспрямовано потрібно розвивати всі компонентні складові суспільної сфери. Так як, корпоративна соціальна відповідальність – це концепція, відповідно до якої організації враховують інтереси суспільства, беручи на себе відповідальність за вплив їх діяльності на фірми та інші зацікавлені сторони суспільної сфери [283], цьому напрямку приділяють значну увагу.

За основу дослідження було взято Європейську модель корпоративної соціальної відповідальності, в якій видимим є розвиток державних компаній, на які оказує свій вплив європейська спільнота. так, при цій моделі держави зацікавлені у благополучному і стабільному суспільстві, шляхом підтримки розвитку соціальної відповідальності.

На сьогодні простежується тенденція адаптації європейської моделі у великих компаніях, які досягли певних результатів у співпраці з державою. При цьому, відбувається посилення стратегічного розвитку за допомогою посилення соціальних ініціатив. Характерною рисою європейської моделі соціальної відповідальності є фінансування державою соціальних програм для населення з податкових зборів [241]. Привабливість моделі полягає у можливості проведення оцінки діяльності у вимірних-конкретних одиницях.

Зважаючи на те, що ЄС представляє собою спільноту різних країн було розгалужено сфери прояву державної політики (рис. 1).

Відповідно, до цього було виділено чотири типи національних політик, якими керуються держави (рис. 2).

Кожна з груп містить свій перелік країн, які притримуються європейському різновиду напрямків у

розвитку країни. Сталий перелік політик в європейській моделі можливо проаналізувати за допомогою коефіцієнтів стійких світових корпорацій наведених у таблиці 1. Кожен колір об'єднує країни, які відносяться до одного з типів національних політик.



Рис. 1. Сфери прояву державної політики

Джерело: Побудовано автором відповідно даних [241].



Рис. 2. Чотири типи національних політик

Джерело: Побудовано автором відповідно даних [241].

В загальному підсумку країни ЄС, займають майже половину переліку Global 100 2017 р. найбільш стійких корпорацій з світовим індексом.

Таблиця 1

***Global 100 найбільш стійких корпорацій у світі
2017 р.***

№	Країна	Напрямок праці	%
1	Німеччина	Промислові конгломерати	73,1
4	Данія	Банки	71,05
5	Нідерланди	Банки	70,93
7	Нідерланди	Промислові конгломерати	69,92
9	Нідерланди	Хімікалії	67,77
11	Франція	Програмне забезпечення	67,2
12	Великобританія	Інвестиційні фонди власного капіталу (REITs)	67,18
13	Великобританія	Мульти-утиліти	66,89
15	Німеччина	Товари для дому	65,89
16	Німеччина	Автомобілі	65,34
17	Франція	Банки	65,31
18	Фінляндія	Комунікаційне обладнання	64,79
20	Італія	Банки	64,13
21	Швеція	Папір та лісова продукція	64,08
23	Фінляндія	Нафта, газ та витратні палива	62,89
№	Країна	Напрямок праці	%
25	Фінляндія	Харчова промисловість та	62,86
27	Франція	Електричне обладнання	62,28
28	Франція	Медіа	62,25
29	Франція	Медіа	62,14
31	Франція	Нафта, газ та витратні палива	62,05
32	Великобританія	Багатонаціональна роздрібна торгівля	61,72
33	Великобританія	Медіа	61,71
36	Данія	Хімікалії	60,92
38	Франція	Особисті продукти	60,75
41	Великобританія	Різноманітні телекомунікаційні послуги	60,45
42	Франція	Банки	60,25
43	Франція	Автомобілі	60,24
46	Швеція	Банки	59,35
48	Великобританія	Напої	59,16
49	Німеччина	Текстиль, одяг та предмети розкоші	58,68
51	Великобританія	Медіа	58,63
54	Швеція	Спеціалітет роздрібною торгівлі	58,1
56	Італія	Страховання	58,08
57	Ірландія	ІТ-послуги	57,98
59	Франція	Електричне обладнання	57,82

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№	Країна	Напрямок праці	%
62	Італія	Нафта, газ та витратні палива	57,49
64	Великобританія	Напої	56,88
66	Бельгія	Фармацевтика	56,7
72	Швеція	Комунікаційне обладнання	55,48
74	Німеччина	Автомобілі	55,24
76	Великобританія	Товари для дому	55,02
77	Нідерланди	Професійний сервіс	54,9
79	Франція	Торгові компанії та дистрибутори	54,86
80	Франція	Текстиль, одяг та предмети розкоші	54,75
90	Фінляндія	Будівництво та інжиніринг	53,25
93	Великобританія	Промислові конгломерати	52,4
95	Нідерланди	Напівпровідники та напівпровідниковий прилад	52,02
96	Німеччина	Транспортна інфраструктура	51,89
97	Великобританія	Професійний сервіс	51,76

Джерело: Побудовано автором відповідно даних [3].

Європейська практика показує, що держава зацікавлена в благополучному і стабільному суспільстві, яке складається з найманих робітників. Тому вона регулює відповідальність корпорацій перед працівниками. Адже, корпоративно-соціальна діяльність корпорацій базується на досягненні інвестиційної привабливості та підвищення прибутку корпорацій. Таким чином, розвивається персонал, природоохоронна діяльність та галузеві стандарти.

SECTION 3.

RISK MANAGEMENT IN THE TRANSFORMATION PERIODS

3.1. STATE REGULATION OF INNOVATIONS IN GEORGIA AND COMPARISON WITH EUROPEAN COUNTRIES

An innovation is a significant positive change in a product offering, services, business model and activities. The innovation is used to describe large-scale changes, which result successful development of company's activities. These changes may be related to new or improved product, process, marketing expenses, investments, development of intellectual property or acquisition of technologies. The innovations are considered as fundamental, decisive factors in company's activity. Different companies use different methods of innovations. Frequently an aim of this process is to develop more efficient production, services, technologies or ideas, which are available at the market for state and society. Generally the innovation (in the science of economic management or other fields) is a process, which combines different new ideas that have impact on a society.

The ecosystem of innovations should support development of country's productivity and as a result, new production and technologic solutions should be developed. The innovation doesn't have restrictions. It may exist in any field. Persons with innovational thinking, inventors, scientists, researchers and others are necessary to convert innovational ideas into real products. However, only existence of such persons aren't enough to develop the ecosystem of country's innovations. State should play important role in development of the ecosystem of country's innovations with participation of business sector. It should support development of innovational products (by innovators) by means of different tools. The presence of good innovational climate

will support creation of jobs, development of small and medium enterprises, as well as appearance of competitive national production at the Georgian market.

Support of innovations and their utilization in national economy are especially important for development of competitive environment. The way of innovational development should be priority for a state. Development of entrepreneurship must be innovative and it is important for a society. The essence of innovation is related to intensification of entrepreneurship, as well as usage of new technics and technologies. The development of innovative potential implies modernization of a management system and its transition to a new level of progressive, qualitative development. For this purpose it is necessary to use new technologic processes and technologies, as well as scientific advancements, new results and new schemes of an organizational management.

Market changes had negative impact on scientific and intellectual potential of a country. Weight of Georgia in the field of scientific research is unprecedentedly low. A financial situation of Georgian companies isn't very good and they can't implement innovations in their productions. Passive investments in creation and restoration of entrepreneurships don't guarantee successful production processes. These processes take place, when other world is occupied with high-technology production. It is known that in Japan, USA and other developed countries, 85-90% of national income is based on scientific and technical progress. Georgian corporations and certain fields of national production became active, but innovative activities are almost completely paralyzed in the conditions of competition. It is significant that growth of Georgian economy should be based on scientific and technical progress.

Widespread point of view that the current situation can be changed only by means of attraction of investments is incorrect. In addition to utilization of efficient means of production, the current production potential (including labor means and labor force) should be utilized more efficiently to intensify the

production. In this respect, detection and utilization of internal reserves of production is very important.

Innovation level of Georgia is still unsatisfactory and doesn't correspond to international standards. Country has low indicator of innovation in the production fields and therefore, it is necessary to develop this trend. State and private sector expenses on research and development are quite low and different international estimations and ratings directly reflect this situation. According to report of global competitive index (2016-2017) (including 138 countries), Georgia raised its position by 7 and it occupies 59th place.

With strategy of Georgia's socio-economic development "Georgia – 2010", government has expressed its will to support innovations and technologic development of the country by means of support of implementation of innovations and transfer of the newest technologies. To support society's innovative thinking, it is necessary to create an environment, where creativity is supported and financed, as well as there are mechanisms of stimulation of innovations.

When we consider a general complex of problems of Georgia's economic development, development of innovative-technologic potential, as well as efficient state support are especially important, because solution of country's economic problems is closely related to sharp improvement of scientific, as well as engineering and technologic activities. Industrially developed and dynamically developing countries have impressive results in the recent years by means of successful innovative-technologic activities, as well as utilization of the modern system for improving competitiveness of their production. The basis of such system is efficient mechanism of commercialization of scientific researches and their results. In our days, there is a rich practical experience, how we can use innovative principles in country's economy and this experience can be used in different political and economic conditions.

Georgia requires improvement of general skills of research and development, as well as strengthening an innovative potential

of local companies to develop innovative society. It is necessary to create a system, where business is responsible for transformation of knowledge into innovation. Georgia needs to satisfy not only local, but also global demands.

The basic tasks for development of innovative Georgian economy are the following:

1. Development of legal and institutional framework;
2. Development of facilities for innovative ecosystem, which will support implementation of innovations;
3. Improvement of education system and development of skills of human capital;
4. Reinforcement of sector of research and development, which will improve quality and quantity of scientific results;
5. Development of Georgian informational and telecommunication facilities, as well as development of services based on them.

In the current economic conditions, a motivation of companies to purchase the "modern" technologies and study valuable labor skills is very low. Solution of the urgent problems, which are oriented on innovations and transfer of advanced technologies, as well as guarantee of equal conditions for every economic representative and creation of competitive environment are opportunities for development of highly qualified, competitive labor resources. It is also noteworthy that if we take into account national and state interests, share of resources (in foreign investments), which are oriented on development of entrepreneurship and implementation of innovative technologies, must be increased. Improvement of institutional and legal framework, as well as development of business environment, acceleration of process of liberalization of economy and development of financial sector are necessary, when we talk about creation of new enterprises.

A grant financing of startup businesses and companies with premature innovative technologies is necessary to develop an economy and business which are based on knowledge. Entrepreneur innovators usually begin their businesses with help

from family members and friends as a result of study of fundamental business and financial mechanisms. At the initial stage of a business, when entrepreneur subject begins to form and develop a new technology, grants and other similar mechanisms are often necessary for corresponding support, until operating incomes will increase.

The current condition of Georgia can be described as an initial stage of development of innovative policy. It means that policy, as a unified system of normative documents, still doesn't exist, but the problems of innovation are included in an agenda of country's development. In 1993-2012, governments had different attitude towards innovations, but none of them considered the innovations, as a priority of state's interests. Innovations were considered episodically with recommendations (and sometimes pressure) of international partners and they were related to different problems of country's development. From the governmental decisions, which are related to problems of innovation, strategy of regional development (2010) and Georgian innovation concept (2012) are prominent. Some traditional donors of Georgia have contributed to innovative development by means of their programs and projects in 1993-2013 (EU TACIS, GIZ, CRDF Global, ISTC, USTC). They prepared personnel and maintained innovative potential of Georgia. However, because of state's inattention and incorrect reform of research system (expenses on research has decreased to about 0.1% of GDP), Georgian innovative potential has decreased significantly and became one of the lowest in Post-Soviet area.

Several non-government organizations have begun to study and defend the problems of innovative development since 2009. Civil sector has studied and explained the problems of innovative policy in the context of country's general development, as well as European integration. The problems of innovative policy were prominent in activities of national platform of civil sector (EaP CSO National Platform, eapnationalplatform.ge) in a framework of program of European Eastern Partnership. The coalition of non-government organizations "Innovative Georgia" was established.

We have innovative process in almost every field as a result of imported technologies. For example, this process is quite rapid in communications field. Customs and tax legislation includes concessions on import of machines and tools, which supports such kind of innovations. Georgia hasn't developed innovative policy. Therefore, this process is quite spontaneous and results certain disproportions. For example, if we consider the field of communications, development of data networks (internet) is below other technologies. The impact of national system of study and development is insignificant on innovative process (reasons will be discussed below). However, there are many fields, where a role of study and development can be essential in the case of corresponding management (for example, such field is non-traditional/small energetics).

We have serious imbalance in the management system of study and innovations. The problem of management is considered only related to a system of research and development, particularly for the researches which are financed from a state budget. The management of processes of research and innovation in a private sector (including entrepreneurship and non-government organizations) is left without attention. It is noteworthy that law "About Science, Technologies and Their Development" determines the general principles of management of research and development (for example, by means of coordination of problems of research, patent activities and standartization). However, it is not implemented in real life. It is not planned to develop research and innovation on the basis of corresponding indicators. The last state decisions were mainly related to subordination of research organizations. It was the source of unjustified tension and prevented consideration of other important problems. In Georgia there is normative framework and other conditions for regular development of index (observatories, reports) of sciences and innovations, as it happens in the majority of countries (including in former Soviet Union).

In the agencies of state management, as well as in research and entrepreneur organizations, necessity to deepen knowledge in

the management of research and innovation is sensible. Ministries and other agencies should participate in the process of formulation of goals of system of research and development. They should monitor the process of development of research and innovation in their particular fields. Entrepreneurs should become customers of research and development, as well as their executors, but it requires state stimulation. International scientific-technical centre has conducted courses of professional development (in the field of commercialization of results of research) for managers of research projects. European TACIS project, which has begun in September, 2007, includes component of study. It is generally accepted that personnel should be prepared in the field of management of research and innovation.

An active support of an innovation economy in Georgia requires development of corresponding policy and legal framework, which will help entrepreneurs, academic researchers, government and state participate in innovative activities. Such legislation should include fundamental laws about intellectual property, investments, taxes, antimonopoly regulations and support of entrepreneur activities at the free market.

The aim of Georgian law about innovations is to develop and improve an ecosystem of national innovations, which is necessary for country's socio-economic development. The other aims include creation of economy based on knowledge and innovations, support of implementation of technologies, which are invented in different countries, support of implementation of technologies and intellectual properties, which are created in Georgia, support of export, as well as implementation of advanced technologies in every field of science and economy for better competitiveness.

Innovations are especially important for state, because they are tools for creating new jobs, as well as for growth of incomes and for revelation of wide investment opportunities. Georgian Agency of Innovations and Technologies is focused on development of services, mechanisms, programs and facility projects.

Agency of Innovations and Technologies is established on the basis of decree of Georgian government. This agency is under control Georgian Ministry of Economy and Sustainable Development and is legal entity of public law. The agency has an important role of coordination and mediation for development of innovations and technologies in a country. It should participate in solution of country's problems and guarantee improvement of economic conditions on the basis of development of innovations and technologies.

An innovation and creativity are necessary conditions for country's sustainable growth and Development. Therefore, on 19th February, 2014, Agency of Innovations and Technologies was established in Georgia. Global economy has been growing by 3.2% annually since 2000 and main factor of such growth is innovation. It is the main source of competition, economic development and societal transformation.

According to World Bank's report (June, 2013) "Support of Innovations in Georgia", Georgian companies which actively utilize innovations in their activities develop faster and create more jobs (by 30%) than non-innovative companies.

An agency helps private and state sector to support commercialization of results of knowledge, innovations and research, as well as to support innovative entrepreneurship. One of the main goals of the agency is to implement and coordinate unified policy of projects and programs which are necessary to create informative society. The agency actively participates in creation of technologic parks, innovative centers, innovation laboratories, accelerators and business incubators, as well as supports their development. Other goal of the agency of innovations and technologies is to support development of high-speed internet, electronic commerce, distant work, acceleration of computerization and other electronic services.

In European countries state regulations have direct influence on innovative process, as well as innovations and technical changes have significant influence on the regulations.

In Germany three types of regulations are related to innovations: 1) economic regulations aim to improve supply of goods and services that have impact on innovative process; 2) social regulations aim to improve environment, security and health protection in a society (their design can be supported by innovation); 3) administrative regulations are related to practical operation of state and private sectors. State stimulates many reforms. Regulation reforms are strong stimulus for post-innovative development and these regulations change the quality of technologies. Regulations have strong telecommunication role in an industry, where digital technics developed faster and technologic innovations were implemented. The regulation reforms first of all regulated privatization and competition became stronger. These reforms were results of technical changes and became stimulus for the following innovations.

In Germany there is the Agency of Expertise, Research and Innovations (PTJ), which is a state agency. It supports financing of innovative projects in the country and plays the role of mediator among partner organizations. Its basic aim is to support German research and develop innovations in the scope of legislation.

In Spain there is Centre of Technologic Development and Entrepreneur Industry (CDTI), which is a state agency. Its activities are directly related to improvement of economy and growth of competition. This agency allocates finances and supports innovations on the basis of statements. CDTI supports development of technologies by means of Spanish companies. It organizes financial, economic and technical estimations, supports country to participate in programs of international technologic cooperation, supports transfer of international business technologies and their technic support, as well as supports technologically sustainable companies.

In Denmark there is Agency of Science, Technologies and Innovations (Dasti). By means of this agency state has important economic growth, especially in the field of investments, research and development. The main challenge of this agency is to support and finance high-priority research and innovations. It participates

in the projects of growth, welfare and cultural development in Denmark. The basic goals and priorities of the agency is finance societal research and innovations, support mobility of researchers, support private and public research of commercialization, as well as support of technologies and innovations in financial agencies. Dasti is also responsible for international research and innovations in partner organizations. It oversees scientific and research councils.

In Finland agency of TEKES is financed by government. The agency is an expert organization and supports research and implementation of technologic innovations in Finland. It finances company R&D's projects of technologic development, as well as different projects in universities and research institutions. Forum of TEKES programs is a mean of information exchange between companies and research groups. Companies implement ambitious innovative projects and participate in international cooperation by means of this forum.

Many large-scale companies of USA and Japan have specialized departments of informational exchange and service of individual consumers. Such American transnational companies are "IBN", "General Electric", "General Motors" and "Procter and Gamble". Japanese companies are "Macusita", "SONY", "Toyota" and others. These companies have created well-organized system of information exchange with consumers. The final goal of innovative process is to utilize commercial potential of new goods and their massive, serial production.

Creation of a new economical mechanism, as a more flexible and complex system of management of innovative processes, becomes stimulus for development and implementation of innovations, as well as guarantees transparent management of innovative processes from the formation of idea to its realization. Such system is oriented on development of promising production, management functions and organized forms of management, as well as transformation of management style.

Japanese companies pay special attention to creative development of new goods on the basis of company's technology.

They widely use complex approach to innovative activities. Department of development of new goods routinely participates in every aspect of Japanese company's activities.

An experience of facilities of innovative and entrepreneur activities of different countries, including technologic parks, scientific and production parks, cooperatives and others shows that they efficiently bring together science and production, as well as radically solve the problems of implementation and commercialization. In addition, they decrease to minimum duration of cycle of "research-development-production". The existing devices and intelligence is used by entrepreneurship and scientific-development organizations. Gathering of different specialists and scientists supports organization of inter-field research and creates necessary contacts. Such facilities form the basis of economic stimulation and support integration of science and production, as well as their development and economic growth.

The main strategy of development of Georgian innovative field is the "borrowing" strategy that implies support of innovative activities of local business, as well as utilization of foreign experience. Tax policy in this field should have two main goals: 1) rates policy which supports entrepreneurship and 2) support of development of innovative facilities.

In the world trade organizations Georgia is considered as having transitional economy and many types of goods (from the total listing) are exempted from customs tax.

The modern Georgian tax system essentially doesn't restrict development of innovative activities. Therefore, preventing factors of companies' innovative activities are basically related to development of their financial conditions, creation of corresponding innovative facilities and reducing risks related to innovative business.

3.2. THE DEVELOPMENT OF ACCOMMODATION FACILITIES AND THE COST OF LAND (BASED ON THE EXAMPLE OF BATUMI)

The tourism industry of Georgia has been developing steadily and with increasing rates over the past 15 years. According to the latest data, a country with a population of 3.7 million people in 2016 was visited by about 6.4 million visitors, incl. more than 2.7 million foreign tourists. They are serviced by 1945 units of hotels and other types of accommodation facilities, with a total capacity of 65,656 beds [73].

In parallel with these processes, the land market develops in the country. Prices change dramatically from a few US dollars per square meter. m to several thousand, in the central districts of the capital, depending on their suitability for economic and social purposes.

The obvious assumption is the fact, that the development of the tourism industry and the prices of land in the tourist regions are closely interrelated and determine the significance and direction of this study (see Fig. 1). As a region, the resort city of Batumi was chosen, where about 30% of the hotel's numbered rooms are concentrated, which is the highest figure in the country after the capital city of Tbilisi. Moreover, according to statistical data, tourism in Batumi developed at the fastest pace for the period from 2006 to 2013 [191;245], and in the next 2-3 years it is planned to open 7 new hotels with 980 numbers [93;94;53].

The conducted scientific research of the tourism development within a certain territory is largely based on the so-called concept of Canadian scientist Richard Butler - "Life cycles of tourist areas" [41; 40; 245]. Subsequently, Butler's model was modified when studying many island and continental tourist regions of America, Europe and Australia [11, 19, 22, 28, 31, 49, 50, 145, 159, 187, 228, 279]. Several studies have been conducted on the use of land in terms of the intensity of their development for the development of tourism and hotels [28;63;143]. At the same time, the aspect of the

links between the market prices of land plots and the development of tourism remained in the shadow. More attention is paid to these issues by private advisory companies working in the field of investing in the hotel business and real estate [16;94].

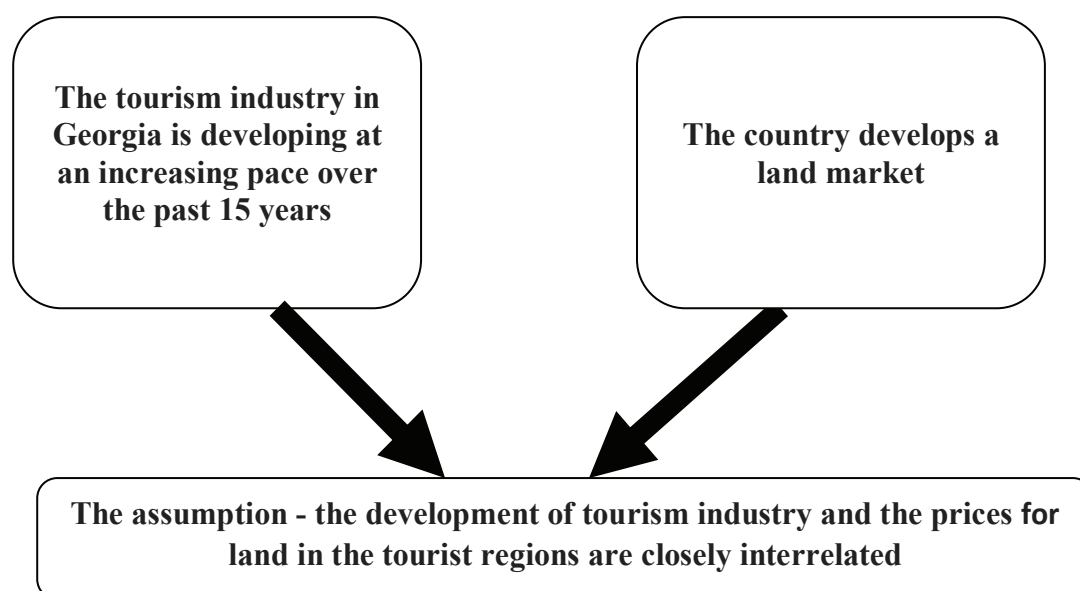


Figure 1. Relevance and object of research

In the case of Georgia and its tourist regions, such studies were not carried out except for works dealing with certain aspects of the definition, indexation and characteristics of the value of land for the construction of hotels and other real estate [59;94;191;53]. Of particular importance for this study was zoning of the city by so-called normative prices, adopted by the Batumi City Council in 2011 [159].

A number of studies are devoted to the development of hotels in the city of Batumi [94], the formation of clusters of the tourism industry [143], the strategic plan for the development of tourism in the Adjara Autonomous Republic [187], and the study of the tourist market [156]. Statistics on the subject of research are given in publications and studies by the Department of Tourism and Resorts of the Adjara Autonomous Republic and the National Tourism Administration [73;145;228].

The study was aimed at identifying the interdependence of changes in market prices of land plots and the development of accommodation facilities for tourists within the city of Batumi.

On the first stage of the work, information on the market prices of land plots was collected. The main sources of this data were 10 advertising websites where relevant applications for sale are posted. As a result, prices of 60 sites were fixed. On their basis, 5 territorial zones of the city are distinguished with increasing intervals of prices from 100 to 800 and more US dollars per 1 sq. Km. m (see Figure 2, A)

To determine the dynamics of price changes in recent years, a comparative analysis was carried out with the only existing and suitable data for this purpose - the so-called zone normative prices allocated by the Batumi City Council in 2011 [159]. The analysis showed the main trends in the distribution of prices in the central part of the city on the adjacent areas (see Figure 2, B)



Plots of land for sale

Territorial areas allocated for the cost of land (in US dollars):

bove 800 800 - 401 400 - 201 200 - 101 less the vectors of price distribution

Figure 2. Zoning of the territory of Batumi at the market value of land plots

At the second stage, an analysis of the development of accommodation facilities for tourists was made. Information was collected on 200 objects from 24 websites (see Fig. 3, A). The collected data made it possible to determine three foci and three spatial trends of their distribution (see Fig. 3, B), which are set out below:



📍 Accommodation facilities for tourists

Zones of distribution of means of accommodation of tourists

Vectors of distribution of means of accommodation of tourists

Fig. 3 Means of accommodation of tourists and tendencies of their distribution in Batumi

1) development of predominantly multi-stored hotels in relatively small areas of the earth ("intensive" or "vertical" growth) in the central part of the city;

2) extensive growth with combinations of multi-storey buildings in relatively large areas along the coastal strip of the city (a combination of "extensive" and "intensive", or - "horizontal" and "vertical" growth);

3) distribution of relatively small, low-rise accommodation facilities in areas adjacent to the center from the land side ("extensive" or "horizontal" growth).

To assess the stage of development of accommodation facilities for tourists, the "Life Cycles of Tourist Areal" approach was applied according to Butler. Quantitative and qualitative indicators of the development of tourism in the city indicate the location of the city in the cycle of "renewal" with a scenario of repeated development with a pronounced seasonality.

One such quantitative indicator is the excess of the number of tourists over the number of local people during the peak season. In particular, according to the latest published data, in July-August 2015, in the city of Batumi, with a population of 155,000 inhabitants, hotels served up to 250,000 visitors [228] (see Fig. 4). By the principle of excluding indicators characteristic of other development cycles of tourist areas, one can name the absence of

such signs as the termination of the construction of tourist infrastructure, the stabilization or reduction of the number of tourists, the suspension of investment in this sector [50;156]. None of these features, individually or jointly, are observed with respect to both the city of Batumi and the republic as a whole. With regard to seasonality, only two summer months are clearly marked out - July and August, (see Fig. 4), and this fact affects the increase in the idle time of tourists' accommodation facilities, as well as the industries that supply and service for this industry [143, p. 123].

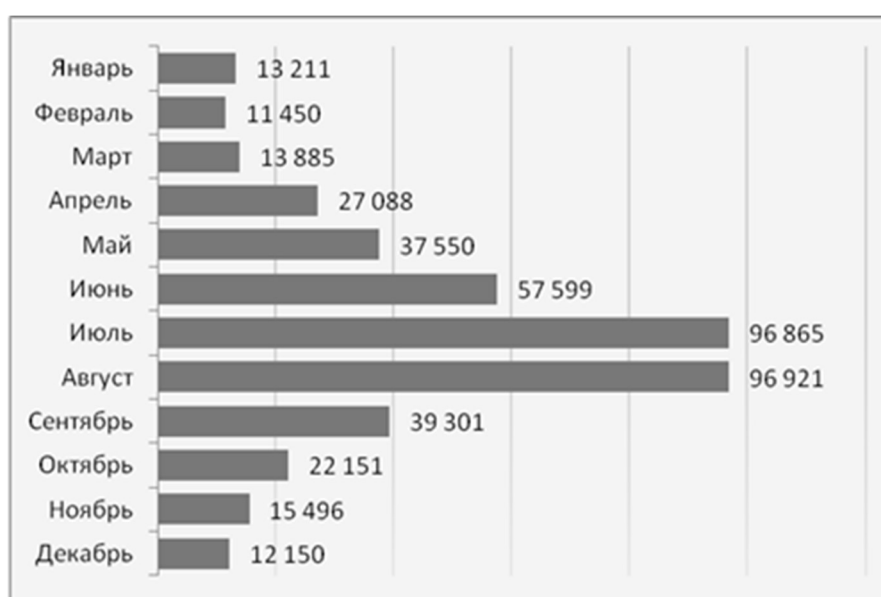


Fig. 4 Number of tourists per month [228]

At the third and final stage of the work, a comparative analysis of the allocated zones of land plots and accommodation facilities for tourists within the city limits was carried out (see Figure 5).

Based on this analysis, the following conclusions are drawn:

- under the influence of high prices of the coastal zone, as well as certain administrative and legislative restrictions on the development of territories, the total number of accommodation facilities increases from the shore to the third, the allocated zone, followed by a decrease to the land (see Fig. 6);

- within the framework of this trend and under the influence of rising prices towards the shoreline, almost the entire number of coastal area funds consists of rooms of large high-class hotels, and

in contrast to this trend, the numbered fund of the third zone, the most saturated in this plan, is from small budget funds;



Territorial areas allocated for the cost of land in US dollars above 800 800 - 401 400 - 201 200 - 101 less than 100

Accommodation facilities for tourists

Vectors of distribution of means of accommodation of tourists

Fig. 5 Zones of value of land plots and trends in the development of accommodation facilities for tourists in Batumi

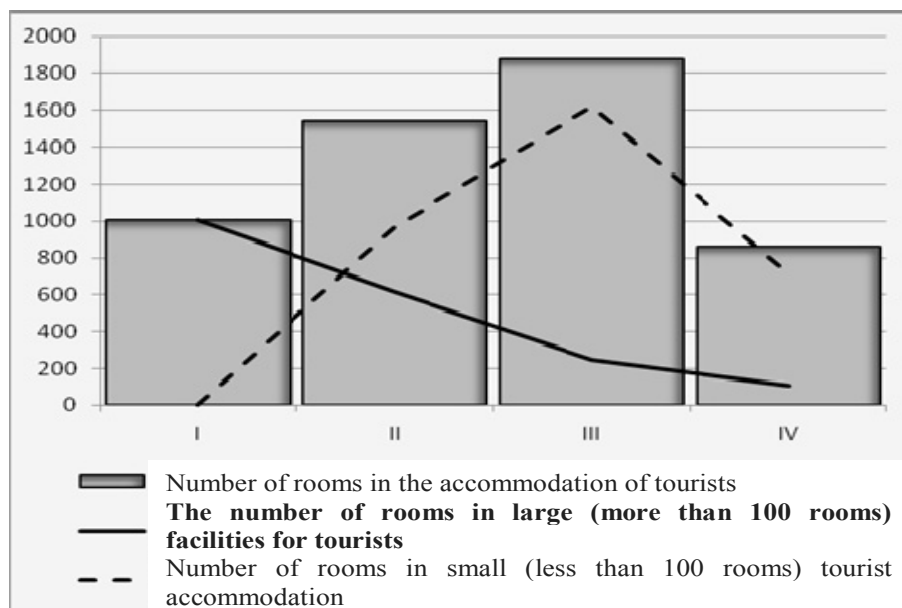


Fig.6 Distribution of the fund of accommodation facilities for selected areas (I-IV)

- in the development of tourism, investors' interest is increasing in the construction of high-class hotels in the second, near-shore zone [121], which is largely built up with residential and other properties. However, under the influence of the same factor, prices for land under existing buildings are growing, which leads to a rise in the cost of projects. As a result, in an advantageous situation, old, small buildings turn out, the demolition of which justifies the purchase of their own expensive areas, and the more capital and largely depreciated buildings remain outside the demand of investors;

- a pronounced seasonality and the growing scale of hotel construction contribute to the spread of the so-called "Short investment cycle." Its essence lies in investing in the construction of accommodation facilities for tourists with partial or complete sale of rooms to private entities from the moment of the construction of facilities. The property is bought by clients with the purpose of their subsequent leasing to holidaymakers, as well as for their own rest. This approach reduces the risk of initial investors, but increases the likelihood of losing new owners' investments, as the management of the hotel building partially or completely passes into the hands of many unskilled tourists. This process is one of the typical manifestations of the so-called. "Resident tourism", i.e. tourism in which participate and which is organized by non-local owners of secondary houses, apartments and rooms [18];

- further extensive development of the undeveloped strip of the coast to the south-west of the city, where the prices for land plots are lower than the prices of the city waterfront zone, can attract investors' interest. However, the further development of tourism in this direction with the characteristic profile of the summer vacation spot will increase the problems of seasonal employment, income, etc. In this regard, it seems more rational to consider the possibility of the initial development of a lagging infrastructure in the second zone, the creation of inter-season tourist attraction facilities and the development of the "New Center of Batumi" there.

SECTION 4.

ACCOUNTING AND ANALYTICAL SUPPORT OF MANAGEMENT ACTIVITIES

4.1. SYSTEMIZATION OF EVALUATION METHODS OF ENTERPRISES DEVELOPMENT LEVEL

From the very beginning, the concept of development in the economy arose the question of its quantification. The first approaches to assessing development at the macroeconomic level (classical models of economic growth R. Harrod, E. Domar, R. Solow, E. Denison, etc.) were developed. In the future, certain development assessment tools were used in the assessment of regional development and enterprise development. Today, the neo-classical counterrevolution (regional level), the provisions of the revolutionary theory of "rich territories" (regional level), the theory of endogenous growth (meso- and micro levels), the theory of structural transformations (meso- and micro levels) and theory are used in the assessment of development at the meso- and micro levels, linear stages of growth (meso- and micro levels) [325].

The question of the study of the laws of economic development of enterprises and the assessment of its level is the focus of many scholars. In particular, such scientists as Pogorelov Yu.S., Tsopa N., Kuzmenko O.K., Samulyak V.Yu., Feshur R.V., Tarasyuk G.M., Protasova L.V., Tonkikh A.S., Melnyk O.G., Dunda S.P., Pavlova V.A., Ponomorenko V.S., Tridid O.M., Kizim M.O., Fedonina O. S., Repinya I. M., Oleksyuk O.I. Despite the considerable contribution of the authors in assessing the development of modern enterprises, there are still a number of unresolved issues regarding the choice of the optimal method of evaluation.

In the scientific literature, there are two approaches to measuring the development of an enterprise: on the basis of the system of indicators and by the calculation of integral indicators.

Among the indicators that contribute to the development Pogorelov Yu.S. [310] distinguishes the following groups of quantitative and qualitative indicators according to their components: scientific and technological knowledge (level of costs per unit of results, speed of updating of goods and services, scientific capacity of products); fixed capital (unit price of production capacity, return on assets, quality of production); entrepreneurial abilities (education, ability, diligence, profit maximization); natural resources (varied for each species, material consumption of products); aggregate demand (volume in value measure, socially oriented distribution of factors); labor resources (number of able-bodied population and its qualifications, labor productivity); financial resources (quantitative indicators of a variety of financial resources, indicators that characterize the quality and effectiveness of the attraction and use of a variety of financial resources). The composition of the performance indicators is individual for the entity. Taking into account the dynamics of the change of these indicators gives an opportunity to analyze their influence on the activity of the enterprise (entity) in time.

Kuzmenko O.K. notes that it is necessary to consider also the principles of construction management of the company as a social and economic system. Among these principles, it is necessary to pay attention to those that provide the personality (feature) management of the development of the enterprise. The author suggests to allocate the following principles in the enterprise activities [299, p. 1734]:

- adaptability (the desire to maintain a certain balance of external and internal development opportunities - internal incentive motives of the business entity and external, generated by the market environment),

- dynamism (dynamic matching to the goals and incentives of the enterprise,

- self-organization (self-sustaining maintenance of conditions of operation);

- self-regulation (adjustment of the management system of production and sales activities of the enterprise in accordance with changes in operating conditions), self-development (independent provision of conditions for long-term survival and development of the enterprise in accordance with its mission and accepted motivation activities).

Melnyk O.G. [302, p. 324], for diagnosing the development of an enterprise proposes to use a polycrystalline model based on business indicators, based on the assumption that the company should focus on the "golden rule of the economy" in its activities, ie the dynamics of financial indicators should satisfy the condition (1):

$$PR > OT > RR > AVR > AFR > CPR > NER > \square \quad (1)$$

where PR - rate of profit change;

CR - rate of changes in current assets;

RR - rate of change of realization;

AVR - rate of change in the value of assets;

AFR - rate of change in fixed assets;

CPR - rate of change in cost price;

NER - rate of change in the number of employees.

The advantages of this model are the use of a limited number of indicators. A certain disadvantage of this method is the possibility of its use under certain economic conditions, since the indicated ratios of the rate of change can be observed only if the development is fairly uniform.

Samulyak V.Yu. and Feshur R.V. [317] offer the following methods for assessing the development of enterprises:

- on the indicators of competitiveness (the feature of this method is that on the basis of a certain level of competitiveness of enterprises make a conclusion about the level of its development, that is, they are directly proportional);

- the phase of development of the enterprise (at the investigated level of development of the enterprise it is possible to rely on the phase of the life cycle in which it is located);

- using the integral index (an integral indicator of the quantitative assessment of the state of the enterprise development using the taxonomy method is calculated, since this method takes into account the influence of factors having different dimensions and methods of description or other methods);

- assessment of the level of development of an enterprise as a degree of realization of potential (it is determined by the potential of the enterprise. The level of development of the enterprise will be equal to the degree of realization of a certain component of the potential of the enterprise, namely its lowest indicator).

