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MANAGEMENT PROBLEMS OF INNOVATIVE BUSINESS PROJECTS AND WAYS OF ITS IMPROVEMENT

Introduction. Global innovation challenges existing in the world at this current stage, activation of strategic innovation policy on gaining positions in the Global Innovation Index by the states, rapidly changing consumer demands, the struggle to maintain the advantages of leadership for competitiveness in the world market, the sudden appearance of the COVID-19 pandemic – faced the countries of the world before the complex challenges, which turned the production of innovative products and services, and the modernization of existing ones into an essential condition in a short period.

Aim and tasks. The research aims to work out ways of improving the problems arising in Georgia's innovative business project management. The following objectives should be carried out to achieve the research goal: studying the characteristics of innovative business project management from the origin of an innovative business idea to its realization based on research and statistical data analysis

Results. There have been reviewed problems in the management of innovative business projects-difficulties in adequately designing the business model to improve the business idea, which requires extra time, finances, and an experienced professional team. All of these hinder the startups' ability to go through the business process, turn the idea into a competitive product, carry out the correct marketing campaign, and build partnership relations at the local and international levels. Due to the urgency of the issue, the rating of Georgia has been studied regarding the innovation development of the Global Innovation Index. The positive attitude of the country towards the innovation policy has been determined, as reflected in the innovation policy carried out by the government. By analyzing the statistical data, grants and their effectiveness as issued to business projects by "Startup Georgia", "Produce in Georgia", and the European Union have been compared.

Conclusions. The conclusions have been developed by analyzing the results of the research to eliminate the mentioned problems, according to which the constantly changing environment of the market economy forces companies to quickly adapt to market challenges to gain competitiveness and eliminate the problems existing in project management in parallel with the production of innovative products with the participation of professional project managers.

Keywords: innovative business projects, startups, project management, competitiveness.

1. Introduction.

Since the 50s of the XX century till now, in the civilized global innovation space, innovation was named one of the most important strategic priorities in order to gain and maintain competitiveness on the market and for the economic growth of the country. What caused a transformation of the international business environment during the last decades, the accompanying process of which is the creation of startups. According to the results of the survey, conducted by the consulting company, "PMO Business Consulting", it was revealed that 50% of startups cease operations within the first four years, 70% fail within ten years, and 90% are unsuccessful (Machaidze, 2017).

By analyzing the results of the survey of up 50 practicing project managers in to "Management Academy", the main reasons for the failure of the innovative business project on Georgian market were named (Machaidze, 2017): general planning of the project, lack of change control system, market research by nonprofessionals, customers ignoring and more focusing on the business idea, absence of a business model, ineffective communication, false perception of project manager (PM) role and liabilities.

In 2017, according to the survey conducted on global market by the Institute of Project Management with the participation of 3,234 professional project managers, organizations were losing an average of \$97 million annually for every one billion invested, what is 20% deterioration compared to 2016 and the main reasons for this are named the problems, existing in project management, regardless the world market, where project management is carried out bv professional staff according to the standardized following the manner and methodological principles (Machaidze, 2017).

2. Literature review.

In economic science, there is no unified approach of scientists regarding the definition of innovative business projects. Nicholas and Steyn (2017) review the business project as a model of rapid and correct response to changes in global competition and dynamic business environment conditions. A model that should adapt to: market requirements, organizational needs, customer requirements, legal requirements.

According to Keshelashvili and Faresashvili (2019), it is recommended to implement projects in the company according to the strategic plan of organization within predetermined time interval and set budget with a whole complex of interrelated measures. Also, scientists give preference to the role and professionalism of project manager in project management process.

The project is reviewed as an intention in the form of idea by Kerzner (2019). According to their analysis, the activity of enterprises should be based on major changes, creation of more innovations and implementation of more projects.

In the field of scientific research of Amkoladze et al. (2009), it is emphasized on project quality, it is their own call that companies constantly take care of increasing the quality of business projects in order to gain competitiveness in the market.

Problems in the management of business projects under the conditions of COVID-19 have been studied by many foreign scientists. Stressful situations related to the pandemic in the project team were studied by the scientists Schoper et al., (2018). Gates (2020) studies show that COVID-19 pandemic accelerates changes at various levels, what accordingly affects the communication between the employees in the society and organization all over the world. Sutherland and Cooper (2006) believe that any significant change in the organizational environment during a pandemic is stressful for both the team and the individual employee.

