

INNOVATION IN HUMAN RESOURCE DEVELOPMENT AND HUMAN POTENTIAL USE: ESTIMATION AND MANAGEMENT ISSUES

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ABSTRACTS

This article takes issue with the current trends of innovative activities of Ukrainian enterprises and the analysis of their regional peculiarities. The paper also compares the influence of several innovation forms on the social production output according to the Community Innovation Survey (CIS) and identifies the priorities for public administration in this field. The author emphasizes that organizational innovation (in particular social one) is an important component of well-being. The modern trends in the implementation of social innovation are most clearly represented basing on the sociological research of the group of industrial companies in one of Ukrainian Oblasts (regions). Therefore, the findings of the investigation allow the author to draw a conclusion regarding the need to improve the mechanisms for government support and facilitation of the dissemination of corporate social innovation.

Резюме

Досліджено сучасні тенденції інноваційної активності підприємств в Україні, в тому числі їх регіональні особливості. Ґрунтуючись на міжнародній методології обліку інновацій (методологія CIS), наведена порівняльна оцінка впливу різних видів інновацій на результати суспільного виробництва та виявлені пріоритети державного управління в цій сфері. Зроблено висновки щодо ключової ролі організаційних інновацій, зокрема таких, що за сучасними підходами виділяються в групу соціальних інновацій. Сучасні тенденції впровадження соціальних інновацій виявлено на основі соціологічного дослідження у групі промислових підприємств одного з регіонів України. Отримані результати дозволяють дійти висновку про потребу удосконалення механізму державного стимулювання поширення корпоративних соціальних інновацій. У цьому напрямку запропоновано здійснювати оцінки бізнес-проектів, що претендують на отримання допомоги від органів регіональної влади (дотації, гранти, допомога з пошуком інвестора, інше) на основі факторно-критеріальної моделі. У ній

факторами є економічні, соціально-інституційні та екологічні, а оцінка буде визначатись на основі кваліметричного підходу. Проекти, що матимуть високі оцінки загалом та за соціальними факторами можна вважати такими, що відповідають цілям суспільства у розвитку потенціалу людських ресурсів.

KEY WORDS:

criteria-based model, human potential, innovation, labour productivity, qualimetric approach, social innovation.

інновації, кваліметричний підхід, критеріальна модель, продуктивність праці, соціальні інновації, трудовий потенціал

INTRODUCTION

Human resource and the efficient use of human potential is one of the key factors of economic and social growth. The given study constantly captures the attention of the researchers and is one of the most complicated public administration objects. Improving the existing human potential use in the countries with transition economies is particularly challenging. Those countries have limited financial possibilities to respond to the global challenges. This leads to the aggravation of social issues and public opposition to the implementation of the intended reforms. Modern Ukraine also demonstrates the above-mentioned trends, whereas the state, in addition to the ambitious social and economic reforms, has got the intention of EU integration. In this regard, social and economic indicators' reporting framework as for human resource development and human potential use must be based on the EU standards. Then, the society faces the burning need to implement the innovative type of economic development and interaction in society because the traditional regulatory mechanisms do not demonstrate the required effect in crisis conditions. Developed countries pay more and more attention to innovation in the development, taking into account the need of a balanced development of capital and human resources. For instance, the report "Innovate America" published by the National Innovation Initiative, launched by the Committee on Competitiveness (2005: 7), which is an advisory committee to the president of USA, stated that the most important target from now will be "Innovation" and summarized the task of America as follows:

"For the past 25 years, we have optimized our organization for efficiency and quality. Over the next quarter century, we must optimize *our entire society*(*highlighted by the author*) for innovation."

Thus, modern innovation accents in human resource management gradually move from purely technological to other types of innovation. Social innovations currently remain "somewhat unappreciated" among all other kinds, even though

they are wide spread and demonstrate positive results in some European countries, especially in Great Britain.

This new type of innovation hasn't got any official definition yet but its definition mostly refers to new strategies, concepts, ideas and organizations that meet social needs of all kinds – and this is the field where the preconditions for human potential underuse appear.

Studying advanced international experience and the possibility of social innovations' implementation which can extend and strengthen civil society is growing into an important scientific and applied task.

TRENDS IN FIRMS' INNOVATION ACTIVITY

Despite all the advantages of the new innovation forms which are cited as organisational innovation within the Community Innovation Survey (CIS), they are poorly used in Ukraine, much less than other novelties. It's worth noting that in 2010, Ukraine conducted the first-ever coordinated survey of innovation activities. This was the first standardized survey of its kind in the history of Ukrainian science and technology measurement – the first being the international survey based on the international manual. However, the official report presented the survey results very briefly and, thus, caused a necessity to address the State Statistics Committee for the detailed data.

