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INNOVATIVE PROCESSES AT AN ENTERPRISE: PECULIARITIES OF BUDGETING

The article describes innovation process budgeting as an effective control system at an enterprise. The author defines the positive results of the implementation of innovative process budgeting and suggests the interaction mechanism in this system. It displays the direction and the essence of data and material flows in order to achieve the strategic objectives of an enterprise.

Keywords: budgeting; innovative processes; budget; interaction.

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ОСОБЛИВОСТІ ФУНКЦІОНУВАННЯ МЕХАНІЗМУ БЮДЖЕТУВАННЯ ІННОВАЦІЙНИХ ПРОЦЕСІВ НА ПІДПРИЄМСТВІ

У статті розглянуто проблеми бюджетування інноваційних процесів як ефективної системи управління на підприємстві. Визначено позитивні ефекти від впровадження бюджетування інноваційних процесів. Запропоновано механізм взаємодії в даній системі, який відображає напрями та зміст інформаційних та матеріальних потоків задля досягнення стратегічної мети підприємства.

Ключові слова: бюджетування; інноваційні процеси; бюджет; взаємодія.

Рис. 1. Літ. 10.

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ОСОБЕННОСТИ ФУНКЦИОНИРОВАНИЯ МЕХАНИЗМА БЮДЖЕТИРОВАНИЯ ИННОВАЦИОННЫХ ПРОЦЕССОВ НА ПРЕДПРИЯТИИ

В статье рассмотрены проблемы бюджетирования инновационных процессов как эффективной системы управления на предприятии. Определены положительные эффекты от внедрения бюджетирования инновационных процессов. Предложен механизм взаимодействия в данной системе, который отображает направления и содержание информационных и материальных потоков для достижения стратегической цели предприятия.

Ключевые слова: бюджетирование; инновационные процессы; бюджет; взаимодействие.

Problem statement. Nowadays competition causes the application of innovations at enterprises to strengthen their market positions. In order to achieve positive results of the activity over a long period it is necessary to create new goods and services to meet consumers' increasing demands. That is why the majority of world companies consider innovations among their main priorities. Consequently, the new ways to manage innovative processes at the enterprise are important. So, it is reasonable to regard budgeting as an advanced system, ensuring efficient management of innovative processes.

The objective is to prove the need for budgeting of innovative processes to find out the results of such management and to specify functional peculiarities of innovative processes budgeting.

Literature review. According to the latest researches (Cornell University, INSEAD, and WIPO, 2013), the process of innovation itself has undergone signifi-

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cant changes. Investment in innovation-related activity has consistently intensified at the firm, country, and global levels, adding both new innovation actors from outside high-income economies and also nonprofit actors.

R. Eagar et al. (2011) in their research claim, that the next decade is expected to be even tougher than the previous one in terms of the need for innovation. To stay competitive companies are going to have to increase their potential, especially in terms of innovation in adjacent/new business areas and in managing the complexity of truly global, decentralized innovation resources.

E. Sinar et al. (2011) emphasize that organizations are no longer questioning whether it makes sense to invest in creating an innovative culture – the current business environment and economic context has made this an unquestioned truth. The more actual question for every leader is and should be: "How do we institutionalize innovation so that we are doing it in a repeatable and sustainable way that brings measurable business value?".

The research carried out by McKinsey (2007) proved that only 27% of top managers report that their processes for budgeting, strategy and growth, including innovation, are fully integrated into their annual planning process. At the same time in PwC Advisory Oracle practice (PricewaterhouseCoopers LLP, 2012) it is stated that companies need to set up their organizations around innovation and establish appropriate processes to integrate innovation into the corporate culture.

The research by D. Marginson et al. (2006) deals with the correlation of the categories "innovation" and "budget" in contemporary market relations and shows that an increasing globalised economy demands that organizations achieve budgets and innovation simultaneously.

According to the definition of the Chartered Institute of Management Accountants (2008), budgeting is the process of expressing predicted costs and resources for a planned course of action over a specified period. Budgets can be drawn up for business units, departments, products, teams or the entire organization.

K.R. Goosen (2008) determines that budgeting process is an all encompassing task that brings in focus all short and long run goals and objectives of business. The process of preparing a budget compels management to explicitly recognize and assign quantitative values to all marketing, production, and financial decisions.

As it is noted at the research "Best-practice budgeting" (IBM Corporation, 2009) budgeting is also valuable to organizations because it:

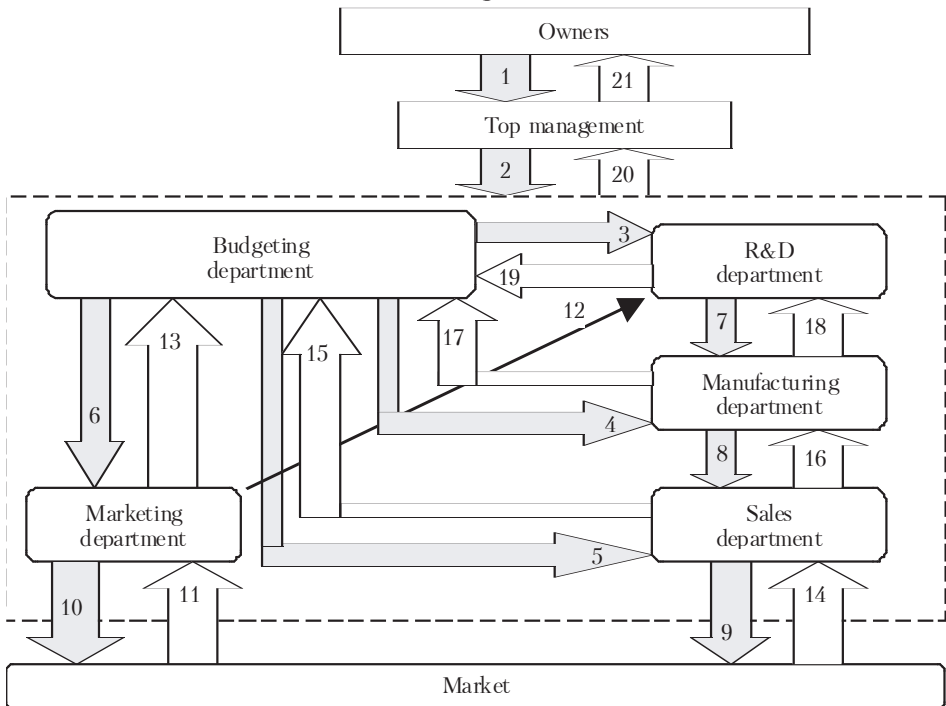
- helps to develop understanding of business drivers and constraints;
- substantiates information for external use;
- identifies mismatches and exceptional changes;
- supports strategic plan.

Key research findings. Let's study budgeting specifics as an effective system of managing innovation processes at an enterprise. Innovation processes' budgeting aims at providing development, production and sales of innovative goods in sufficient volumes through the optimal employment of resources. Besides, the mechanism of coordination among enterprise departments is necessary for the response to prompt managerial decision making.

The essence of innovation process budgeting is to create budget systems for its every stage in particular: fundamental and applied research, production, marketing and sales.

In our opinion, innovation processes budgeting at an enterprise allows achieving such results:

- 1) to allocate available resources of the enterprise properly;
- 2) to find resources to increase effectiveness of innovative processes;
- 3) to identify the reasons for deviation of actual indicators from the planned ones;
- 4) to provide effective coordination of enterprise departments for achieving strategic business objectives;
- 5) to arrange a feedback system among all the sectors involved in receiving immediate information about the state of every innovative process step and suggestions for decision-making;
- 6) to build up the effective system of personnel motivation by fixing targets for evaluating work of a department or an employee;
- 7) to form a high quality database for managerial decision-making and to provide both internal and external users with quick data submission.



1 – Setting strategic business objectives; 2 – Performing functions of enterprise management; 3 – Budget for fundamental and applied research, for working out first samples; 4 – Manufacturer's expense budget; 5 – Sales expense budget; 6 – Marketing research expenditures; 7 – Existing project of innovative products; 8 – Final innovative products; 9 – Sales of final products; 10 – Advertising and marketing campaign; 11 – Consumer response to new products, their quality and functionality; 12 – Information on consumer need, consumer satisfaction with new products, product improvement recommendations; 13 – Expense budget recommendations on market testing; 14 – Data on aggregate demand; 15 – Sales expense recommendations, data on the quantity demanded; 16 – Data on aggregate demand; 17 – Manufacturer's expense recommendations; 18 – Recommendations on project adjustment; 19 – Resource requirement to carry out research and development, in-process quantity adjustment. Existing project; 20 – Manufacturing progress report, feedback regarding current state and problems; 21 – Report on results of activity of the enterprise. Participation in decision-making.

Figure 1. Interaction mechanism in the system of innovation processes budgeting, developed by the author

Budgeting enables a flexible response to changes and quick adjustment of one's actions. J. Shapiro (2011) notes that in addition to the main working budget you can also have some "what if" budget options. "What if" budgets allow preparing for the unexpected, whether it is good or bad.

In order to create an efficient control system it is important to coordinate activities of all the sectors involved in reaching strategic business objectives. Figure 1 depicts the interaction mechanism in the system of innovative processes' budgeting. This model is not universal as it depends on enterprise organizational structure and specifics of innovation processes. However, the suggested mechanism reveals the direction and content of data and material flow which ensure effective management within the enterprise to achieve a strategic business objective. It is important to organize a feedback system among all enterprise sectors involved in receiving immediate information about the state of every innovation process step and suggestions on decision making to improve performance.

Conclusions. At present highly competitive products guarantee positive enterprise performance. To satisfy consumers' increasing demands enterprises develop and implement innovative products.

Companies require an effective management system to increase efficiency of these processes. It is essential to distinguish budgeting as an advanced managerial system. The use of budgeting frame to manage innovative processes at an enterprise is vital for marketability.

Innovative activity is risky, thus budgeting implementation will provide a quick response to threats, managerial decision making, effective coordination of enterprise departments and other positive results.

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