According to Hamouche (2020), pandemic aggravates the stressful environment of employees during the work process even more. The field of scientific research of the scientists Bergmann and Karwowski (2019) is the practical implementation of the "flexible" method of project management, which aims at the organized adaptation of the team to changes.

Along with the formation and development of the startup ecosystem in Georgia, an important and still unresolved problem is the failure of Georgian startups. The failure of startups is caused not only by the difficulty of finding additional funds, but also by problems in the management of innovative business projects.

3. Methodology.

Except for the scientific researches of Georgian and foreign scientists and economists, the theoretical and methodological basis includes data from Georgia's Innovation and Technology Agency (GITA); Innovative business promotion program "Startup Georgia" (Georgia's Innovation and Technology Agency, 2014-2022), the State Agency – LEPL "Produce in Georgia" (Enterprise Georgia, 2014-2022); the National Statistics Office of Georgia (2019-2022); and the Ministry of Economy and Sustainable Development of Georgia (2019-2022); Researches of non-governmental (Innovation organizations Freedom Development Institute) (2019-2022).

In the study, taking into account the methodological principles of induction and deduction, the innovative policy implemented by the Georgian government has been studied, which is implemented and developed in accordance with the requirements of the development of the global innovative environment and is based on many traditional, institutional theories and researches.

In the study, taking into account the methodical principles of analysis and synthesis, there have separately been studied the peculiarities of management of innovative business projects; There have been analyzed the problems in project management and marketing, which are the reasons for failure of startups. Using the method of empirical observation, there have been studied and analyzed the life cycle phases of Georgian startups.

Georgia's rating in the global innovation index was evaluated using descriptive statistics (Soumitra et al., 2020). The total loan granted by startup Georgia, "Produce in Georgia", "EU4Business" for financing innovative business projects and the number of innovative projects funded by industry were determined. The number of startups financed by GITA program grants in Georgia was determined.

The effectiveness of the grants received by Georgian startups and the financing sought were evaluated. Using statistical planning and inferential methods, the problems in Georgian startups were identified, and ways of solving the problems in the management of innovative business projects were formed.

4. Aim and tasks.

The purpose of the research is to work out ways of improving the problems that arise in innovative business project management in Georgia. The following objectives should be carried out to achieve the goal of the research: studying the characteristics of innovative business project management from the origin of an innovative business idea to its realization based on the analysis of research and statistical data.

5. Results.

At modern stage, global transformations around the world and COVID pandemic process, ongoing in 2020-2021 as a slowdown-stagnation of the growth of productivity had a significant impact on the development of innovative processes (Project Management Institute, 2020). As a result of it, the question was raised as a problematic issue to be discussed between the state, private, and scientific sectors: are the countries participating in the Global Innovation Index going to enter to such new era, where the growth of new innovations is the digital age and deep science. This is a great challenge not only for the states, being at starting positions of Global Innovative Index, but for such developing country as Georgia is, which has joined world1s innovative challenges since 2007.

According to the GII report, results of joint research by Cornell University, the business school for the world (INSEAD), and the World Intellectual Property Organization (WIPO), in 2007–2013, Georgia was named as a rapidly progressive country that learned how to become innovative, which was considered an important lever to attract investments to finance innovative architectural business projects (Gabitashvili, 2013). In 2007, Georgia GII was ranked 97th among 142 countries. In 2013-2015, it was promoted and ranked 73rd (Gabitashvili, 2013). The maintenance of GII Georgia positions has been caused by the implementation of state innovative policy since 2013: by developing the state innovative strategy for 2013-2030 and implementing the government program for its realization, the formation of infrastructure for the innovation system (GITA, 2014), regional innovation centers, innovation laboratories (the "Fab Lab"), accelerators (Globalizang Silicon Valley, 2022), business incubators (GITA), and the creation of a legal and normative base of regulation (Law of Georgia on Innovations, 2016).

The measures implemented by the state for the activation of innovative policy contributed to the production of innovative products and services. According to the special innovation survey, conducted by the National Statistics Office of Georgia (GeoStat, 2016-2021), it was determined that new and improved product was produced by 48.8 % of interviewed enterprises and 51.2 % was produced the service. Accordingly, 26.5 % were marketing innovations (changes in aesthetic design and packaging of products); introducing new media or techniques for product promotion was 24.6%; and introducing new channels of placement or merchandising of products was 19.5%. A new system of pricing goods and services was 29.6 % (Abuselidze et al., 2021).