Existing methods for assessing the level of enterprise development on the basis of competitiveness indicators are shown in Fig. 1.

Pavlova V.A. when conducting the assessment of the competitiveness of the enterprise in order to measure its level of development suggests to distinguish three groups [308]:

- assessment of the competitiveness of the enterprise (products) by the magnitude of the complex indicator of the competitiveness of specific products in specific markets on the basis of average and relative values;

- assessment of the competitiveness of the enterprise (production) by the value of the complex indicator on the basis of the combination of the indicator of competitiveness of goods and the indicator of the effectiveness of the organizational and economic mechanism of enterprise management;

- assessment of the competitiveness of the enterprise (products) according to the intuitive characteristics of the competitive status on the basis of applied models.

Ponomorenko V.S., Tridid O.M., Kizim M.O. [312] proposed a methodological approach based on the definition of the phase of the life cycle, which corresponds to a certain level of development. The authors propose to define it using the indicator of a competitive status, which is calculated on the basis of aggregate

both qualitative and quantitative indicators and helps to assess the competitiveness, competitive position and competitiveness of the enterprise.

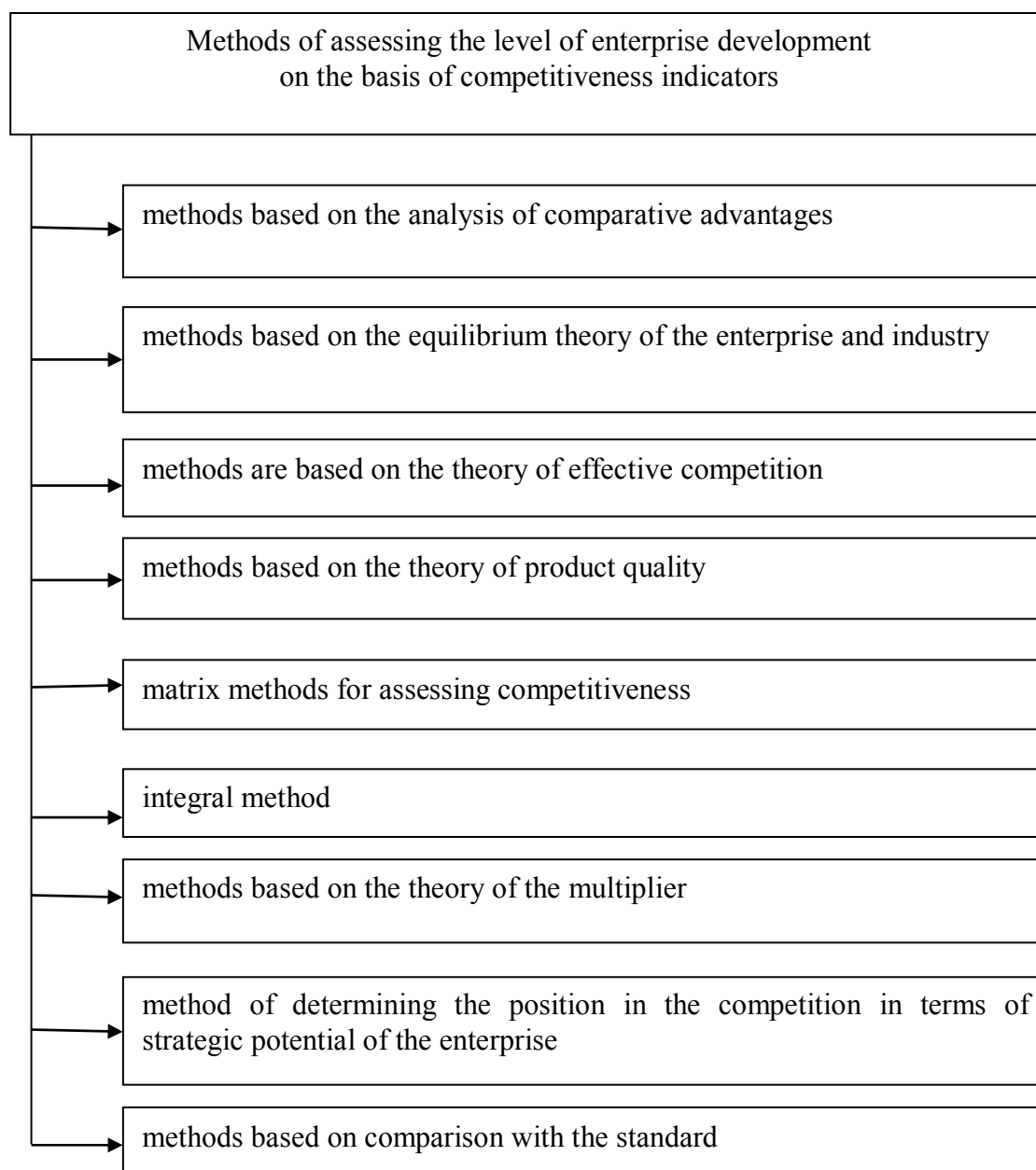


Fig. 1. Existing methods for assessing the level of enterprise development on the basis of competitiveness indicators

Tarasyuk G.M. and Protasova L.V [324, p.133] emphasize the importance of the development and application of integral indicators due to the need for a generalized assessment of the level of enterprise development for the development of optimal strategic management decisions. The authors note that in order to

determine integral indicators, models of rating development estimates based on expert estimates, methods of sum of places, taxonomic methods, reference dynamics of indicators, etc. are widely used. The scientific literature substantiates the idea that the development of an enterprise can not be measured on the basis of a single universal quantitative indicator, "since development is primarily a qualitative change in the structure and functioning of the company, which is manifested in all without exception, its components (subsystems, subdivisions) and relations (communications) ".

The method of determining the integral index of enterprise development based on the reference dynamics of indicators was proposed by the Russian scientist Tonkikh A.S. [327]. The author suggests considering the development of an enterprise in connection with effective management. To calculate the integral index of balance of interests, it involves several stages: the construction of the matrix of the reference and actual dynamics of changes in the enterprise indicators; determining the degree of deviation of the actual dynamics of changes in enterprise indicators from the reference; definition of the measure of the difference in the reference dynamics of changes in the indicators from the actual; calculation of the integral index of balance of corporate interests of the enterprise. The boundaries of the change in the integral index of balance of interests are outlined from 0 to 100%.

The authors of the Hofer-Shenandel model [292] propose the use of the following qualitative and qualitative indicators for their integral qualitative assessment: the relative share of the market; growth of market share; coverage by the distribution system; the efficiency of the distribution system; variety of assortment of products; production capacity and location; production efficiency; curve of experience; raw materials for industry; quantity of product; research and development; advantage of basic calculation; competitiveness of prices; effectiveness of promotional activities; vertical integration; reputation The advantages of this model of development level assessment are the ability to construct

a trajectory for qualitative and quantitative assessments of changes in enterprise development over a specified period of time, as well as to determine the phase of the life cycle and the direction of development.

The main problems of the use of integrated indicators for the assessment of enterprise development are: the complexity of proving a clear dependence of changes in the values of integrated indicators with implemented measures on enterprise development, the exclusion of factors of the environment; the existence of breakdowns in time between the implementation of measures for the development of the enterprise and the results obtained; the possibility of excluding certain measures in the process of development of an enterprise due to their opposite effect on the elements of the socio-economic system [291].

The main problems of the use of integral indicators for assessing the development of the enterprise are [324, p.134]: the complexity of proving a clear interdependence of changes in the values of integral indicators with real measures for enterprise development, the exclusion of factors of the environment, the isolation of the influence of the development of individual elements of the system or links between them, which are not obvious; the existence of gap in time between the implementation of measures for the development of the enterprise and the results obtained and the improvement of the values of selected integrated indicators; the possibility of excluding certain measures in the process of development of the enterprise due to their opposite effect on the elements of the system

Samulyak V.Yu., Feshur R.V. [317] indicate that assessing the development of an enterprise as a match for the degree of implementation of the potential is to determine the level of potential that the enterprise owns. This assessment is to determine the potential of each component of the enterprise, where the level of development is equal to the degree of implementation of a certain component of the potential of the enterprise - its lowest indicator, since the low value of a separate component of the potential is not compensated by the higher value

of the other component of the potential. Unlike other methods, this approach allows us to assess the level of enterprise development opportunities and to identify the possibility of balanced development.

Kasyanova N.V. proposes to conduct an assessment using the sum of components (financial, production, marketing, labor, information, investment-innovation, management) of the company's potential. To achieve the cumulative effect, the author's research is based on the construction of a matrix of matching the potentials of the enterprise to its reference state [294].

Fedonina O.S., Repinya I.M., Oleksyuk O.I. [330] proposed a graphoanalytic method for the diagnostics of the potential of the enterprise, which uses a comparative complex rating of the enterprise. The system of indicators is formed by functional blocks: production, distribution and marketing of products; organizational structure and management; marketing; finances.

N. Tsopa [334] identifies the assessment of the development of an enterprise with an assessment of the effectiveness of its functioning. The author believes that it is necessary to assess the dynamics of all components of the company's potential, taking into account factors of the influence of the environment. As a result of the construction of dynamic rows, as the scientist says, one can determine which sphere of activity of an enterprise, according to the investigated indicator, is at the stage of development.

In the process of evaluating economic development, one must take into account the existence of different types of such development, in particular, intensive and extensive. The analysis allowed to consider existing methods for assessing the level of development of modern enterprises, to identify the existing advantages and disadvantages of the application of these methods. It is revealed that there are two approaches to measuring the development of an enterprise: on the basis of the system of indicators and by the calculation of integral indicators. Assessing the development of enterprises is an important basis for further management of economic development. There are many approaches to the number and nature of indicators that are

proposed for assessing the level of enterprise development. Existing approaches are based on different criteria, differ in goals and are intended to address specific tasks. Taking into account the presence of certain disadvantages, we consider it difficult and relevant to develop a generalized methodology for assessing the level of economic development of the enterprise that would be devoid of any shortcomings, which could be the subject of further research.

4.2. INNOVATION AND PRODUCTIVITY GROWTH (EMPIRICAL EVIDENCE FROM GEORGIAN FIRMS)

Increasing globalization pushes and pulls companies and economies to raise their engagement with international markets to sustain innovation and growth. Small open economies, which by definition lack the high levels of domestic demand and scale available to larger countries, must consider how their firms and economy can meet the challenges of international competitiveness - a task made even tougher by the current global economic crisis and constraints on public expenditure.

Economic growth relies to a significant extent on technological innovation. Since transition countries are further behind the technology frontier, their sources of economic growth have naturally been somewhat different. For example, the initial growth during the transition period in Georgia was based on initial capital accumulation and imitation of technologies applied elsewhere.

Over 1999–2012, TFP and capital accumulation were the main sources of growth. While the contribution of labor has been smaller, reflecting fairly flat net job creation, it increased post-crisis following the fiscal stimulus and growth recovery. The concentration of productivity increases in the non-tradable sectors is clear from the pattern of TFP over time [269].

In order to sustain growth rates in the future Georgia will need to rely increasingly on their own innovation as a mechanism for growth. Productivity, measured as the ratio of output to input

(e.g. the sales or value added per worker), is the crucial variable determining the ability of a country to improve its standard of living [146].

The reasons for the lower productivity in Georgia includes lower levels of technology, less developed institutional framework, lower quality of organizational and management expertise and patterns of specialization in the international division of labour – that is, the less favorable industrial structure of the economy.

There are a number of studies on the relationship between innovation and firm-level productivity. It is so widely recognized that innovation is a key driver of economic growth. Following the seminal work of Griliches [85, pp. 92-116] and Griliches and Pakes [86], a widely accepted approach is to model the relationship between innovation and its determinants in a knowledge production function and the contribution of innovation to productivity in an output production function. The knowledge production function approach [85, pp. 92-116] assumes that the production of new knowledge depends on current and past investment in new knowledge (e.g., current and past R&D expenditures) and on other factors such as knowledge flows from outside the firm.

Taking advantage of the innovation surveys [185] and the broader set of indicators available, Crépon, Duguet, and Mairesse [51, pp. 61-99] henceforth CDM, were the first to integrate empirically these relationships in a recursive model allowing for the estimation of innovation inputs (R&D investment) in an investment function. Their findings for France corroborate that firm productivity correlates positively with a higher innovation output, even when controlling for the skill composition of labor. In accordance with previous studies, they also show that a firm's decision to invest in innovation (R&D) increases with its size, market share and diversification, and with demand pull and technology push forces

The literature about innovation and its measurement has evolved with an understanding of the innovation process. Rodriguez-Pose and Crescenzi divide innovation theories aiming

at establishing a link with economic growth into three categories: the linear model, systems of innovation and the knowledge spillovers approach. It has been argued that following Michael Porter's division of economies into factor condition based, factor driven, investment driven and innovation driven stages [201], Georgia have been in the "investment-driven" stage. Thus, competitive advantage of Georgia has been the cheap production input (mainly labour), and the development of enterprises is largely based on investments in the tangible (finances and equipment) and intangible (skills, knowledge, experience) capital.

Crépon, Duguet and Mairesse [51, pp. 66-96] in their paper used structural model where R&D expenditure, innovation output and productivity are modelled in a sequential manner. In the first step, the firm's decision to innovate and the size of the subsequent investment in innovative activities are modelled. In the second step, knowledge inputs such as the size of expenditures on R&D are assumed to generate an innovation output – patents, product or process innovations and sales from new products. Finally, the 3rd step is an output production function where an innovation output is supposed to impact on the firm's productivity.

Innovation is a complex phenomenon and it has been studied on various levels: at national, regional, sector and firm levels. Our approach is limited to the analysis of innovation performance at the sector and firms level.

Empirical studies at the firm level provide positive relationship R&D and firm's competitiveness. Various empirical studies have emphasized the role of technology and innovation as one of the major factors contributing to facilitating productivity, and thereafter maintaining competitiveness and boosting export performance.

The higher productivity of firms is often related to firm-level technological advantages, due to R&D investments and the introduction of product and process innovations. Since innovation is considered as main factor for productivity, larger number of empirical studies have examined the relationship between exports

and various input and output measures of innovation and technological capabilities

Our analysis now turns to the relationship between innovation and the productivity of firms. Policy-makers and researchers widely acknowledge that innovation is essential for increasing productivity. However, while a positive correlation between product innovation and firms' performance has been established for European firms, evidence for developing countries has been mixed [168, pp. 47-65].

Analyzing the relationship between innovation and firm's performance based on the drawing on the Enterprise Surveys from World Bank Group for Georgia. This survey covers the year 2008 and 2013. (360 firms);

Enterprise Surveys identifies firms as innovative if at least one out of four criteria is met: the firm (a) has launched a new or improved product on the market, (b) has realized new or improved processes, (c) was involved in innovation activities that are still ongoing, or (d) was involved in innovation activities that have been untimely aborted. In each survey, a question is included the export intensity of the firm.

In the analysis, we examine the relationship between labour productivity and different types of innovation. The analysis includes four indicators of innovation activity as dummy variables: 1) the firm introduced product and service innovation, 2) the firm introduced new production/supply methods over last 3 years; 3) firms introduced new organizational /management practices or structures over last 3 years; 4) firms introduced new marketing methods over last 3 years; 5) firms improved business process; 6) firms is engaged in the R&D activities

We also include a range of control variables. One such additional variable is firm size. Firm size is expected to have a positive relationship with export intensity as larger firms have more ability to bear the costs of foreign market entry. Higher capital intensity (fixed assets per employee) of a firm is likely to make it more export competitive as capital goods may embody improved technology, while capital intensive production is

consistent with the comparative advantage of developed countries (Belderbos R., 1998).

The analysis also takes into account activities of domestic and foreign firms (owned by private domestic and foreign individuals) skilled and unskilled workers (At the end of fiscal year how many permanent, full-time employees were: Skilled and unskilled production workers.

In the model of table 1 we include only innovation indicators. He we found that new Production supply methods is associated with an 85 per cent increase in labour productivity, and this effect has a high degree of statistical significance. Labour productivity also benefits from the implementation of new marketing methods. Although this effect is bigger (with the introduction of new processes being associated with a 20 per cent increase in labour productivity), it is statistically significant. Unfortunately product innovation and management practice have no effects on the productivity.

Table 1

The impact of innovation on labour productivity

Type of innovation	Coef.	Std. Err.
New products/services	-1.774111	10.97533
New production/supply methods	.8554758	3.804003
New organizational/management practices or structures	-1.559863	5.01948
New marketing methods	13.93099	2.656451
_cons	-12.94029	21.51169

Besides innovation, there are other ways of improving firm-level labour productivity. Firms can make better use of their excess capacity (provided there is any) or improve their management practices. Recent studies show that there is a strong correlation between the quality of management practices and firms' performance, and this also applies to transition countries and other emerging markets. Furthermore, a lack of managerial skills is one explanation for the low productivity of state-owned and formerly state-owned firms [38, pp. 61-99].

Table 2

Labour productivity, innovation, capacity utilization and management practices

	Coef.	Std. Err.
New products/services	5,958367	12,1248
New production/supply methods	1.210335	3.810755
New organizational /management practices or structures	.0158638	4.628916
New marketing methods	-.0887199	15.89291
Spending on R&D	-4.301136	23.69425
Capacity utilization	.0345609	.1468506
Purchase of fixed assets	8.723685	8.881414
Skilled production worker	.0019896	.0456736
Unskilled production workers	-.1617466	.2741012
Private foreign individuals	-.0625721	.2230505
_cons	-5.810028	36.31697

Table 2 shows that product innovation, new product/supply methods, investment in machinery, vehicles, equipment, land or buildings positively effects on labour productivity and their effect are stronger. New management practice capacity utilization and skilled worker are also positively associated with productivity but their effects are weaker. As for Unskilled production workers, Private foreign individuals, they are not associated with labor productivity.

How can firms boost their productivity? Analysis suggests that all types of innovation – product, process, marketing and organizational innovation – play an important role. Moreover, even if they do not advance the technological frontier, innovations which are new to an individual firm can still result in large productivity dividends. Returns to innovation are particularly high in low-tech manufacturing sectors, where innovation is

less common. Another important source of labour productivity gains is improvements in the quality of management. In less developed transition countries, where the quality of management is generally poor, returns to improvements in management are high, while returns to process innovation are generally low.

4.3. STATISTICAL ANALYSIS OF DEMOGRAPHIC AGING OF THE POPULATION IN GEORGIA

The process of demographic aging of population is a regular phenomenon and as one of the most topical social-economic problems of modern times, needs particular attention and rational use of resources. If in the past it was typical to the developed countries only, now, it has become a global problem of unprecedented scales. The process includes social, economic and demographic aspects, and its regulation must be one of strategic trends of the state policy. Consequently, it needs a complex study to be accomplished by not only demographers, but also economists and statisticians, sociologists, psychologists and medical representatives to objectively assess the said process and identify its advantages.

As per the international criteria, Georgia is a demographically aged country and is the poorest country of the world. Such state of affairs puts the question of solving a double problem – the rapid aging of the population and the incomplete shift to the developed market institutions – on the agenda.

In order to correctly identify the major trends and reference points in the social and economic development of Georgia, the study of the number of population and their demographic aging in respect of gender, region, city and village is much important. Consequently, the goal of this study is to conduct the statistical study of demographic aging of the population and describing the peculiarities of this process in Georgia.

Demographic aging of population meaning the increased specific weight of the aged people (65, sometimes 60 years or older) in the total number of population, is the result of long demographic changes in the kind of the population reproduction, birth rate, death rate, ratio between them, increased average life span and partially, changes in the migration modes. Unlike the biological aging of people, it is a social process and is associated with the age structure evolution of the population.

Georgia is a demographically aging country having acquired this status as early as in the 1970s. In the 1990s, the process of

demographic aging in Georgia was accelerated as the social-economic crisis reached its peak. This process was particularly intense in 1992-1997 due to two major reasons:

1. the birth rate among the population was lower than the rate of simple reproduction in 1992-1993,
2. the first half of the 1990s was marked by intensified emigration of the population mostly under 60. (Fig. 1)

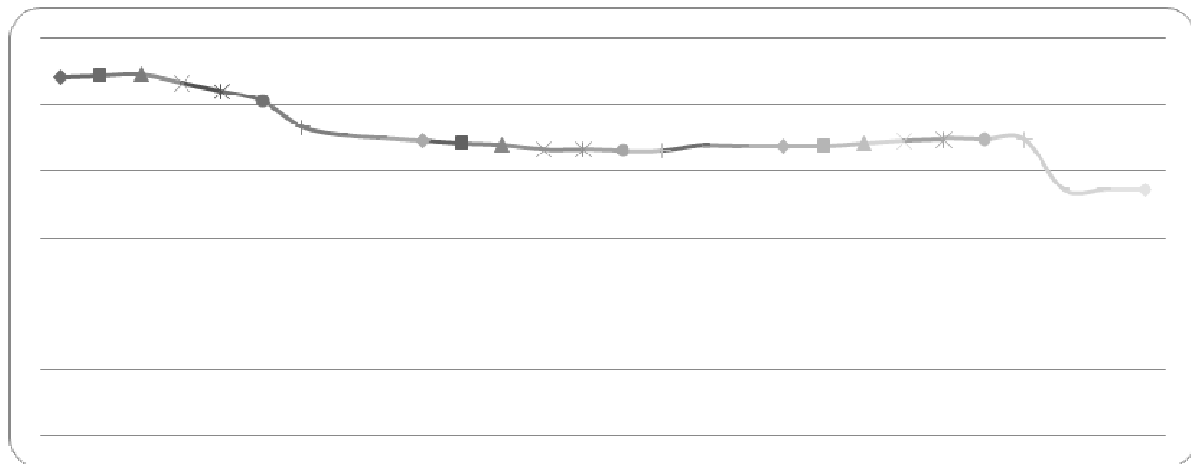


Fig. 1 Population 1990-2012 years (thousands) [273]

In 1990-2008, the population of Georgia decreased by 19,5%, while a 11% growth was fixed in 1975-1990. This was followed by the population aging. The described processes pose a serious danger to the regeneration of the generations and are a heavy burden for the employed population. (Fig. 2)

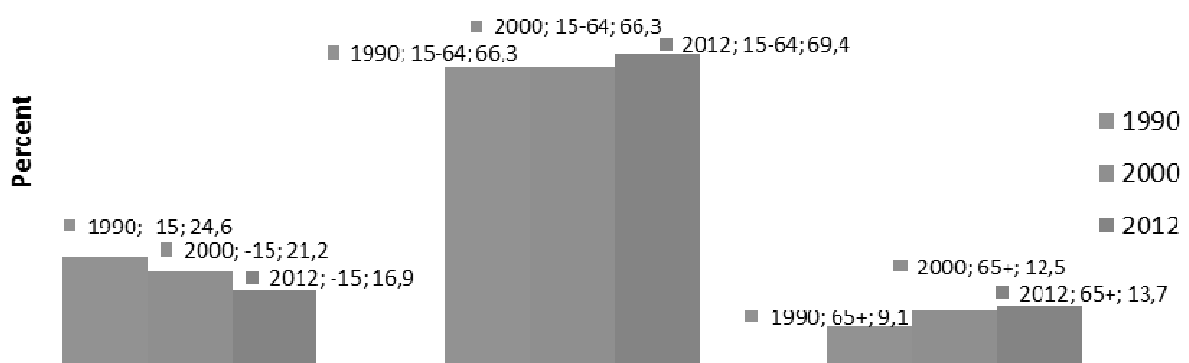


Fig. 2 Population by age [273]

The statistical data of 2007-2016 are worth attention, as they evidence the growing number of the lively born (refer with: Table 1). This indicator significantly increased in 2009 and 2010 and the growth reached 36,3% and 34,1% respectively, as compared to the same indicator in 2005. (Fig. 3)

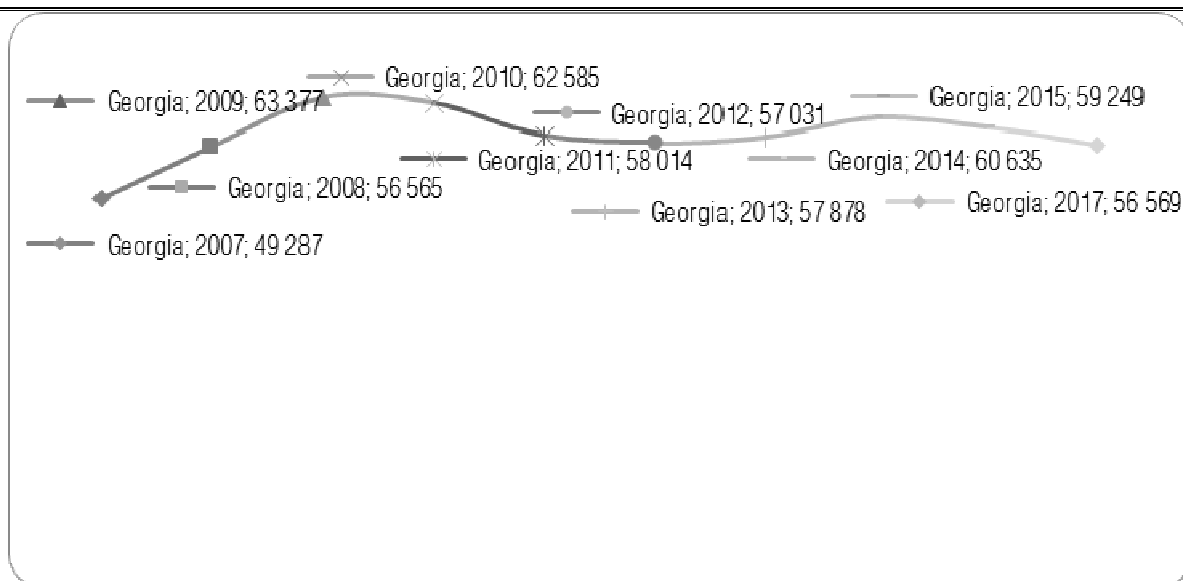


Fig. 3 Number of Live Births [273]

The growth was fixed both, in urban and rural areas. In addition, the number of lively born increased in the regions traditionally Georgian population. In addition, the same growth is fixed in the regions with the majority of the population being non-Georgians. However, one moment is worthwhile. The increased number of the registration of newborns must not create an illusion of the increased birth rate. However, the given indicators are quite high for such a small country, as Georgia is and naturally, would lead to significant changes, as the indicator of the natural growth of the population has significantly increased. Besides, the regeneration of the generations has also become more intense, and this is another important indicator in demography. The number of marriages increased and the number of children born without the registered marriage decreased as compared to the past years. (Fig. 4)

In a certain respect, this is also a positive change. The births of the second and third babies in the family have also increased, and there is no disturbed quantitative ratio between the sexes of the lively born. (Fig. 5)

As per the data of 2009, 104,5 boys were registered per 100 girls. As for the following years, the number of boys per 100 girls was as follows: 107,9 in 2010, 109,6 in 2011 and 109,4 in 2012, evidencing a regular ratio. These changes are the result of not some active demographic policy, but the initiative of the Patriarch

of Georgia regarding the birth of every third baby in a family. (Fig. 6)

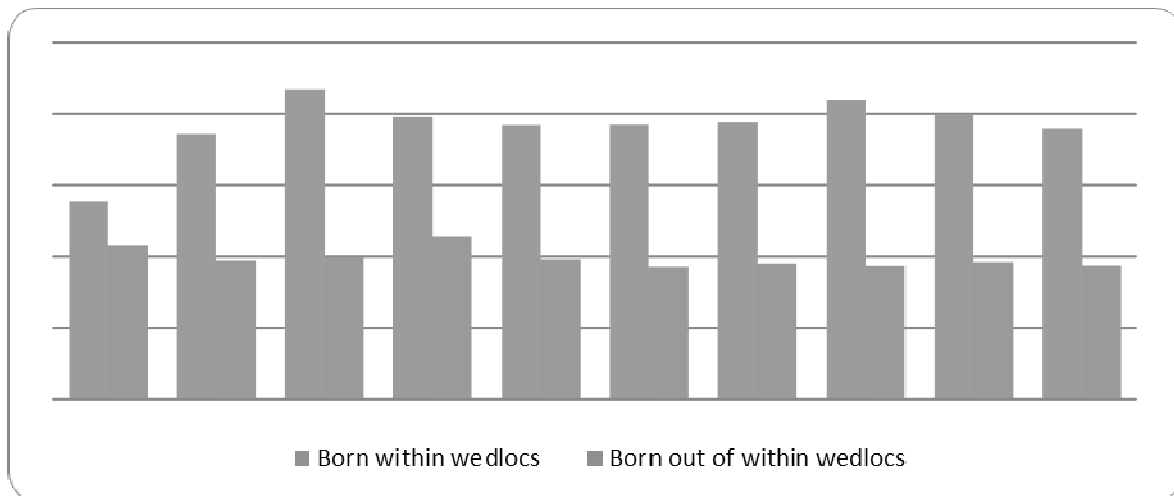


Fig. 4 Live births by legitimacy status [273]

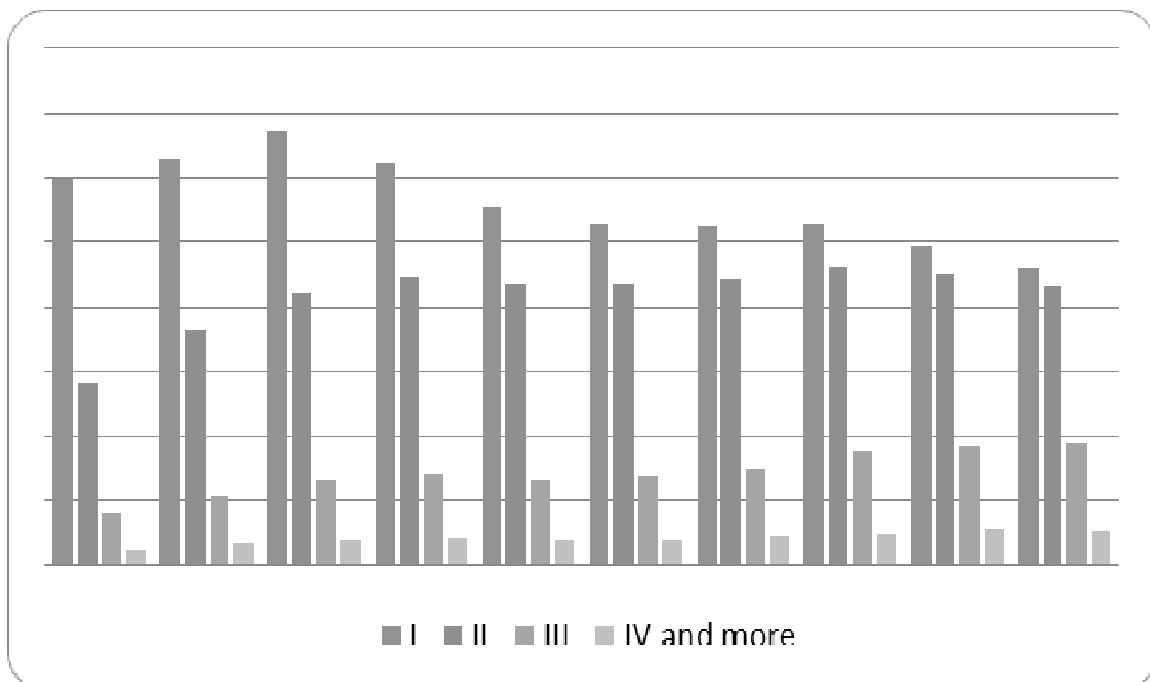


Fig. 5 Live Births by Birth Order [273]

At this point, it should also be mentioned that no matter how favorable the statistics of the recent 5 or 6 years is, this only cannot compensate the situation established for the last two decades in Georgia. A 2-year-long increase in the birth rate cannot cause cardinal changes. Such changes are possible through long processes only. However, aging of the nation is directly linked to the birth rate, which is one of the primary components in this respect. Generally, the longer the lifespan, the more people

survive and the nation gets more aged. However, the birth rate is a more important factor than lifespan in this respect.

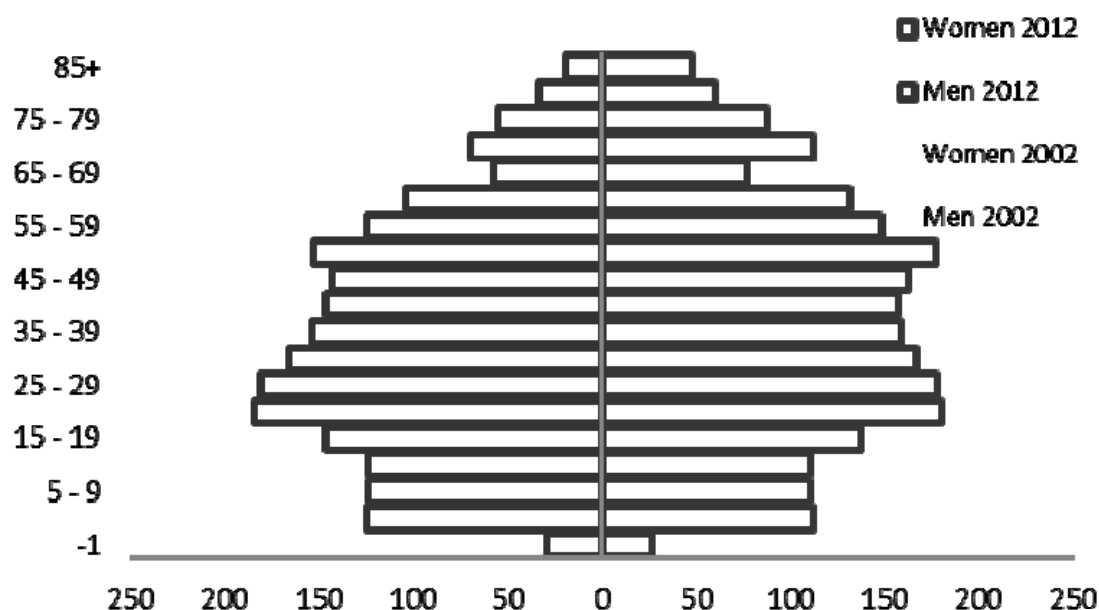


Fig. 6 Population by Sex and Age in 2002-2012 years (person)
[273]

The indicator of the demographic aging of population, which is the specific weight of the people aged 60 or more in the total number of population was 18-19% and the specific weight of the people aged 65 or more in the total number of population was 13-14% in 2003-2013. According to the Rosette and UNO Scales, this is a very high indicator of aging. In the period between the censuses of 1989 and 2002, the average age of the population in Georgia increased by 2.5, and is now 35,4 years. The life expectancy also increased by 2 years in 2016 as compared to the data of 2002 and is 72,7 years. The value of this indicator differs for different sexes, and it is 79 for women and 69 years for men. It should also be mentioned that in 2016, 18,5% of the economically active population was older than 60 years old, 11,5% of the economically active population was older than 65 years old and only 11.0% of the economically active population was younger than 25 years old (an approximate growth trend in 2007-2016). Thus, in a demographic respect, the aging of the population in Georgia is an obvious trend. The most aged population of Georgia is found in south Caucasus: in Azerbaijan the aging index is 6,7% and it is 10,6% in Armenia.

Table 1

***Main Demographic indicators of Georgia
in 2007- 2016 [273]***

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population for the beginning of the year (thousands)	4394,7	4382,1	4385,4	4436,4	4469,2	4497,6	4483,8	4493,5	3720,4	3718,2
Live births	49 287	56 565	63 377	62 585	58 014	57 031	57 878	60 635	59 249	56 569
Deaths	41 178	43 011	46 625	47 864	49 818	49 348	48 553	49 087	49 121	50 771
Natural increase	8109	13 554	16 752	14 721	8 196	7 683	9 325	11 548	10 128	5 789
Life expectancy at birth	75.1	74.2	73.6	74.4	74.5	74.7	75.2	72.9	72.9	72.7
Birth rate (per thousand population)	11.2	12.9	14.4	14.1	12.9	12.7	12.9	16.3	15.9	15.2
Mortality rate (per thousand population)	9.4	9.8	10.6	10.7	11.1	11.2	10.8	13.2	13.2	15.2
Natural increase rate (per thousand population)	1.8	3.1	3.8	3.3	1.8	1.7	2.1	3.1	2.7	1.6

The demographic aging of the population is followed by the increased demographic-economic load for the able-bodied (particularly, for the employed people). The proportion of the disabled per one thousand able-bodied people in Georgia is increasing. If considering that the level of unemployment is persistently high, the demographic load will seem a much severer problem. The specific weight of the people not having reached the working age in the demographic load increases and the specific weight of the people older than the working age increases accordingly. The load of the aged in 2013 was 4% higher than in 2002, and has doubled since 1897. The specific weight of the children younger than 16 decreases and the number of pensioners increases. The aging index for the last fifty years has increased almost 8-fold, from 10,4% to 81,2%. This process is particularly intense in rural areas with the people migrating to urban areas due to hard living conditions. Migration of the people from villages to cities (mostly, of the young people) is most intense in the northern high-mountainous regions of Georgia of all the regions of the country. Consequently, the major population in these regions

is the elderly. The rate of death in the regions distinguished for demographic aging is drastically higher than the mean value in the country, it often exceeds the birth rate and cause depopulation.

The aging process is particularly painful for the labor market and system of social protection, as the social costs increase is a hard load for the employed. At present, there are 75 hired employees per 100 pensioners, while the optimum proportion is 350-400 hired employees per 100 pensioners. Moreover, if considering that over half of the employed are women, the income tax paid by the employed women used to give out pensions is augmented by the women's labor in their own families while taking care of the elderly, being a double load for a woman. The aging index for the last fifty years has increased almost 8-fold, from 10,4% to 81,2%.