So, both in 2008 and in 2010 the innovation activity in Ukraine has somewhat increased, but even such general indicator of innovativeness as the share of innovative firms remained very low ($\leq 21\%$). Purchases of machinery, equipment and software dominated among the innovation expenditures (74.7% of all innovative firms with technological innovations). Only 27.5% of the enterprises organized training for innovation activity. In 2010 the share of intramural R&D in the total innovation expenditures was merely 10.1%. The rest of the expenditures included different extramural innovation expenditures: extramural R&D, purchases of other external knowledge, machinery and equipment, and other (State Statistics Committee of Ukraine, 2011?: 3-4). Therefore, the results of the research allow us to draw a conclusion that the development of intramural innovation capacity remains insufficient, while the innovative activity of the firms mostly concentrates on the purchases of extramural innovation and the intellectual potential development of the states exporting equipment and technology. Ukrainian business uses very little innovations that could serve as a basis for the constant improvement of the human capital, those that could create a safe labour environment, for example, through modern forms of employment management or knowledge development and exchange. Such innovations would include organizational ones which are used only by 10.2% of enterprises in the Ukrainian economy (State Statistics Committee

of Ukraine, 2011: 2).

It is obviously very difficult to figure out which organizational innovation is dealing with human resource development and the effective use of human potential. It's complicated as they focus on new work and new forms of cooperation (business models), not only those in the internal business environment. Nevertheless, taking into account the modern imperatives of business development, the trend of business engaging in public life in developed countries, and solving social issues of the regions by any means – either through remote assistance or active cooperation – the study of the given innovation is important. The term “social innovation” includes all of those fields.

Given the novelty of this social and economic trend, anyone doing applies its own definition of Social Innovation. However, those countries which have a rich history of social innovation deal with the most frequently used concepts: **social innovation** refers to new strategies, concepts, ideas and organizations that meet social needs of all kinds – from working conditions and education to community development and health – that extend and strengthen civil society. (Social Enterprise Dictionary). Another source directly states that “... there are no agreed international definitions”, however it also very aptly describes the brief concept of social innovation as follows: “Social innovation can be broadly defined as new answers to social problems.” (Department of Innovation, Industry, Science and Research, 2011: 45). In Canada, where social innovation is an emerging field of inquiry, social innovation is described as “transforming deeply rooted social problems by introducing new ideas, practices, policies, relationships and resources in the direction of greater resilience” (Canadian Policy Research Networks Inc., 2009: 45). The report also indicates that the field of study, as any new idea, may have some scientific opposition and rejection. Recognizing the significant achievements of the other countries, especially those of the United Kingdom which is considered to be the birthplace of the research on the social return on investment (SROI), Canadian analysts in their report acknowledge that this is a good way “to understand the economic value of social benefits”. (Canadian Policy Research Networks Inc., 2009: 31).

As one can see, the concept of social innovation is very new and so far there is no official website that would provide accurate statistics of its use. Therefore, it's very hard to identify the impact of social innovation compared with others on the basis of the existing statistical database. Basing on the existing classification of innovation, one can compare the effectiveness of social innovation with other forms viewing it as a part of organizational innovation with a particular error.

In order to compare the effectiveness of the influence of different innovation types on the manufacturing output, the author analysed the correlation ratio of various innovation factors and labour productivity (case study of Ukraine). Or-

ganizational and technological innovation has got the greatest value in the field of human resource formation and use– in case it appeared as a result of the own intellectual potential development and the use of the latest technological advances is accompanied by the improvement of working and employment conditions. Therefore, the calculation takes into account the total innovation activities as well as organizational and technological innovation. The estimate doesn't include the impact of marketing innovation, since it often includes minor sales improvements. In addition, it is most likely to reallocate the market shares between the operating market manufacturers and resellers. On the contrary, it is weakly associated with the factors of productivity and organizational level of manufacturing facilities.