Innovations implemented in the field of production and services increased the total turnover of goods in 2015 from 10.6% to 11.4% compared to 2013. Productivity increased from 11.8% to 14.3%. Employees increased from 28.7% to 31.5%. Investment ranges from 2.9% to 10.5%. The total turnover of business activity increased by 24% and accounted for 3.6 percent of the total business turnover. The growth in professional, scientific, and technical activities was 258%; the growth in computer programming, consulting, and related activities was 144%; and the growth in the production of computer, electronic, and optical products was 135 percent (2016–2021) (National Statistics Office of Georgia, 2022).

In 2016, in GII, the index of Georgia was ranked 64th and 68th among 128 countries in the direction of innovative development in 2016 and 2017 by creating a favorable business environment, increasing competitiveness and innovative opportunities (Open Society Georgia Foundation, 2017). According to Georgian experts, the deterioration of Georgia's position in 2016-2017 compared to 2013-2015 was not connected with the internal processes of the country, because the countries, being on starting positions of GII (Switzerland, Kingdom of the Netherlands, Sweden, Great Britain, Singapore, USA and others) have improved GII components. According to their evaluation "This field is new for Georgia, consider that country is startup in this regard", the activation

of the private sector is considered as a necessary condition for the development of innovations and improvement of the startup ecosystem in the country (with high-tech innovative business ideas)" (Open Society Georgia Foundation, 2017).

In 2019, Georgia took the 48th place in the GII with rating. According to Doing Business 2019 report of the world bank Georgia was ranked 6th_among 190 countries by ease of doing business and it took the first position in Europe and Central Asia region (among 23 countries) in the direction of reforms (50 reforms) and improvement of the regulatory environment (IDFI, 2022).

In 2020-2021, GII Georgia was decreased with 15 positions (from 48th position to 63th) compared to 2019, what was due to COVID-19 pandemic process (IDFI, 2022). Despite of the current situation, according to the experts evaluation, the average annual growth of the products produced in the country as a result of the introduction of innovations consisted of 10% by 2020. The number of employees will increase with 15% and productivity with 7% (Soumitra et al., 2020).

According to the results of 2022, GII Georgia rating was decreased with 11 positions (74th position) compared to 2021 (IDFI, 2022). According to the experts, the abovementioned rating was evaluated as pandemic and post-COVID-19 period, s the slowdown-stagnation period of productivity growth. The activation of which requires the transition to a new digital, deep scientific era and the implementation of the "Triple Spiral" model, what envisages: discussing and analyzing problematic issues by establishing dual relationships between the state, private and scientific sectors (Figure 1).

In Georgia, the government's attitude towards the innovation policy is positive, which is reflected by the implementation of various programs by "Startup Georgia" aimed at financing startups and business development. It was totally been financed 641 startups by GITA in 2014-2022, including 24.2% of startups was funded with 150 000 GEL, 3.7% was funded with 650 000 GEL; 75.2% of startups were given small grants (Figure 2).

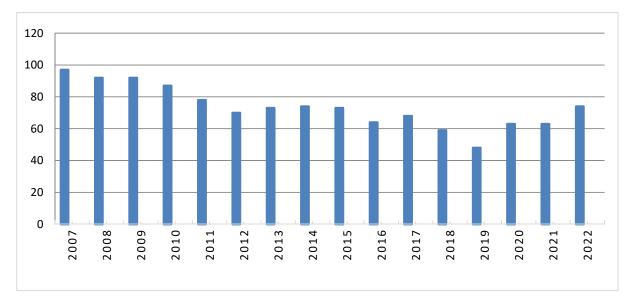


Fig. 1.The ranking of Georgia in the global innovation index (2007-2022). Source: based on Geoeconomics (2022) and National Statistics Office of Georgia (2022).

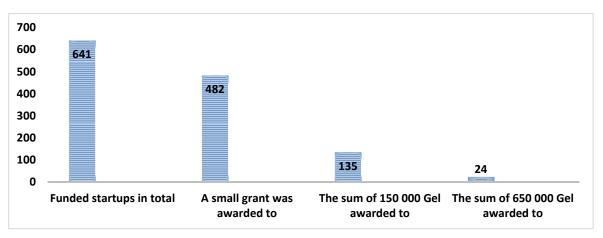


Fig. 2. The number of startups winning the GITA co-funding grants programmer in Georgia (2014-2022).