The indicators of migration are worth attention. From 1990, mass migration took place in Georgia. As per different sources, 2/3 of the migrants have left the country for economic considerations, while 1/3 of them left the country for ethnic reasons. In addition, the number of the reproductive and able-bodied people was particularly high in the total number of the migrants. In 2013, 90.584 people left the country, with 80,2% of them being able-bodied, while 76,8% of the emigrant women were of a reproductive age. (Fig. 7)

The calculated prediction values prove the forecast of the UNO experts about the demographic aging of the population in Georgia continuing in the future; however, if we manage to maintain the situation of 2005-2016, aging will be slower.

The study has demonstrated that Georgia is among the aging countries and is the most aged country in the South Caucasus. The medium age of the population in Georgia is 5 years more than that in Armenia and is 7 years more than that in Azerbaijan. Besides, Georgia is 30% older than the average world index suggests (37 and 29 years, respectively).

Increase in the birth rate will not be endless or thorough; however, in this respect, Georgia is in a much better position than say, the Russians or Ukrainians. The latter have much severe demographic problems. Similar trends are observed in Armenia

and Azerbaijan. The difference between our country and them is not as great as it was ten years ago. However, the level of demographic aging in those countries is lower than in Georgia, because the negative demographic trends started much later there than in Georgia. However, sooner or later, the South Caucasus, as well as the whole world will face this problem.

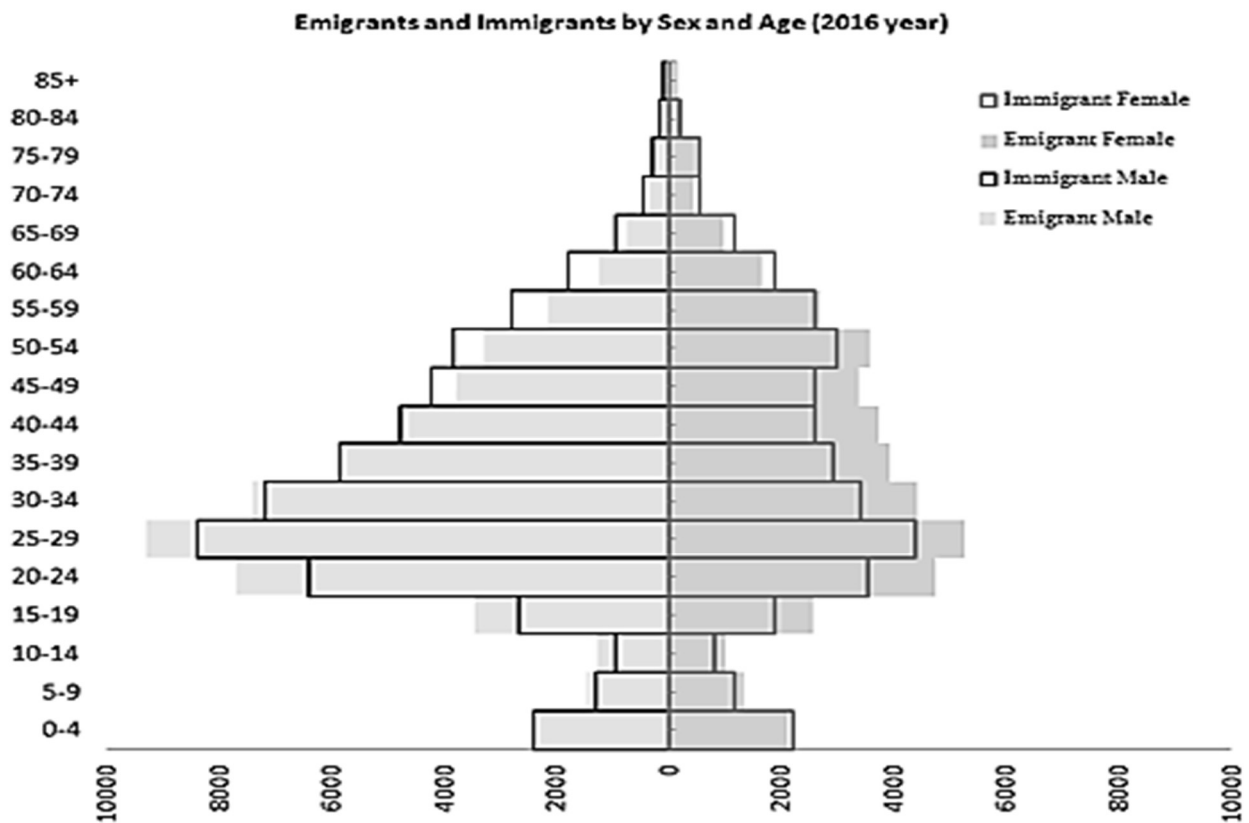


Fig. 7 Emigrants and Immigrants by Sex and Age (2016 year)
[273]

Such state of affairs has had a significant impact on the demographic aging of the population, and with great probability one can talk about the *Georgian type* of demographic transition, which is closer to the French type characterized by decreased birth rate in terms of factually unchanged (permanent) of the death rate. As per the forecast of the UNO experts, the demographic aging of the population of Georgia will continue further and by 2050, the proportion of the people aged 60 or more will nearly double in the total number of the population, reaching 35,8%

SECTION 5.

MODERN TECHNOLOGY OF PARTNERSHIP AND INTER-FIRM COOPERATION

5.1. TRENDS OF DEVELOPMENT OF TRADE RELATIONS BETWEEN GEORGIA AND THE EUROPEAN UNION

Currently, the main direction of foreign economic relations of Georgia is getting closer to the EU and achieve economic integration with the EU [204]. The EU was one of the first to recognize the independence of Georgia in 1992; in 1995, the European Commission opened a representative office in Georgia [204]. Recently, the role and share of the EU in external trade of Georgia has been growing and noticeable. Therefore, the study of trade and economic relations between the parties is a very pressing issue.

The current worldwide processes of economic globalization and integration are irreversible, which, on the one hand, provides significant possibilities to the countries and on the other hand contains certain problems and challenges. Nowadays, there are the following integration groups in Europe: the European Union, the European Free Trade Association and the CIS (the Eurasian Union). Despite the modern and complex challenges the EU faces, it represents the most developed integration group and one of the largest markets in the world.

Georgia is located at the crossroads of Europe and Asia. After regaining its independence, the country has been actively trying to deepen its trade and economic relations with member states of the international community, especially with the European Union and its member states. It is worth noting that lately Georgia has made significant advancement on the way to economic integration with the European Union. As known, on June 27, 2016 the

Association Agreement was signed between Georgia and the European Union in Brussels [206, p. 100]. Since September 1, 2014, approximately 80% of the commitments under the Association Agreement (including Deep and Comprehensive Free Trade Area (DCFTA) component) began to be implemented. By the end of 2015, ratification of EU-Georgia Association Agreement by the EU member states had been successfully completed.

Georgia occupies a very important geographical location, connecting the West with the East. Therefore, this factor should be successfully used on the way to European integration and the world economy. Georgia has an opportunity to deepen economic integration with Europe and there is a difficult path, which is related with serious challenges and at the end of which Georgia will be called a developed European country. We believe that trade and economic relations between the parties should increase gradually, which will encourage the socio-economic development of our country.

More than three years have passed and there are some consequences for Georgia's economy. It should be noted that Moldova has also signed an Association Agreement with the European Union. Both countries were actively involved in the Eastern Partnership programme.

And yet, what is an Association Agreement? Association Agreement is signed between the European Union and the non-EU member country and aims to create a framework for cooperation between the parties. Association Agreement is legally binding. The Association Agreement between Georgia and the European Union is ambitious and innovative, so called New Generation Agreement, as unlike other previously signed similar agreements, it includes Deep and Comprehensive Free Trade Area (DCFTA) and provides considerable concrete mechanisms for getting closer with the EU. The possibility of signing Association Agreement (including Deep and Comprehensive Free Trade Area) between Georgia and the EU was initiated in the frames of Eastern Partnership programme. Georgia-EU Association Agreement will replace the Partnership and Cooperation

Agreement (PCA) signed in 1996 and will create a new legal framework for cooperation between Georgia and the EU. Compared with the PCA, the Association Agreement includes further deepening of cooperation between Georgia and the European Union in all priority areas [26, p. 4].

The Association Agreement, in turn, will result in specific benefits for the citizens of Georgia. Some of the most notable of these benefits are improvement of the quality of local agricultural products; opening better opportunities for small and medium enterprises; accessibility to European education; improved healthcare; improvement of energy efficiency and development of renewable energy resources; a better functioning court system; enhanced rule of law; increased accountability and transparency of public sector; etc [26, p. 10].

At the modern stage, trade and economic (and other types of) relations between Georgia and the EU are widely increasing. The EU was one of the first to recognize the independence of Georgia and establish diplomatic relations with the country, which encouraged further development of historical and cultural, as well as trade and economic relations between the countries.

The EU represents the largest trade and investment partner for Georgia and it has close trade and economic relations with our country.

After Georgia gained independence, bilateral trade with goods moved to a new, higher level. The table shows the trade data between the parties in 1995-2016. The growing tendency of the trade with goods since 2005 is obvious. Bilateral trade turnover in 1995 amounted to only 121 million USD. Ten years later, in 2005 the corresponding figure reached 800 million USD. By 2016, trade turnover with goods increased by 23 times and exceeded 2800 million USD. Over the last few years, bilateral trade turnover has achieved high growth rates, which will further increase in future.

Trade relations between Georgia and the EU are significantly increasing. According to the data of the National Statistics Office of Georgia, export from Georgia to the EU amounted to 7 million USD, while the corresponding figure increased to 158 million USD

in 2006 and to 572 million USD in 2016 [62; 203, p. 176]. Similarly, import from the EU to Georgia amounted to 114 million USD in 1995, while the corresponding figure reached 103.3 million USD in 2006 and 627 million USD in 2005. Export from Georgia to the EU exceeded 100 million USD in 2015. Import from the EU reached 1 billion USD in 2007 and 2 billion USD in 2011. Export from Georgia to the EU was the highest in 2015 (645 million USD), while the import from the EU was highest in 2012 (2400 million USD).

The EU is an important trade partner of Georgia. An increasing trend is observed in bilateral trade relations between Georgia and the EU. According to the 2016 data provided by the National Statistics Office of Georgia, the EU is the largest trade partners of Georgia by trade turnover, as well as by export and import. We believe that trade relations of Georgia with the EU will further increase in near future.

According to the results of the studies, economic outcomes of the DCFTA are quite significant for Georgia. It is notable that due to the DCFTA export from Georgia to the EU it will grow by 9% in the short term and by 12% in the long term; import will correspondingly increase by – 4.4% and 7.5%. The average salary is expected to grow by 3.6% and consumer prices to decline by 0.6%. As a result, the DCFTA will contribute to the growth of the purchasing power of Georgian citizens, especially in the medium and long term. Due to the DCFTA, GDP of Georgia is expected to grow by 4.3%. Reduction of non-tariff barriers in the medium and long term is one of the most important outcomes of trade liberalization. [255] On the other hand, implementation of the terms of the Association Agreement is connected with certain expenses. However, the ultimate benefit exceeds all the expenses several times. Three years have passed since signing of the Association Agreement but Georgia's export to the EU market has not increased to that extent.

The differences between Georgia and the EU in economic and industrial structures, as well as in the volume and diversity of goods are quite large. The free trade agreement between the

parties will result in further increase in gross domestic product (GDP) both in Georgia and the EU but we believe that the impact of the agreement on the EU economy will be quite insignificant. It will also lead to improving social welfare and the amount of export in both countries. The free trade agreement will bring significant trade and economic benefits to both countries and deepen existing economic and political relations.

Table 1

Georgia's export to the EU and import from the EU to Georgia in 1995-2016 [62]

Year	Georgia's export, total	Georgia's export to the EU		Georgia's import, total	Georgia's import from the EU	
		1000 USD	%		1000 USD	%
1995	155 199,30	7 238,10	4,7	488 696,5	14 090,7	23,3
1996	203 022,30	19 599,70	9,7	751 223,6	186 943,2	24,9
1997	244 227,40	20 149,40	8,3	995 320,1	224 431,2	22,5
1998	191 317,50	36 395,20	19	882 491,1	271 229,1	30,7
1999	238 005,60	49 701,20	20,9	689 590,0	161 423,9	23,4
2000	323 938,30	69 394,00	21,4	709 509,1	161 535,9	22,8
2001	317 150,90	55 961,20	17,6	752 010,9	214 544,9	28,5
2002	345 736,10	59 027,20	17,1	794 691,6	211 795,3	26,7
2003	461 310,00	77 748,20	16,9	1 139 039,2	380 372,7	33,4
2004	646 903,00	111 363,40	17,2	1 844 342,9	604 352,9	32,8
2005	865 455,60	165 160,23	19,1	2 487 548,30	627 350,4	25,2
2006	936 374,60	157 901,95	16,9	3 674 832,40	947 822,6	25,8
2007	1 232 110,50	268 530,35	21,8	5 212 150,20	1 538 897,3	29,5
2008	1 495 345,20	335 153,84	22,4	6 301 540,30	1 756 449,6	27,9
2009	1 133 630,20	237 552,54	21	4 475 724,50	1 330 101,6	29,7
2010	1 677 306,90	309 189,51	18,4	5 235 964,60	1 466 578,8	28,0
2011	2 186 421,20	424 448,13	19,4	7 072 259,80	2 050 757,7	29,0
2012	2 376 635,40	352 950,40	14,9	8 056 379,00	2 428 744,9	30,1
2013	2 910 314,50	607 204,00	20,9	8 022 739,00	2 266 259,2	28,2
2014	2 861 045,20	624 201,42	21,8	8 601 814,40	2 371 979,7	27,6
2015	2 204 685,3	645 214,10	29,3	7 300 293,10	2 080 879,4	28,5
2016	2 113 136,10	572 133,26	27,1	7 294 281,20	2 215 126,8	30,4

Georgia is one of the first countries in the region with whom the EU signed a free trade agreement [27]. On the one hand, the agreement is a perspective, but on the other hand it is also associated with great challenges.

The free trade agreement achieved between Georgia and the EU will contribute to the strengthening of bilateral trade and creation of the conditions essential for economic growth. Although commodity markets in both countries are characterized by high level of liberalization, the agreement will further increase efficiency of the markets and provide opportunities for the countries to utilize the competitive advantages that they have in the production of different goods.

As the above data shows, the dynamics of trade turnover between Georgia and the EU has been increasing in recent years. Therefore, we may conclude that the EU is becoming an indispensable trade partner for Georgia. Although the volume of imported goods significantly exceeds the volume of export, a reduction has been observed in the export-import balance in recent years that has positive impact on Georgia's balance of payments.

The EU economy is one of the most growing around the world. Accordingly, its share in foreign relations will increase, which will play an important role in Georgia's economy [271; 205].

The EU member states have leading competitive economy; therefore, one of the main problems of Georgia is low competitiveness of its economy. Consequently, Georgia can use their experience; increase in trade and economic relations will improve economic competitiveness of Georgia.

Although since signing the Association Agreement Georgia's export to the EU has increased, still Georgia's export to the EU has not increased in accordance with the planned indicators.

Georgia should try to achieve closer trade and economic integration with the EU.

In addition, as Great Britain is leaving the EU, Georgia should work with Great Britain to maintain the existing scale of trade and economic cooperation and further increase them.

Thus, the EU is one of the main trade partners for Georgia and the trade relations between the countries have great potential, which, together with other activities, should ensure economic growth of the country and improvement of the overall level of living in future.

5.2. TIES BETWEEN WINE INDUSTRY AND WINE TOURISM AND THEIR POSSIBILITIES

The objective of the study is to identify effective mechanisms for the development of wine industry and tourism, which represent strategically most important sectors of Georgian economy. Origination and development practice of wine tourism proves close relationship between the above sectors and their benefit. Popularity of wines with denominations of origin encourages development of tourism in wine regions, the outcomes of which are already evident in Kakheti region. The tourism destinations, which have already developed in Georgia, should be used for improving awareness of wine brand and creation of wine consumer. In addition, the research has shown that even in case of existence of resources, the above methods are effective only by applying innovations, creative approaches and differentiated strategies on target markets. Thus, to say it in general, it is a way for weak economies to remain competitive on international markets.

It might be said that wine production and tourism are the main fields that were the exclusive fields of Georgia in the Soviet Union. But due to the closed economic and political system both sectors developed in the wrong direction and were led to the lack of awareness on the international market. As a result of the collapse of the Soviet Union, there was no market for Georgia and due to the war in Abkhazia and the civil war the country got destroyed and depreciated infrastructure. In addition, Russian embargo on Georgian wine in 2006 caused cutting vineyards and reduction of wine export by 50%.

The importance of the topic is determined by the fact that there are not many exclusive and special products produced in Georgia, which will be competitive on the rich market segment. Wine is one of such products and tourism is attractive for any country due to its fast and high socio-economic effectiveness. It is especially attractive for Georgia, which has good potential for its development.

For the last years agriculture and tourism have been recognized by the government of Georgia as priority sectors. International practice of wine tourism development shows that the wine sector can gain significant benefit from tourism in terms of sales and brand image, and as tourism is increasing this issue is gaining more importance. As a result of implementation of a number of infrastructural projects, marketing activities and introduction of new regulations by the government in recent years, significant progress has been made in terms of tourism development. The growth of tourist arrivals in Georgia amounted to 7% in 2015 and 7.8% in 2016. Tourism accounted for 6.71% of the country's GDP in 2015 and 7.01% in 2016 [110]. In addition, 5% of the tourists visiting Georgia consider that their tourism activities belong to wine and culinary tourism, while the number of such tourists on the international market varies only between 2-3% [125].

Great interest in tourism and wine industry is also determined by the potential of these sectors to encourage “inclusive growth” – the growth that provides benefit not only for entrepreneurs and the people directly involved in the production, as it is often the case with economic activities in developing countries.

Based on the above-mentioned, the main goal of the study is to identify effective mechanisms for the development of Georgian wine industry and wine tourism on the basis of developing an adapted model for wine tourism development based on the study and analysis of the experience of development of wine tourism market in foreign countries, which will encourage development of

wine tourism as well as branding and promotion of Georgian wine on international market.

Wine economy has become an important area of research in recent years. In the United States, there is the American Association of Wine Economists and numerous web pages, such as www.wineeconomist.com (they create world maps of wine), managed by Mike Veseth, the author of the book *Wine Wars*, in which the author studies competition among market trends and other issues. In general, this issue is covered in many economic books and academic papers.

The situation in respect of wine tourism is quite different. Scientific studies and publications on wine tourism are relatively few compared with other areas of tourism. It may be illogical, but the fact is that researchers of wine tourism believe that scientific contribution in this field from the Anglo-Saxon countries (Canada, US, New Zealand, Australia) is greater than from the historically traditional wine producing Mediterranean countries [105].

First scientific works on wine tourism began to appear in 1990s. The scientific papers in this period are mainly related to rural tourism and its contribution to rural economy, wine tourism market segments and consumer behavior. Substantial scientific papers in wine tourism are presented by Dodd (1995), Peters (1997) and Skinner (2000) from US; by Gilbert (1992) from Spain, by Heckert (1998) from Canada, by Pavan (1994) from Italy and others. Wine researchers in Europe make more emphasis on the areas of vineyards and statistical study of wine products. As for the studies by Georgian researchers, there is rich literature on vine and wine-making technologies, but not on the economic importance of wine [105, 55, 79, 229].

Scientists believe that the first tours in the vineyards were made as early as in ancient period, but the wine-related activities became especially popular in 1980s [105].

Nowadays, wine and gastronomy represent important elements of all kinds of tourism; therefore, indirect demand for them on the world market is approximately 27 million visits annually. The growth of wine and gastronomic tourism in the last

decade amounted to 5-8 percent, which is higher than the average growth rate of tourism development (4 %). The specialists predict that by 2020 growth of the wine and culinary tourism will achieve 8-10% [125].

There are different approaches to wine tourism in historically traditional wine producing countries (European model - France, Italy, Spain, Portugal, Hungary) and new wine producing regions (Australia, Argentina, Chile, US, South Africa). We mean different approaches to wine production and wine marketing, associated with the old and new world. Here, we would like to note that such division is conditional as successful experience is instantly spread and gained in current globalized world. Therefore, this difference is more visible in some places and less visible in others.

The fact that the researchers believe that wine tourism models are related with wine making methods is of special interest for us.

The European model of wine tourism is based on the long history of wine production and a large number of producers in this field, while the second one is based on the short history of production in the new wine regions and the highly concentrated sector. In Europe, cooperation between wine producers and adaptation is developing very slowly even in terms of global changes, making it difficult to take further steps to service activities in this area. Although there are associations of French farmers and cooperatives created based on the initiative to develop wine tourism, the amount of small farmers in France is 17 times smaller compared to the United States [105].

In Europe, wine oriented tourism has developed in the field of traditional production, which includes high material values of cultural heritage and represents an obligation for its owners to promote spread of knowledge in this direction. Later, urbanization processes in Europe led to the nostalgia of agricultural products and increased the significance of traditional wine production, which, in turn, encouraged increase in direct sales of wine from producers. Traditions, knowledge, novelties and experience

oriented activities gave birth to very important forms of wine tourism in European settlements and on the river banks.

The situation in new wine producing countries is different. For example, in the United States, where the tradition of wine culture has relatively short history but there is a huge potential in terms of consumers' demand. In US, wine consumption is growing annually and takes the first position in the top ten countries by wine consumption. According to the data of 2016, consumption of wine in the US reached 31.8 million hl; it is followed by France (27.0 million hl), Italy (22.5million hl million), Germany (20.2 hl) and China (17.3 million hl). Therefore, the US and China represent attractive markets for wine producing countries that have been traditionally oriented on European wine [113].

Vineyard areas and wine production are increasing worldwide. This is especially evident in non-traditional wine producing countries (New Zealand, Australia, US), while in traditional wine countries such as Greece, France, Argentina they are decreasing. Growth of wine consumption is 1% lower compared to the growth of production. This contributes to the production of excess goods, reduction of prices and increasing competition in this field on the international market to the monopolist European countries. Wine export is increasing from the new wine countries, in particular, from Australia and South Africa, while it is decreasing from France and Spain.

In European countries wine tourism accounts for approximately 20% of all wine sales. For example, in Italy the respective figure is 19%. In Greece, 32% of wine is sold from wine producing locations, wine cellars and wine-tasting halls of factories; 18% is sold in bars and restaurants; 16% in special chains; 16% in supermarkets and 4-5% by internet [105].

Domestic consumption of wine in traditional wine countries is no longer growing. Here the main task of the wine tourism activities and events is to maintain customer loyalty and the wine-related heritage, such as traditional wine cellars, surrounding cultural landscapes or wine-related customs. In the European

model, the traditional product sector is related with the wine tourism initiatives.

In the new world, wine tourism is more focused on brands than on locations. Wine tourism here serves as an advertisement to help consumers to have a higher opinion on the quality of local products and therefore, increases the competitiveness of these countries compared to traditional wine producing countries. The main goal here was to create a wine consumer. It was developed in parallel to the creation of new markets and was well adapted to wine tourism. New technologies and a great production structure promote supply of high quality products on the wine market in large quantities. Inclusion of territorial authenticity in the model and ensuring creation of values remain the key challenges. In this respect, keeping connection with culture in wine tourism strategies in the old continent is a good experience; therefore, the new wine countries actively use creative components, develop tourism destinations, create comfort for relaxation, add recreational elements and plan different wine related events (such as Wine and Crane Festival in California, Wine Show and Cabaret in New Zealand, wine mixing seminars in Napa and Sonoma valley – pouring wine in specially designed bottles with a name chosen by the tourists; the bottled wine is taken home by the tourists).

Thus, the main tasks in wine tourism in Europe are sales and maintenance of customer loyalty. It is based on traditions and cultural characteristics. The new wine countries focus on the development of a new wine brand, which is based on creativity and development of a tourism destination.

The wine tourism system is a complex structure, whose main component is the impression gained from wine tourism [91]. Hull, something that remains valuable for the tourist after the trip. According to Getz, wine tourism is a kind of journey to a special market [79]. We consider that Georgia can be such a special direction due to the following circumstances: - 8000 years of wine history; more than 500 endemic grape varieties (Georgia is the only country where wine was made only from endemic grape

varieties); unique qvevri wine; various customs and traditions; Georgian delicious and diverse cuisine; good climate and beautiful landscape with rich biodiversity.

Currently, vineyards in Georgia cover 48-50 thousand hectares. This is only half of the area covered with vineyards until early 1980s (most of them were cut off as a result of Gorbachev's anti-alcohol campaign). Despite this, Georgia is the fourth country (after Portugal, Chile and Italy) by the share of agricultural land (8%) used for growing vine. Therefore, export of wine can be further increased by planting grapes on the areas from where they were cut off [99].

Export of Georgian wine has been increasing in recent years. According to the data of 2016, around 50 million bottles (0.75 liters) of wine were exported from Georgia to 53 different countries worldwide, which is 38% higher compared to 2015. The value of wine export in the reporting period amounted to 113.8 million USD, which is 16% higher compared to 2015. Top five exporting countries are: Russia - growth 49% (27,222,076 bottles), Ukraine - growth 70% (5,811,050 bottles), China - growth 98% (5,299,149 bottles) and Poland – growth 46% (2,329,820 bottles). In addition, 10,367,886 bottles (0.5 liters) of brandy were exported to 17 countries worldwide in 2016, which is 43% higher compared to 2015. Total revenues from exports of wines, brandy, chacha, wine materials, brandy spirits and tap brandy amounted to 194.3 million USD in 2016. The growth rate compared to 2015 reached 32%. Since 2012, after opening the Russian market, Russia has been the largest importer of Georgian wine again. In addition, the export price of wine has been increasing since the middle of 1990s when it was below 1 USD. By 2011 it increased to 3.2 USD. Currently, the export price of Georgian wine is above the world average, strengthening its status as a luxury product [99].

It is interesting how much wine can be produced in Georgia. Wine factories have been using around 30-40 tons of grapes for making wine. The harvest of the vintage 2017 amounted to 125 thousand tons of grapes [99]. Most of the harvest from the

vineyards owned by households is used for making home-made wine. However, if wine companies offer higher prices for these grapes, private wine growers will sell their harvest instead of consuming it. In this case, it is possible to double commercial production of wine. In addition, wine tourism is a good way for selling home-made wine. Tourism is a tool for exporting products from the production location through direct sales [105].

In addition, as mentioned above, both wine and tourism have potential to encourage “inclusive growth”. Increase in wine production, price and sales will have a positive impact on the revenues of households in rural areas. This opinion is based on the fact that grape growing is one of the most important sources of income for many households in rural areas, especially in Kakheti region. Some of the wine companies have their own vineyards and grow grapes themselves, while others mainly buy grapes from households. Approximately 2-3 times more wine is produced by the households than by wine companies. This means that if the demand for and price of Georgian wine go up, competition between wine companies will result in the increase in grape price. In this way, popularization of Georgian wine on international markets will have direct impact on the income of Georgian smallholder farmers.

Lack of awareness of Georgian wine on international market still remains the problem. Although experts already know Georgian wine, it is not yet known to the general public outside the post soviet countries. According to the study of Kym Anderse ‘Is Georgia the Next ‘New’ Wine-exporting Country?’ the experience of wine exporting countries outside Europe has shown that advertising of the country of origin is much more effective than advertising of a particular brand. Perception of the quality of wine by consumer is directly connected with the place of origin and this is a sufficient guarantee, for example, for European wine consumers [21].

Wine tourism always includes territorial component as tourism is moving towards certain areas. Tourism development in Georgia can be used to serve Georgian wine. Wine and cuisine are

inseparable components for any kind of tourism. Therefore, for the tourists visiting the country with other purposes (relaxation, business, recreation, etc.), the host country can play the function of wine promotion and wine tasting destination (banners in the streets that the visitors can see beginning from the places near the airport and which inform them that they are visiting the wine country; offering Georgian wine at restaurants, Georgian wine display stands at supermarkets, special wine shops, festivals, various Georgian folk related events, etc.). This is the strategy, when specially designed infrastructure and activities are used to attract the tourists and inform them about the wine brand; thus, awareness of the brand is created in this way. In our case it will be not a certain brand, but Georgian Wine as a brand.

The situation is different when we deal with the tourists from the post-soviet countries. High awareness of the Georgian wine in this segment was associated with the place of origin -Georgian Wine as a brand. The experience of wine tourism in traditional wine producing countries substantiates the importance of awareness of the place of origin in consumers for the development of tourism destinations and increase in sales of wine from the places of production. The impact of the awareness of Georgian wine is already apparent in different regions of Georgia, especially in Kakheti. In addition to selling wine, wine cellars get income from tours, guesthouses and other services offered to tourists. The average price of 2 hour long wine tour is 50 GEL and the average price of the guesthouse including breakfast is 30 USD. Smallcellars mainly sell qvevriwine and the prices there are much higher compared to large wine cellars [110].

It should be noted as well that wine is one of the main products bought by the tourists as a memorable product from Georgia [99]. This is one more effective ways to promote direct sales from the place of production, popularization of the product outside the country and creation of new customers for Georgian wine.

From the best practice of wine tourism development the following activities and methods are already used in Georgia: wine

routes and wine maps; festivals and other special events; unique links - wine and food, wine and art, wine and music, wine and spa; combination of wine and other tours; wine tourism and social media. There are good examples of wine-related recreational tourism destinations such as Kvareli Eden, Chateau Mukhrani and others. Such good practice as wine villages/towns, which is an effective strategy for the destination development, is less applied or is not applied at all. Tourism is less appealing for large factories/cellars. They do not recognize the role of tourism in direct sales and are less likely to invest in wine tourism development. From this perspective, there is a good alternative in European countries (Chateauneuf du Pape in France, Montalcino in Italy) – partnership of communities around wine. It enables development of common vision and strategy, as well as creation and promotion of joint products.

The study of the peculiarities of wine tourism development both in Georgia and in foreign countries has shown strong interconnection between wine industry and wine tourism development.

The profile of Georgian wine tourism is variegated. There is a market of post-Soviet countries for whom Georgian wine and Georgia as a tourist destination are well known and currently, this market represents the largest segment. On the other hand, there are very attractive markets of America, Europe, China and other countries, whose share is still much lower than desirable. The level of development of tourism and tourism infrastructure is also different in different regions of Georgia.

Proceeding from the above-mentioned, application of models of both traditional and new wine countries with different approaches is useful, in particular:

a) European model, which will be based on traditions and cultural characteristics and will promote growth of sales and stimulate development of tourism destinations in Georgia. For the development of this model, the government and local authorities should stimulate development of peasant farms and establishment and development of local partnerships

b) The regions with developed tourism infrastructure, for example, seaside regions or other places with high number of tourists mainly travelling with other purposes, should be used for increasing the awareness of Georgian wine brand by using the methods and approaches of the new wine countries.

Thus, while the behavior of wine consumer is mainly determined by the place of origin of the wine brand and a major challenge to Georgian wine still remains the problem of the lack of awareness, Georgia should use its historical relation with vine and wine more actively; promote the brand slogan of the country “Georgia – the Cradle of Wine” and care for the protection and promotion of cultural traditions.

Therefore, the study of the development of wine tourism market has shown that even in case of existence of resources, for gaining competitiveness on the international market it becomes essential to use innovations and creativity through differentiated approaches; this especially refers to the countries with weak economy, which get more chances due to the changes in the behavior of modern consumers, seeking for novelties and something special.

5.3. A ROLE OF AGRICULTURAL SECTOR IN GEORGIAN ECONOMY

An agriculture is an old and important sector of entrepreneurship and it has a special role in development of national economies of the world countries. Development of national economy and welfare of a population largely depends on development of agriculture. Growth of national economy is directly proportional to the development of agricultural sector.

The agricultural sector is an important part of the world economy, as well as Georgian economy. Share of agriculture is 50% of the world economy, 20% of internal employment and 90% of employment in the countries with developing economic systems. It is unique and largely depends on biological processes. Besides,

its development has not only economical, but also traditional and national significance.

The agriculture has rich historical past in Georgia. Georgian population was always close to a land, understood its power and in a time of hardship (which wasn't rare in Georgian reality), agriculture, diligent work and faith of God helped each Georgian to become stronger and stand on their feet. Ultimately, all these meant that whole country was stronger. The agriculture was historically related to utilization of land and cattle.

40-45% of the world population is employed in the field of agriculture, but in developed countries this indicator doesn't exceed 5-6%. The agriculture has the same economic laws as other fields of economy. However, there is one main difference: in agriculture everything is predictable and the reason is natural characteristics of this field. We have many characteristics which differentiate the agriculture from other fields, but the main one is soil. It is basic and unchangeable mean of production and its utilization is related to a location. If the soil is utilized and maintained correctly, then it becomes better and more productive.

On the basis of utilization, Georgian territory can be divided into three categories: agricultural territory, natural-economic areas (forest, shrubbery, grasslands) and lands which aren't utilized for agriculture or forestry.

Georgian territory includes 5 climatic and 8 soil zones. Here we have 49 soils and 10 different soil-generating rocks.

Brown, dark brown, black earth, humus carbonate, subtropical podzolic, red, yellow, dark grey, silty-swampy and peaty soils are mainly used for agriculture.

Quite large portion of agricultural lands (6.7%, 205,000 hectare) are occupied with low productive, overly salted and swampy soils. In addition, 8% (300,000 hectare) of agricultural soils is sour and 7.3% (210,000 hectare) is marshy.

One of the main characteristics of agricultural production is that area of land, which is used for agricultural purposes, is limited. According to UN, 78% of earth is unsuitable for agriculture, 13% is low productive, 6% is averagely productive and

only 3% is highly productive. Of course, the earth's area doesn't change and therefore, area of land, which is suitable for agriculture, is also limited. Georgia is land-starved country. Its territory is 69,700 km² and area of agricultural lands is 30,200 km². From this area of agricultural soils (soils which can be utilized for ploughing and sowing perennial plants) is only 10,700 km². According to legal status, lands are divided into agricultural and non-agricultural categories in Georgia. Non-agricultural land includes territories of state and forest agency, protected territories, areas covered with water (water fund), 125 urbanized and industrial territories, as well as areas covered with roads and other infrastructural facilities.

Since 1992, state has begun to distribute property rights on lands in cities and villages. The whole fund of transferrable agricultural land was 763,000 hectare. Dwellers of villages have received averagely 1.25 hectare and dwellers of cities – even less. 464,000 hectare remained state property and from this area 299,000 hectare was rented by farmers. Additional 165,000 hectare once again remained state property and the state utilized it. Ultimately, farmers utilized over 1,000,000 hectare of agricultural land in 2005. In the same year census of agricultural land has been made and it has been revealed that 726,021 persons owned lands and average area of each land was 1.37 hectare. Nowadays, 140,000 persons own lands with area less than 0.2 hectare. In addition, 360,000 persons own lands with area less than 1 hectare. Approximately 16,000 farmers own 4 hectare or more and it is 40% of whole area of agricultural lands.

As the data shows, agricultural land is overly fragmented. Small crofts are inefficient for agricultural production. Besides, part of a land is unused because of internal roads and pathways. For small farmers it is non-profitable to purchase and implement agricultural equipment or innovations.

Because of the above-mentioned problems, majority of agricultural lands is uncultivated. In addition, according to Tax Code, owners of the lands with less than 5 hectare area, are

exempted from taxes. So these owners have no motivation to rent the land or just cultivate unused territory.

Agriculture was and still remains the main segment of employment. 961,146 persons, i.e. 54% of employed population (1779,900) works in the field of agriculture. According to the current statistics, population who owns lands and is economically active in villages is considered employed. Therefore, unemployment rate is 4-5 times higher in cities than in villages. However, only minority of village population can support family with income from the lands. Hidden unemployment of villages is the main reason for mass migration to the cities or abroad.

According to the data of 2016, 51% of population considers development of agricultural sector as the most important component of Georgian economy (the same opinion has 58% of population from the age group 56+, 57% of population from the age group 36-55 and 41% of population from the age group 18-35). 23% of population thinks that development of industry, factories and plants is the most important for Georgian economy (the same opinion has 24% of population from the age group 56+, 20% of population from the age group 36-55 and 25% of population from the age group 18-35). 17% of population wants to be employed in agricultural sector (the same opinion has 19% of population from the age group 56+, 21% of population from the age group 36-55 and 11% of population from the age group 18-35). 11% of population wants to be employed in industry/production (factories and plants) (the same opinion has 9% of population from the age group 56+, 16% of population from the age group 36-55 and 8% of population from the age group 18-35).