Table 1. Innovations as the Factor Affecting Labour Productivity in the Oblasts of Ukraine in 2008 – 2010

Oblast (Region)	Labour Productivity, UAH/man-hours	Share of Innovative Firms, %	Share of Innovative Firms with Technological Innovation, %	Share of Innovative Firms with Organizational Innovation, %
Autonomous Republic of Crimea	21,44	0,15	0,55	0,13
Cherkasy Oblast	24,17	0,21	0,53	0,05
Chernihiv Oblast	21,99	0,16	0,63	0,06
Chernivtsi Oblast	16,34	0,22	0,67	0,08
Dnipropetrovsk Oblast	44,38	0,23	0,21	0,23
Donetsk Oblast	39,48	0,22	0,55	0,13
Ivano-Frankivsk Oblast	25,02	0,11	1,00	0,00
Kharkiv Oblast	30,87	0,23	0,68	0,06
Kherson Oblast	19,31	0,15	0,49	0,12
Khmelnyskyi Oblast	19,35	0,19	0,55	0,16
Kyiv Oblast	36,57	0,22	0,44	0,09
Kirovohrad Oblast	22,19	0,17	0,60	0,10
Luhansk Oblast	27,91	0,23	0,54	0,16
Lviv Oblast	24,09	0,18	0,57	0,09
Mykolaiv Oblast	27,26	0,24	0,63	0,09
Odessa Oblast	31,41	0,23	0,52	0,12
Poltava Oblast	41,60	0,18	0,51	0,10
Rivne Oblast	21,61	0,26	0,51	0,15
Sumy Oblast	22,83	0,23	0,47	0,14
Ternopil Oblast	19,04	0,22	0,55	0,10
Vinnysia Oblast	21,49	0,27	0,53	0,12
Volyn Oblast	20,84	0,28	0,41	0,14

Oblast (Region)	Labour Productivity, UAH/man-hours	Share of Innovative Firms, %	Share of Innovative Firms with Technological Innovation, %	Share of Innovative Firms with Organizational Innovation, %
Zakarpattia Oblast	18,20	0,26	0,45	0,12
Zaporizhia Oblast	31,56	0,10	0,29	0,20
Zhytomyr Oblast	21,20	0,15	0,50	0,04
Ukraine	32,61	0,21	0,51	0,12
Correlation Coefficient-between the Factor and Labour Productivity		-0,0268	-0,3212	0,2875

The above-mentioned calculations prove that the impact of innovation factors on social production output is insufficient and weak in the regional context. So far the correlation coefficient between the productivity and the share of innovative firms has a value close to zero. The inverse correlation between the productivity and technological innovation dissemination is somewhat illogical and may signify the ineffectiveness of the used modernization strategies.

However, in 2010 only organizational innovation demonstrated positive impact: not very high but still positive. The low value of the correlation coefficient between the factor and productivity means there is a weak link but only this factor contributes to the manufacturing growth and therefore should be further engaged and developed.

In this case, the calculation of quantitative factors certainly includes some inaccuracies due to the possible influence of subjective factors: the innovation survey is voluntary, takes the form of poll, and does not belong to statistical reports, and therefore can not be expected to be completely objective. Furthermore, nowadays there is no effective mechanism to monitor the reliability of the report. Still, it is the most reliable data on the innovation intensity and distribution which exists in Ukraine.

Hence, the author investigated the introduction of social innovation in manufacturing enterprises in one of Ukrainian Oblasts (Rivne Oblast).

TRENDS IN THE FIELD OF SOCIAL INNOVATION IMPLEMENTATION (RESULTS OF SOCIOLOGICAL RESEARCH)

The given research uses samples as a way to gather data. The frame used for sampling purposes is the innovation survey of manufacturing enterprises conducted by the State Statistics Committee of Ukraine in the context of the Strategy of the Innovation Development of Ukraine elaboration.

The total sample size is 100 enterprises of Rivne Oblast. Own opinion survey

was conducted during January – February, 2013. At the end of February, we received responses from 63 respondents. The classification of social entrepreneurship as one of the forms of social innovation common in the UK became the basis of the survey.

Apart from that, the author used Ukrainian and world experience in the field of social innovation used by different organizations, in particular ERSTE group, Ukrainian Social Investment Fund, other businesses and organizations, to ensure human resource development.

The survey showed that the level of activity in the field of social innovation development is very low. Consequently, the owner’s perception of his/her own business as a social one is one of the key directions of social innovation that certify the willingness of companies to form competitive human capital.

There is no common understanding of this term as it is new for economic research. Social enterprises include both non-profit organizations and for-profit companies that apply commercial strategies to maximize improvements in human and environmental well-being, rather than maximising profits for external shareholders. Within the case study of Rivne Oblast one can see that there only a few commercial enterprises which consider themselves to be social ones: only one third of the respondents gave a clear affirmative reply (fig. 1).