Source: based on Geoeconomics (2022), Georgia's Innovation and Technology Agency (2022).

In 2014-2021, Georgia's Innovation and Technology Agency implemented the commercialization of knowledge and innovation of a total 56000 beneficiaries and including, 4556 beneficiaries in regions (GITA, 2014-2021).

GITA will stimulate the use of innovations and technologies according to industries, namely: AdTech/MarTech with 5%,

Artificial Intelligence with 15%, Consumer Services with 5%, Customer Relationship Management (CRM) with 5%, E-commerce with 10%, FinTech with 15%, Gaming/e-Sports (except gambling) with 5%, Green Technology with 5%, Health with 10%, HR/Education with 10%, IT Tools with 5%, Social Media with 5%, and Travel/Hospitality with 5% (GITA, 2014-2021) (Figure 3).

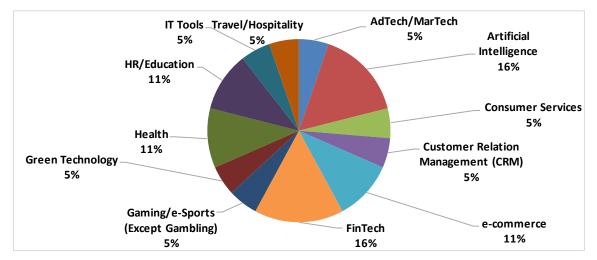
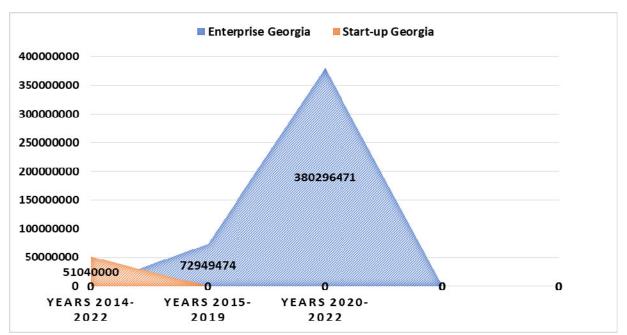
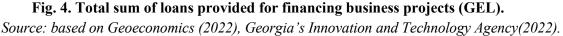


Fig. 3. Financed innovation projects by industries (2014-2022, %). Source: based on Geoeconomics (2022), Georgia's Innovation and Technology Agency (2022).

In Georgia, one of the most important sources of business project financing, along with "Startup Georgia" is the state agency "Produce in Georgia". Based on the purpose, which was increased by 67 percent in 2021 compared to 2020, the total number of investments increased by 37.4 percent, which is due to the increased grant funding in the country after the COVID pandemic for the purpose of realizing entrepreneurial projects and developing the business sector. According to 2022, the total number of investments issued to 103 projects accounted for 15.5 percent of the

total number of investments issued in 2020–2022 (Figure 4). With the support of EU4Business (2009-2021) funds issued in the form of preferential loans, micro-financing of family businesses and small grants through the local banks (TBC Bank, Bank of Georgia, Procredit Bank). The scope of total investments was 68.5 %, 31.5 % was issued as co-financing (Enterprise Georgia, 2022) to fund 499 projects. The total number of issued investments exceeded the total number of issued investments in 2015-2019 with 421.3%.





The number of projects financed by the financial inclusion organization "Crystal", (ISBANK Georgia) for the development of small and medium-sized enterprises consisted of 504.87 million euros in 2009–2015 and 395.26 million euros in 2016–2017. In 2019–2021 dynamics, the amounts issued for financing business projects consisted of 36.6% in 2019, 33.1% in 2020, and 30.3% in 2021.

Analyzing the 2020 EU4Business (2022) country report shows that difficulties and COVID-19 pandemic processes still affect small and medium-sized businesses, but challenges are still being continued to support EU partners and implementers (Figure 5).

According to the conclusion of the Doing Business 2019–2021 report of the World Bank, the problems of management of innovative business projects are much more important than finding the financial resources needed for the implementation of projects both worldwide and in Georgia as well. These problems arise when transforming and realizing a business idea into a necessary product. While innovation and technology agencies assist a winning startup in the formation and documentation of the idea, "Produce in Georgia" aims for all entities (100%), participating in the competition, to submit the business plan and, after its evaluation and analysis, reveal the winner and grant the funding.