The data of 2016 related to an employment has the following form:

E Employment According to the Type of Economical Activity

Year and quarter	Sum	including						
		Agriculture, hunting and forestry	Fishing, fish-breeding	Industry	Construction	Transport and communications	Education	
	Person	1	2	3	4	5	8	10
2016 I	577,631	10,477	423	108,350	56,810	59,158	22,314	
II	600,978	11,947	442	112,388	59,909	60,983	22,571	
III	606,012	10,990	403	112,651	63,537	61,276	15,830	
IV	620,775	10,636	491	112,631	64,692	61,463	23,043	

E Employment According to the Regions

Year and quarter	Georgia	including											
		Tbilisi	Adjara	Guria	Imereti	Kakheti	Mtskheta-Mtianeti	Racha-Lechkhumi and QvemoSvaneti	Samegrelo and Zenjvakheti	Samtskhe-Zenjvakheti	Kvemo Kartli	Shida Kartli	
	Person	1	2	3	4	5	6	7	8	9	10	11	12
2016 I	577,631	382,486	50,838	5,125	39,403	15,908	7,307	1,132	21,657	7,064	31,340	14,206	
II	600,978	391,532	55,888	5,403	42,480	17,690	7,783	1,188	23,162	7,373	32,737	14,560	
III	606,012	392,742	57,292	5,933	42,543	17,915	8,416	1,440	21,798	8,485	33,692	14,581	
IV	620,775	408,665	55,630	5,437	42,939	17,093	8,705	1,204	22,501	8,240	34,270	14,887	

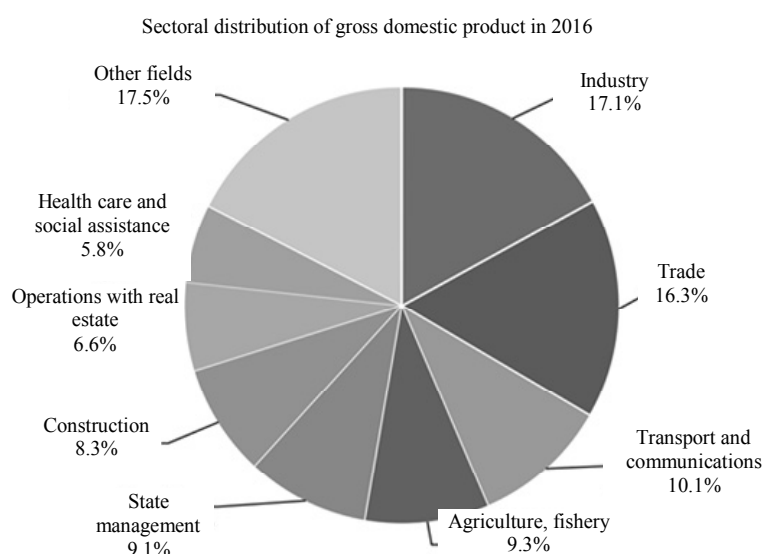
The agriculture has important role in formation and development of country's GDP.

According to the initial data, GDP of 2016 in the current prices is 33,921,6 million Lari and it exceeds analogous number of the previous year by 6.8%. Real growth of GDP is 2.7% compared to the previous year and a deflator has grown by 4.0%.

G Georgian Gross Domestic Product (in the current prices, million Lari)

NACE section	2015	2016*
Agriculture, hunting and forestry; fishing, fish-breeding	2 507,6	2 703,2

The biggest share in gross domestic product has industry (17.1%) and trading (16.3%). The following positions are occupied by transport and communications (10.1%), agriculture, fishing (9.3%), state management (9.1%), construction (8.3%), operations with real estate, rent and consumer services (6.6%), health care and social assistance (5.8%).



	2010	2011	2012	2013	2014	2015	2016*
Share of primary production in GDP	8.4%	8.8%	8.6%	9.4%	9.3%	9.1%	9.3%
Including							
Plant-growing	3.6%	4.1%	3.3%	4.2%	4.4%	4.1%	3.5%
Animal-breeding	4.2%	4.0%	4.5%	4.5%	4.1%	4.2%	4.7%
Agricultural services	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%
Forestry, fishing	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

At the beginning of 90s, after collapse of Soviet Union and recognition of independence, national government wasn't ready to coordinate new economic processes and develop tools of management for systemic transformations and protection of economics. 1991-1995 years (the first stage of transitional period) were especially unsuccessful for transformation of Georgian agriculture. Collective and Soviet farms have been dissolved since 1990. Tea plantations, vineyards and orchards weren't cultivated. No one sew wheat, maize and other crops. Cattle and poultry have gone extinct. The existing equipment was sold as a scrap-iron and so on. Population provided food for itself. Agrarian reform was necessary and basis for such reform should become a policy which would create favorable conditions for development of agriculture. First of all, it was necessary to change Soviet agrarian policy with a new policy which would express interests of independent country and solve the problems of a new, market economy.

According to the official statistics, 54% of a whole working force is employed in agriculture in Georgia. However, in the conditions of technologic obsolescence and decapitalization, labor productivity, crop capacity and other indicators of general productivity are too low. Therefore, the production of this sector lacks competitiveness. As a result of technologic changes and investments in physical infrastructure, demand on working force will probably decline and depopulation of Georgian villages may become more dynamic. At the current stage, because of low level of development of other sectors (industry, services), depopulation mainly takes place at the expense of internal and external migrations. If in a value system of Georgian policy maintenance of Georgian village (as a social and cultural phenomenon) will be priority instead of sharp urbanization (and we have preconditions for this), then agrarian sector should appear in a completely different light.

According to Ministry of Agriculture of Georgia, because of complex economic and political situation in main trade partners, such as Russia and Ukraine, as well as currency exchange crisis in Azerbaijan, Armenia, Kazakhstan and Belorussia, export of agricultural and food products have reduced by 26% compared to 2014. However, export of agricultural and food products have increased by 19% in 2015 compared to 2012.

In 2016, external trade turnover of Georgia (except non-declared trade) was 11966 million US dollars and it exceeds the indicator of previous year by 20%. From this export was 2114 million US dollars (decrement by 4%) and import was 9852 million US dollars (increment by 27%). Registered import of goods in January, 2016, was 405,5 million US dollars. Compared to January, 2015, import has decreased by 25%.

The data about Georgian import and export from 2016 has the following form:

Georgian Import and Export

		Export		Import	
		Thousands of US Dollars	Change (%)	Thousands of US Dollars	Change (%)
2015	January	155 073.9	-30.7	538 891.2	-0.8
	February	167 229.4	-22.6	579 977.5	-2.0
	March	179 075.4	-30.1	676 965.1	-3.5
	April	186 555.0	-21.3	552 058.5	-19.2
	May	194 612.1	-19.8	706 417.7	-13.3
	June	198 583.8	-18.7	607 536.1	-13.0
	July	187 036.3	-24.0	669 370.3	-14.9
	August	190 362.2	-23.1	624 263.4	-8.6
	September	186 333.1	-22.3	728 605.6	0.2
	October	187 914.1	-31.0	616 128.3	-21.4
	November	187 288.3	-7.6	581 222.6	-19.8
	December	184 620.7	-20.8	848 666.9	-1.8
	2016*	January	122 161.0	-21.2	410 772.7
February		158 749.4	-5.1	727 349.6	25.4
March		161 900.1	-9.6	552 107.0	-18.4
April		165 302.9	-11.4	985 773.7	78.6
May		172 239.0	-11.5	609 664.6	-13.7
June		167 884.9	-15.5	1 465 451.3	141.2
July		173 588.3	-7.2	669 587.7	0.0
August		188 142.5	-1.2	690 943.8	10.7
September		201 744.0	8.3	1 473 785.8	102.3
October		189 333.8	0.8	661 637.1	7.4
November		218 689.7	16.8	646 167.0	11.2
December		194 004.0	5.1	958 671.6	13.0

*Initial data

Important activities have been carried out during the last three years to support export and replace import. One of the main achievements was signature of agreement of association with European Union in 2014. This agreement provides for existence of deep and comprehensive free trade and creates more economic opportunities for export of Georgian agricultural production to the market of European Union. Export of agricultural product has grown by 19% in 2015 compared to 2012 and comprised 612 million US dollars. In addition, import has decreased by 13% in the same period and comprised 1.1 billion US dollars.

The Main Challenges for Participants of Agricultural Food Chain in Georgia

- Micro, small and medium enterprises of Georgia don't have reliable information about a market or such information is barely accessible for them. It is hard for them to estimate what share of

production will be sold to the final consumers on the general market. In addition, farmers don't get information (or such information is delayed) about the demands from the final consumers of the market;

- Micro, small and medium enterprises can't use available land and resources optimally. Majority of Georgian farmers have only small portion of the land for cultivation. However, many of them don't use the best practices for selection and location of cultures to maximize quantity of production. Analysis of production chain of fruits and vegetables, as well as honey market, clearly demonstrates this;

- Micro, small and medium enterprises don't know how to use information about the market for profit maximization. Furthermore, they don't know what is a profit from cultivation of different cultures or how to make comparison and select the most profitable option;

- Farmers frequently don't take into account many expenses. Many farmers don't estimate non-direct expenses, when they calculate expenses for cultivation of certain cultures. An elementary example is expense on electricity, which is necessary for water pumps;

- Micro, small and medium enterprises aren't sure what should be a price of their production. Range of prices for different cultures and production may change significantly and unpredictably in a short period of time;

- Micro, small and medium enterprises haven't access to cheap means of transportation, so they can't take large quantity of production directly to the market;

- Micro, small and medium enterprises don't know how to sell efficiently their production. Only small portion of enterprises understand how to process and package their production. So they lose opportunity to put more favorable prices. A prevalent problem is lack of knowledge about sanitary and qualitative norms;

- Micro, small and medium enterprises often get compensation (from the sold production) lately. It prevents continuous supply of production to the market;

According to Georgian Ministry of Agriculture, 4131 enterprises were operating in agricultural sector in 2015. 1541 of those enterprises were based in Tbilisi. According to the same source of information, distribution of operating agricultural enterprises was the following: Tbilisi – 1541; Imereti – 524; Kakheti – 468; Samegrelo-Zemo Svaneti – 340; Kvemo Kartli – 335; Adjara – 319; Shida Kartli – 273; Samtskhe-Javakheti – 114; Guria – 99; Mtskheta-Mtianeti – 96; Racha-Lechkhumi and Kvemo Svaneti – 22.

887 enterprises produced primary agricultural goods and others operated in the field of food production, including mineral waters and other non-alcoholic drinks, wine, beer, distilled alcoholic drinks, long-term pastry, bread and short-term pastry, procession of tea and coffee, procession of fruits and vegetables, meat products, milk products, fish products and so on. It is noteworthy that 148 enterprises were processing fruits and vegetables, while only 44 of them was designated as large-scale.

So we can conclude that lack of technologies, capital and basic knowledge step by step decreased general productivity and especially productivity of land, as well as crop capacity. Hence, competitiveness of agriculture can be increased only by means of implementation of the modern technologies and innovations, as well as improving farmers' skills and opportunities. In 59 Georgian municipalities informational and consultation services of agriculture are implemented and one of the basic functions of these agencies is to deepen farmers' knowledge. It is also noteworthy that LEPL Public Service Development Agency (under Georgian Ministry of Justice) has 43 public centers and offers more than 200 public and private services, including services of LLC "Mekanizatori" of Georgian Ministry of Agriculture. Productivity of agriculture largely depends on means of agricultural production and availability of services. In this respect, one of the hindering factors is absence of means of production and services (with corresponding price and quality) on the market. Hence, farmers often get the bad financial results.

The problems of development of Georgian agriculture is one of the main subjects of political and economic discussions. The modern agrarian sector is a field of experiments for socialism and capitalism, internal and external enemies, developed and developing countries, dilettantes and charlatans. An agrarian sector is often separated from economy, but how can we develop an agriculture without entrepreneurship, energetics and transport?! When we talk about priorities, these fields must be also included or we may fetish certain field and correction of such situation may require change of generations. Extremely low price of agricultural lands, heavy obligations from banks, improperly used lands (by state or private persons), as well as absence of monitoring on lands, neglecting insurance, weakness of marketing systems, non-helping of farmers in management of risk factors and many other industrial, economical and socio-political problems prevent development of agriculture.

Professional scientists and practitioner specialists should develop a strategy and tactics of agriculture with other fields of economy (entrepreneurship, energetics, transport) and the basic principle should be arrangement and harmonization of these fields. Each field must efficiently play its valuable role in this unified strategy.

We must develop policy of agriculture and rural development, as well as institutional and regulating framework of development. In the countries of Eastern partnership, population of villages was often ignored in the process of development and implementation of policy and programs. As a result of such vacuum, villages were depopulated and economically active population migrated to cities or abroad. This negative demographic trend, as well as demand on energetic personnel in agrarian industry, requires stronger policy and institutional approaches to guarantee development.

Our recommendations will be:

1. It is necessary to develop a clear urban policy and establish competencies and strategic priorities guaranteed with predetermined budget scheme;

2. It is necessary to develop policy and programs for guaranteeing food security. In addition, it is necessary to modify schemes of subsidies and aids for production of strategic crops and animal species. This will guarantee improvement of farmers' practice and compatibility of standards;

3. It is necessary to develop standards, regulations, legislation and comparative information about the production of agriculture (summary margin);

4. It is necessary to develop systems for guaranteeing food security and standards of animal health;

5. It is necessary to improve land management and environment protection;

6. It is necessary to develop policy and programs, which will solve the problems of land fragmentation, cooperation of enterprises and integration;

7. It is necessary to develop a program which will improve professional skills of farming or non-farming enterprises, as well as create opportunities for professional trainings;

8. It is necessary to increase accessibility of agricultural technologies and village infrastructure;

9. It is necessary to develop reasonable and manageable code of agricultural practice.

There are many ways to increase productivity of agricultural sector in Georgia, including acquisition of knowledge, usage of technologies, cooperation of farmers and solution of problem of land fragmentation. Georgian agrarian policy should achieve the following goals:

- Full utilization of Georgian agrarian opportunities and rising competitiveness and quality of production;
- Guaranteeing country's food security and replacement of import with local production;
- Growing export potential of agricultural production and reinforcement of positions at traditional or new markets;
- Rehabilitation of agricultural infrastructure and renovation of technics;
- Development of seed-growing system;

- Perfection of infrastructure of food security;
- Support of refinery industry;
- Protection of internal market from counterfeit, contraband and dumping production;
- Protection of unique species of animals and plants, as well as development of traditional fields.

Maximal utilization of potential of Georgian agriculture, as well as its purposeful usage is vitally significant for country's economy. That's why the main guarantee to get better result will be development of strictly formulated, competitive agrarian policy and support of attraction of financial resources to this sector of economy. In addition, it is especially important to guarantee country's food security. It is the main obligation of Georgian government, particularly Georgian Ministry of Agriculture.

5.4. SMART CITY MANAGEMENT – EXAMPLES OF TBILISI CITY

During the past decade a new urban management concept of Smart City has been actively developing. It is a modern urban development vision, with integrated information-communication and internet-technology systems for safe management of a city. Smart city programs (also applications) are developed to manage different urban flows and respond in real time [169]. The concept allows local governments to manage electronically city assets, constructions, kindergartens, libraries, emergency medical services, transport systems, document flows, etc.

Theoretically, Smart City infrastructure consists of physical, information and communication technologies (ICT), as well as different services (see diagram 1). Physical infrastructure consists of buildings, roads, transport, energy and water supply lines. While physical infrastructure represents non-smart means, ICT infrastructure is the core smart component of the Smart City concept. Service infrastructure is based on physical infrastructure and is complemented by ICT components. The number of city

infrastructure means needed for the population can be computed by the following formula:

$$Nf = Np \left(\frac{Rp}{Year} \right) \left(\frac{1 Year}{D Days} \right) \left(\frac{1 Hour}{Nc People} \right) \left(\frac{1 Day}{H Hours} \right)$$

Where Nf is the number of means, Np is the size of population, Rp is the level of usage during one week/year per capita, D is the number of days per year, Nc is the number of people during an hour and H is the number of hours per day [167].

Smart City consists of many components and they are united under four main themes. These are society, economy, environment and management. It should be mentioned that different cities have different smart city components and it depends on the priorities of the city politics.

Smart City concept should always be considered along with the innovation policy of a city, as the concept itself is innovative and so are the technical tools of its solution. Smart City is considered as a result of comprehensive innovation in technology, management and policy-making. It offers a vast number of opportunities as well as risks. Unfortunately, many sources take only technological or innovational perspective when examining the concept, which is wrong. Subsequently, failing or ignoring to mitigate risks [171] when managing a city may lead to disastrous results.

Since the Smart City concept has recently emerged, its theoretical foundations do not have profound roots. Therefore, we can assume that theoretical research of the concept will only become more active. According to the existing theory, the principal goal of the concept is to improve effectiveness of a city that will make provision of services to the citizens simpler and better.

1. Example of Tbilisi

1.1. General Background

The City of Tbilisi is utilizing some of the important Smart City components. This practice is backed up by numerous research and international experience. Modern communication systems in the City of Tbilisi are very well developed. 71,5% of the city's

population owns mobile communication devices and only 27,9% uses fixed-site communication [169]. Therefore, usage of modern communication means based Smart City systems by the central and local government in the capital city will certainly improve the quality of municipal services.

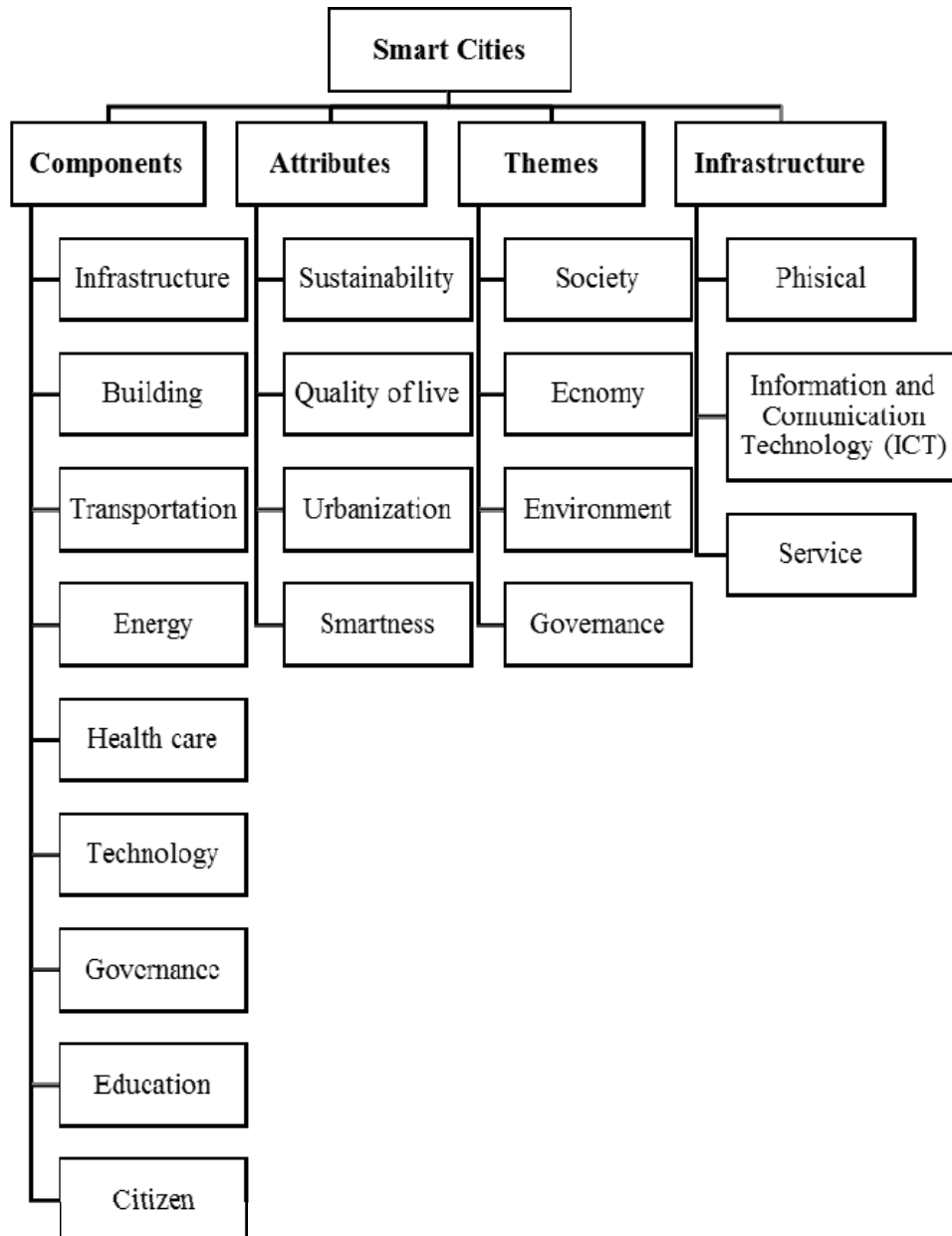


Figure 1. Components and characteristics of smart cities

Source: [167]

In the Global Information Technology Report of 2012 Georgia is the 88th out of 142 (3.6 points on 1-7 point scale). The first on the ranking is Sweden (5.94 points) followed by Singapore (5.86 points). The last, 142nd is Haiti (2.27 points). Thus Georgia

ranks average in this weighted index. If we examine closely this index and see its sub-indices, we will see that Georgia ranks high in information technology business start-up and simplicity of administrative procedures (2nd and 3rd respectively). But Georgia ranks very low in development for such business schools and quality of education (115th and 116th respectively) [252]. Therefore, it is important to support the development of IT with proper education system and practical learning of technologies.

The Tbilisi City Hall is implementing a project to certify the City of Tbilisi to the ISO 37120 standard. Under this project, the indicators will be assessed with ISO 37120 methodology and the city will be granted the certificate of a Smart City (Sustainable Development – municipal service and quality of life) [242]. This certificate is an internationally recognized step towards the City becoming smart. ISO 37120 has 100 indicators in 17 sectors.

In order for a municipality to effectively use information systems, international practice and introduce smart-technologies, it is important to have adequate information campaigns and stakeholder engagement. For this purpose, in 2016 Tbilisi hosted the conference Tbilisi – Smart City. 14 companies participated in the panels dedicated for IT development in Tbilisi and presented their visions and ideas for development opportunities for Tbilisi.

In 2015-2016 German consulting group Fraunhofer Institute developed strategy for Tbilisi – Tbilisi – The City of the Future. The group suggested to the Tbilisi City Hall that the centralized data and information system management will improve the overall operational effectiveness of administration [169]. In particular, the development of this system will:

- Improve exchange of information between the municipal departments;
- Reduce expenses and time;
- Provide durability of data and effectiveness of data exchange;
- Ensure that the data collection-processes through prolonged period is not lost after the change of staff.
- Monitoring on data processing and updating is easy;

- Quick response based on information is available;
- Others.

KPMG, a global network of four big professional firms singles out several aspects of Tbilisi as a good example of a smart-city [133]. In this regard, the report made by KPMG highlights some initiatives (please see below):

- Geographic Information system GIS and united web portal,
- Elaboration of public transport routes (web and mobile applications);
- E-payment system in public transport;
- Digital payments (outdoor quick payment bank machines);
- Innovation hub as Innovation and Technology Agency (GITA);
- Electronic Medical Records (EMR);
- Energy efficiency in buildings;
- E-governance in the Tbilisi City Hall.

1.2. Public Transport Smart Management

2.2.1 Routes Planning

Online public transport routes planner on a website or a mobile application are available in all modern cities across the globe. In Tbilisi, there are a web portal <http://transit.ttc.com.ge> and a mobile application Transit TTC.

The website and mobile application are designed to help local residents and tourists (in English) find public transport services (metro, buses, cable cars) and plan their journey from A to B (including multimodal public transit trip). At the same time, they can be provided with real-time transit updates. Using real-time info, they can check where is a particular transport and when their next bus is predicted to arrive.

Online journey planner/mobile application makes urban mobility easier for local residents and tourists and enables the Department of Transport of the City to run the system more efficiently and smoothly. Every day, metro, buses and cable cars serve more than 600, 000 passengers in total. (In 2016, 228 mln passengers in total used public transport services). Thus, this

smart-technology considerably improves delivery of this particular service to the citizens.

2.2.2 Smart Payment System

A plastic „Metromoney“ card is applied as a means of payment in Tbilisi transport system. It is an electronic payment plastic card that passengers can buy and charge them with money. It is quite comfortable for those who frequently uses „metromoney“ cards but inconvenient for those who rarely ride public transport or are tourists (just arrived and have not bought plastic cards yet).

In spring 2017, the Tbilisi City Hall announced an express of interest with a view to avoiding this discomfort and improving delivery of services. The project is in progress and implies modernization of payment system in public transport. As a result of the implementation of the project:

- A new system will enable local citizens and tourists to make payments in metro, buses and cable cars via Georgian as well as foreign bank cards (VISA and MasterCard);
- Apart from bank cards, contactless payment system NFC can be used to pay for a fare.

Consequently, Tbilisi will enjoy the smartest and the most convenient payment system in the world.

2.2.3 Smart Traffic Lights

Smart traffic lights are an important innovation in urban management. It reduces the CO₂ emission as vehicles do not wait long in a line. It is a unique means for management of transport flow and gives priority to public transport.

The Tbilisi City Hall has been implementing a smart traffic lights project over the past few years. Within this project, the number of streets where old traffic lights have been replaced with the modern ones is increasing every year. They are connected to the united management system and can be connected simultaneously with one another. In case of heavy traffic congestion, the management center can change traffic lights timing (color changing) and enable more vehicles to go forward on the green light. By the end of 2017, the city will have had such 189

traffic lights which will have been 73% of the total number (258 traffic lights) [242].

1.3. Smart Map

The Tbilisi City Hall has an united online map (<http://maps.tbilisi.gov.ge>) based Geographic Information System GIS applied by both citizens and Departments of Architecture and Property Management of the Tbilisi City Hall.

2.3.1 Privatization of Municipal Property

During the privatization and leasing of municipal property, the Tbilisi City Hall effectively uses an electronic portal www.iauction.ge. The web portal is linked to the online map where any property related procedure/action (privatization, leasing, changing of ownership, burden with property rights etc.) conducted by the portal and public registry is displayed.

Below you can find a list of services provided to citizens/companies by the Local Property Agency of the Tbilisi City Hall via online systems:

- Applying for public information;
- Property disposition;
- Recovery of payments made to the wrong account or/and transfer to the other account;
- Agreement on terms and conditions within contract obligations;
- Overlapping of property of self-governing unit;
- Issuing various permissions for linear constructions;
- Presentation and reclaim of a bank guarantee.

2.3.2 Construction Permissions

Over the past few years, obtaining construction permissions are only available online in the Tbilisi City Hall by means of web portal www.tas.ge

Prior to obtaining construction permissions, determination of conditions of land usage, change/ modification of functional zoning, presentation of development of regulation plans and other architectural services are made online through this platform. Physical and legal entities can find online responses prepared by

the Department to their applications. Stakeholders can receive online consultations and online calculate fees to be paid.

The above service simplifies submission of documents to the Department of Architecture as well as documents processing and timely responding to the applicant. Moreover, the system is transparent and minimizes the risk of corruption.

The website has up to 15,000 visitors every year. It means that the website is widely applied by customers.

2. Tools of Improving Management Efficiency and Sustainability

Every city has its own history, features and characteristics and they require different and individual approach. Similarly, introduction of the smart-city policy and their management is different. Besides, due to novelty of the smart-city concept, many administrations of cities learn from each other, share their experience and implement best practices.

As implementation of the smart-city concept is related to state-of-the-art technology, technological achievements are reflected on the quality of the delivery of services. Therefore, the government needs to invest in new technologies from time to time and this technological upgrading has to be envisaged in the budget.

Realization of the smart-city model requires respective resources (financial, human, infrastructural and others). It should be stressed the importance of the efficient management of the system and resources. Efficiency in management is defined as achievement the best outcome using the existing resources [213]. Thus, the best smart-city model is that can yield best results within minimal implementation and operation resources.

Taking into account that any innovation comprises of opportunities and risks [171], efficient management of the smart-city constantly needs risk management, particularly, management of technological and governing risks.

SECTION 6.

MODERN LOGISTICS MANAGEMENT AND EFFECTIVE MARKETING

6.1. GLOBALIZATION AND POSSIBILITIES OF THE TRANSPORT SECTOR OF GEORGIA

Since the early 1990s Globalization, the main direction of the world's economic and political development has been determined by globalization. This complex, multifaceted and contradictory process comprises all aspects of modern social life and largely determines living standards and perspectives of individuals as well as of entire states and regions [160. p. 30]. Globalization is the logical consequence of the historical process of economic, political, technical, technological and socio-cultural development of the world civilization. It is a universal, all-encompassing phenomenon [77. p. 32] and "has an enormous potential to provide benefit to the world economy" [230. p. 661].

Georgia has been historically situated on the border of Asia and Europe. Due to this location, after restoration of state independence the country has become quickly involved in the world globalization processes and "got the possibility to become a connecting bridge between West and East, North and South" [207. p. 18]. Georgia is the key country in Europe-Caucasus-Asia transit corridor. The normal functioning of the country's transport corridor is related to the proper and efficient operations of the transport (railway, automobile, air and sea) sector. Transport provides the basis for realizing the advantage of the strategic and geopolitical location of our country and ensures integration of the country in international economic relations. Transport sector plays an important role in the country's economic development, promotes development of manufacturing, agriculture, construction, trade and tourism sectors and therefore, creates

more jobs and improves the living standards of the population. Thus, transport closely links all sectors of the economy and is one of the priority sectors of the country's economy. In terms of globalization, the developed transport sector provides not only economic but political benefits as well [222, p. 94-99]. The transport corridor connects many countries with each other, increases awareness of the country and the number of political partners that are interested in the stable political and economic environment in Georgia. Proceeding from the above, scientific study of the transport sector has fairly become a priority direction of economic science nowadays. Based on statistical and comparison analysis methods, the present paper evaluates the current state of Georgian transport (railway, automobile, air and sea) sector on the background of the current globalization processes; in addition, possibilities and challenges of the transport sector are identified and the recommendations and suggestions are developed for the effective and efficient functioning of the transport sector of Georgia, which will be important for entering new markets and political and economic development of the country.

Georgia, as a key country of the Europe-Caucasus-Asia transit system, links several important economic regions with the population of 800 million, including the EU (507 million), Commonwealth of Independent States (CIS) (277 million), Turkey (76 million) and Caucasus (17 million). The Caucasus Transit Corridor (CTC) is a major transit route between Western Europe and Central Asia for transporting oil, gas and dry cargo [69. p. 62]. Due to its geographical location, Georgia is obtaining an important international economic function in the Europe-Caucasus-Asia transport corridor project. The effectiveness of the investments made in the country is not determined only by the scales of Georgian or Central Caucasian markets, as these scales can be expanded simultaneously in the two directions - Europe and Asia [35. p. 34].

With the transit energy corridor "Georgia has acquired the function of the country to support balancing between economic

interests of European and Asian countries" [243. p. 46]. Logistics, as one of the fastest developing fields in the modern world provides a possibility for Georgia to fully utilize its transit and trade potential [161. p. 31-34]. As a result, „the state policy will be oriented on further development of this sector by attracting investments and integrating the country into international and regional transport systems” [83. p. 38]. Transport economic relations in Georgia are mainly carried out through railway, automobile, air and sea transport.

In terms of globalization, the geo-economic role of independent Georgia as an important connecting transport link between the West and the East, the North and the South is becoming more and more important [129. P. 520]. Georgia is developing multilateral relations towards world integration and the transit potential of the country is one of the main preconditions of competitiveness in these processes. Georgian railway plays an important role in the utilization of the country's transit potential. Railroad transport has been operating in Georgia for 140 years already. This is an important artery connecting Central Asia with Europe by an alternative way. The total length of the Georgian Railway is 2083.99 km, and the operational length is 1145.53 km. The transport system of Georgia is a key part of the historic Silk Road, which is restored with the support of the Transport Corridor Europe-Caucasus-Asian project (TRACECA). TRACECA program is the first opportunity for Georgia and the entire South Caucasus countries to facilitate modernization of transport infrastructure in the region, including the construction, reconstruction and modernization of the railway infrastructure. Implementation of this program led to the involvement of Georgian Railways in international shipping services. Georgian Railway carries Caspian oil to the world market [75. p. 8-10]. The cargo turnover mostly consists of transporting oil and oil products from Azerbaijan and Kazakhstan to Batumi and Poti ports. According to statistical research and estimates by experts, Georgian Railway transported 2.5 million passengers in 2016. The number of passenger was reduced by 8%

(0.2 million passengers) compared to 2014 and increased by 4% (0.1 million passengers) compared to 2015. In 2015, Georgian Railway transported 14142.7 thousand tons of cargo (about 35% of the railway container shipments and 65% of massive cargo are transit shipments [6. P. 68]), which is 14% lower compared to 2014. According to the National Bank of Georgia, "contribution of the transport sector to the GDP has declined in 2015, mainly due to the reduction in rail shipments" [174. p. 34]. The reduction in rail shipments in recent years is explained with various reasons by the experts. As they point out, railway track freight rate for oil products per ton is higher compared to truck freight rate [45]. In addition, most of the railway wagon-platforms are outdated, special rolling stock is not easily accessible for heavy cargo or refrigerator services [69. p. 70], the speed of rail transport is low. The above mentioned circumstances led to the reduction in the volume of cargo shipped by rail transport. With the purpose to solve these problems, Georgian Railway has already started to implement various initiatives: railway reservation system has been improved, the rehabilitation plan for rolling stock has been developed, renovation process of railway infrastructure (repair or construction of new roads, bridges, tunnels) has started. Therefore, based on the above-said we may assume that the recent reforms in Georgian Railway will result in positive consequences and railway freight turnover and the number of passengers transported by rail will increase, which, in turn, will contribute to the growth of both the transport sector and the country's GDP.

Starting the construction of Baku-Tbilisi-Kars Iron "Silk Road" railway in the frameworks of the concept of "One Belt One Road" was a very important decision for strengthening the transit potential of Georgia. With the implementation of the Silk Road project, Georgia is getting back the historical mission, which was imposed to the country centuries ago. The Baku-Tbilisi-Kars project is focused on the development of our country, as well as on new opportunities, peace and stability. As a result of the implementation of this project "the increased cargo turnover in Georgia's ports and railway in only one direction will bring

additional 100-120 million USD to the country's economy" [148. p. 16]. It is noteworthy that among 100 global projects, the Baku-Tbilisi-Kars railway is recognized as one of the strategic projects. Through Iron "Silk Road" cargos will be transported from China to Kazakhstan and Turkmenistan, through the Caspian Sea cargos will arrive in the port of Baku from where they will be transported to Turkey by Baku-Tbilisi-Kars Railway and then to Europe through Marmaray tunnel. The project will connect Europe to China by Turkish railroad through Georgia-Azerbaijan-Turkmenistan-Kazakhstan. Baku-Tbilisi-Kars railway corridor provides a possibility to attract new cargos from Trans Siberian Corridor and Southern Auto Corridor. This will lead to the improvement of the development potential of Georgian Rail Corridor. In case new cargos cannot be attracted, the cargos may become fragmented and the cargo turnover of Georgian ports may decrease as nowadays dry and liquid cargo from Azerbaijan and Middle East is transported to the Black Sea ports through rail and motor transport and then go to Europe by ferry. The danger of fragmentation of cargo will not arise if the Baku-Tbilisi-Kars railway will focus on attracting cargo from competitive routes. The Government of Georgia is oriented on protecting the interests of Georgian ports and looking for ways for attracting additional cargo so that a new railway does not become a competitor for other Georgian ports. The management of Georgian Railway says: "Increased trade between Turkey and Central Asia provides an important opportunity for attracting trade flow, in particular, for attracting raw materials imported from Central Asia to Turkey and goods exported from Turkey. In addition, taking into account the Turkish-Russian trade, there is the possibility of attracting additional cargo, in particular, dry cargo, which is currently transported through Iran or Russia-the Black Sea route [76]. The modern Silk Road will become a simple and cheap way connecting our country with Europe and Asia. "In addition, the project is important for developing the region as a transport and trade hub" [244]. This project will increase the country's income from transit taxes and will allow us to increase the export and import of the

country, which is an important factor for the development of manufacturing in the country and for attracting investments; in addition, infrastructure will develop on the territories along the Silk Road; in particular, passenger stations, cargo and customs terminals, roadside hotels, food and trade service centers will be build, that will contribute to the development of construction and trade sectors. The role of this project is very important for the development of tourism industry in our country as the Iron "Silk Road" will allow tourists from Asian and European countries to travel to Georgia cheaply. All this will encourage employment of the population and increase in their revenues, which is one of the best ways for the advancement of the country's economy. In addition, the experts believe that there are a number of important obstacles when using this route [173] - the key ones are difference in legislation of the participant countries, individual customs procedures and railway tariffs. A number of countries are already working to offer transporting companies common tariff and harmonized customs procedures. The route will require less time and financial costs in this case.

The Baku-Tbilisi-Kars Railway will bring Georgia not only economic, but political benefits as well. As we have already noted, this road connects many countries with each other. The more countries benefit from this route, the more will the awareness of our country increase and the number of political partners who are interested in the stable political and economic environment in Georgia will grow. The main thing here is to offer all the states involved in the route economic projects based on equal partnership. This will allow Georgia to integrate more deeply in global processes.

Motor transport is one of the most important factors for the promotion and development of transit trade in Georgia. The overall length of the motor roads in Georgia is 6901 km and the total length of the roads of international importance for transporting transit cargo on the territory of Georgia is 1603 km [212]. The roads of international importance represent the transit corridor of the country. These roads connect the borders of Turkey

and Azerbaijan; in addition, they connect the major cities of the country, including ports of Batumi and Poti and the capital Tbilisi. According to statistical studies and expert estimates, 373 million passengers were transported by motor transport in 2016, which is 9.8 million passengers more compared to the previous year (363 million passengers). As for cargo shipments, according to the data of 2016, the volume of the cargo transported by motor transport amounted to 30412.9 thousand tons, which is 330.9 thousand tons more compared to the corresponding data of 2015 (30082.0 thousand tons). “In 2016, motor transport accounted for 81% of visits to Georgia and air transport accounted for 17%” [119]. Motor transport accounts for a large share (around 60%) of cargo shipments in Georgia. “Approximately 60% of the road shipments transported through the borders of Georgia is transit shipment” [69. p. 66].