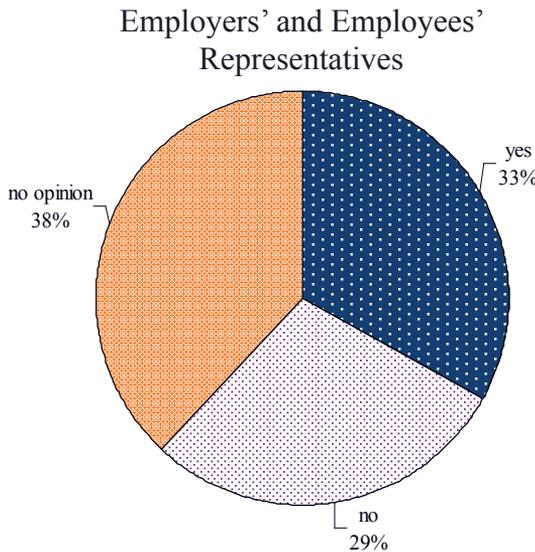


Figure 1. Distribution of Respondents for the Perception of Being Social Enterprises

The greatest share of the respondents who answered “yes” was in the group

of large enterprises. The fact that many respondents stated they have “no opinion” certifies there are certain signs of “socialization” in the employer – employee relations. However, according to the existing distribution only a few commercial enterprises have social objectives, in particular human development. Most of them use the traditional approach in HR management when the commitment to social objectives is motivated by the perception that such commitment will ultimately make the enterprise more financially valuable.

One of the modern methods to strengthen the competitiveness of enterprises is the development of the corporate social investment – primarily in staff development programmes. In this aspect the Investors in People standard – a business improvement tool borrowed from the UK – became widely spread across the globe. Today, Investors in People International operates in more than 70 countries across the globe, and delivers services in more than 20 languages (Ukrainian National Committee International Chamber of Commerce). This standard is designed to advance an organisation’s performance through its employees. The use of the tool helps companies to achieve the results they want by focusing on their business objectives and to maintain continuous improvement.

Organisations pursuing the Standard then prepare their work against the specific criteria with support from a recognised Investors in People Adviser and guidance from detailed evidence requirements. External assessment is subsequently carried out to ensure the organisation has met these principles and underpinning criteria. As long as the criteria are adhered to, there is complete flexibility in how the organisation seeks to improve its staff development. The principles breakdown into 10 indicators; each indicator is subdivided into a number of evidence requirements. These detail the criteria organisations are required to meet in order to achieve the Standard. Thus, the Investors in People standard covers a variety of business areas including not only recognition and reward but also people management strategy, involvement and empowerment, performance measurement etc. (Proving and Improving: a Quality and Impact Toolkit for Charities, Voluntary Organisations and Social Enterprise).

In order to confirm the effectiveness of the noted social innovation, one may look at the results of the study which was designed to explore the impact of achieving accreditation for the Investors in People Standard on business performance. The sample consisted of a total of 1,600 companies, equally divided between recognised public sector organisations, recognised SMEs (5-249 employees), recognised large employers (250+ employees) and non-recognised companies. Key findings confirmed that “organisational changes made by Investors in People recognised employers are twice as profitable as changes made by other companies”(Ukrainian National Committee International Chamber of Commerce).

There were no studies which would explore the readiness of Ukrainian companies for achieving accreditation for the Investors in People Standard. That is why this possibility was analyzed in the survey of manufacturing enterprises of Rivne Oblast. According to the self-assessment (fig. 2) none of the companies fully meets the required criteria and, unfortunately, can not apply to achieve accreditation for the Investors in People Standard.