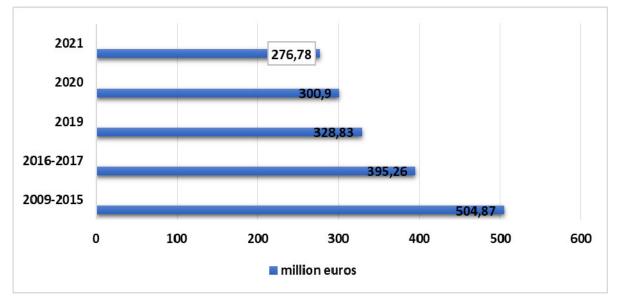


Fig. 5. Funds provided by EU4Business for the development of small and medium-sized enterprises in Georgia.

Source: based on EU4Business (2022) and Geoeconomics (2022).

On average 14-15 % receives the funding per year in accordance with the applications, got from "Produce in Georgia" (Figure 6).

About 25–30% of the applicants who applied to the Startup Georgia competition since 2014 and have already been funded passed the third "implementation" phase of the project, the results of which should be subject to evaluation in the fourth phase of project management.

The idea of all the applicants, who submit an application in the Startup Georgia competition,

goes through the "formation" phase, what means to study the business idea in a commercial way. After winning, at the 2^{nd} phase, the applicant is required to submit the business plan. In 2014-2022, according to the requirements of GITA competition, 96.3 % of the authors of business ideas from 641 startup winners submitted the business plan. Approximately 3.7 % of the winning startups are high-tech startups, which are not required to submit their business plans in accordance with the GITA requirements.

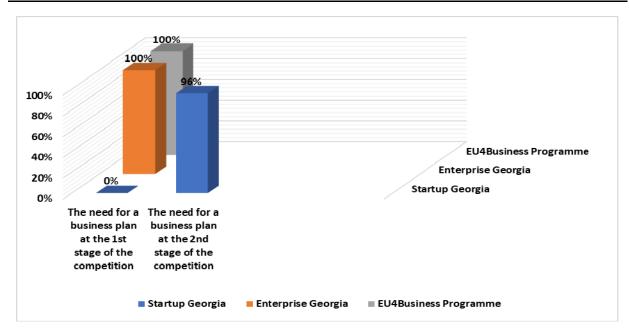


Fig. 6. The need for a business plan to obtain funding for a business project.

The initial basis for the success of Georgian high-tech startups is the purposeful spending of funds requested by a properly formed working team for the realization of innovative business ideas and the development and expansion of their activities. In particular, the "WiFisher" (Marketer, 2019) startup was able to exploit the local market (cafés, restaurants, bars, clubs, and festivals) by providing the users with "wireless Internet" and offering an innovative advertising line. The company obtained the basic funding of USD 18 000 \$ to develop and expand its activities and USD 500 000 in funding for 2019, which is added to the company's income. "Influence Georgia" (2017) startup fully spent 1.5 million GEL, got in 2019 (among them, 50% of the amount was received by participating in the competition of the Global Startup Fund - from an Israeli investor and the remaining 50% in the form of a grant by applying for a large GITA grant) to create an online platform on the technical part and enter the international market.

In 2019, "RedBerry" startup attracted 3.2 million dollars investment from "Georgia Capital" for the purpose of developing the existing services and creating new services (Marketer, 2019). In 2018, "Stack" startup attracted USD 850.000 investment, which allowed the team to deliver Stack (2018) to millions of people around the world.

At the same time, USD 50,000 was the initial capital raised by the "Elven Technologies" startup (Marketer, 2019). After obtaining a GITA grant, the project was financed with 30,000-Euro-grant from the European Council.

The investments raised in 2019-2020 consisted of 210 000 US Dollars, among them 160 000 Dollars investment was raised from Technovate, American venture studio Silicon Valley. The purposeful spending of the funds provides the creation of a fire-resistant suit for firemen. "Hand4help" (2016) startup obtained GITA 100 000 GEL grant and the reward of 3500 GEL received in the "Hackathon" for realization of an innovative hand prosthesis (Figure 7).