The most important priority of the government for the development of transport infrastructure is the East-West Highway (EWH), which stretches 410 km from Sarpi on the Black Sea, at the border with Turkey, through the center of the country to the capital Tbilisi and on to the border with Azerbaijan. The highway provides service for 60% of international trade in the country. In 2017, the Asian Development Bank launched Georgia: East-West Highway (Khevi–Ubisa Section) Improvement Project. The authors of the project highlight the international importance of the highway and note that “development of the highway is especially important for the countries of Central Asia, which do not have access to the sea” [212]. As planned, construction of the East-West Highway will be completed by 2020. This project allows the increase not only in international shipments. According to the German Economic Team, ISET Research Institute [258. p. 7-9] and the World Bank Studies [69. p. 69], in order to fully benefit from the East-West Highway, it is possible to consider the above-mentioned project as an additional source of financing for the maintenance of local roads, which are in a deplorable condition and of vital importance for Georgia. Developed infrastructure in rural areas will encourage the development of agriculture as local

farmers mainly transport goods by motor transport. Development of motor transport infrastructure is a necessary prerequisite for Georgia to establish as a trade, economic, transit and logistics center of the region. In addition, it is important for the countries involved in shipments to harmonize trade policies and customs legislation and develop a proper logistical system. As Azerbaijan and Turkey are supporting the development of the East-West highway, we believe that it will not be difficult to overcome these challenges to benefit from the highway.

Georgian aviation is very important for Georgia, as a country with the status of high transit potential. In 1994 Georgia became full member of International Civil Aviation Organization (ICAO). In 2016, for the first time in its history, Georgia exceeded the 60% indicator determined by the ICAO global security plan and amounted to 64%” [258. p. 2]. Network of airports in Georgia is comprised of three international (Tbilisi, Batumi, Kutaisi) and three local (Mestia, Natakhtari, Telavi) airports. The increase in tourist flows to Georgia resulted in the increase of passengers using international airports of Georgia. According to the statistical data, in 2016 the number of travelers at Georgian airports grew by 25.63% compared to 2015. By regular and charter flights Georgian airports provided service for 2,840,455 passengers, which is 25.63% (579,444 passengers) higher compared to the corresponding figure of the previous year (2,261,011 travelers). 15,318 passenger and cargo flights (regular/charter) were made in Georgian airports in 2016, 12.08% higher compared to the number of flights (13,667) made in 2015. The use of Georgian airspace also increased by 4.12% compared to 2015 (128,446 flights in 2016; 123,364 flights in 2015). As for the volume of goods transported by air transport of Georgia in 2016, it also increased and amounted to 19,180.19.075 tons which is 128.86% higher compared with the corresponding figure of 2015 [210. p. 3]. Tbilisi international airport accounts for large share of the goods and the passengers transported.

Georgian airspace is open for both Georgian and foreign companies. Since the number of tourists directly depends on the

number of direct flights, geography and frequency of flights and availability of air tickets, the Government of Georgia is actively working in this direction. Consequently, the number of companies implementing transit flights from Georgian airports increases annually. Last year, the following foreign companies began to carry out regular flights from Georgia: Qeshm Air, EL AL Israel Airlines, TABAN Airlines, SkyBus, Zagros Airlines, Pobeda Airlines, Dart. Since September 27, 2014 regular flights between Georgia and Russia began to be carried out again. Flights between Tbilisi and Moscow are made by Georgian Airways from Georgian side and by S7 Siberia, Transaero and Aeroflot from Russian side [209]. International air companies in Georgia contribute to the popularization of tourism. Due to these companies the whole world is getting acquainted with Georgia's culture, history and geography, which encourages development of tourism and positively affects the improvement of political and economic relations between the countries. Today, when the number of passengers and the volume of cargo transported by air transport are increasing, it is important that the Civil Aviation Administration of Georgia should ensure the safe and secure air traffic between Georgia and foreign countries, fair competition between foreign and national air companies and protection of consumer interests.

For over 20 years already, “the transit corridor located in the territory of Georgia is one of the most attractive routes to deliver the hydrocarbons of the Caspian Basin and Central Asia to international markets. This corridor is used to transmit oil, oil products and gas through pipelines, railway and seaports” [74. p. 14]. Two oil pipelines and two gas pipelines of international importance, the Baku-Tbilisi-Ceyhan Pipeline (BTC) and the Western Route Export Pipeline (WREP) pass through Georgia. By BTC Azerbaijan’s oil goes to the port of Ceyhan, Turkey and by WREP the oil from the Azeri-Chirag-Gunashli field is transported to the Supsa terminal by pipeline and then the oil goes to Turkey by tankers. About 90% of the oil (over 260 million barrels) is transported by BTC pipeline and 10% (over 31 million barrels) by

WREP [26. p.5]. Implementation of the Baku-Tbilisi-Ceyhan Pipeline (BTC) project aimed at the creation of an alternative to Russian transport system. According to experts' estimates, considering economic, political and ecological factors, the pipeline is considered to be the most convenient alternatives for transporting crude oil from Caspian region, Azerbaijan and Kazakhstan to world markets [256]. Major gas pipelines ensure transit of natural gas to Turkey and Armenia. Gas from Azeri Shah Deniz gas deposit is being supplied by the Baku-Tbilisi-Erzurum South Caucasus magistral gas pipeline. The actual load of SCP in 2014-2015 amounted to about 6 bln m³/y. In Georgia the project is managed by BP, the largest shareholder of the consortium. BP is one of the largest investors in Georgia having invested over 1.5 billion USD in infrastructural and social development projects. North-South magistral gas pipeline is used for delivering Russian gas to Armenia. Due to these projects Georgia has regained its historical transit function and got involved in regional integration processes. The development of the energy corridor is the strategy for long-term cooperation between Georgia, Azerbaijan and Turkey. Currently, activities are actively carried out in the frameworks of the second phase of the Shah-Deniz project. The Vice President of the European Commission states that the "Southern Gas Corridor" project is a priority for the European Union, which is designed to supply gas from Caspian region to the European market through Georgia and Turkey" [248]. The initial capacity of the gas pipeline will be 16 billion cubic meters per year, which will increase up to 31 billion. 2 billion USD is invested in Georgia in the frames of the second phase of the Shah-Deniz project. After the project is completed, Georgia will be able to purchase 5% of the transported natural gas at preferential price.

Maritime transport is one of the most important components for determining the existing condition and development perspectives of Georgia's transport potential. Currently, there are three sea ports on the territory controlled by Georgia. These are Batumi, Poti and Kulevi ports. The amount of the cargo

transported through these ports in 2015 amounted to 20 million tons. The sea lines connect Georgian ports to ports in Turkey (Samsun and Istanbul), in Bulgaria (Varna and Constanta) and in Ukraine (Odessa and Kerch) [82]. (It is noteworthy that until 2011, passengers were also transported by maritime transport from Georgian ports, but by 2016, this indicator is negligible (0.0)). Due to the insufficient amount of coastal containers, the ports cannot receive and load large tankers. By the decision of the Government of Georgia, the construction of a deep sea port in Anaklia will begin at the end of 2017. This port will be able to receive the largest capacity ships, which will significantly increase Georgia's transit capabilities [236]. This port will be constructed by several international participants of the project and it will be operated by SSA Marine, a famous American company. "After the construction of the Anaklia deep sea port, the situation in sea cargo turnover will significantly change. Only after implementation of the first phase of Anaklia port project, which will be completed in the next four years, transit potential of container transportation of the country will increase almost twice. Current potential is about 600,000 TEU. As a result of completion of the first phase of the port, the country will have an additional 500,000 TEU, which means that transit potential will be almost doubled. The next phase that should be completed in the next 7 years will provide the potential of an additional 1.5 TEU. And after the Anaklia port is fully operational, it is designed so that it will have the capacity to process more than 100 million tons of cargo" [82]. The Anaklia Deep Sea Port will make Georgia an important logistics center, encourage transporting of cargo to Central Asia and development of the southern corridor.

Consequently, it can be said that transport system of Georgia has great possibilities. The transport system encourages the integration of our country into global economic processes and increases its awareness in the rest of the world, which will be a new opportunity for Georgia to gain the status of a reliable partner in global processes. In addition, for effective functioning of the transport system we will highlight the following

recommendations: creation of a stable business environment, reduction of bureaucracy in trade, offering common tariffs and harmonized customs procedures for carrier companies, reduction of time required for customs procedures at the border, avoiding fragmentation of both rail and port cargo and attraction of new cargo flows, reviewing rail transport tariffs and increasing capacity, improvement of comfort and speed of rail transport, studying various financing mechanisms after the completion of the East-West Highway, improvement the network of secondary and local roads, attracting low budget airlines to get interested in Georgian market, increasing the frequency of direct flights, diversification of airports, ensuring fair competition among foreign and national airlines, development of port business in the direction of cruise lanes, increasing the volume of coastal containers for receiving large capacity ships, development of port business in the direction of cruise liners, renewing existing infrastructure in ports, introduction of modern technologies in transportation of passengers and cargo, protection of consumer rights. Considering these recommendations will ensure full utilization of transit potential of the country, encourage economic growth and improve the level of competitiveness.

Currently, many important cargo passes through the transport corridor of Georgia (Europe-Caucasus-Asia) by Georgian Railways, highways, air and maritime transport. This volume will further increase in the future. Due to its geographical location Georgia has always had a great strategic importance. The country represented a bridge between Europe and Asia for many centuries and today Georgia is given a chance to take its place in the global transport system, actively engage in global integration processes and use the outcomes to accelerate economic growth rates and increase the level of competitiveness of the country. “The country has good opportunities for economic prosperity and rapid growth. For this purpose, the country should manage to avoid threats through carefully maneuvering among geopolitical players and offer the international community mutually beneficial economic projects based on equal partnership” [127. p. 115].

6.2. DIRECTIONS FOR IMPROVING THE SUPPLY CHAIN IN THE AGRO-FOOD SECTOR OF GEORGIA

In the context of globalization, the main problem of the economy is to provide the population with food products and the main means of this problem solution is the development of the agricultural sector, especially in developing countries.

Historically, the agro-food sector in Georgia has played a decisive role in providing the population with products and in improving well-being. Over the past two years, there has been a slight increase in production, mainly in crop production and livestock production. Despite the above, the level of satisfaction with the necessary products is still low, the poverty level is high, there is a low level of income, and the food deficit is replenished mainly through imported products.

In accordance with the UN sustainable development goals for the period up to 2030, the agro-food sector of Georgia faces new challenges and the development of new goals. Particularly relevant is the solution of problems of food security and sustainable development of agriculture.

The economy of Georgia functions in the conditions of small markets. For such types of countries it is advisable to develop the economy from the traditional economy (from agriculture) and from the development of such an industry development model that will be based on knowledge and use of modern technologies.

According to the conducted research priorities of the need for the development of agriculture in Georgia are assessed in the following order: development of farms and land market; provision of investments and long-term agro-loans; improvement of the supply chain; infrastructure regulation; political support [140]. Thus, the need to improve the supply chain occupies the third position and the search for ways to solve it is very relevant.

Accent on the priority needs of the development of agriculture in Georgia and a systematic approach to the model oriented to modern technologies, provides a stable growth in the production of high-quality and safe agro-food products, overcoming the

poverty of the rural population, achieving food security, eradicating the food deficit, substituting imports by increasing local production, improvement of the social and economic welfare of the population.

The aim of the study is to find solutions to the effective use of the supply chain potential based on the analysis of this system in the agro-food sector of Georgia.

The methods of qualitative research, the scheme of priorities, statistical and other methods were used in the work.

Gross domestic product in Georgia amounted to 33,921.6 million lari, of which 17.1% for industry, 16.3% for trade, 10% for transport, and 9.3% for agriculture [87]. The volume of exports of agri-food products is significantly behind (on average 3 times) of the volume of imports [52]. The main reason is inefficient use of the resource potential. It is equally important to create such a conceptual model, according to which the main driving force in agrarian production is business, and not specifically agriculture.

The pace of agribusiness development in Georgia is quite low. This is due to the fact that there are low self-supporting indicators of national agro-food products in the country.

To date, the demand for agro-food products in Georgia and throughout the world is high, according to the fundamental laws of the free market, their delivery will be necessary. To do this, it is necessary to create a modern developed agro-food sector in Georgia, where each link will work effectively on the basis of knowledge.

The study of the problems showed that to date the supply chain is one of the weakest links in the field of agribusiness. Improving the supply chain will significantly improve the satisfaction of the demand for food, which will lead to the formation of new links between food stocks and the public [208]. Because of the existing problems in the supply chain in agro-food markets, a large number of products are not supplied to the consumer [80]. Improving the supply chain ensures a reduction in food losses. For today, globally, 1/3 of the product produced to satisfy the individual is lost in the price chain [61].

To identify the current problems in the supply chain in the agro-food sector of Georgia and to develop recommendations, we chose products for research. The choice was based on the following indicators: the country's natural resource potential for the development of these crops, competitive advantages, production indicators, the share of income derived from these crops in the total number of household incomes, and export potential. In accordance with the above mentioned indicators, wine and nuts were chosen. Consequently, the supply chain study was conducted on these two products.

The production of nuts and wine for the Georgian economy is of strategic importance. The country has appropriate natural resources and economic potential for the production of these crops.

Quite competitive food markets operate in Europe and Asia. Therefore, for any country and manufacturer, the main task is to launch a competitive product on the market [138]. Such agro-food products for Georgia are nuts and wine [139].

The composition of the Georgian endemic variety of nuts determines the high quality of this product. Nut cultures, according to the area of perennial plantations, after the area of vineyards, occupy the second place, and among fruit crops - the first place. Its share in the volume of exports of agri-food products is very high, and it also has its high level of competitiveness. And the vine and wine were an integral part of the social and cultural life and a means of welfare for the Georgian people throughout the ages [141]. Cultivation of this culture and winemaking began about 7000 years ago BC and the corresponding supporting materials date back to the III-II millennium BC [92]. According to the area of the vineyards, the wine produced the volume of exports and other indicators, viticulture and winemaking is a strategic sector for Georgia.

According to the plan of strategic development of the village of Georgia (2017-2020) the main priority is the development of the economy on the basis of increasing competitiveness. Important objectives of this priority are: economic recovery of farming activities, restructuring and modernization, development of an

effective supply chain; diversification of the rural economy by strengthening the price chain associated with agriculture and the development of sustainable non-agricultural areas [238]. Given that the loss of agro-food products in Georgia ranges from 30-40% in the supply chain, it is clear that research on the supply chain is an urgent problem in the strategic sectors of the agro-food sector.

The abundance of microzones in Georgia, the variety of soil and climatic conditions, increases the distribution of walnut and grapes, hence, production trends are increasing (see Diagram 1).

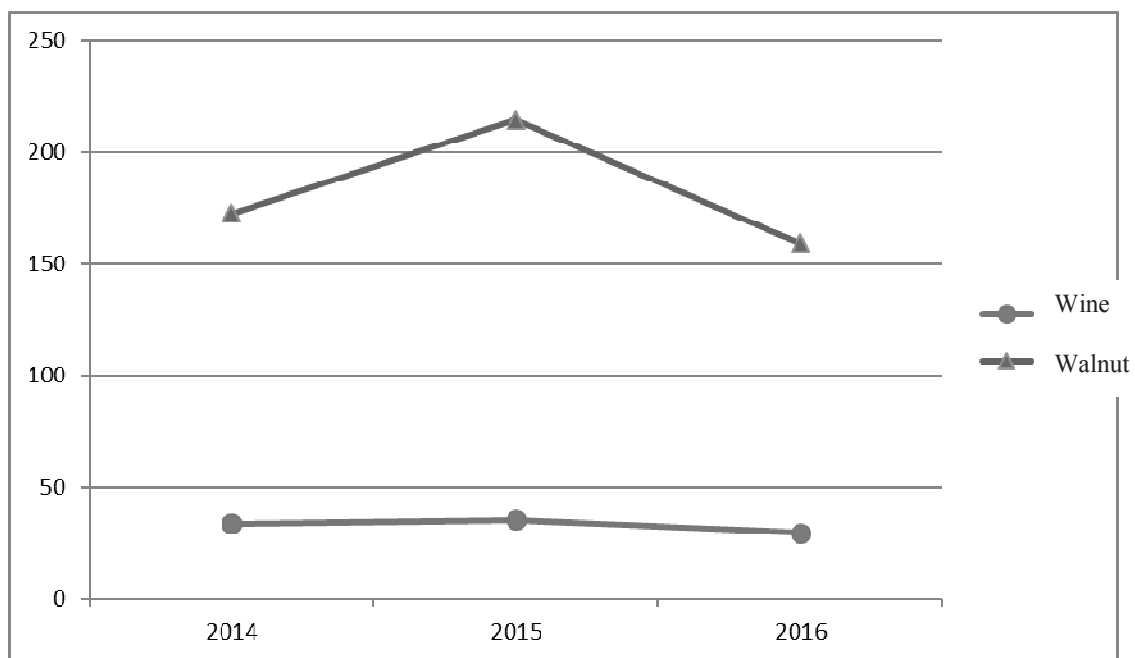


Diagram 1. Dynamics of nuts and grapes production in Georgia [15] (thousand tons)

The Samegrelo region accounts for 57% of walnut production, 20% is produced in the Guria region, 10% in Imereti. In 2016, the area of walnut plantations in the Samegrelo region increased by 15%, in the Imereti region by 28% and by 6% in the Guria region. This increase is due to higher prices and demand for nuts in recent years. An important role was also played by the launch of the state program "Implement the Future" [15].

The tendency of the production of grapes and wine is also growing in Georgia. According to the inventory in 2014, the total area of the vineyards was 32.9 thousand hectares [13]. Although

according to the data provided by the Ministry of Agriculture in Georgia in 2016, the area of vineyards in the Imereti region was 20,000 hectares, in Kakheti - 33,582 hectares, and in the Racha region - 570 hectares, in the remaining regions - 1,848 hectares, only 56,000 ha. The main producers of grapes are Kakheti (69.7%) and Imereti regions (13.6%) [274].

Exports of nuts and wine are important in the growth of total exports of food products, both in terms of quantity and quality, as shown in figure 2.

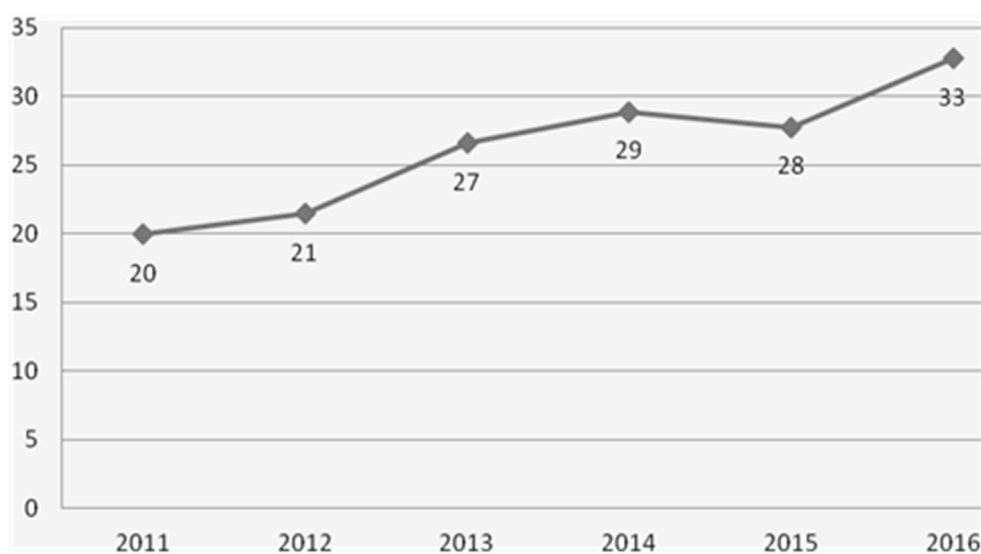


Diagram 2. Share of exports of agro-food products in total exports (%)

In 2016, the export of goods was 2113 million dollars; hence the share of agro-food products is 33%. In 2011, the above indicator was only 20%, hence this indicator is growing in dynamics.

Wine and wine products account for 26% of the total value of exports of agro-food products in Georgia. This figure in the European Union is 6%. Georgian wine from Georgia is exported to 44 countries of the world, which is 51% higher than the corresponding annual indicator of 2015. Export growth is observed in many countries, including China (104%), Russia (89%), Ukraine (30%), Germany (20%), Belarus (43%), in Poland (by 13%), in Latvia (by 19%), etc.

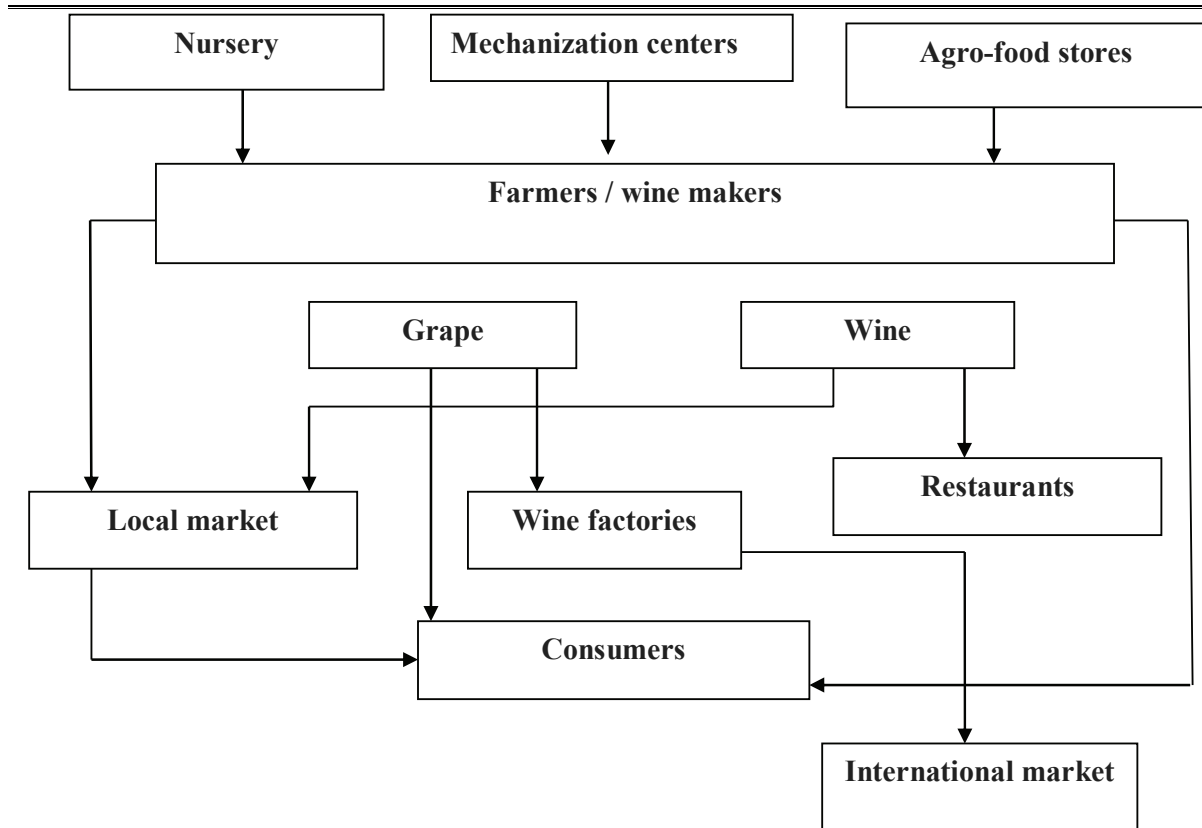
Georgia, according to the amount of walnut produced, after Turkey and Italy, stably positions in the third place [276]. In the total value of exports of agro-food products, its share is 16%. The main export markets for the Georgian walnut are the countries of the European Union, where in 2016 88% of the total exported walnut was exported, 27% to Germany, 25% to Italy, 7% to Spain, 6% to Czech Republic, to Slovakia - 3%.

In the current period, the indices of walnut and wine products calculated using the "export" method (the index of the identified comparative advantage, the index of the identified comparative advantage of exports, the index of comparative import penetration, the index of comparative advantage of trade) [264] showed that both products are competitive, in particular, the indices of the revealed comparative advantage, the revealed comparative advantage of exports, the comparative advantages of trade according to the data of the last 10 years exceed t mark 2, which indicates the competitiveness of the product [142].

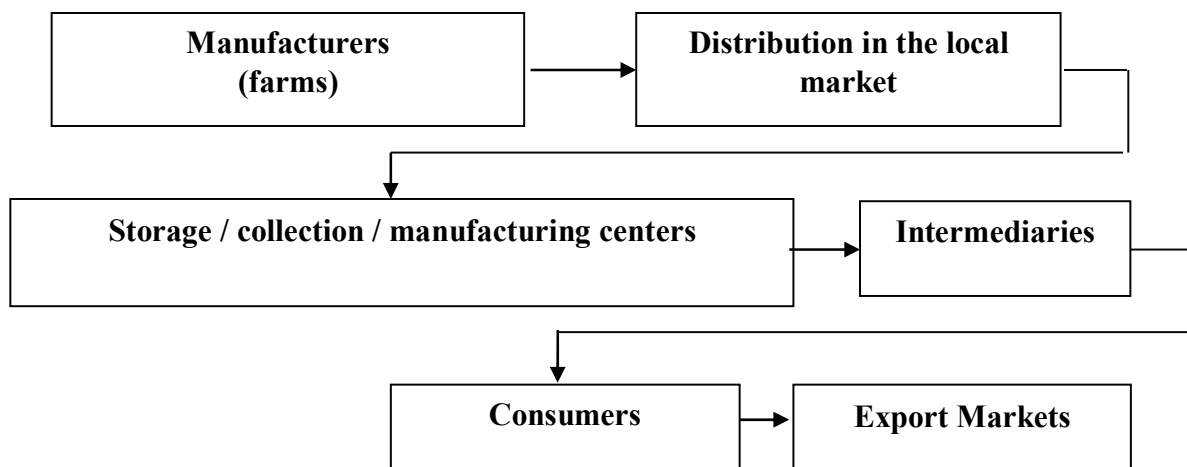
One of the key factors for increasing competitiveness is the improvement of the supply chain. In order to improve the competitiveness of walnut and wine markets in Georgia, and in line with the priority development needs, it is necessary to carry out activities to improve the supply chain. [137]

Creating an effective supply chain is one of the most important means to reduce costs, which ultimately will achieve competitive advantages with the use of a price factor. In addition, effective supply chain management indirectly contributes to increased profits, because an effective supply chain increases customer satisfaction, and the manufacturer at least retains the consumer or increases the price of the supplied products. An effective supply chain should be oriented to the demand of the consumer, and besides, it is necessary that it fully includes the internal and external activities of the firm [246].

In the supply chain of walnut and wine, the product reaches the end user in various ways. Depending on the types of product supply chains are different from each other, although the main links for them are similar (see schemes 1, 2).



Scheme 1. The main links of the nut supply chain



Scheme 2. The main links of the supply chain in viticulture and winemaking

In Georgia, nuts are grown in farm and family farms of different sizes. The number of registered enterprises for the cultivation of this crop is 165, of which 125 are small enterprises, 36 are medium-sized, and 4 are large-scale enterprises [14]. In Georgia, 75% of farmers engaged in viticulture are small-scale [57].

The supply chain begins with a farm, but because of small and fragmented farms, walnut and grape products are supplied to the processing plants through various links.

Manufacturers sell products on the local market in the order of direct sale. Products are sold to the seller of the market, which pays rent for a place on the market. In small cases, an intermediary may be added to this chain. The latter has no products, it only serves as a re-purchaser.

Collection of nuts occurs in small centers. These centers provide services such as collection, cleaning, sorting, calibration, and packaging. Some of them release the kernels from the shell. They buy the product directly from farmers. Farmers themselves take the products to the collection center, or the centers themselves send vehicles to small farmers to purchase the walnut. Nuts are also collected in medium or large centers. In addition to the services provided by small centers, some medium or large centers are equipped with frying, cutting, sorting and packaging equipment to diversify their products and become suppliers of both raw materials and ingredients.

Some collection centers own their own land plots, where they themselves grow nuts. In addition, part of the wineries owns vineyards. Thus, manufacturers reduce the problem of unstable supply of products from farmers.

Producers of walnut and grapes, as well as wines, in some cases make deals with buyers and pre-take the amount on condition that the amount received as an advance payment during the season will be paid for by the product. This link, from the general regulation of the supply of agro-food products to the market, is characterized by considerable strength. For example, farmers (family farms) initially sell only half the harvest of nuts, which is due to the expectation of a rise in the price of nuts.

In the supply chain of walnut and grapes / wine, dealers are also considered - in particular, individuals who buy food at the beginning of the season and sell at the right time. For example, the profit of this link for each kilogram of nut purchased is mainly determined by 20-30 tetri. They average buy 1.5-3 tons of walnut

per day [164]. The activity of resellers is a carrier of high risk, although they are the main suppliers of raw materials for processing enterprises. It is this unit that delivers 55-60% of the walnut to the processing enterprises, which allows them to artificially change prices for purchased raw materials, they often use and influence pricing in accordance with their interests. This affects the activities of the processing enterprise and the volume of exports. Such influence is relatively less in the production of grapes and wine, however, sellers in this area often influence pricing.

The activity of the walnut and wine producers depends on the working capital. Producers specialize in the geographical area, which is due to the knowledge and reliability of this area. Walnut and wineries buy about 25-30% of the total raw materials through producers. Processing plants are mostly small-scale, and accordingly often inefficient. In Georgia, there are 165 nut-processing enterprises, of which only 5 are certified. An expert evaluation showed that 35 enterprises have the potential of certification [5].

According to expert surveys, about 65-70% of the grapes harvest is processed in the family farm, and the rest is sold as grapes. However, in the case of an expensive variety, grapes will be completely bought by wineries.

Inexpensive varieties of grapes will be mainly purchased by private individuals who produce wine for their own use. Realization of grapes on private persons is carried out through personal contacts and relations and they are bought directly from the producer by the residents of the nearest cities. Approximately 50% of the wine that grape producers insist is used for family consumption, and the rest for sale.

To improve the supply chain, it is necessary to introduce a policy of promotion by the state. It is advisable to transfer land at preferential prices to local small-scale farmers. It is also necessary to increase the knowledge of farmers about the links of the supply chain and their effective use.

When determining the strategic directions of production development, it is important to foresee that, despite the increase in the production of nuts and wines in the world, the demand for these products will continue to be high. In terms of walnut and wine production in Georgia, the level of competitiveness of these products, the potential of land resources and the analysis of market structure, it is expected that in the long run a maximum of 10% of the world walnut and 1% of wine markets will be developed. Experts estimate the share of Georgia in the current period is 5-6% of the world walnut and 0.3% of the wine market. In addition, Georgia, as a country producing walnut and wine products, must choose a strategy for producing a high-quality, environmentally friendly and unique product.

In the face of increasing demand, the critical points of the supply chain are an obstacle to the development of the market for nuts and wine. Their real assessment, the creation and management of an effective supply chain, ensures the sustainable development of these products and the economic prosperity of the country.

The analysis carried out for the formation of an effective supply chain revealed the following critical points:

- There is limited communication between the supply chain links;
- Inefficient distribution of internal and external activities causes high costs of the supply chain;
- The ownership and use of land and other natural resources between links in the chain are not clearly defined or controversial;
- Problems associated with food safety of products are unconscious among the participants in the supply chain, which adversely affects the reduction of food losses in this system;
- Participants in the supply chain have limited access to modern innovations and technologies, to data from domestic and international markets;
- Almost in all parts of the supply chain, there is a risk assessment, management plan, etc.

- Loss of food in the food supply chain in Georgia is 30-40% and this fact aggravates the problem of food security and needs to be resolved in the short term. It is advisable to develop a national strategy to reduce food losses, one of which will be the improvement of the supply chain;

- Loss of food and food waste causes negative externalities. From this point of view, it is desirable to improve food storage and packaging technologies, improve transportation and logistics management, on the one hand, and on the other hand, ensure equal inclusion of participants in the supply chain.

- Participants in the supply chain are concentrated on several links of the chain, which is a factor of inefficiency. It is advisable to concentrate mainly on two types of business relations: a / supplier; b / the buyer;

- The main reasons for the loss of food are limited knowledge of farmers about the supply chain by innovations and modern technologies, as well as a lack of storage space, lack of information on domestic and international markets. To solve the problem, it is recommended to increase the level of education in the agro-food sector using new technologies, provide innovative knowledge to beneficiaries, create information centers about the markets;

- Large losses in the supply chain have a significant impact on the incomes of farmers and producers. Effective supply chain management will significantly reduce costs and indirectly have a positive impact on producer profit growth;

- There is no risk assessment in the supply chain, which creates uncertainty about this system. It is necessary to gradually assess the risks of the supply chain and determine their types, which will reduce risks to a minimum and facilitate the choice of business partners;

- In the supply chain, all the so-called. , "critical points" If these points are found, it is necessary to analyze the activities and conduct additional studies in the relevant links. The existence of "critical points" should become the basis for more rigorous management oversight;

- State support programs and policy instruments are minimally used in the supply chain. The legal regulation of the supply chain and the implementation of supporting policies will be a factor contributing to the increase of its effectiveness.

6.3. A ROLE OF NATURAL TOURIST RESOURCES FOR DEVELOPMENT OF A TOURISM INDUSTRY

A tourism industry is one of the most rapidly growing industries in the world. The tourism is main source of currency movement in the world economy and it has vital importance for many countries. The most important meaning and utilization of tourism is following: it helps nations to share their culture with not only next generations, but also with whole world. Last decades people realized the importance and necessity of our planet. As a result of these they take care about ecology more and more. The role of tourism in it is following: it can be an importance force for the restoration or conservation of environments [23]. Thus, it is vital to study each aspect of tourism industry. This paper explores tourist resources and its importance in developing tourism industry. Data analyze is done on Georgia's case.

The tourism, as a special type of activity, has special demands when it comes to supplying of resources to a process of consumer services. A proposal of certain tourist products requires abundant and diverse resources compared to other kinds of activities. In scientific and tourism fields, we have special concept of "tourist resources", but its essence is explained differently.

A presence and quality of tourist resources determines volume and design of economic resources which are used to carry out tourist activities. Some experts specify the given explanation and note that the tourist resources "should be available for observation and usage in spite of form of property, if there are no relevant legal restrictions. The tourist resources are quantitatively limited and essentially differentiated. Therefore, they represent economic wealth and goods which require significant expenses for regeneration. Economically, the tourist resources are results of

tourism production, because their differentiation gives different results of entrepreneurship”. Such explanation indicates about significant difference between recreational and tourist resources. The main difference is that the tourist resources are directly or indirectly used for getting economic profit.

When tour operator or sightseeing bureau organizes excursion to interesting object, it gets direct profit from its activity and supports regeneration of the given tourist resource. When entrepreneur builds a hotel in attractive tourist zone, he/she indirectly benefits from the tourist resources, which guarantee tourists' arrival in a region. However, recreational resources can't be always used for material benefits.

A development of modern tourism intensified differentiation of the tourist resources. High-quality studies of cultural-historic and natural objects stimulates search of new resources with touristic attractiveness. Different creative ideas and concepts, as well as human habits, create new types of the tourist resources and they can't be perfectly classified in certain groups.

Some highly attractive natural resources have a status of specially protected natural territories. Cultural and historic resources are historic monuments, architectural monuments, cultural monuments, memorial places, iconic buildings, popular craft and museums. Infrastructural resources are hotels, transport, restaurants, trading entrepreneurships, recreational objects, touristic bases, shelters, points for renting of tourist inventory, thematic parks, mountain and skiing tracks, ropeways, etc.

Of course, natural resources have special significance and determine scale and characteristics of tourism development in a region. Majority of foreign researchers share this opinion. The famous classifications of tourist products impose special role to the given category of resources. The tourist resources are unity of characteristics of every natural element, human activity or product, which can stimulate a person to travel and which are not related to commercial or other goals. Such resources are seas, lakes, rivers, thermal springs, geysers, glaciers, snow-covered

places, factors related to above-ground geographic morphological elements, factors related to humans' internal nature (such as interest towards novelty), elements related to human development and elements related to every kind of human activity.

The following types of tourist resources can be differentiated: resources related to water resources; tourist resources related to soil; tourist resources made by human, which have tourist interest; tourist resources, as types of human activities, which have tourist interest.

As we see, the given classification doesn't include infrastructural resources, but it represents unity of tourist resources, i.e. objects of touristic attraction.

Natural resources, such as climate, landscape, topography, flora, fauna and geographic location are especially important. Natural resources are important for development of region's tourist complex, because tourism is directly interested in improvement and constant maintaining of natural environment. The tourist resources are often classified according to attribution to certain pre-determined components of natural environment (climate, water, forest), functional purpose (recreational, conceptual, sporting) and quality of study. Socio-economic category of tourist resources are historic and cultural objects (monuments, sightseeings, museums, etc), as well as events (ethnographic, political, productional, etc.). The tourist resources have somehow different explanations too. These explanations differ according to detailization of demands – emotional and intellectual forces are indicated. Besides, the given explanation says nothing about the concept of "tourist". Obviously, it means that the tourist resources can be used by any subject and in our opinion, it is true, because the tourist resources can be demanded by participants of excursion, travelers, labor migrants, etc.

Heritage tourism is one of the most important forms of cultural tourism. "Thanks to a global, integrated approach in which nature meets culture, the past meets the present, the monumental and movable heritage meets the intangible, the

protection of cultural heritage, as an expression of living culture, contributes to the development of societies and the building of peace. By virtue of its multifarious origins and the various influences that have shaped it throughout history, cultural heritage takes different tangible and intangible forms, all of which are invaluable for cultural diversity as the wellspring of wealth and creativity.” [108].

Cultural tourism product and cultural tourism itself is a very complex segment of the tourism industry, both its demand and supply is diverse and versatile. Its future positions will most probably be strengthened directly and indirectly as well since with the change of the recreational needs of tourists and visitors the demand for cultural travels will rapidly grow as well (additionally when we consider the new appearing sending markets). Of course classic mass tourism will never considerably loose its market positions but the new tourists will have a more and more diversified need to get to know the different cultures and customs of the remote places [126].