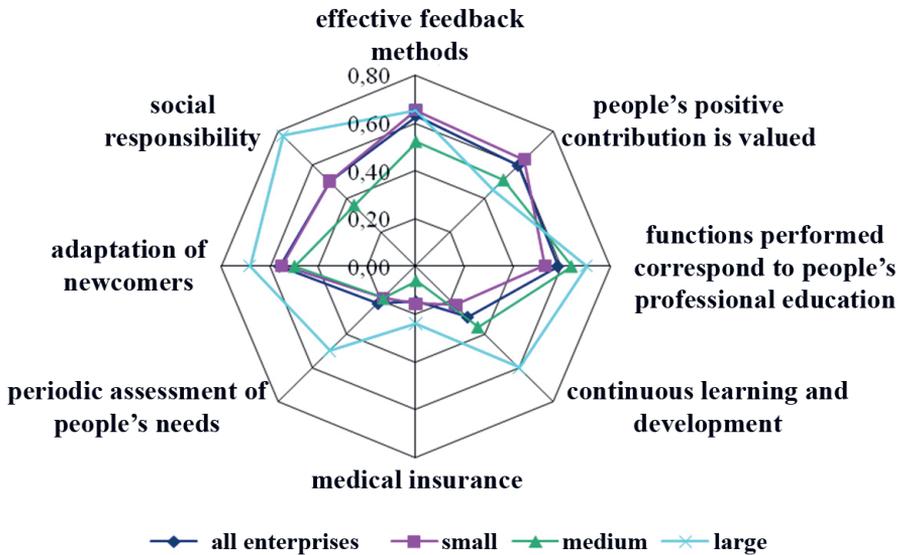


Figure 2. Correspondence with Investors in People Standard Criteria

As in case of the perception of the idea of social entrepreneurship large enterprises appeared to be the most active ones. Medium enterprises are more inert: on the one hand, this is a result of lower mobility when compared with small businesses and, on the other hand, smaller financial possibilities when compared with large enterprises. However, a common conclusion regarding all of the enterprises lies in the fact that today there is no effective partnership between business owners and the staff of their enterprises. In particular, we believe that the assessment of people's needs is the key point which would help to strengthen the motivation and, consequently, to improve the overall performance of the enterprise. As one can see from the figure, this evidence requirement is provided for less than 50%. This is the case, even despite the fact that the relevant poll does not require the expenditure of large sums of money, and together with the adequate motivation system it could become an important factor to strengthen the competitiveness of enterprises.

There also some other issues, i.e. the functions performed do not fully corre-

spond to people’s professional education, the people’s positive contribution is not valued enough, insufficient adaptation of newcomers (absolutely recognized by the employers). One of the most negative results is the lack of effective feedback – the average level of this indicator doesn’t reach even 65%. Thus, one can assume that the executives are not interested in the information regarding the people’s views on how they are managed. Moreover, they have probably lost a great amount of innovation in the ideas of employees as people are not encouraged to contribute ideas. As a consequence, the low self-assessment of the social responsibility of the enterprises is the logical reflection of the existing issues. This, particularly, includes a social responsibility of the employers: the highest rate is less than 80% and for medium-sized enterprises it is less than 20%.

Learning and development strategy also lacks attention as it is shown in further responses concerning the application of certain organizational forms of knowledge transfer both traditional and innovative for Ukraine: through the corporate e-learning portal, accumulation and development of business ideas, and the support of innovative research projects (Figure 3).

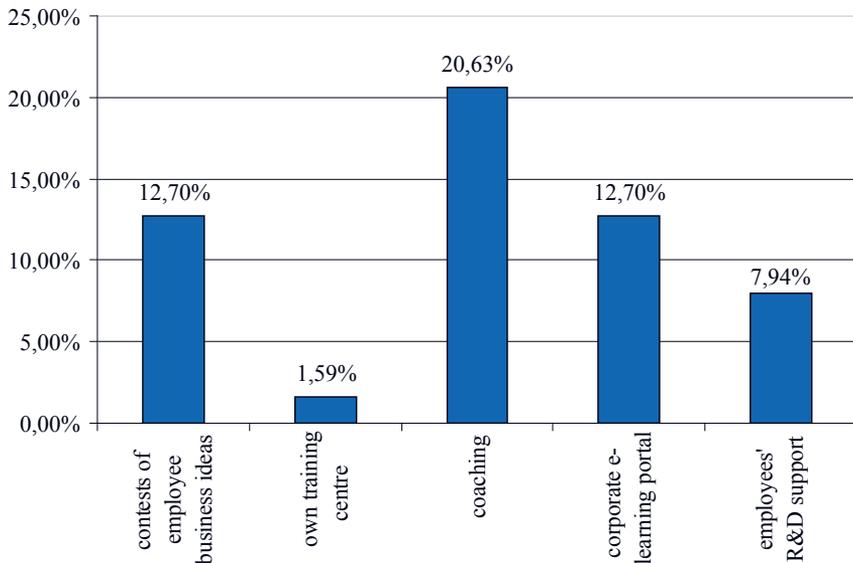


Figure 3. Main Types of Human Development and Knowledge Transfer

So, manufacturing enterprises of Rivne Oblast prefer traditional methods of knowledge management, in particular through coaching and mentoring. However, even this system of knowledge transfer and re-use is typical only for about 21% of respondents. Own training centres are not very common as their creation and

support are rather costly; in the long run this method is used only by large enterprises. Due to the fact it is not wide-spread in the region in general, small and medium-sized enterprises do not use this system at all.