Proper market research is named as the basis for success of Georgian startups. After realization of the first Georgian smart-browser idea, startup "Stack" determined the high need of "Stack" by the customers according to the surveys, conducted by the representatives of the what promoted company, its further development and it had about 30 000 customers in a year and a half. According to the preliminary market research results, the Georgian marketing agency "RedBerry" (Marketer, 2019) was able to provide high-level services to Georgian companies in many sectors of the economy.

According to the market research results, the "Elven Technologies" startup plans to launch its first product on the B2B market (fire departments and rescue services will be able to purchase it), from which it is planned to earn about 5 billion dollars in a year. By developing an automated influence marketing platform, the "Influence Georgia" (2017) startup was able to enter the international market (Moldova, Romania, and Kazakhstan) (Forbes Georgia, 2021).

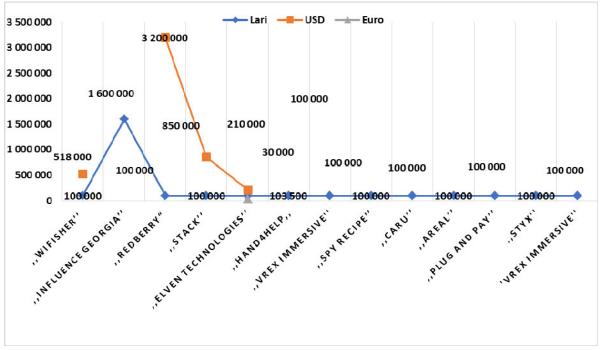


Fig. 7. Financed Georgian Startups.

Source: based on Geoeconomics (2022), Georgia's Innovation and Technology Agency(2022).

The success of Georgian startups is also determined by the invariability of business priorities to gain competitiveness in local and international markets. "Fisher" company (during the COVID-19 pandemic, the share of the company was reduced to 15%), it was possible to maintain financial stability during the crisis period of the COVID-19 pandemic by creating new product SMS-advertisements and operating in the markets of Armenia, Azerbaijan, Uzbekistan, and Lithuania.

Internet partners of the company are: Sweden, Uganda, Egypt (Business media Georgia, 2020). During COVID-19 pandemic (Koch, & Schermuly, 2021), the electronic payment system offered to customers by the start-up "Plug and Pay" (2016) has become significantly in demand, in particular, the rate of consumption has increased with 200%. Nowadays, "Plug and Pay" can be used without any programming knowledge and anyone can integrate it by following simple instructions. The strategy of "Elven Technologies" startup also shows the unchanged business priorities, which envisages adding the function of firefighter's location, heartbeat, blood oxygen saturation and cardiogram monitoring to the firefighter's high-tech suit (Marketer, 2019). Also, creation of the suit from B2B market to B2C sector, which will solve significant problems in every person's daily life (Sutherland, & Cooper, 2006; Koch, & Schermuly, 2021).

Their own field of interest is the creation of an innovative business idea - a space suit, which will protect a person on Mars. Georgian startup "Elven Technologies" is considering cooperating with "Tesla" to protect the batteries of electric vehicles from ignition (which will be wrapped with fire-resistant uniform material), and according to their evaluation, this market is 40 times larger than the B2B market (Marketer, 2019). Transforming an innovative business idea into a product requires the proper development of a business model, what promotes the proper formation of a team and use the experience, gained by them in practical realization to improve the business idea. The primary goal of "Elven Technologies" startup is to create high tech flame retardant jacket to provide predefined functions. The goal of "Hand4help" startup is to create multi-functional and low-cost hand prosthesis accessible to everyone (nowadays, the market price of the prosthesis is from 5000 to 10000 GEL), which can be managed through nerve endings.

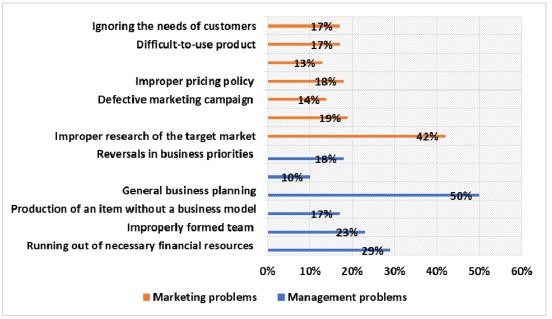
Thus, according to the researches, conducted by us, it was determined that the high-tech startups, financed in Georgia succeed by realizing the knowledge of professional, experienced team members and the experience gained in this sector for years (abroad, in Georgia). By keeping the priorities unchanged (overcoming the difficulties), the companies move on to the business process, and in order to expand, they manage to obtain financing in accordance with the company's strategy, and by implementing new business projects, they start to exploit the local and international markets.