All tourist resource is managed by different tourism stakeholders. The most important thing is to manage all the people who are involved in the working process and the stakeholders play an essential role in it. Stakeholders involvement is vital not only in tourism destination management, but in Tourism destination marketing as well. They should be involve in collaboration in this case, as they can create more promotional impact on potential visitors by promotional campaign in which resources are joint. As Reid 1994 says, by pooling efforts, all organizations involved can achieve economies of scale. But there is problem also, as when some tourism businesses are paying for promotion, others cannot be excluded. It may cause refusing on promotional campaign by payer ones. The consensus will bring some positive results as marketing alliances are attractive for both public and private sectors – having more tourists. For private sector the benefit in it is financial and for public one it can be various [194].

The analysis of modern state of tourism and the experience of advanced countries assures us that international tourism development reflects to a domestic, national tourism promotion, and vice versa. Domestic tourism contributes to the stability of the national economy, development and unity of the economy sectors which are traditional for the country, have enough resources and in turn, contribute to the overall stability of the economy. In addition, it should be noted that the national (domestic) and international tourism activity is an integral part of the necessary transformations, which is based on: a full and harmonious development of a person; Protection of human rights (based on its dignity and identity, respect of people's moral values). [192]

Georgia is using its tourist potential more and more. Tourism policy is developing and results are visible (Table 1).

According to Ministry of Economics in Georgia Number of international travelers was 6 350 825. There was 8% growth since last year.

The Information Analytical Department of the Ministry of Internal Affairs presents the statistic data on the visitors having crossed the state border of Georgia during the last month, in particular:

In September, 2017 763 729 visitors arrived to Georgia which is more by 20,9% than the index of the same period in 2016.

The most of the visits in September 2017, were paid from Russia (+32%) Azerbaijan (+15.6%), Armenia (+11.8%) Turkey (+10,5%), Ukraine (+0,2%) and Iran (+80%); Positive tendencies are also retained by the EU states in January-September. The following countries took leading positions: Great Britain, Germany, France, Poland, Lithuania and Italy (33%, 32%, 29%, 21%, 18% and 16%), Near East-Israel (35%) Central Asian countries: Kazakhstan (17%), Uzbekistan (93%). In East European countries Belarus is leading with (30%). Herewith, the number of visitors from the United States has reached 26%. (Ministry of Internal Affairs of Georgia).

Table 1

International arrivals in Georgia, Top countries.

	Country	2016: 10 Months	2017: 10 Months	Change	Change %	Share %
1	Azerbaijan	1,290,838	1,430,703	139,865	10.8%	22.2%
2	Armenia	1,199,874	1,389,377	189,503	15.8%	21.6%
3	Russia	921,141	1,227,776	306,635	33.3%	19.1%
4	Turkey	1,080,950	1,037,105	-43,845	-4.1%	16.1%
5	Iran	131,058	292,061	161,003	122.8%	4.5%
6	Ukraine	153,136	170,797	17,661	11.5%	2.7%
7	Israel	84,753	115,206	30,453	35.9%	1.8%
8	Saudi Arabia	20,138	54,666	34,528	171.5%	0.9%
9	Kazakhstan	44,265	51,547	7,282	16.5%	0.8%
10	Poland	41,970	50,150	8,180	19.5%	0.8%
11	India	27,981	47,566	19,585	70.0%	0.7%
12	Germany	36,767	47,482	10,715	29.1%	0.7%
13	Belarus	34,136	43,627	9,491	27.8%	0.7%
14	United States of America	30,470	37,951	7,481	24.6%	0.6%
15	United Kingdom	16,820	23,555	6,735	40.0%	0.4%

Source: 111

Paresashvili N., Mindorashvili M., and Abesadze N., conducted study in Georgia by means of air transport in 2016. Information gathering and grouping was accomplished according to major Georgian airports. The selection size was determined and a representative population of foreign visitors was selected; it included 2,167 persons.

The following quotas were fixed for the respondents in different cities: 1,775 - Tbilisi, 174 - Kutaisi, 218 – Batumi. These quotes were distributed among the regions in proportion to the number of visitors arriving at Tbilisi, Kutaisi and Batumi International Airports.

Average expenditure by expenditure categories are one of the most important tourism statistical indicators and play a significant role in evaluating the economic growth of a country.

Analysis of the empirical data revealed the following important problems that deserve attention: There is a growth trending the number of tourist from post-Soviet countries such as Russia, Ukraine, Uzbekistan, Kazakhstan, Armenia and Azerbaijan are especially distinguished; Among tourists, young adults aged 20-40 years dominate; The share of recreational expenditure is especially higher for tourists coming from Russia, Ukraine, Israel and countries within the European Union; The share of expenditure on different goods is highest for visitors from Russia, Ukraine and the Middle Asia. The share of expenditure on food is also highest for visitors from Russia, Ukraine, European Union, Armenia, Azerbaijan and Central Asia; Tourists who visit Georgia for recreational and professional purposes spent the most on food; Most commercial purchases were made by tourists from Russia, Ukraine and Israel. Tourists from Israel were also interested in jewelry; Level of satisfaction with tourist infrastructure and quality of service is higher, but the problem of incompatibility of prices and quality still exists; Respondents who bought tourist packets (from either local or international tour operators), indicated only food expenses (average of US\$189.55), when they classified expenses; The share of second-time visitors was 40% of tourists, i.e. almost every fourth tourist returns to Georgia; Tourist visits have similar trends according to cities, but representatives of Middle Asian countries and Israel are especially interested in the resorts of Borjomi and Tskaltubo; Social-cultural, as well as political factors, impact the distribution of visitors according to cities; in particular, the majority of visitors from Azerbaijan visit Batumi and Armenians prefer Kobuleti. Traditionally, first-time visitors spent more in Georgia than those on their second visit. The attractiveness of popular cities of Georgia has increased by 43%.

Although Tbilisi, Batumi, Kutaisi, Kobuleti and Kazbegi are the five most visited cities in Georgia, the attractiveness index has shown that the attractiveness center may move to other cities and the top five popular cities' list is expected to change over time.

Despite the increase in the level of satisfaction with tourism infrastructure and quality of service, a mismatch remains between the quality of services and prices;

Issues have been identified that caused some level of inconvenience to tourists during travel. These were listed as: tourism infrastructure; quality of service; problems related to monotonous tourist product and etc.

Currently, the authors are developing recommendations to improve the statistical accounting of tourism, which will be presented to the National Statistics Office of Georgia, Georgian National Tourism Administration and other interested organizations.

It should be noted that the potential of Georgia to become one of the important European countries of eco-tourism is quite huge. This is evidenced by the growing number of eco-tourists since 2005 as per the data of the Ministry of Environmental Protection. Generally, the growing number of visitors to Georgia and its protected areas was caused by different phenomena and actions, including the following facts: (1) in recent years (2005-2016), the government of Georgia aimed at promoting the tourism in Georgia (providing security, visa-free regime, tourism marketing, favorable investment environment, etc.), (2) the tourist infrastructure (airports, roads, border checkpoints, hotels, catering objects, protected areas, winter resorts, sea resorts, etc.) is being developed in the country, (3) owing to the joint efforts of the National Tourism Agency. [192].

We should see what is the aim of tourists visiting Georgia and use tourist resources accordingly. The above mentioned study showed following results:

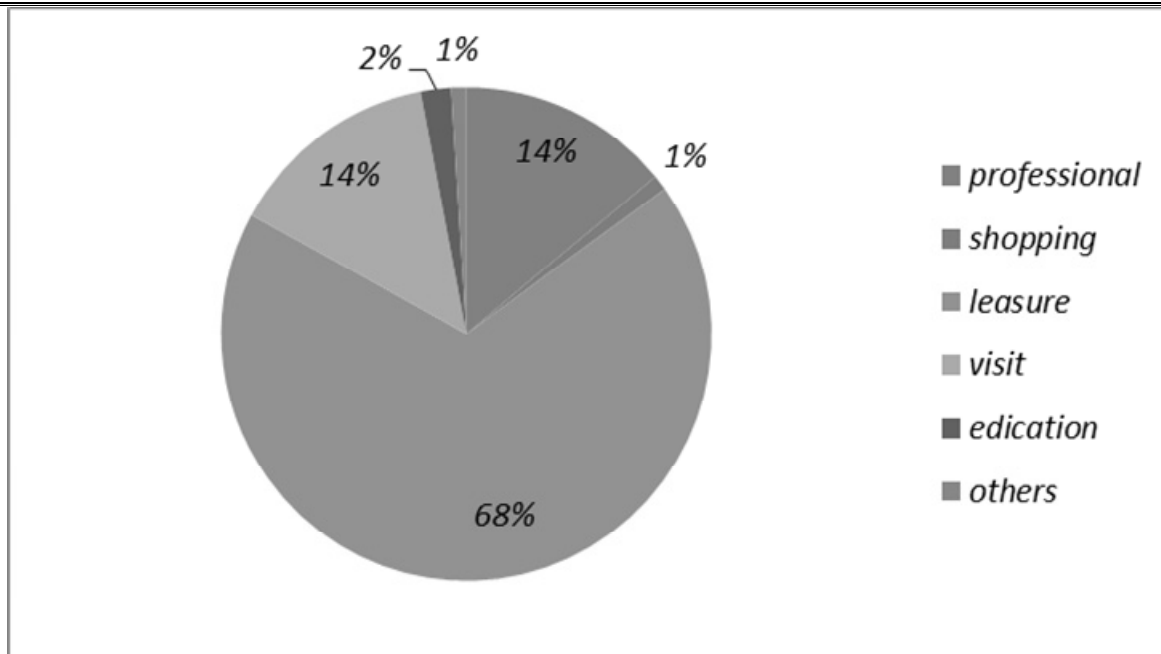


Chart 1. Aim of the visit.

Source: 194, 192

Medical tourism can bring more income than other kinds of tourism, because tourists who arrive for medical treatment stay longer in our country, than tourists with recreational goals. Many people prefer to rest at medical resorts and treat with natural means that to get drugs. In addition to quite effective medical therapy, they rest physically and mentally, as well as learn country's natural, cultural and traditional values. Medical resorts are divided into three main groups: climatic, balneological and mud baths. Also we have resorts with mixed profile, which unite certain natural medical factors.

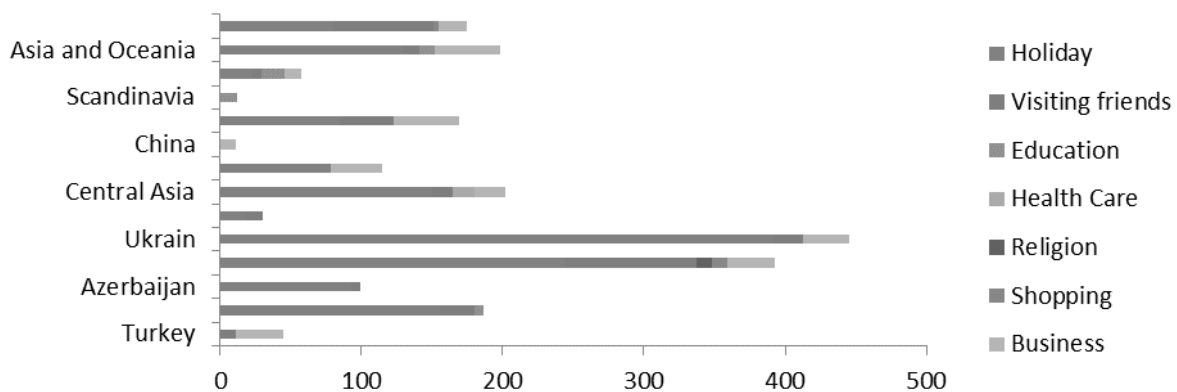


Chart 2. Cross tabulation of purpose and citizenship.

Source [8]

One of the main advantage and stimule to use tourist resources more effective is that it causes tourism development, which means more working places. The problem of unemployment is one of the acutest problems in Georgia and as the results of different statistical, conjunctive or social surveys evidence, often ranks first among the most important social-economic or political problems the country and Georgian people face.

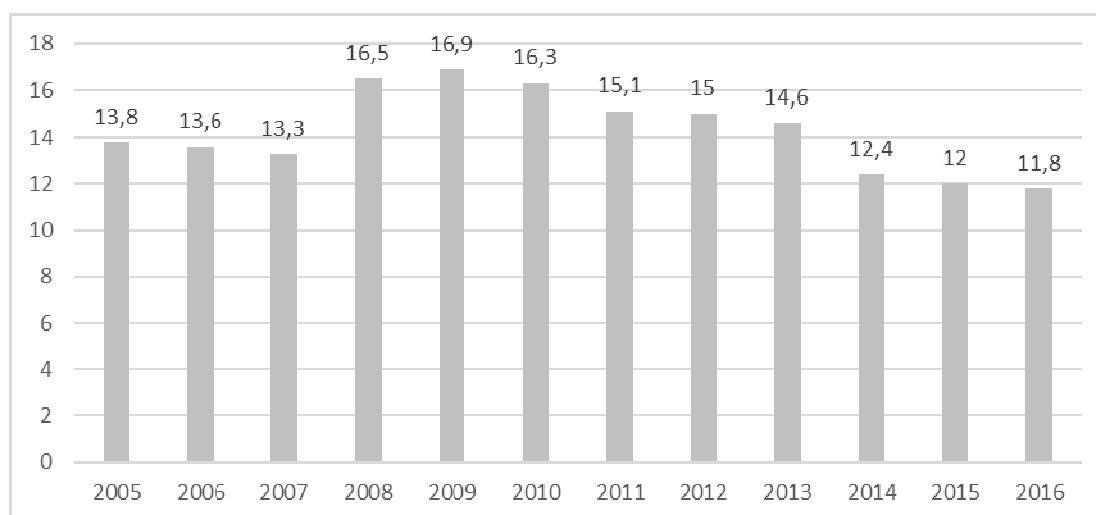


Table 2. Unemployment rate 2005-2016.

Source: 111

In this context tourist resource development and more efficient use can have many positive results. As Paresashvili N. and Abesadze N., 2016, offer Regional programs of employment should be developed in accordance with infrastructure and geographic data of different regions of Georgia. Such programs will improve the situation in the field of employment of youth and increase their competitiveness. In the scope of these programs, specifications of labour of different groups of society (including youth) should be analyzed and their demands should be taken into account. The first steps of labour activities are especially important for youth. Such programs will decrease migration and youth will stay in the regions. Therefore, the demographic picture (or situation) will improve, there will be more qualified employees in tourism industry.

There were many efficient steps being taken for developing tourism in Georgia. Number of tourists is increasing year by year.

Last year four tourism information centers were built in Tbilisi, Chkorotskhu, Martvili and Zugdidi. Important work was carried out towards visa liberalization with the EU; National Geographic Traveler magazine included Georgia in its list of 50 of the world's best guided trips; In international rankings Georgia ranks among the top 10 countries in terms of a secure country to travel in. The 39th General Assembly of the European Olympic Committee chose the Georgian capital to host the European Youth Olympic Festival in 2015. The UEFA Executive Committee has given Tbilisi the opportunity to host a major sports event, the UEFA Super Cup. In 2015 in Tbilisi the annual meeting and business forum of the European Bank for Reconstruction and Development (EBRD) will be held for the first time in the Caucasus [72].

All in all, tourism in Georgia has a huge tourist natural resources and monuments. Infrastructure is developing. Georgia is rich of ordinary resorts and balneological resort. Especially, following ones: Borjomi, Tskaltubo, Kobuleti, Abastumani, Akhtala, Bakuriani, Batumi, Bakhmaro, Mcvane Koncxi, Nabeghlavi, Sairme, Patara Cemi and Surami. Big attention should be paid on the warm balneological resorts, like: Utsera, Caishi, Cixisziri, Cemi, Tsagveri, Shovi, Java and many others. Development of medical resorts is necessary not only for foreign vistors, but for local demands as well. State must play active role in development of medical tourism and it must maximally attract investors by creating an advantageous business environment for them. This will bring not only economic development, but will provide healthier future generation. Georgia has big heritage monuments as well. State should have correct policy to take care about it. As a result, more tourists will visit this monuments and this part of tourism will be realized more.

SECTION 7.

STRATEGIC MANAGEMENT OF COMPETITIVE ADVANTAGES OF BUSINESS

7.1. DIRECT FOREIGN INVESTMENTS AS STRATEGIC POTENTIAL FOR INTERNATIONAL COMPETITIVENESS (POLISH & GEORGIAN CASE)

As well as observing the experience of Georgia and Central and Eastern European countries, we see that the transitional economic countries need's huge capital for growth economy.

One of the most real ways, which helps transitional countries develop his own economy is - *foreign direct investments* (FDI), which are generate the capabilities, material wealth and wellbeing, and which creates new jobs. In addition, the amount of taxes paid by foreign investors increases the income basket. This gives the opportunity to improve infrastructure and strengthen existing human capital.

Policy credibility can be gained from regulatory undercutting and supply-side interventions that «get the institutions right» in accordance with the neoliberal «competition state» model of economic development [20; 44; 46; 66]. Neoliberalism in the periphery rejects state-directed financing to strategic firms and economic sectors, privileging FDI as «the highest form of external finance for development, ahead of portfolio investment, commercial loans, or overseas development aid» [199]. The basic enabling condition for FDI is the elimination of restrictions on cross-border flows of capital—a macroeconomic «Washington Consensus» policy [267] instituted by a global network of governmental economists who were trained at select U.S. universities [48]. Building on capital account liberalization, EDBI is a tool for extending the transnational regime of neoliberal

policymaking to microeconomic reforms that are designed to improve local «investment climates»—«the laws, regulations, and institutional arrangements that shape daily economic activity» [268, 219].

Today, all countries of the world are trying to attract foreign direct investment, as it is associated with economic growth and progress. According to the famous Swedish economist M. Blomster), foreign direct investments enable developing countries to easily master modern technologies, which, in turn, strengthen the capacity and ability of local firms to produce competitive products on the world market. The main goal is to get new technologies, which is why countries are actively trying to attract foreign direct investments [36]. The Harvard University Professor (R. Keves) points out that among the positive effects of the economy of the receiving country, growth of productivity, technologies and know-how transfer, introduction of new technological processes, preparation of staff and production of international networks [42]. According to American economists (Muller and Goi), the host country increases labor productivity and employment with the help of UPS, stimulates the introduction of innovations and promotes sustainable economic growth [170].

An important issue connected with FDI are the consequences which appear in reference to their flow. They may be positive and negative both for the countries investing capital abroad, as well as for the countries to which it flows. To the main benefits, but also to the threats, we can include, in general, the influence of FDI on: balance of payments, employment, market, factors of production resources, gross national product, infrastructure, technology, competitiveness, state budget and development of the regions [215].

The importance of foreign direct investment for the growth of competitiveness of the Polish economy on the national and regional level is particularly important. Foreign capital largely complements the deficiency of capital of Polish economy and promotes the growth of its efficiency and competitiveness. Polish membership in the EU and its integration into the global economy

play an important role in attracting foreign direct investment, but also makes Poland heavily dependent on the situation on global markets and decisions taken outside the country.

FDI are an effect of the movement of economic activity outside the home country. Attempts to clarify the sources of FDI have pointed out that this phenomenon has a complex ground and it has become the subject of not only strictly economic analyses (focused on the processes taking place in an enterprise, economic situation of the importer and exporter of FDI or phenomena of technology development), but also geographic and sociologic analyses. The wide range of processes connected with foreign investments forced the researchers to use both the theory of foreign trade and the theory of location, which resulted, in the end, in a separate group of theories regarding FDI [216].

In 2015 the balance of transactions due to foreign direct investment in Poland amounted to 50.8 billion zlotys and was higher by 13.2 billion zlotys than in 2014. This was largely due to the fact that 2014 was characterized by extremely low level of capital inflows from foreign direct investment to Polish.

It seems that after the reductions in 2012 and 2013, 2015 was a return to the structure of the inflow of foreign direct investments to Poland, observed before 2012.

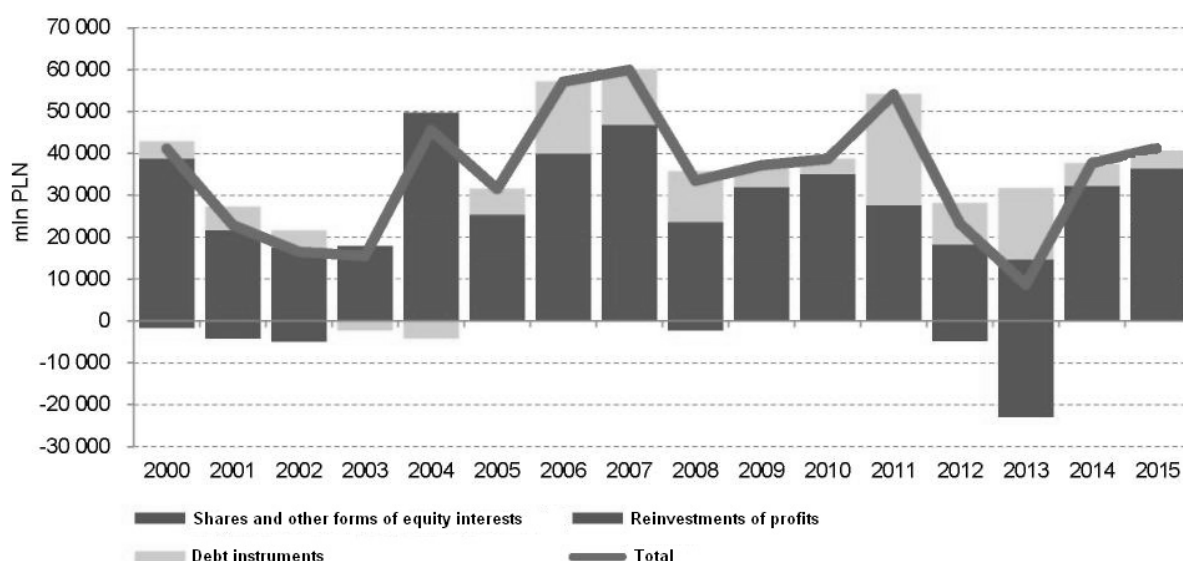


Chart 1. FDI transactions in Poland in 2000-2015

Source: National Bank of Poland

Comparative analysis of statistical data on direct investment, in longer term than one year, is difficult due to the introduction from 2013 of the enlarged directional principle as a new method of presentation of these data. The difficulties arise from the fact that not all the countries publish current data in accordance with the new standard, and obtaining adequate data from previous years is even more difficult. In order to compare the inflow of the capital in terms of direct investments to Poland with the inflow to other, new European Union member states, a category of net capital inflow due to direct investments was used, in other words foreign direct investments in Poland (or accordingly in other country), decreased by Polish (or other country's) direct investments abroad.

Using the data presented in the balance of payments, net capital inflows of direct investment can also be calculated as net liabilities of the direct investment reduced by their assets. The advantage of the presentation of net investments is the fact that there is no need to exclude transactions of special purpose entities from the data. Even if they occurred, they were taken into account both in assets and in liabilities, so as a result their net effect was nil.

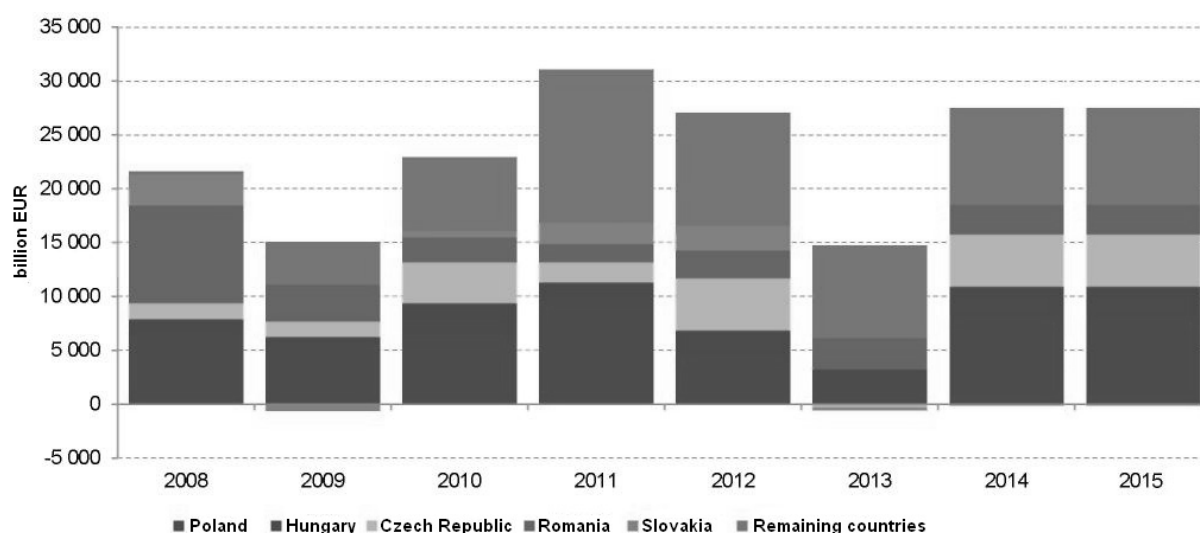


Chart 2. Net FDI in selected countries

Source: National Bank of Poland

In 2015 the inflow of net direct investments amounted to 8.2 billion euro, which is 34.3 billion zlotys. The share of Poland in the inflow of net direct investments to new member states came back to the level recorded in the previous periods of time (2014). It amounted 30.1% and it was higher than in the previous years (2012-2013).

Analysing data for the years 2010-2015, it is worth paying attention to the fact that in case of Poland and some other countries (e.g. Romania), a positive inflow of net capital in all the analyzed periods of time was recorded. On the other hand, the values of inflow of this capital to Hungary, Czech Republic and Slovakia presented a bigger variability in these years, even assuming negative values in times of global economic turmoil.

A significant share of Poland in net direct investment inflow to new EU member states is a result – in large part – of the fact that Poland has the biggest economy among the newly admitted EU countries. Apart from that, the reinvestments of the profits, which are a stable element of capital inflow, are the basic component of the net capital inflow from direct investments. In smaller countries, the key role is played by the transactions in shares and in other forms of equity interests and transactions in debt instruments, the value of which is more variable in time.

The value of the transaction in respect of foreign direct investment in Poland consisted of: positive inflow of capital from shares and other forms of equity interests (6.9 billion zlotys), reinvestments of profits of 25.3 billion zlotys and slightly lower than in 2013 balance of transactions in debt instruments (5.5 billion zlotys). As a result, the inflow of net capital from foreign direct investments to Poland in 2015 reached the level from the years 2008 - 2010, however, it was much lower than the record amounts of inflows observed in previous periods.

The relatively high volatility of the value of transactions in respect of foreign direct investment in Poland in individual years resulted from the separate transactions of relatively large values occurring during certain periods of time.

The level of the value of transactions in the respect of foreign direct investments in Poland in 2015 was affected by the conditions of economic environment, in which these investments were realized. These conditions had multidirectional influence, in particular one should mention:

a) little stable condition of the world economy, which consisted of, *inter alia*: risks connected with economic situation in Greece, the slowdown of economic growth in China and economic sanctions on Russia; these reasons caused the fact that some foreign investors saw the new EU member states, including Poland, as a safe place to invest capital in the form of direct investment;

b) announced changes in the international regulations, renegotiations of agreements on avoidance of double taxation, planned sealing of tax systems, which also fit into the conducted internationally work in the framework of project BEPS⁷, which will affect the taxation of international capital groups, and now indirectly directs decisions on organizational changes within these groups.

According to the 2017-2018 index, Georgia ranks 67th out of 137 countries. Despite the fact that the position of Georgia decreased by 8 stages, compared with the previous year, the country's rating score - 4.3 remained the same, indicating that the reduction of position is mainly due to improving positions by other states [251].

The objectives of state extraterritorial strategies may include the anchoring of global production networks in a state (especially the command and control functions of these networks), the opening of export markets to support the domestic agglomeration of production for export, and the stimulation of outward FDI to extend supply chains from the home market [199]. State capacities to pursue such strategic goals are geographically uneven, and underdevelopment constrains the set of strategic options for extraterritorial accumulation relative to the options of advanced capitalist states. [219].

Business sector is successfully developing in Georgia in last years. In 2016 Business sector turnover increased by 12.5% compared to the corresponding period of last year and reached 64.1 billion lari.

The growth trend is characterized by the output of the business sector products. In 2016, its volume was 34.2 billion lari, which is 13.9% higher than the previous year's indicator.

The average number of employees in 2016 was 666,8 thousand, which is higher than the previous year's 6,4%. Out of the total number of employed 39.8% are women and 60,2% are male.

32.7% of the total number of employees comes to large businesses, 21.3% - average, while remaining 46,0% - for small businesses.

The total number of employees amounted to 620.1 thousand people (compared with the same period last year - 6.1% more). Total expenditures on enterprises - 7022.2 million Lari (over 10,9% over the same period last year).

In 2016, the largest share of the business sector output is distributed on the field of construction (21,6%). The second and third places occupy the processing industry (20,6%) and trade (16.5%). Then comes transportation and storage - 9.1%, and the rest of the sectors have a share of 32.2%.

Foreign direct investments (FDI) in Georgia amounted to USD 1565.9 million in 2016 (adjusted data) down 4.8 percent from the preliminary data of 2016 and up 0.1 percent from the adjusted data of 2015 year. The chart #1 shows dynamics of FDI during 2012-2016.

We see that in 2012 FDI in Georgia was 911,6 mln USD and increased on 58,22 percent in 2016 (1565,9 mln USD).

FDI in Georgia amounted to USD 346.6 million in Q2 2017 (preliminary data) down 14.3 percent from the adjusted data of the same period of the previous year. FDI in Georgia amounted to USD 751.0 million in the first half of 2017 down 5.5 percent from the adjusted data of the same period of the previous year.

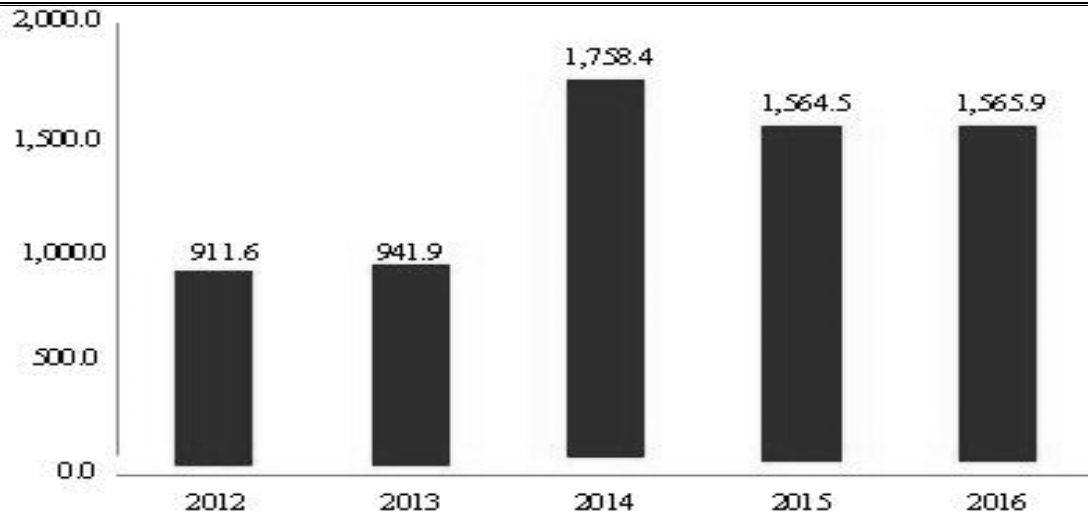


Chart 3. FDI in Georgia in 2012-2016 (million dollars)

Source: www.geostat.ge. [data 30.08.2017]

When the Doing Business rank included in a standard empirical foreign direct investment (FDI) model (estimated on data averaged over the period 2006–2016) - it's highly significant.

Besides deepening integration, developments such as the rising importance of the service sector, time-based competition, and human capital imply greater adjustments and challenges for these countries. The reshaping of conditions and economic factors to attract FDI has been ongoing and is likely to take place with an increased intensity, as the integration process progresses [144]. Standard location determinants (e.g., natural resources, labour cost and others) might no longer be sufficient and may become relatively less important. Many economical publications identifies institutional quality and business regulatory framework as important determining factors of domestic business activity, FDI, and economic growth in a country.

About dynamics of Georgian FDI during 2006-2016 (according to the quarters) and in Q1&2 2017 we can see on the Table 1.

FDI by major investor countries in 2012-2016 and in 2017 (Q1-2) is shown in table 2. We see that in first place Azerbaijan (59,0 mln US dollars in 2012 – which increased on 558,0 mln US dollars in 2016), second place it's - Turkey (81.1 mln US dollars – which increased on 558.0 mln US dollars in 2016).

Table 1

***Dynamics of FDI in Georgia
(Thsd. US Dollars)***

Year	Q1	Q2	Q3	Q4	Total
2006	146 012.3	306 906.8	280 747.5	456 708.0	1 190 374.6
2007	421 369.5	401 452.0	489 112.4	702 907.6	2 014 841.6
2008	537 674.4	605 357.4	134 709.0	286 221.6	1 563 962.4
2009	113 973.5	177 229.4	173 223.2	193 974.5	658 400.6
2010	166 543.7	208 298.2	225 557.6	214 097.1	814 496.6
2011	209 720.0	248 335.4	316 594.5	342 594.2	1 117 244.1
2012	261 193.9	217 671.2	198 999.9	233 699.3	911 564.3
2013	252 316.3	207 893.1	254 825.1	226 868.1	941 902.6
2014	309 463.2	196 244.8	725 992.9	526 722.0	1 758 422.9
2015	291 471.6	462 724.8	483 198.9	327 104.4	1 564 499.8
2016	390 096.7	404 268.7	501 333.1	270 168.1	1 565 866.6
2017	404 424.9	346 598.2	-	-	751 023.1

Source: www.geostat.ge. [data 30.08.2017]

Table 2

***Major investor countries by 2016 & 2017 (Q1-2)
(Million US Dollars)***

	2012	2013	2014	2015	2016	2017* (I-II)
Total	911.6	941.9	1 758.4	1 564.5	1 565.9	751.0
of which:						
Azerbaijan	59.0	81.9	341.4	549.6	558.0	224.2
Turkey	81.1	42.8	63.1	72.5	203.5	120.8
United Kingdom	93.6	55.2	107.6	386.0	118.8	111.6
Netherlands	35.4	153.2	373.7	155.4	97.2	63.7
Luxembourg	42.0	142.5	109.6	106.0	88.3	-5.6
Panama	9.8	25.8	70.7	9.5	75.7	29.0
Czech Republic	8.0	43.6	52.0	16.7	64.1	10.1
United States	20.3	44.8	181.9	18.4	53.6	29.3
Virgin Islands, British	19.8	36.2	-2.6	24.3	44.5	
Other countries	542.6	316.0	461.0	226.1	262.1	150.9

**Preliminary data.*

Source: www.geostat.ge. [data 30.08.2017].

On the chart 4 – we see FDI's inflow in Georgia in 2016.

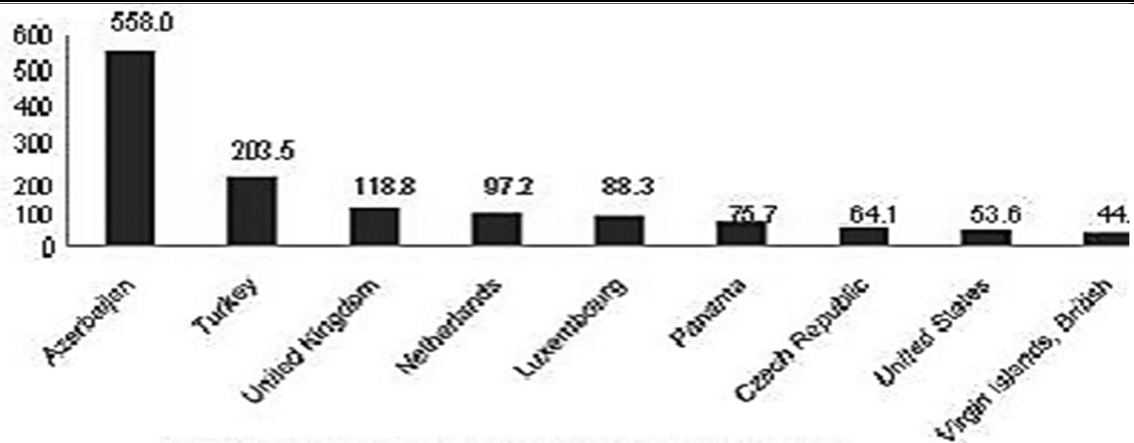


Chart 4. FDI in Georgia in 2016 (million US dollars)

Source: *www.geostat.ge*. [data 11.09.2017]

Share of FDI by major foreign direct investor countries allocated as follows: Azerbaijan (35.6 percent), Turkey (13.0 percent) and United Kingdom (7.6 percent).

The percentage structure of the same indicator in 2016 is shown on chart 5.

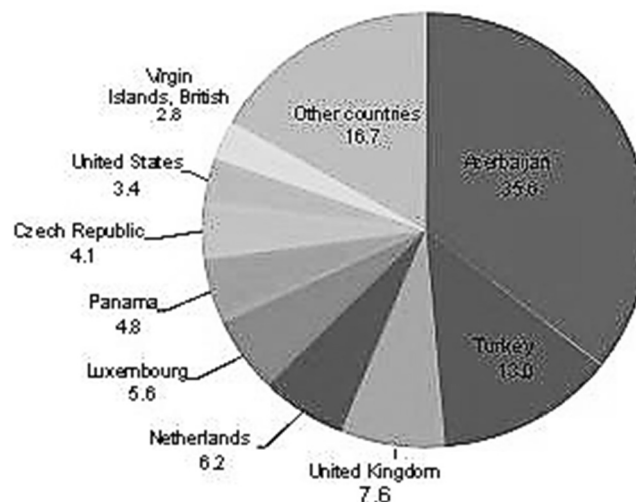


Chart 5. FDI by major investor countries in 2016 (%).