At the same time, there is no tangible evidence to support the methods promoting creativity and innovation, for instance the contests supporting employee scientific research. Whereas the provision of financial assistance to own R&D is more typical for large enterprises (16.67% of the total), the organisation of the contests of employee business ideas – for large and small enterprises (16.67% and 14.63%, respectively).

Innovative methods of knowledge transfer, for example, providing access to the corporate information network data, is much less common: an average is about 13%. This indicator gives an opportunity to conclude that this form of human development and knowledge transfer is insufficient and hinders developing other innovation types and effective organizational interaction due to poor communications.

Knowledge is one of the most modern strategic objectives for the innovation strategies to accelerate the development. However, if there issues with the used of innovative approaches in this important field, it is clear that the use of other social innovation which may not provide very fast competitive advantages is even worse. One can easily see this trend in the further responses of the respondents. Sue to the low probability that the respondents would indicate “yes” to the questions regarding the use of truly innovative measures, entrepreneurs were to select out of an unlimited number of variants on the social benefits traditionally included in to an employee benefits package which also measure the effectiveness of corporate social responsibility.

It is known that the term corporate social responsibility (CSR) relates to the ethical and legal behaviour by organisations in the workplace and the wider community. So, one can state that businesses in the Oblast tend to spend their CSR budgets on the sponsorship of contests of business projects(6.35% of the total number of enterprises).Much less organisations are choosing CSR projects supporting health care (4.76%), sports (3.17%), and cultural or arts-based activities (1.59%). The relatively high level of CSR programmes supporting environmental causes (an average of 27%) certifies that organizations see them as a way to meet social and community obligations. The level of the programmes use is particularly high for large enterprises (66.67% of their total number). However, the given responses do not mean that the organizations managed to counter the negative impacts they might be having on the environment or on people’s lives completely.

Most of the social activities of enterprises are focused on their own staff. Nevertheless, there are not enough projects that could serve as a basis for innovation development. Organizations prefer to sponsor the projects that require small in-

vestments (cultural and entertainment activities, sports) or those partly motivated by health regulations. The vast majority of the noted activities are obtained by the high participation of large enterprises in employees' health benefits programmes (approximately 50%).

The use of the new employment types is also very low. Only 11.11% of enterprises give an opportunity of remote jobs, in 19.05% of the cases the employees have the options of flexible work arrangements, for example flex-time. Small enterprises provide more favourable conditions as for flexible working hours (21.95%), large enterprises provide more options of remote employment or telecommuting (16.67%). Of course, in some rare cases the facts when the administration has created specific working arrangements for their staff may have influenced the indices. The average number of companies that provide such opportunities, even for just a few employees, is very low. This proves slow acceptance of innovations in HR management. Certainly, one could predict the lack of awareness of the benefits of social innovations a long time ago. In particular, we previously figured out that the majority of enterprises do not have any needs assessment survey and lack feedback (fig. 2). Thus, not knowing and not showing interest in the needs of entrepreneurs not looking for effective staff incentives and provoke low return estimated in employment. Much of the workplace environment doesn't encourage employee motivation as there is no management commitment: genuine interest and caring, employee-oriented policies and procedures, and attention from both senior managers and line managers. As a result employee motivation is extremely low.

IMPROVING GOVERNMENT SUPPORT OF CORPORATE SOCIAL INNOVATION IN UKRAINE: PRIORITIES AND OPPORTUNITIES

The survey results show that enterprises in Ukraine haven't got firm internal motives or positive experience of using innovation in human development. They also do not tend to participate in regional or national development programmes. Nevertheless, businesses, as well as communities, regions and states, could get the full potential benefit of social innovation by participating in the given programmes. It could help to solve a wide range of problems that existing structures and policies have found it impossible to crack— such as climate change, the world wide epidemic of chronic disease, and widening inequality etc. Over time the businesses will also realize that integrating the values of social innovation into the overall business strategy drives economic benefits while improving social and environmental conditions.

For today, the given research sheds light on the inconsistency and uncertainty in the state innovation development strategy, not only in the field of social innovation but in the other forms of innovation as well. There are many obstacles at the stage of organizational and regulatory process of innovation transfer in human re-

source management. For instance, nowadays in Ukraine there is a list of high-priority innovative projects, approved by the Cabinet of Ministers in 2010. They are considered to be national projects but there is no evidence why they should have a high priority. There is no single policy to stimulate innovation and there is no state institution which would instruct the mechanisms of innovation in the public sector, capitalize on good practices, accompany the organizational and managerial changes and elaborate means to measure the performance. The Ministry of Education and Science of Ukraine is responsible for the basic functions regarding innovation.