According to the researches, conducted by us, it was determined that, from high tech startups: "VRex Immersive" - platform for virtual sightseeing of tourist places (2014), "Spy Recipe''- a new style of product packaging (2014); "CARU" - car service without the owner (2015), "Areal" - a platform for using a digital guide at cultural and museum locations (2018), "STYX" – logistics transportation company (2016), "VRex Immersive" - a platform for virtual sightseeing of desirable tourist places (2014), one of the common and significant problem of startups is named exhaustion and lack of required funds. That's why, Georgian startup continues the negotiations with the local and international investors for the purpose of further development of business activities. In order to raise additional funds "Areal", VRex Immersive startups made it part of strategic plan to establish partnership

relations with travel agencies, travel companies (by using the virtual reality, they will be able to increase the sales of their own tourist products), airlines (exhibition VR stands and offer virtual reality experiences to airline passengers in the air), People with disabilities (VRex Immersive projects include VR stands of cultural heritage sites for people with disabilities) and with other organizations, which will be able to create their own platform and assist to perform "business tasks" by using it. Before establishing relations with partner companies desired by the mentioned startups, they need to refine the idea, complete realization and implementation of the right marketing campaign, what requires additional funds (Nitsenko et al., 2018).

According to the co-founders' evaluation of "STYX" startup (Marketer, 2019), the most important problem is the realization of IT technologies knowledge or "incredibly significant, powerful resource" for the purpose of automated logistics system, what will give the company the opportunity to develop the right pricing policy (at a price acceptable to the customer) and gain competitiveness in the market.

According to the results of the research, despite of successful and developing startups in Georgia, there are a lot of unsuccessful startups, the reasons for their failure are problems in business project management. In particular, 29% of the startups indicates to the depletion and lack of required funds; 23% names incorrectly formulated working team; 17% indicates to production of the product without developing a business model; 50% general planning of business; 10% incorrect, imprecise determination the project's goals; 18% refers to change of business priorities. 42% indicates to inaccurate research of the market; 19% names non-competitiveness, what is caused by lack of awareness; 14% weak marketing campaign; 18% incorrect prices and price formation; 13% indicates to a product released on the market at the wrong time; 17% says it is hard to use product; 17% neglect the needs of customers (Business Consulting, 2018) (Figure 8).





Source: based on (Business Consulting, 2018)

Therefore, according to the results of research, the basic problems of ineffective management and failure of innovative business projects are: mismanagement of the process in the work team due to incorrect or inappropriate communication; taking wrong and untimely decisions in parallel with the ongoing changes in the sector; the most important for the project, inefficient management of both time and financial resources and quality; a market study by non-professionals; a low focus level on market needs; failure to develop a business idea; unsatisfaction of customers' needs; developing inaccurate marketing plans. Due to the failure to overcome the mentioned problems in Georgia, it became difficult to maintain positions from startups implemented in the regional market for 25%, unsuccessful was 71%, and 4% was able to maintain positions (Business Consulting, 2018).

6. Conclusions.

According to the results of the research, it was revealed that about 90% of startups are unsuccessful at the "initial presentation" phase of the business life cycle. What causes them to move into the "fall" phase 10% of startups fail in the first year of the "growth" phase of the business life cycle, and 70% of startups move to the "stability" and "maturity" phases of the business life cycle and fail in the second or third year of their activities, the reason for which is

the internal and external factors affecting the lack of development of the business. The world's practice shows that, among the many success factors of startups, the most important are: unification of a common goal, vision, and co-founders; searching the sources of business financing by them, which will be based on targeted, effective spending of funds: "formation of a professional innovative team", which will unite the generators, conceptualizers, and implementers; "creation of a startup culture", which will be based on energy, creativity, and teamwork without barriers; developing the business idea and becoming a "listening" brand by to customers; an appropriate PR and marketing plan; and developing the realization strategy of the product with unchanged priorities. Thus, in a contemporary competitive environment, project management in the startup management system has become not only the most important but also the most challenging business process to manage, which is a necessary condition for the success of startups. A changing environment forces them to quickly adapt to challenges, improve the management systems in a timely manner, and implement innovative business without maintaining projects unchanged priorities in compliance with the strategic goals of the idea and not spontaneously.

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