Source: *www.geostat.ge*. [data 11.09.2017]

The expansion of FDI and the emergence of international integrated system of production would not be possible without the liberalization of FDI policy. Changes to the framework of this policy affected the operation of the factors attracting investment by reducing, and even eliminating, the barriers of the access to individual markets for the foreign private capital; in this respect, significant changes occurred in developing countries.

The reasons of attracting foreign capital are associated with the problem of external balances, substitution of import and the influence on the market balance (both in case of capital goods, and consumer and supplying goods).

An important reason for attracting FDI to the economy in the process of market transformation is the intention of development and broadening production and export specialization. Thanks to that, a given country may become more competitive on the international markets. The use of modern technology enables some branches of economy to become innovative. Whereas, the branches of high level of innovation may provide competitive products on the foreign markets. Therefore, the inflow of capital and modern technology to selected businesses may, as a result, lead to the creation of export specialization in the economy of a given country, which is the source of comparative advantages.

7.2. FEATURES OF INNOVATIVE NETWORKS IN THE CONTEXT OF GLOBALIZATION

Modern approaches to the organization of innovative activity are based on the concept of network scientific and innovative structures and the use of network forms for managing the processes of generation and dissemination of knowledge that provide a higher speed of transfer and diffusion of innovations through the regulation of information distribution channels, as well as effective forms of integration of resources into all stages of development and implementation of innovative projects. At the present time, it became clear that the traditional organization of scientific and innovative activities in Georgia, the conditions of institutional and resource limitations, as well as the use of traditional approaches to the management of intellectual property, lag behind the socio-economic realities and needs of the modern economy [163, p. 33]. Therefore, the study of the conditions and possibilities for the formation of more effective forms of interaction among participants in innovation activities,

such as networks of innovatively active organizations becomes a current problem now.

As the innovation transformations expand, the importance of the scientific substantiation of directions and specific models of innovative development is growing [314]. In the context of globalization, the new geography of innovations is mainly represented by concentrated innovative networks that have penetrated into new and diverse innovative spheres of economic activity [221, p. 95]. The formation of global innovation networks reflects a shift in the corporate strategy of enterprises - from a closed to an open and integrated innovation model. But at the same time, the centrifugal forces act in the opposite direction. Innovations still remain geographically concentrated, as it is better to exchange knowledge through locally built-in social networks. The open innovation model of network companies specializing in various segments of the value chain, including research and development, is more powerful than the old model of closed research laboratories [162, p. 120].

The disclosure of the features of innovation networks and the identification of their specifics in the context of globalization. In case of implementation of this purpose, the methods of scientific abstraction, analysis and synthesis, generalization, analogy were used.

The peculiarity of innovative development is shown in the need to take into account two contradictory tendencies [331, p.34]. On the one hand, all stages of the innovation system - from basic research to commercial success - are closely interrelated and interdependent, as the innovation process is a single flow of actions. On the other hand, the emergence of new knowledge, discoveries, inventions is a discrete and stochastic process, and from this point of view, the organization should not implement the entire set of activities - from R & D to production and sales. Accordingly, in the context of innovation-oriented development, inter-firm, inter-organizational interactions, within the innovative communications, play a particularly important role. In this plan it is possible to note the network organizations – a form

of merging of several companies which can include the organizations, the employees of different hierarchical levels united by general interest or a subject and making each of its own contribution.

In particular, the innovative network is the unification of participants in innovative activities that provide information, consulting, educational and organizational support to each other in order to obtain and disseminate new knowledge and innovative products [303, p. 423]. We can give a narrower definition of the innovation network. This is a set of scientific, educational organizations, linked by partnerships and united by a single specific goal.

An innovative network consists of innovative, providing, financing subsystems, as well as a subsystem of commercialization.

Innovative subsystem includes organizations that carry out innovative activities in the development and production of innovative and intelligent products. Innovation is becoming a key strategic parameter for the development of the organization and the economy as a whole. Innovation and science intensity of the product are the main criteria for determining its competitiveness [223, p. 842].

The providing subsystem unites objects not directly involved in the creation and production of innovations, but plays an important role in implementation this process [128, p. 515]. This subsystem consists of three parts:

1. Scientific and technical providing – the scientific and technical developments performed by research, developmental, project and other science and technology institutions and the organizations and also the relevant educational institutions operating in the market of technologies, information resources and services.

2. Provision of raw materials resources is a process aimed at the timely delivery to warehouses or immediately to the workplaces of the required material and raw materials resources. The material and raw material resources include raw materials,

components, purchased technological equipment and production tools (devices, cutting and measuring tools), new vehicles, handling equipment, computers and other equipment, as well as purchased fuel, energy, water, etc.

3. Providing internal communication between all agents of the innovation network, as well as creating and servicing the information collection mechanism.

The commercialization of innovation system supports the promotion and implementation of innovations and intellectual products and includes organizations that function in the field of marketing innovations, advertising, and sales. Commercialization of scientific developments and technologies is always connected with the concept of an innovation process, during which a scientific result or technological development is aimed at obtaining a commercial result [224, p.174]. The commercialization of innovation consists in uniting the idea developer and the customer. The process of commercialization begins with the stage of identifying commercial prospects and ends only at the stage of realization and profit from the newly introduced product. The commercialization of the result of scientific and technical activity consists in the transfer of the obtained results to a product or service and their subsequent implementation on an industrial scale. The commercialization subsystem is considered to be the link between state research organizations and the private sector of industry. Its technology transfer centers, business incubators, technoparks, innovation and technology centers.

The funding system for innovation provides financial support innovation network, calculation and distribution of cash flows, uses funds to develop an innovative network. Innovative activity is a capital-intensive process, innovators inevitably face the need to find the optimal structure of funding sources. In developed countries, innovation financing is provided from both public and private sources. For most countries of Western Europe and the USA, there is an approximately equal distribution of financial resources for R & D between public and private capital. There are

following forms of financing of innovative activity: Own means of the enterprise; Government funding; Equity financing; Bank loans; Venture financing; Leasing and Mixed funding.

Networking technologies implement network management technology, which is a mechanism for coordinating the actions of network participants in space and time, organized according to the principle of efficiency. Forms of interaction of network participants are completely different in comparison with schemes of interaction in corporate structures. The functioning of the innovation network is based on such principles as decentralization of management, readiness for cooperation, bilateral exchange of information and mutual learning [30, p. 12]. These principles are obvious, but not easily feasible in practice, because network participants can choose an opportunistic style of behavior or expect such behavior from their partner. If we assume that all participants trust each other, then the advantages of this form of cooperation should be highlighted:

- ✓ Reducing transaction costs;
- ✓ Constant knowledge sharing between participants leading to the formation of new knowledge and innovative ideas;
- ✓ Reducing the degree of uncertainty that companies face in dynamic external environment.

That is why innovative networks are actively developing and spreading in the global economy, relying on competitive advantages and information technologies.

The modern innovation network is distinguished by a high taxonomy, which manifests itself in their complexity and diversity. They can be organized as intra-company networks, when multinational companies transfer the implementation of innovative processes to their foreign affiliates, or as inter-company ones, when independent innovative foreign companies are involved in the innovation process. Participants in innovative networks can be international companies, public-private partnerships, research consortia and universities, as well as informal social networks (students, independent researchers, scientists) [60, p. 10].

Innovative networks can be organized by various forms of cooperation of participants:

✓ Scientific and technical outsourcing - attraction of external resources to meet their own needs. This type of cooperation allows attracting third-party organizations to search for new and improve existing innovative capabilities. It is possible to consider scientific and technical outsourcing as an instrument of an innovative way of development and enhancement of competitive advantages. It is regarded as an adequate response to the expansion of the innovation market;

✓ Strategic alliances are created for the purpose of joint research, partners are limited to the distribution of individual points of the joint program and do not create joint laboratories. Such strategic alliances, as a rule, are limited to the establishment of co-operation committees holding regular meetings;

✓ Virtual organizations - the distinctive sign is existence of a set of the companies uniting resources for implementation of projects that they are not able to implement alone. Members of a virtual organization achieve a significant expansion of their capabilities by achieving a significant "virtual" size while maintaining their flexibility inherent in small companies. Such a network is able to cover a wide range of competencies, while each participant concentrates on certain key competencies;

✓ Production cooperation of small innovation business with large corporations - thanks to such cooperation, innovative firms immediately get access to well-established technologies, in addition, it is much easier for them to enter the sales markets;

✓ Innovative clusters - the core of an innovative cluster is usually a network of scientific and production organizations linked together through a large number of innovative projects and having an internal information space for the transfer of innovation. Cluster interrelations are shown in the continuous circulation of knowledge, the transfer of technology, joint research projects, the mobility of qualified personnel. Cluster members are able to react more adequately and quickly to the needs of

customers, participation in the cluster facilitates access to new technologies, innovation involves suppliers and consumers, as well as enterprises of other industries.

As innovative networks are relatively new phenomenon, there arises a problem with their classification [286, p. 27]. There are 4 types of innovative networks, each of which focuses on a certain function:

- R & D cooperation network - association of research organizations for a complex project, which aims to share experience and knowledge, build strong teams of professionals for the project, and search for resources on the generation of new knowledge)

- Technology transfer network - a set of strong partnerships between scientific and production teams, ensuring rapid commercialization of results of researches (emphasis is made on the commercialization of new knowledge);

- competence transmission network - active interaction expert community, the aim of which is to increase the overall competence of the key issues of science due to the synergy effect (emphasis is made on the generation of new knowledge);

- Scientific and innovation networks - A set of scientific, educational and industrial organizations - partners united by a single goal (emphasis is made on supporting pre-competitive stages of a full innovation cycle).

Thus, it seems that the effectiveness of the implementation of the innovation process increasingly depends on the scale of cooperation and integration, from the creation of associations of various organizations. A traditional approach of the organization of the innovation process, with which the company centrally and independently finances and implements a full cycle of research and development from the moment of the emergence of an idea and its conceptualization in the form of a finished product or service, in the conditions of globalization is gradually replaced by the concept of open innovations. The functioning of innovation networks in the full sense is possible only now, when information technologies are at a rather high level of development. In the

context of globalization, innovative networks allow generating new knowledge, making the process of knowledge exchange fast and efficient, speeding up communications and the process of developing joint solutions, and reducing the risks of commercializing innovation.

7.3. БАЗОВЫЕ ПРИНЦИПЫ ЛОКАЛЬНО-ОРИЕНТИРОВАННОЙ ИННОВАЦИОННОЙ ПОЛИТИКИ В СИСТЕМЕ ФОРСАЙТА

Обеспечение экономического роста производства на современном этапе функционирования предприятий обеспечивается его инновационной компонентой, включающей передовые достижения фундаментальной науки, исследование потребностей общества, изменения в структуре управления и планирования. В развитии науки управления экономическим развитием производства образовался существенный разрыв между приоритетами технического развития и способами обеспечения достижений этих приоритетов в долгосрочной перспективе с учетом существующих реалий.

Стимулировать инновационную активность менеджмента призван форсайт – новое направление управления и долгосрочного развития процесса прогнозирования с учетом активности участников, вовлеченных в область его формирования.

Форсайт – это систематический процесс, нацеленный на повышение качества применяемых решений и координацию совместных действий хозяйствующих субъектов. Применительно к обеспечению экономического роста путем инновационных преобразований особая роль принадлежит его компоненте – форсайт-менеджменту инноваций.

Форсайт-менеджмент инноваций – методология управления изменениями и стратегического планирования с перспективой экономического развития процессов инновационных преобразований и долгосрочного прогнозирования. Однако форсайт-менеджмент не сводится

только к внедрению инноваций, а определяет решение важнейших и социальных проблем управления с целью улучшения факторов, определяющих экономический рост предприятий и создания возможностей достижения намеченных ориентиров развития.

Идентификация направлений стратегических исследований, направленных на получение крупных экономических выгод, составляет одну из нерешенных задач использования форсайта в управлении экономическим ростом предприятий.

Успешность в сложных и труднодоступных рынках связана со стратегической гибкостью, способностью замечать изменения и быстро реагировать на них. В основе форсайт-менеджмента лежат положения, что будущее можно создать, оно вариативно и не проистекает из прошлого. В его основе лежит глубокое понимание факторов, определяющих долгосрочные перспективы, с учетом которых следует разрабатывать инновационную политику. Концепция парадигмы локально-ориентированной инновационной политики наряду с наукой, промышленностью и государством ключевую роль в инновационном процессе отдает обществу, которое является конечным пользователем инноваций и поэтому существенно влияет на создание знаний и технологий, разработку стратегий экономического роста через спрос и реализацию функций полезности.

Способность управленческого предвидения и получения истинных конкурентных преимуществ для бизнеса в форсайт-менеджменте находит свое воплощение во внедрении современных технологий и развитии компетентностного подхода в деятельности управленческого персонала. При этом люди ценятся больше финансовых и материальных активов и к их ошибкам относятся как к возможностям обучения.

В условиях жесткого ограничения всех видов финансовых и технических ресурсов, поддерживающих и развивающих инновационную деятельность, сегодня особенно остро стоит проблема целенаправленности и результативности

использования целостности и непрерывности поддержания всех этапов инновационного цикла.

Ведущие мировые державы не могут сегодня проводить полномасштабные исследования по всем научным направлениям сразу, поскольку получение новых знаний требует огромных расходов на приобретение оборудования и подготовку специалистов. В этих условиях эффективное определение приоритетов научного и инновационного развития позволяет сохранять лидирующие позиции в наиболее перспективных отраслях. Научный комплекс в целом обеспечивает развитие экономики на основе модернизации и смены технологий. Масштабы и темпы развития науки и инновационной сферы должны обеспечить соответствие потенциала страны мировому уровню научно-технического прогресса.

Сегодня промышленность постоянно совершенствуется, становясь все более высокотехнологичной и информационно наполненной. Для лидерства в экономическом развитии производства необходимо применение современных технологий инновационного менеджмента, для которых требуется многокритериальный анализ большого числа документов, аналитических обзоров, статей, патентов, информационного сопровождения.

Инновации и инновационная деятельность являются аттрактором развития экономики предприятий. Реакцией на изменения в объектах управления, в том числе и в структуре производства, является возникновение нового направления развития технологии управления прогнозирование будущего в условиях неопределенности.

Чтобы достичь желаемого будущего проводят форсайт-исследования, представляющие собой систему экспертных методов. В анкетировании принимает участие, кроме стейкхолдеров, ответственных за принимаемые решения, также и широкий круг экспертов, включая представителей науки и бизнеса в данной предметной области. При этом используются экспертные статистические оценки, мозговой

штурм, морфологический анализ, информационно-логическое моделирование, метод Дельфи. Из всего многообразия возможных вариантов развития сложившейся ситуации, выбирается наиболее предпочтительный, на реализацию которого направляются все имеющиеся ресурсы. В отличие от традиционных методов прогнозирования, основанных на анализе существующих трендов, креативное совместное обсуждение и согласованное представление позволяет выработать систему мер приоритетного развития.

Форсайт-исследование - это особый тип диалога и коллективного мышления в открытой форме, включающий итеративные периоды обдумывания, консультаций и дискуссий, в ходе которых формируются общие стратегии достижения существующих возможностей с учетом возможных угроз.

Главная трудность локально-ориентированной инновационной политики в системе форсайта – пройти через преграды неопределенности и сформировать перспективы экономического развития рынков товаров и товаропроизводителей. Основной преградой внедрения форсайт-менеджмента на предприятиях является инертность развития, консерватизм в финансовых вопросах, терпимость к различным мнениям, игнорирование инноваций.

Сокращение жизненного цикла инновационных продуктов, увеличение скорости разработки и распространения инноваций снижают определенность долговременного функционирования предприятий, направленных на выпуск инновационной продукции и возможности долгосрочного прогнозирования.

Для современных технологий управления характерна необходимость обработки больших массивов информационных данных, затрудняющих выделение приоритетов. Необходима консолидация информации по базовым признакам ее проявления и результативности использования. Выявление факторов, определяющих возможные изменения на рынке производимых товаров и услуг, даже в принципе невозможно

оценить современными методами математической статистики и вероятностных представлений вследствие непредсказуемости реакций среды на предлагаемые инновационные изменения. Форсайт-менеджмент объединяет различные аспекты квалификации экспертов, их опыт и возможности предвидения ими будущего для существующих рынков. Это позволяет дать заключение о том, какие продукты и услуги будут наиболее востребованы в ближней перспективе и каким образом и за счет каких технологий развития можно удержать лидерство в долгосрочной перспективе.

Вероятность наступления событий, которые обеспечивают экономический рост предприятий, тем меньше, чем выше уровень неопределенности. Его можно снизить введением соответствующего информационного сопровождения и имитационного моделирования возможных ситуаций. При этом обеспечивается стратегическая гибкость, проявляющаяся в чувствительности к изменениям через способность к многовариантному сценарному способу управления.

Прикладными инструментами долгосрочного прогнозирования являются платежная матрица прибыли стратегий, выигрышей и возможных рисков, критерии и алгоритмы реализации стратегий конкуренции [315, 336, 226].

При экспертных оценках вероятности наступления событий, вызванных инновационными воздействиями на функционирование предприятий, обосновываются на основе критериев максимума ожидаемого среднего выигрыша или минимума ожидаемого среднего риска.

Аналитическое представление выбора оптимальной стратегии развития производства представляется в виде ортогональной платежной матрицы

$$A = \|a_{ij}\|_{m,n}$$

где m – число возможных стратегий A ;

n – число возможных состояний внешней среды Π ;

		Π_1	Π_2	...	Π_n	
$A =$	A_1	a_{11}	a_{12}	...	a_{1n}	α_1
	A_2	a_{21}	a_{22}	...	a_{2n}	α_2

	A_m	a_{m1}	a_{m2}	...	a_{mn}	α_m
		β_1	β_2	...	β_n	

$\alpha_i = \min a_j$
 $\beta_j = \max a_i$

В платежной матрице элементы a_{ij} означают средние значения преимуществ и выигрышей от принятого решения по инновационному развитию производства.

Учет рисков и последствий принятия управленческого решения моделируют с помощью матрицы рисков $R = \|r_{ij}\|_{m,n}$.

Элемент матрицы риска - недополученная прибыль от недавно принятых решений, допущенных из-за ошибочной оценки возможной реакции рынка. Допускается разумный риск ради получения дополнительной прибыли.

		Π_1	Π_2	...	Π_n	
$R =$	A_1	r_{11}	r_{12}	...	r_{1n}	$r_{ij} = \beta_j - a_{ij}$
	A_2	r_{21}	r_{22}	...	r_{2n}	
	
	A_m	r_{m1}	r_{m2}	...	r_{mn}	

При этом считается, что если состояние внешней среды Π_j соответствует возможности P_j , то максимальный выигрыш от принятого решения по управлению инновационной деятельностью будет $\max_{1 \leq i \leq m} \sum_{j=1}^n P_j a_{ij}$, а минимальный риск

$$\min_{1 \leq i \leq m} \sum_{j=1}^n P_j a_{ij}.$$

В тех случаях, когда для принятия решений не возможно использовать количественные методы используются суждения и заключения экспертов.

В своей содержательной интерпретации они включают использование следующих методов:

- метод простого ранжирования;

– метод весовых коэффициентов.

Метод простого ранжирования заключается в том, что каждый эксперт определяет признаки в порядке предпочтений. Цифрой 1 обозначается наиболее важный признак, цифрой 2 – менее важный и т.д. Оценки α_{ij} каждого эксперта сводятся в таблицу (табл. 1).

Таблица 1

Признаки и оценки экспертов при ранжировании предпочтений

Признаки	Эксперты			
	1	2	...	m
x_1	α_{11}	α_{12}	...	α_{1m}
x_2	α_{21}	α_{22}	...	α_{2m}
...
x_n	α_{n1}	α_{n2}	...	α_{nm}

Ранг i – того признака вычисляется по формуле

$$S_i = \frac{\sum_{j=1}^m \alpha_{ij}}{m},$$

где j – номер эксперта; m – их число; n – номер признака.

Метод весовых коэффициентов заключается в том, что всем признакам назначают весовые коэффициенты в диапазоне от 0 до 1 (либо от 0 до 10, либо от 0 до 100). Другая вариация этого метода заключается в том, что наиболее значимому признаку присваивается определенное число, а коэффициенты остальных показателей составляют доли этого числа. Чем больше эти величины, тем более значим этот признак. Опираясь на заключения экспертов, руководитель может:

- постараться получить дополнительную информацию и на ее основе еще раз проанализировать проблему;
- действовать в соответствии с имеющимся прошлым опытом и интуицией, определяя вероятность событий.

Форсайт-менеджмент инноваций не только сводится к прогнозированию ожидаемых результатов, но и рассматривается как вариант будущего. Посредством инноваций предприятия добиваются превосходства над конкурентами. При этом стратегическое значение имеют инновации, обладающие абсолютной новизной, т.е. когда предлагаемому нововведению в момент появления его на рынке нет аналогов и при этом незначительна вероятность быстрой имитации его конкурентами. Способность реализовать такого рода инновации определяется степенью обладания предприятием компетентности в технологии, обеспечивающей преимущество над конкурентами в долгосрочной перспективе.

Матрица планирования прибыли в форсайт-менеджменте помогает эффективно сконцентрироваться на тех элементах управления, которые наиболее критичны для экономического развития производства и использовать ее как инструмент увеличения продаж.

Кроме технических и технологических аспектов достижения конкурентных преимуществ предприятия, следует обратить внимание на организационные способы сотрудничества групп и индивидуумов в рамках одной структуры и мотивации к качественному выполнению своих служебных обязанностей.

Охват широких возможностей достижения намеченной цели требует, кроме обязательных компетенций экспертов наличия определенной логики в динамике достижения результатов и учета возможных препятствий и сопротивления окружающей среды. Конечная цель такого прогнозирования определения точек роста технологических перерывов, организационно-экономического обеспечения и механизмов достижения цели, а также направлений научных исследований по развитию приоритетных стратегий. Это является обоснованием инвестирования средств в предлагаемые инновационные проекты.

Форсайт-менеджмент нужен для того, чтобы улучшать процесс принятия решений, управлять выбором технологий, создавать альтернативные направления для будущего развития, усиливать процесс обучения и мотивировать изменения с целью обеспечения экономического роста производства. Структуризация компонентов и основных направлений развития форсайт-менеджмента представлена на рис. 1.

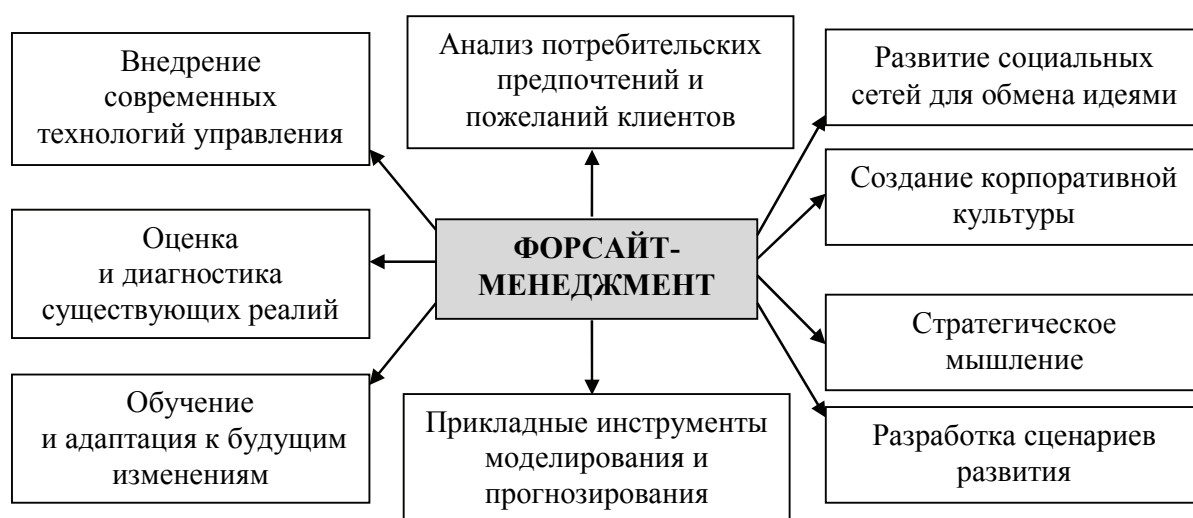


Рис. 1. Структуризация компонентов развития форсайт-менеджмента

Базовые принципы локально-ориентированной инновационной политики в системе форсайт-менеджмента представлены на рис. 2.

Основные мероприятия по реализации базовых принципов локально-ориентированной инновационной политики в системе форсайт-менеджмента заключаются в следующем:

- установление тенденций и индикаторов развития технологий и инноваций;
- разработка стратегических программ инновационного развития;
- исследование будущих трендов развития предлагаемых инициатив;
- установление долгосрочных приоритетов развития;
- разработка инновационных бизнес-моделей.

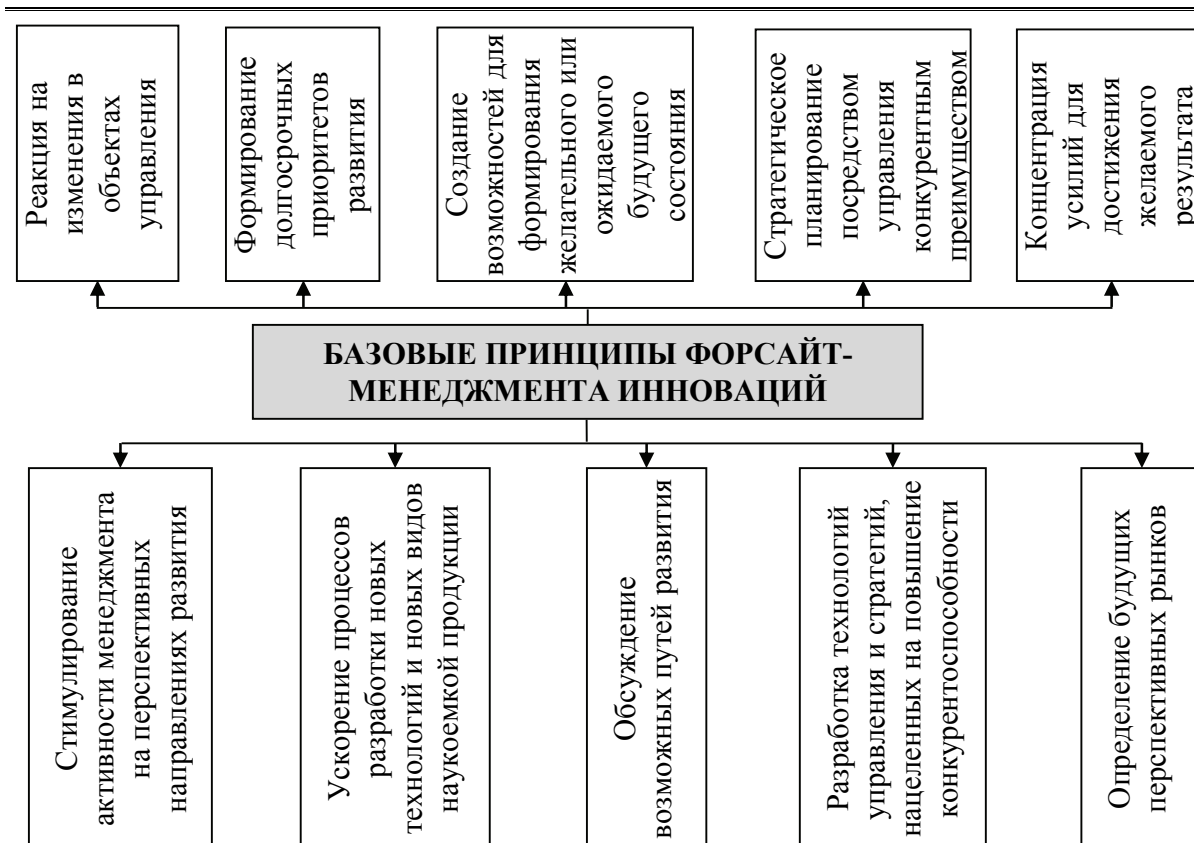


Рис. 2. Базовые принципы локально-ориентированной инновационной политики в системе форсайт-менеджмента

Методология проведения форсайт-менеджмента локально-ориентированной инновационной политики определяет уровень формирования перспективных направлений экономического роста и оценки перспектив развития путем анализа большого числа отзывов высококвалифицированных специалистов и принятия соответствующих управленческих решений. Участвующие в исследованиях эксперты, проводят оценку перечня направлений экономического развития и научно-технических достижений, внедрение и промышленное освоение которых ожидается в долгосрочной перспективе. Экспертиза заключается в наличии необходимых ресурсов и определения возможных потенциальных барьеров, которые могут возникнуть при реализации выбранного направления развития.

Форсайт-менеджмент рассматривает варианты будущего при выполнении определенных условий и сценариев развития,

которые базируются на анализе будущих возможностей и альтернативных траекторий развития.

Наличие ясных целей, четкой и устойчивой организации производства позволяет сосредоточиться на экспериментировании и успешно управлять внедрением инноваций и их реализацией в будущем.

Назначение и функции форсайт-менеджмента при управлении развитием инновационной деятельности представлено на рис. 3.

При внедрении форсайт-менеджмента локально-ориентированной инновационной политики, прежде чем обсуждать цели, планы и горизонты развития необходимо решить следующие проблемы:

- какими конкурентными преимуществами будет обладать предприятие и какие возможности можно конвертировать в прибыль в долгосрочной перспективе при внедрении конкретных инноваций;

- какими должны быть усилия менеджмента чтобы уходить от конкуренции в долгосрочной перспективе, предлагая новые инновационные разработки производства товаров и услуг.

При этом следует произвести анализ своих возможностей и оценить качество выпускаемой продукции, товаров и услуг с точки зрения потребительских предпочтений и удовлетворения пожеланий и предпочтений клиентов в будущих интервалах времени для обеспечения устойчивого экономического роста [319, 56]. Не менее важным фактором экономического роста предприятий является установление причинно-следственных и тематических связей, находящихся в основе существующих трендов развития производства.

Продуктом исследований форсайт-менеджмента являются официальные документы, отражающие возможные пути развития производства, основанные на вероятностных представлениях формирования долгосрочных приоритетов. Подобные документы служат ключевым инструментом для руководителей высшего звена, т.к. являются основанием для выработки целей и стратегий развития при принятии важных

решений в конфликтных или проблемных ситуациях для координирования действий хозяйствующих субъектов. Учет синергетического эффекта взаимодействия экспертов и управленческого персонала обеспечивает совершенствование механизмов управления и формирует перспективы развития.



Рис. 3. Назначение и функции форсайт-менеджмента при управлении развитием инновационной деятельности

Форсайт-менеджмент локально-ориентированной инновационной политики представляет собой процесс уточняющегося видения будущего, от реализации потенциала предлагаемых инициатив, т.е. попытка заглянуть вперед и оценить развитие. Вживание в область перемен требует для

принятых обоснованных управленческих решений по реализации приоритетных направлений развития разработки методик количественных оценок преимуществ и рисков организационно-экономических трансформаций производства, достижения устойчивых конкурентных преимуществ и постоянно изменяющихся стратегий экономического роста. Только новые идеи и надежно выстроенные отношения помогут сохранить клиентов и обеспечить экономический рост предприятия, учитывая возрастающее влияние агрессивной конкурентной бизнес-среды. Качество продукта и услуг является весомым преимуществом в конкурентной бизнес-среде. Для обеспечения экономического роста и увеличения объема продукции и услуг, предлагаемых постоянным клиентам, необходим существенный пересмотр организации управления, постоянный поиск улучшений и усовершенствований технических возможностей выпускаемой продукции и предлагаемых сервисных услуг. В клиентском сервисе и предпочтениях потребителей нет мелочей и соблюдение базовых этических принципов управления является фактором устойчивого развития производства.

7.4. STRATEGIC MANAGEMENT BY DEVELOPMENT OF LABOR POTENTIAL OF THE ENTERPRISE BASED ON MULTIDIMENSIONAL EVALUATION

The dynamic development of the world economy, the need to increase the competitiveness of domestic enterprises from the perspective of integration into the European Union, require urgent solution to many problems associated with the formation and further development of the labor potential of society. The development of the socioeconomic system is based on the understanding of the potential opportunities embodied in its structure, the identification of hidden reserves and incentives, and the desire to effectively implement them in practice.

Taking into account the experience of economic growth of different countries, it can be argued that one of the most valuable

resources of modern production is personnel, any strategy for the development of an enterprise should provide an appropriate concept of human resources development and the maximum use of professional knowledge and skills of staff. This is due to the priority of the development of labor potential, which is the main productive force and one of the significant components of the enterprise, region or country's potential. The level of labor potential directly affects the effective operation of the business structure and ensures both its competitiveness and the national economy as a whole. Hence, effective use of the potential of labor resources will enable Ukraine to be an equal participant in the world labor market and adapt to international competition.

The problems of analyzing and evaluating the effective use of labor resources and human resources are at the center of attention of domestic and foreign economists. A. Thompson and A. Strickland, authors of one of the textbooks on strategic management, note that talented, skilled, experienced professionals – this is not only a resource that can effectively achieve the goals, but also a source of competitive advantage [326, p. 140]. O.S. Vikhansky a well-known specialist in the field of strategic management follows the same point of view. He notes that the basis of any organization and its main wealth are people. At the same time, the person becomes not only the key and the most valuable "resource" of the organization, but also the most valuable. The quality of labor resources directly affects the company's competitive ability and is one of the most important areas for the creation the competitive advantages [284, p.114].

Considering the modern problems of the company in relation to the functioning and development of its labor potential, among the most acute should be identified such as the dismissal of qualified specialists, lack of staff qualification, low level of employee motivation and, consequently, insufficient initiative of employees, low labor discipline of staff, unsatisfactory moral and psychological climate.

In order to solve these problems, it is necessary to assess in a timely manner the risks associated with the functioning,

development and reproduction of the labor potential of the enterprise and to create mechanisms that can compensate for its insufficient level. Despite a large number of complex and special scientific studies, many aspects of the formation, functioning and development of labor potential as a strategic direction for the preservation of human capital have been given insufficient attention.

Researching the labor potential of enterprises requires the formation of a conceptual apparatus relative to the partial elements and categories that are directly related to it. In particular, it is: labor resources, human capital, human potential, personnel, personnel potential, staff, enterprises potential. As we see from the list below, in the theory and in practice there is the wide terminology is used, which is a characteristic manifestation of the accumulated world experience of processes of formation, development and use of labor potential. Analysis of these categories indicates different views on labor potential, a variety of approaches to it, taking into account its purpose as a scientific category and scope of practical application.

In the opinion of O. Grishnova and D. Boginya, the term "labor resources" is used to define human resources and characterizes the part of the population of the country, which is capable to work in terms of its physical development, mental faculties and knowledge [282, p. 34]. Human capital – is a collection of inborn and acquired personal social, cultural and productive qualities acquired through investments (knowledge, skills, health, abilities, motivations) that are used in activities that allow their owner to receive income. The analysis of the recent research has made it possible to conclude that the personnel, or frames (can be considered as synonyms), are the bearers of the labor potential of the enterprise.

The analysis of recent publications on this issue showed that one and the same economic category is considered as "human potential" [297, 306], "labor potential" as a combination of personnel, professional, qualification and organizational components [329], as an element in the assessment of production potential [5] as an integral socio-economic category that includes human resources, demographic, motivational and organizational

potentials [332], "labor and personnel potential" are considered synonyms [287].

Specialist in the field of the potential of N.S. Krasnokutskaya believes that the personnel potential is a combination of abilities and capabilities of the personnel to ensure the achievement of the goals of the long-term development of the enterprise. The main components that shape the human potential of entrepreneurial structures are: paid work of hired workers to create products or provide services that are implemented in the market; created by the paid work of employees intellectual property, reflected in the balance sheet of the enterprise, but not intended for sale; created by the employees of the enterprise, but not paid and, accordingly, not reflected in the balance of intellectual property in the form of business ideas, as well as business connections and personal image of employees [297].

According to B. Bachevsky, the difference between personnel and labor potential lies in the fact that although they are a kind of potential of the enterprise's labor resources, they reflect the properties of these resources in various aspects. Thus, human potential reflects the qualitative side of the property of this (labor) resource to ensure the implementation of the technological process of creating tangible or intangible values with characteristics that meet the requirements of the market. A labor potential characterizes the property of this resource to ensure the production of the desired market volume of production of a given quality for profit in optimal for this stage of development of the enterprise size [280].

Summarizing the above, it is proposed in the further analysis to consider the labor potential as existing today and foreseeable labor opportunities, which are determined by the number, age structure, professional, qualification and other characteristics of the personnel.

Labor potential is formed at different levels regarding the aggregation of assessments and the range of opportunities coverage. Yes, usually distinguish individual labor potential of the employee, group (brigade) labor potential, labor potential of the enterprise,

industry and the economy as a whole. The labor potential of any system differs from the amount of labor potential of individual workers as a result of the emergence of a new quality synergistic effect due to the interaction of its constituent elements. Therefore, attention should be paid to the study of the interaction and interconnection of elements of labor potential at different levels of government.