Several other executive state authorities (e.g. the State Agency of Ukraine for Investment and Development, State Innovation Financial-Credit Institution) and regional authorities, in particular Departments of Economics of Regional State Administrations elaborate innovation development projects and programmes taking into account the issues and priorities of regional development but without an integrated state policy in this sphere.

Considering the issues that may relate to a failure in innovation or innovation development in Ukraine, it is obvious that there is a need to improve the state of affairs. It is especially important in the field of government support and facilitation of the dissemination of innovation as we have mentioned above that it drives economic benefits while improving social and environmental conditions. The interaction between the stakeholders in human development requests special attention.

It is clear that in case there is a national strategy or programme for innovative development key projects will receive state financial assistance (usually in the form of grants). However, unlike the current trend of direct financial flows between government and businesses when the project results are quite poor and the project implementation is delayed in time, the pattern of government support should be changed. Of course, there should be some financial subsidies to favoured R&D centres at least to popularize this activity and to form sustainable business motives to continue innovative activities. Nonetheless, government incentives should not include only direct financial flows. In addition to that, the project selection is also a weak element in the system of government support for innovation.

Today it is mainly experts who select projects without any particular list of criteria. This can become a constraint even at the stage of application submission. It is always best to have a good plan from the inception, with a list of criteria to be considered and goals to be achieved published before the project selection in order to ensure the transparency of the interactions between local authorities and civil society. In addition to that, such project selection criteria should be substantiated both scientifically and practically. Furthermore, must consider all key pieces of selection criteria, not only profitability of the project or social outputs.

Given that Ukraine has got financial security issues and weak so-

192 | WSGE

cial dialogue which prevent human potential development and hinder the implementation of the projects potentially perspective for employment reasons, we would like to suggest the following scheme of interactions between authorities and business at the stage of project selection (fig. 4).