The development of market relations requires the solution of a number of fundamental tasks, the most important among which is the most efficient use of available labor potential and its further build-up. According to research results, Ukrainian enterprises at the current level of development can't provide attraction of skilled workers with a high level of labor potential. This is due to low wages, low innovation activity, and general crisis phenomena in the economy. Thus, the "trap" of low productivity triggers. Due to the slow growth of labor productivity, in comparison with costs, especially for labor (that is, wages), there is an increase in prices, which leads to a decrease in demand and, consequently, a slowdown in sales. Reducing demand and sales leads to incomplete loading of existing production capacities, that is, to reduce the supply of goods, which in turn leads to a decrease in capital power due to the slowdown in capital accumulation and the reduction of investment opportunities. The analysis of the dynamics of the level of capital investments in the spheres that ensure the formation of labor potential indicates disappointing trends (Fig. 1). Share of capital investments for such types of economic activity as professional, scientific and technical activity; education and health care in 2016 accounted for only 1.83%, 0.63% and 1.25% of the total, while the share of these investments was only 0.28% of GDP in that year. In recent years, there is a very low innovation activity of enterprises. Thus, the share of the volume of scientific and scientific work performed in GDP decreased from 0,9% in 2010 to 0.64% in 2015, while the share of enterprises engaged in innovation does not exceed 18.9% in recent years.

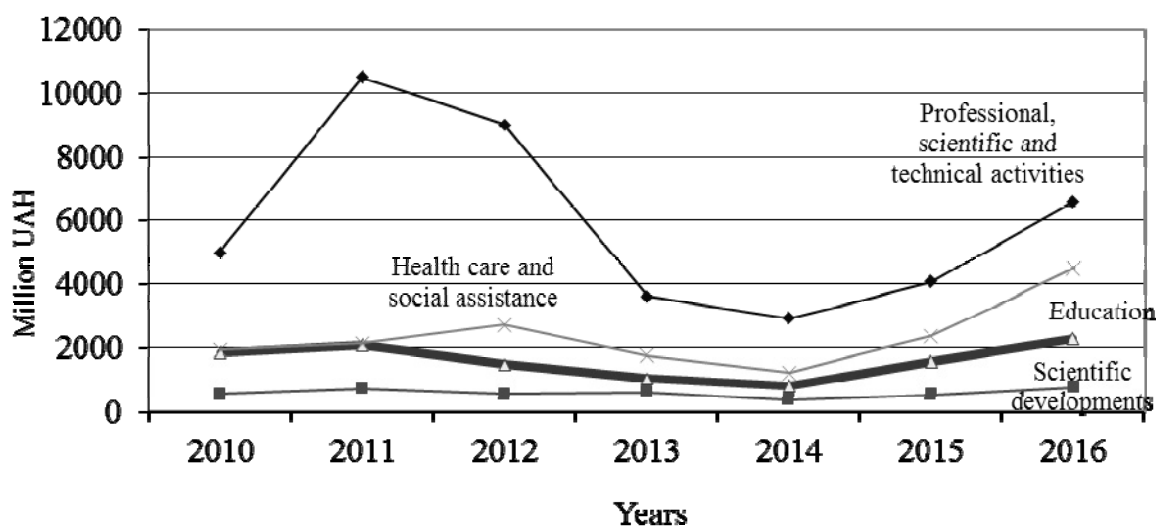


Fig. 1. Dynamics of capital investment in industries contributing to the development of labor potential

At the same time, enterprises have no prerequisites for implementing a successful concept of improving the quality of manpower. There is a situation where professional training of specialists, the labor market and the economy develop without proper coordination among themselves (Table 1).

In the course of the study, it was concluded that numerous factors influencing the formation and development of the labor potential of an enterprise can be grouped into two groups: factors of the competitive environment and internal ones, the most important of which are the turnover of staff, both internal and natural, which is related with changes in demographic indicators and migration; investment and innovation policy of both the state and enterprises.

It is quite obvious that the level of labor mobility can both increase labor potential and make it worse. The growth of educational, professional and qualification mobility of the population contributes to the improvement of qualitative and quantitative characteristics of labor potential. The activation of individual labor territorial mobility (which is manifested in migration), on the one hand, increases the employee's ability to gain knowledge and experience, to find a more effective use of his skills, but in some cases, labor migration leads to a deterioration of individual labor potential. Thus, "labor" in low-skilled jobs leads to

a loss of qualification level and deterioration of the health of the carrier of labor. Activation of internal labor migration determines the improvement of the use of national human capital through the dynamic redistribution of labor force. The revival of external migration facilitates the exchange of professional knowledge at the international level, but irreversible labor migration has a negative impact on the country's labor potential [281].

Table 1

Dynamics of individual components of the formation of labor potential

Indexes	Years				
	2010	2013	2014	2015	2016
Number of trained technical and vocational training institutions of skilled workers, thousand persons	247,4	227,3	182,0	165,0	152,8
Number of graduates graduated from higher educational institutions, thousand people	654,7	576,3	484,5	447,4	386,7
The need of employers in employees by professional groups, thousands of persons:	63,9	47,5	35,3	25,9	36,0
- legislators, managers, managers;	5,7	4,3	2,7	1,9	2,7
- professionals;	9,0	8,1	5,2	3,8	4,7
- specialists;	7,4	5,4	4,0	2,8	3,9
- technical staff;	2,2	1,5	1,4	1,2	1,6
- workers in the sphere of trade and services;	7,9	6,3	5,0	4,2	4,8
- skilled workers in agriculture and forestry and fisheries;	0,7	0,7	0,4	0,3	0,4
- skilled workers with the tool;	13,2	9,0	6,4	5,2	7,9
- workers in maintenance, operation and assembly of technological equipment;	7,9	6,0	5,2	3,8	5,8
- the simplest professions	9,9	6,2	5,0	2,7	4,2

Innovative orientation of economic development gradually changes the role of an employee, which turns from an artist to a creative participant in the production process. Consequently, the

functions of the employee change, the human factor becomes decisive, and the cost of personnel, to increase its qualifications are perceived necessary and efficient investments of enterprises. The main methods that allow forming and ensuring the development of the labor potential of the enterprise in these conditions are retraining, professional development of specialists and the acquisition of new education. The labor potential of those who are studying and raising their qualifications are represented by persons who have been trained in an enterprise or who are raising their qualifications in centers of advanced training, in educational establishments, undergo internships abroad. But the task of reproducing labor potential is not always carried out effectively. Despite the fact that today there is an extensive system of educational institutions of various forms of ownership, the forms of their interaction with employers and the labor market still remain ineffective. The development of the labor potential of the enterprise through independent organization and implementation of the corresponding training programs and retraining of the personnel by the enterprise itself is not always effective. But the necessary condition for this should be the availability of sufficient financial, labor, material resources. First, only large, powerful enterprises can do this. However, for most modern enterprises, which are medium and small, it is unlikely that it is expedient to assume the maintenance of a training base (educational institutions) for professional training of their own. Secondly, even for large enterprises, self-training of a small number of specialists is not appropriate. It is much more effective for enterprises on a contractual basis to work together to support vocational and higher education institutions, providing the educational process with the equipment of the most modern models and thereby bringing knowledge and skills of the future employee to the implementation of the components of the most modern technological processes. Such a mechanism should contribute to the solution of the general problems of strategic management identified during the study of the development of labor potential of the enterprise. The main components of such a mechanism are shown in Fig. 2.

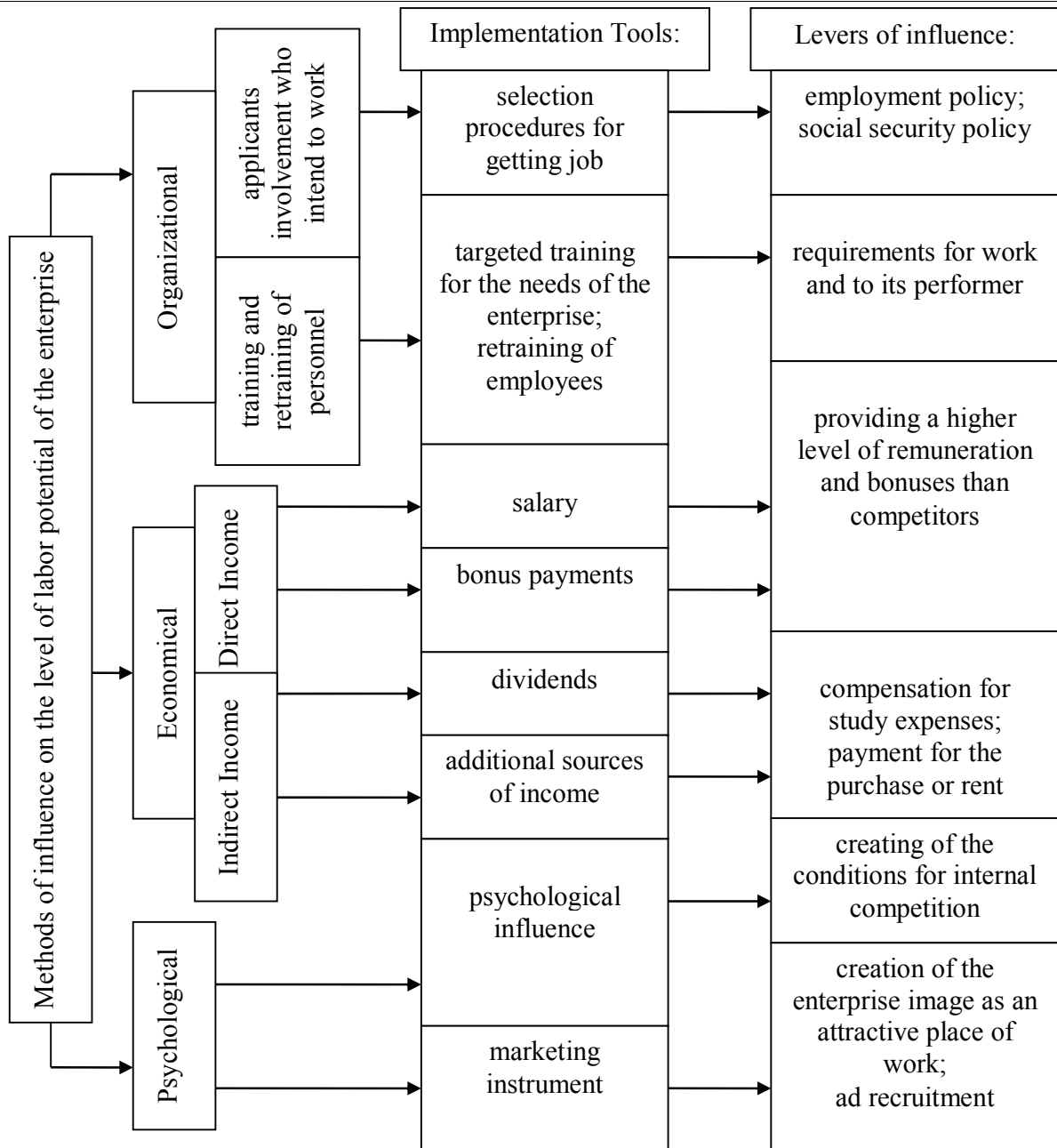


Fig. 2. Components of the development mechanism of labor potential of the enterprise

In the context of limited funding, professional training programs should be based on the possibility of a clear selection and classification of certain features of groups of workers for which labor potential is assessed and changed at many stages. One of the most promising methods for these conditions is the multivariate assessment. Methods of multidimensional evaluation allow to achieve a compression of a large array of features and differences with minimal loss of informativity. They can be used to analyze the

subjective perception of incentives, preferences, ideas, achievements, etc.

The implementation of a multidimensional classification on the basis of a combination of sound qualitative and quantitative indicators of labor potential, allows uniting workers into groups for which certain managerial decisions will be most effective. For this purpose, the selected indicators of the labor potential of the objects under study are first standardized. One of the common ways is standardization by the method of uniform optimization [305]. In this case, the unit of standardization will be the actual variational scale:

$$z_i = \frac{x_i - x_{min}}{x_{max} - x_{min}} \quad (1),$$

$$z_i = \frac{x_{max} - x_i}{x_{max} - x_{min}} \quad (2),$$

z_i – the standardized value of the i -th criterion on the investigated indicator;

x_i – current value of the corresponding optimality criterion in the considered indicator;

x_{min} ; x_{max} – respectively, the minimum and maximum values of the investigated criterion of optimality.

The standardized values are calculated by the formula (1) for the indicators of stimulants, according to the formula (2) – disintegrators.

Based on standardized data, a matrix of distances with zero diagonal elements is constructed (Table 2).

Table 2

Matrix of distances

i	1	2	...	N
1	0			
2		0		
...			0	
n				0

The metric of the distance can be Manhattan distance:

$$c_{jk} = \sum_{i=1}^n |z_{ij} - z_{ik}| \quad (3),$$

c_{jk} – the distance between j -th i k -th aggregate units;

z_{ij} , z_{ik} – standardized values of the i -th index in j -th and k -th aggregates.

On the basis of the matrix of distances by the algorithm of a close neighbor, it is possible to form a dendrogram that unites into groups of workers with different levels of labor potential. Given the need to increase labor potential, one can single out the main directions of influence on the activation of this process at the enterprise.

Talking into account the above, one can state that the development of market relations in the Ukrainian economy requires new approaches to solving the problem of strategic management of labor potential development both at the state level and at the enterprise level. In the course of the research, the classification of factors that predetermine changes in the labor potential of the enterprise was proposed and the application of multidimensional analysis methods was used to determine the groups of employees in order to develop effective managerial decisions regarding the development of the labor potential of the enterprise.

SECTION 8.

INNOVATIVE METHODS OF TEACHING ECONOMIC DISCIPLINES IN HIGHER EDUCATION

8.1. YOUTH'S ENTREPRENEURIAL ATTITUDES AND STUDENTS VIEWS ON ENTREPRENEURSHIP IN GEORGIA

By offering innovative products and services to the different markets entrepreneurial activity plays an important role on a microeconomic level. It also plays important role on a macroeconomic level in the country by providing it with additional jobs and supporting its economic development. There is a big difference between countries with regard to the entrepreneurial activities and individuals' attitudes towards these activities. Painful transition processes in Georgia over last two decades have had a sound influence on the formation of entrepreneurial attitudes of people in the country. Youth who are new entrants on the labor markets are particularly exposed to the negative impacts of economic crises and recession periods. Unemployment in youth is three times higher compared to that in aged people. Many of employed youth have informal, temporary or unpaid family work [220. p. 4]. Because of this strengthening of effective entrepreneurial activities among youth is considered as an important strategy for their integration into labor market. This, itself contributes to the efficient use of youth potential in sustainable development of the region. Because of such a big importance of youth entrepreneurship it is highly recommended to study their entrepreneurial attitudes in order to aim their entrepreneurial aspirations and potential towards proper direction and for better planning of respective economic policy.

Paper also deals with entrepreneurial attitudes in Georgia as a post-soviet country with transitional economy. Quantitative and qualitative research methods regarding entrepreneurial attitudes are reviewed and desk research method is applied to the research topic. The aim of the work is to provide answers by analyzing the existing literature and research findings to the following questions: are the difficulties and problems emerged in the process of reform in Georgia the cause of the negative attitudes towards entrepreneurship? What are the wishes and expectations of the population for becoming entrepreneurs? The following hypotheses of the research have been elaborated: due to the reforms made in Georgia in the recent years negative attitudes towards entrepreneurship are less expected in light of the high level of unemployment and complications caused by ongoing process of economic transformation. Presumably, self-employment desires and expectations of becoming entrepreneur in the future will be intensified.

Review of the last researches and literature. Study of entrepreneurial attitudes is very important for the planning of entrepreneurship support policy measures. The Global Entrepreneurship Monitor conducted a comprehensive survey of the Georgian population's attitude towards entrepreneurship in 2014 . This study covers a whole country, analyzes the specific characteristics of the population's attitude towards entrepreneurship and systematizes the results. According to respondents, successful entrepreneurs have high status in the society (75.9 percent of adult population) and 66 percent of adults think that entrepreneurship is a good career choice. Only 7.2 percent of Georgians are going to open or already own a new enterprise. Incentives behind entrepreneurial activities are almost evenly distributed between necessity-driven entrepreneurship (48.6%) and opportunity-driven entrepreneurship (50.6%) [151. p.5].

Georgia's indicators of social values related to entrepreneurship are higher than those of EU and non-EU countries. Georgia is 6th among efficiency-driven European

countries. According to population perceptions the start of a business is a good career choice. Compared to the EU and non-EU countries, Georgia has higher percentage of population believing that (1) starting a business is a good career choice; (2) successful entrepreneurs have high status in the society and (3) media attention is high towards entrepreneurship. Georgia's indicator is also higher than that in a reference country - Estonia [151. p. 25]. Compared to efficiency-driven EU and non-EU economies, entrepreneurial activities in Georgia are driven by necessity rather than opportunity. Necessity-driven entrepreneurship is an entrepreneurial activity when an entrepreneur starts own business only because there is no other better possibility for getting necessary resources for subsistence. In case of opportunity-driven entrepreneurship, the entrepreneur considers the possibilities existing in the environment and that is the reason of starting a business. One of the motivations for an opportunity-driven entrepreneurial activity can be improvement driven when the individual starts business for increasing his revenues even higher or for achieving more independence [151. p. 43]. Motivation Index - ratio between improvement-based and necessity-based entrepreneurship reflects entrepreneurial capabilities in the country. High motivation index shows a high share of improvement-based entrepreneurs, which leads to more long-term and ambitious expectations about the establishment of an enterprise. The lowest motivation index is observed in non-EU countries, including Georgia. Moreover, Georgia has one of the lowest motivation index (0.6) among efficiency-driven European countries. The median indicator of EU countries is 2.1, the average rate of non-EU countries is 1.4. The motivation index in the reference country Estonia is 2.7 [81. p. 46].

As it is known, entrepreneurship often starts in small and medium enterprises that have great opportunities for job creation and economic development. The business practice of developed countries and the successful experience of some post-Soviet countries show that small and medium businesses have an important role in solving economic and social problems. According

to the data of National Statistics Office of Georgia for January 1, 2015, there is 667 363 registered organizations in different sectors of the economy of Georgia. Among them 636 067 were commercial legal entities and physical persons. 74.5 percent of them, or 473 542 subjects were private entrepreneurs. According to the official data for February 1, 2015 the number of active businesses was 118 108 (20% of registered subjects). Most of the businesses were involved in trade and repair services [154. p. 4].

Official statistical data indicate about the recent tendencies in entrepreneurial activities and growth in business sector in Georgia. According to the National Statistics Office of Georgia in the first quarter of 2017 the volume of business sector turnover is increased by 19.1% compared with the corresponding period of the previous year. Production output indicator also shows the growth trend. In the first quarter of 2017 the output of business sector exceeds by 16.1% the corresponding period of the previous year. In the first quarter of 2017 large businesses account 48.1% of total turnover, medium business - 21,0% and small business - 30.9%. Situation is slightly different for the total production: 43.9% of products are produced by large businesses, 24.6% - by medium business and 31.5% - by small business [177. p. 1].

According to the data for the first quarter of 2017, 36.0% of the total number of employed persons in Georgia comes on the large business, 22,1% - on medium business and the rest 41.9% of the total number of employees comes on a small business. During this period the average monthly salary was 1024,0 GEL in the business sector that is increased by 101,6 GEL compared to the corresponding period of last year. Women's salary amounted to 776,4 GEL and is increased by 89,3 GEL compared to the corresponding period of last year. According to the size of enterprises, the average monthly salary was the following: large business - 1154.9 GEL; medium business - 1133.4 GEL; small business - 827.9 GEL [177. p. 3].).

According to the World Bank Entrepreneurship Database, the frequency of enterprise market penetration differs in the South Caucasus, Europe and Central Asia. Georgia is distinguished by

its growing trend in time, but despite the high frequency of enterprise market penetration, the firm ownership index is lower than that in Europe, Central Asia and average index of developing countries [147. p. 23]. According to Gallup World Poll 2011 (which includes firms in the informal sector while the World Bank Entrepreneurship Database includes only formally registered firms) 15% of individuals in developing countries state about their business ownership. In comparison, this indicator is 6% in Europe and Central Asia, 2% in Armenia, 5% in Azerbaijan and 4% in Georgia [147. p. 23].

Transformational processes in the Georgian economy and its social system over the past two decades have clearly influenced the attitude towards entrepreneurial activity in the population. Are the difficulties and problems arising in the reform process in Georgia the consequences of negative attitude towards entrepreneurship? Does the transformation process lead to the disappearance of a desire to become entrepreneur? How deeply is the population aware of the risks and perils associated with the entrepreneurship? What are the wishes and expectations of the population about entrepreneurship? What are the expectations and self-employment perspectives in the nearest future? Long-term and large-scale surveys are needed to provide comprehensive answers to these questions. An express survey made by the author in Tbilisi in 2010 can be considered as an attempt to answer these questions.

The objectives of the research were the different aspects of entrepreneurial attitudes in Georgia, the expectations of the future of the respondents, the identification of attractive sectors for self-employment and the entrepreneurial activity. Subjects of the survey were individuals and families living in different districts of Tbilisi (households). Tbilisi is the largest city in Georgia, where a third of the country's population lives. Hypothesis of research was the following: negative attitude towards entrepreneurship as a result of successful reforms in recent years in Georgia is less expected, considering the high levels of unemployment and the difficulties in economic

transformation. In the future, intensified expectations of self-employment and high expectations of starting entrepreneurship are expected. Utilized research method was an express study using different types of non-random selection, so-called types of spontaneous selection and "street sampling" in particular. Spontaneous selection is used for surveying people in the streets. Compared to other methods, it is the simplest, cheapest and least representative. Of course, such research is characterized by limitations. The generalization of the results of this type of research on the entire population is impossible. Despite these shortcomings, spontaneous selection is often utilized in social sciences, which can be explained by the simplicity and convenience of its use. When using "street selection" interviewers interview the respondents in pre-defined locations. The initial information was collected by students of the Faculty of Economics and Business of Tbilisi State University. Students living in Tbilisi together with individuals and families living in different parts of the city have studied their own and neighboring families. The subsequence of observation stipulated by such a strategy has property by which the entire population of Tbilisi is characterized. Respondents were people with different education, sex, social status and ages living in Tbilisi. Overall, 1116 respondents were interviewed. The received data was processed using SPSS program.

The results of the study are impressive and express the peculiarities of entrepreneurship in Georgia with the example of Tbilisi. 91.5 percent of respondents would like to be self-employed. In contrast, Europeans are less prone to entrepreneurship. In Georgians' opinion, the main danger is the uncertainty regarding the income from entrepreneurship - 48% of respondents consider it as a major threat related to becoming entrepreneur. 39.6% of respondents are afraid of bankruptcy. The specificity of entrepreneurship in Georgia is the expectations of individuals regarding self-employment: about 51.4% of respondents think it is possible to become self-employed within the next five years. The empirical data analysis shows that 91.5% of respondents express

their desire to be self-employed. Europeans are less likely to be interested in becoming entrepreneurs. Only 45% of respondents in the EU want to be self-employed. In the US, 65% of respondents would like to be an entrepreneur. 71% of China's population wants to be an entrepreneur [179. p. 3].

In the recent years, the negative attitude towards entrepreneurship in light of successful reforms in Georgia is weak. The desire to be self-employed is strong considering the high level of unemployment. Positive attitude towards entrepreneurship in Tbilisi indicates respondents' confidence, perception of social and political stability, and expectations of successful market-oriented economic reforms. The most interesting is the data on the current entrepreneurial activities of respondents: 81.8% of respondents did not have their own business, 10.0% was self-employed, 6.1% owned a small or medium sized enterprise and 1.4% owned a large business. Data was not received from 0.6% of respondents. It should be noted that only 12% of EU respondents are engaged in entrepreneurial activities. In Japan similar rate is 15%, in the US it is 21% and in China - 27% [179. p. 4].

An important part of Georgian respondents (48.4%) consider unstable revenues as a major threat to entrepreneurial activity. Bankruptcy is considered the biggest threat by 39.6%. These figures differ from the same indicators in Europe and other countries. Bankruptcy is considered the main threat to entrepreneurial activity in China - 56%. The biggest threat to entrepreneurial activity is bankruptcy also for Europeans - 49%. In the United States and Japan, as with Georgia, the main risk of entrepreneurship is unstable income - 46% of respondents in the US and 37% in Japan. More than half of Georgian respondents (51.4%) hope that will start business activity in the next 5 years (Natsvlishvili, 2010). Answers to the question "do you see yourself as an entrepreneur in the next 5 years?" were the following: yes - 25.6%; yes, I will become an entrepreneur in small or medium business - 20.8%; yes, I will start large business - 5%; no - 46.1%; There is no data for 2.5% of respondents. The answers to the question "do you think you will be entrepreneur/self-employed

within the next 5 years?" show the preferences of Georgians towards self-employment and a strong positive attitude towards entrepreneurship. It should be noted that in total, 82.6% of respondents prefer to be self-employed rather than employed. Only 13.9% of respondents prefer to be employed in other organizations. Data is not received from 3.5% of respondents [179. p. 5].

It may sound paradoxically, but despite the great desire of self-employment expressed by respondents, most of the respondents prefer to be employed in the public sector rather than in the private sector. 55.7% of respondents prefer the public and 41.2% prefer the private sector. No data received from 3.1%. Such a paradoxical situation can be explained by the fact that unstable revenues are considered as the biggest threat related to entrepreneurship and consequently to the business sector. From this point of view, the reader may conclude that employment in the public sector is considered by the respondents as guarantees of stable income. Special attention is paid to the preferences of respondents to various fields of business activity: agriculture - 5.4%; industry - 5.2%; trade/commerce - 11.6%; construction - 3.0%; transport - 2.1%; communications - 2.7%; fuel and energy - 0.7%; travel and recreation/recreational services - 14.7%; finance, banking and insurance - 15.3%; real estate operations (mortgage business) - 2.2%; health care - 9.5%; education, culture and recreation - 19.5%; hotel and restaurant, catering - 3.8%; other services - 3.6%; no data received - 0.8%. Perhaps surprising, but most of the respondents (19.5%) believe that education, culture and holidays are the most preferred sectors for entrepreneurship. Finance, banking and insurance - 15.3%; travel and recreation/recreational services - 14.7%; trade/commerce - 11.6%; health care - 9.5% were among the 5 most desirable sectors for entrepreneurship [179. p. 7].

Currently, positive attitude of the population towards self-employment and business activity prevails considering high unemployment. In 2016 unemployment rate in Georgia decreased by 0.2% compared to 2015 and constituted 11.8%. In 2016

unemployment rate was the lowest in the last 13 years. Compared to the previous year unemployment levels in city-type settlements have been reduced by 0.5% and in rural settlements by 0.1% [176. p. 2].

The significant part of the Georgians surveyed in 2010 preferred to be employed in the public sector rather than in private sector. Irregular incomes are considered as the biggest fears of entrepreneurship [180. p. 155]. Despite the fact that according to official statistics data, unemployment in Georgia is slightly decreased compared to previous years, most of the population does not perceive improvement in this direction. This is confirmed by the data of the survey conducted by the National Democratic Institute (NDI) in April 2017. 63% of respondents respond negatively to the question: "Do you consider yourself employed" [175. p. 11].

In general, entrepreneurship is treated as a form of employment. Entrepreneurship is also a contributing factor to economic growth and poverty reduction in developing countries. Results from various studies show that negative attitude towards entrepreneurship in Georgia is weak. The desire for being self-employed is big in light of high unemployment. Entrepreneurship is considered as one of the forms of employment. In Georgia, traditionally, the share of self-employed is large in the total number of employees. The starting stage of entrepreneurial activities in Georgia is mainly due to the needs and not the opportunity. People's desire of the entrepreneurial activities and the positive attitudes towards entrepreneurship looks quite logical in light of high unemployment.

Research goal. The goal of the research was to identify the peculiarities of entrepreneurial attitudes of youth in Georgia, to determine how the students' entrepreneurial attitudes affect realization of their entrepreneurial potential. Based on a review of quantitative and qualitative research on entrepreneurial attitudes, the paper deals with the characteristics of youth entrepreneurship in the world and the attitude of youth towards entrepreneurship in Georgia.

Research methodology. The methodological basis of the research was the methodology developed by the world-renowned research organization "Global Entrepreneurship Monitor" to survey the entrepreneurship trends in various countries globally. Since 1999, GEM has been collecting, analyzing and interpreting data on individuals' entrepreneurial activity, aspirations and attitudes over more than 100 countries around the world. In the economy of each country, GEM will consider two elements: (1) entrepreneurial behavior and attitudes of individuals; (2) national context of the country and its influence on entrepreneurship. GEM explains youth as individuals from the age of 18 to 34 years. Often, due to the goals of the research, youth are divided into two age groups: 18-24 years olds (junior youth) and 25-34 years olds (senior youth). Due to the aim of our research focus was made on student youth aged 18-24 and questionnaire was developed based on the methodology presented in the report "Global Entrepreneurship Monitor Perspectives on Youth Entrepreneurship". The survey was carried out at Iv. Javakhishvili Tbilisi State University in May-June 2017. The organizer of the inquiry was assisted by the academic personnel of the Chair of Microeconomics at this university and invited lecturers. The study used both qualitative and quantitative research methods. In total 409 students were interviewed based on the proportionate number of bachelor's and master's students at the Faculty. In-depth interviews were conducted with representatives of students at target university, as well as with focus groups of interested individuals and experts. Computer program SPSS was used to work with quantitative research data.

Limitations of the study: The large-scale survey of youth entrepreneurship in Georgia has not been conducted yet. However, there are separate studies devoted to research in general entrepreneurial attitudes. Our research is another modest step in this direction. It includes only students from one (true, first and foremost) university and one faculty. The survey does not include representatives of other higher education institutions and youth in Georgia. Accordingly, the generalization of the survey

results can't be made on total population of Georgia. The results of the survey do not reflect the whole picture throughout the country. Another limitation of the study is that for the formulation of questions in the questionnaire opinions of the students, experts and interested people were revealed through the qualitative methods - in-depth interviews and focus groups. Nevertheless, research has revealed a number of general trends that are in line with the tendencies in scientific literature dedicated to researching similar issues.

Findings of the survey: 52,3% of respondents are female and 46.9% are male. The age of respondents is from 18 to 25 years. 82.2% of respondents earn less than 550 GEL per month. Youth experience financial hardship and get less than the average salary. 50,4% of the respondents earn less than the subsistence minimum of 150 GEL. 48.7% of students do not work. 24% are employed by other private organization/person, 2,2% is hired by the budget organization, 9% are self-employed, 1.5% are engaged in entrepreneurship in small and/or medium business, 13.4% of respondents answer "other". These data reveal the socio-economic conditions of our students.

89.7% of respondents respond negatively to the question whether they were engaged in entrepreneurship or not. Other respondents indicate that they are self-employed (6,4%), engaged in entrepreneurship in small and/or medium business (3,2%), engaged in entrepreneurship in large business (0,7%). These figures show that 10.3% of students surveyed along with the studying are engaged in entrepreneurship. On a question "if you had possibility, would you want to be an entrepreneur/self-employed?" the majority of respondents (94,9%) respond positively. Such a high number indicates a very positive attitude of students towards entrepreneurship.

In general, senior youth (age 25-34) show higher levels of entrepreneurial pursuits than junior (age 18-24) youth. However, studies show that almost 40% of junior youth have personal contacts with start-up entrepreneurs [220. p. 4]. Through personal contacts with entrepreneurs, young people can acquire knowledge

and experience for entrepreneurial activities. Providing this, it is expedient to conduct entrepreneurial education in such a way that the educational institution facilitates the enhancement of contacts between youth and entrepreneurs. Respondents' answers show that the biggest threat to entrepreneurship is the danger of bankruptcy (42.8%), 35.7% of respondents consider irregular income as the biggest threat, while for 21.0% of respondents other factors are the biggest threat to entrepreneurship.

The answers to the question "do you consider yourself being entrepreneur in the next 5 years?" indicate that young people are very optimistic about starting entrepreneurial activities and have ambitious plans. 65,5% of respondents respond positively to the question and indicate that will be self-employed (22.7%), will start entrepreneurship in small and/or medium business (36,2%), will start entrepreneurship in large businesses (6,6%).

In general, the majority of respondents express positive attitude towards the private sector of the economy. They are more willing to be employed in private sector than in the public sector. Answers to the question "if you had a choice would you like to be employed in public or in a private sector?" showed that 33.7% of respondents wanted to work in the public sector and 63.8% of the respondents would like to be employe in the private sector. Optimism of youth and ambitious plans on entrepreneurial activities are also indicated by the answers of the respondents to the question "if you had the opportunity to choose would you choose being self-employed or employed by another organization/person?" The vast majority of respondents (85.1%) would choose to be self-employed.

For the entrepreneurial activity, these five sectors are the most appealing for the respondents: banking, finance and insurance services (18,6%), trade/commerce (13,7%), tourism/resort (12.5%), agriculture and processing of agricultural products (11%), hotels and restaurants, catering facilities (10%). It should be noted that tourism/resort and hotels/restaurants and catering facilities together are the most attractive for startup activities (22.5%) and are more desirable than banking, finance

and insurance services. These attitudes come perfectly in line with the future potential of tourism development in Georgia.

In spite of the positive attitudes towards entrepreneurship and in parallel with the optimistic expectations of entrepreneurial activity in the long term (as noted above, only 34% of respondents respond negatively to the question "do you think that in the next 5 years you will be engaged in entrepreneurship?"), respondents are very pessimistic in the short-run. The majority of respondents believe that in the nearest six months there will be no good opportunity around their living place to start their entrepreneurial activities. 30,1% of respondents respond positively and 69,2% negatively to the question about their ability to start business around their living place in the next six months.

Most students believe that they do not have enough knowledge and experience to start entrepreneurial activities. Asked "do you think you have the skills and experience necessary to start a new business?", only 37.7% of respondents answered positively and 62,3% of respondents respond negatively. To the question "do you know someone who has started business activities over the last two years/has become an entrepreneur?" 70.2% of respondents answered positively and 29.3% responded negatively. The fact that 70.2% of students are personally familiar with the individual who has started business activities over the last two years can be considered as positive, because intentions of entrepreneurship of youth is positively affected by acquaintance with entrepreneurs and successful examples of their work. Respondents answered the question "where do you acquire/can acquire skills such as self-efficacy/confidence, observing opportunity, risk/desire to risk?". Answers provide a very important message about the potential sources of individual skills for entrepreneurship. 58.7% of respondents think that such skills are generated by working in the enterprise/organization, 21.3% thinks that these skills can be generated at the time of education, while only 4,9% of respondents consider that the skills required for entrepreneurship can be acquired in the process of

socialization. 13,4% of respondents indicate "other" as a response to this question.

Unlike the Georgian respondents, in general, as indicated in scientific literature, young people have not acquired such entrepreneurial skills as self-efficacy/confidence, observing opportunities, risk/desire to risk by working in the enterprise. Instead, young people acquire these skills in the process of socialization (if parents are entrepreneurs) and through education [220. p. 9]. It is the fact that many young people intend to become entrepreneurs, but only a few of them start entrepreneurial activities, supposedly because of inadequate training [220. p. 10]. This indicates necessity for investing in entrepreneurial education and training of young people. Taking this into consideration, it is recommended to promote entrepreneurial education in higher education institutions and increase the practice and internship component in manufacturing/organization in educational curriculums of business and economic profile.

The interesting material for analysis is the fact that the majority of respondents have the desire to start entrepreneurship. Asked "do you want to become an entrepreneur?", 86.8% of respondents responded positively and only to 12% of them responded negatively. Such a large number of people wishing to become entrepreneurs can be explained by the phenomenon of so called "necessity-driven entrepreneurship" and current situation in Georgia expressed by high share of unemployed youth among in total unemployment. The number of people willing to start self-employment/entrepreneurship is high, despite the lack of employment opportunities. To discuss the main impediments to entrepreneurship we should start with these three problems: 44.5 percent of respondents believe that the main drawback to entrepreneurship starts with the lack of finances, 26.4 percent of respondents believe that the lack of knowledge, experience, education and training is the main obstacle to starting a business, while 14.2 percent of the respondents believe that the unfavorable business environment is the main stumbling block. Like Georgian respondents, for people in the European countries lack of financial

assistance from the private sector is an important obstacle for business activities of youth [220. p. 11].

It is interesting to find out what the respondents think is the main problem in Georgia today: about 42% of respondents think the main problem is the lack of employment opportunities/unemployment, about 17% thinks it is poverty that is main problem in the country, corruption and nepotism is considered as the main problem by 15% of respondents, while the occupied territories are the main problem for 12% of the respondents. Generally, scientific literature notes that the lack of employment opportunities is considered as country's biggest problem by more than 2/3 of the world's population (Asia - 62%, North America - 64%, Middle East and North Africa - 70%, Latin America - 79% Africa below Sahara – 88%) [220. p. 7].

The results of the survey show the optimistic expectations of young people, positive attitude towards entrepreneurship and ambitions plans on entrepreneurial activities. Majority of young respondents express positive attitude towards the private sector of the economy. They are more desirable to be employed in private sector than in the public sector. In parallel with positive expectations regarding entrepreneurship in the long term respondents are very pessimistic in the short-run. The results of the survey provide very important information about the potential sources of individual skills required for entrepreneurship. Most of the interviewed students believe that they do not have enough knowledge and experience to start entrepreneurial activities. 58.7% of respondents think that such skills are generated by working in the enterprise/organization, 21.3% believe that these skills can be generated at the time of education, while only 4,9% of respondents think that skills required for entrepreneurship are being acquired in the process of socialization. 70,2% of interviewed students are personally familiar with the person who has started business activities over the last two years. Acquaintance with entrepreneurs and successful examples of their activities positively affects youth entrepreneurial intentions and their attitudes towards entrepreneurship. Through personal contacts

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with entrepreneurs, young people can acquire knowledge and experience for entrepreneurial activities. Based on this, it is expedient to conduct entrepreneurial education in such a way that the educational institution facilitates the enhancement of contacts between youth and entrepreneurs. In addition, it is recommended to promote entrepreneurial education in higher education institutions and increase the practice and internship component in the enterprise in educational and business curriculum.

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