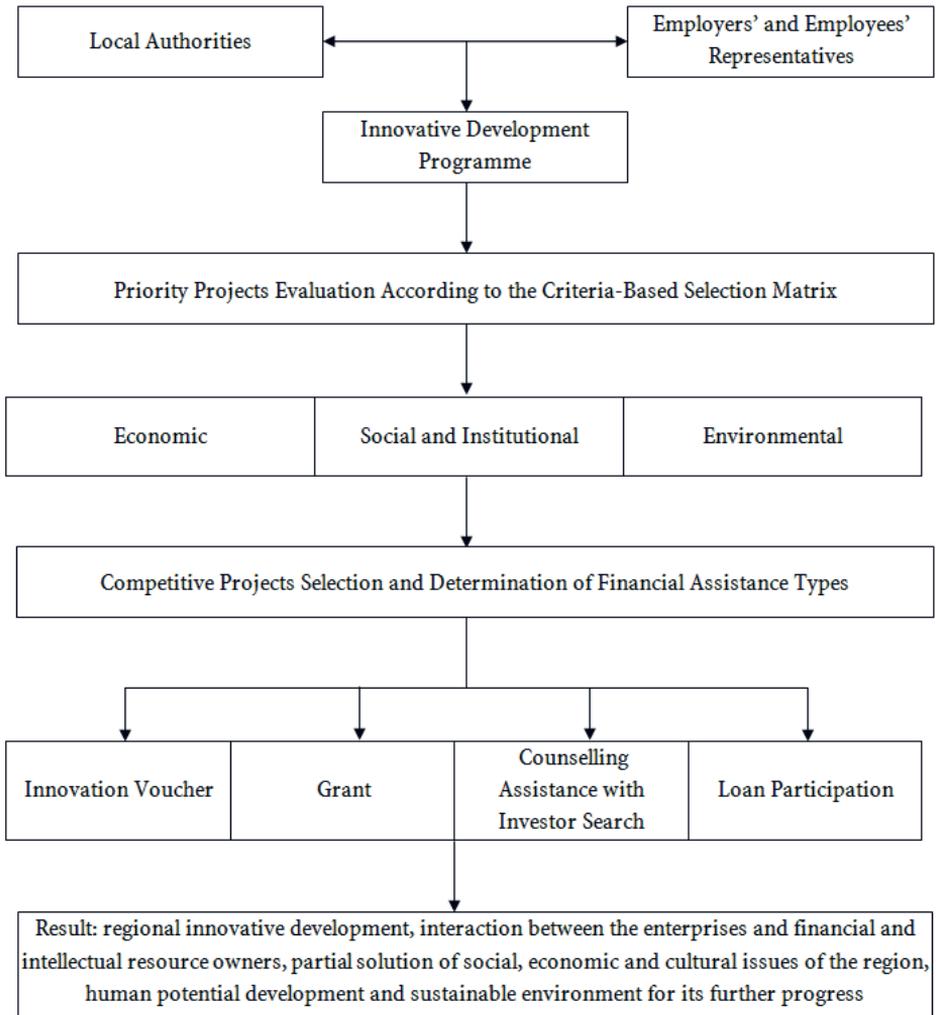


Figure 4. Government Innovative Support Framework and Improvement of Regional Human Potential Use

We offer using factor criteria-based model elaborated according to qualimetric approach in order to provide effective project evaluation and selection.

Total expert evaluation of the project quality and relevance for the region is computed using the formula:

$$E = \sum_{i=1}^m \left(\sum_{j=1}^n e_{\tilde{n}_j} \cdot w_{\tilde{n}_j} \right) \cdot w_{f_i}$$

where E is the total expert evaluation, defined in the range from 0.0 to 100 points;

j, i denote ordinal number of the criteria and factors, respectively;

n, m denote the quantity of criteria and factors in the model, respectively;

$e_{\tilde{n}_j}$ denotes expert's judgment of the criterion j in factor i ; it is based on the subjective assessment of a particular criterion compliance within the range from 1 to 10 points, considering that 10 is the maximum score;

$w_{\tilde{n}_j}$ denotes weights for criterion j , it is defined in the range from 0.0 to 1.0; describes the criterion's priority within the factor i ;

w_{f_i} denotes weights for factor i , it is defined in the range from 0.0 to 10.0; demonstrates to which extend the factor influences the overall expert assessment.

The model **factors** correspond to the **sustainable development concept** and basing on the Venn diagram of sustainable development consists of three constituent parts:

- 1) economic;
- 2) social and institutional;
- 3) environmental.

They are detailed into evaluation criteria in table 2.

Table 2. Evaluation Criteria for Innovative Projects aiming at Human Resource Development and Human Potential Use

#	Factors	Criteria
1	Economic	New jobs' creation
		Use of new technologies, renewal of fixed capital
		Investment development possibilities at all stages of the Action
		Regional transport infrastructure development during Action implementation
		Innovation infrastructure development
		Action facilitates regional development according to its priorities
		Goods and services are globally competitive

#	Factors	Criteria
2	Social and Institutional	Action foresees the possibility of innovative employment (i.e. flexible work arrangements, remote jobs)
		The salary of the staff in the Action's feasibility study (or budget) is not lower than the national average
		There is professional development of the staff
		Action uses intellectual potential of the local inhabitants
		There are employee health care programmes
		Action provides employment for socially isolated groups
3	Environmental	Action foresees informational interaction with local population and provides the ability to monitor, analyse, share and report information, in particular through periodic social responsibility reports
		Action is environmentally friendly and / or meets ecological standards
		Action foresees recycling and/or safe waste management

We suggest using expert evaluation as a way to determine the weight of each indicator in the evaluation system during the multi-objective decision-making.

CONCLUSIONS

This study examines the estimation and management issues of the innovation in human resource development and human potential use. Our findings highlight the critical roles of government support and incentive of innovation that would relate positively to HR practices and human potential development. The world experience defines this type of innovation as “social ones”. Our results indicate that there are not that many positive examples of social innovations not only in Ukraine but in the developed economies as well. The lack of corresponding official statistical surveys confirms this fact. However, social innovation can solve many social issues while driving economic benefits and eventually leading to better performance of the enterprises. Fortunately, there is no shortage of social innovations in Europe which can practically substantiate the noted statement.

To conclude, Ukraine which is still under the transformation of economic and social relations is struggling for social innovation as it can ensure new forms of social groups' cooperation and increase their role in human potential problem solving. The state or the government always plays a primary role in new positive experience sharing. That's why at the initial stage of public perception it is the government that should support disseminating social innovations. The viewpoints of this study highlight the crucial importance of the overall active support instead of passive actions and formal approval of the projects which may not relate to public interests. In order to decide whether a project is viable and is worth approving one can use project selection methods described in the given article.

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