



Reward for Innovative Activity of Employees as a Special Item of Financial Accounting of a Globally Oriented Company in the Conditions of the New Economy Formation

Recompensa por la actividad innovadora de los empleados como un elemento especial de la contabilidad financiera de una empresa de orientación global en las condiciones de formación de la nueva economía

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ABSTRACT:

The purpose of the article is to substantiate the necessity and to develop practical recommendations for establishing a reward for innovative activity of employees as a special item of financial accounting of a globally oriented company in the conditions of the new economy formation. The theoretical and methodological foundation of this research is the modern scientific concept of new economy, the concept of innovations, and the concept of a globally oriented company. The methodology of the work is based on the use of the systemic and problem approaches – in particular, the method of analysis of causal connections, the method of

RESUMEN:

El propósito del artículo es corroborar la necesidad y desarrollar recomendaciones prácticas para establecer una recompensa por la actividad innovadora de los empleados como un elemento especial de la contabilidad financiera de una empresa de orientación global en las condiciones de la nueva formación de la economía. La base teórica y metodológica de esta investigación es el concepto científico moderno de la nueva economía, el concepto de innovaciones y el concepto de una empresa con orientación global. La metodología del trabajo se basa en el uso de enfoques sistémicos y problemáticos, en particular, el método de

structural and functional analysis, induction, deduction, systematization, and the method of information visualization. The authors distinguish the reasons for the necessity for establishing the reward for innovative activity of employees as a special item in financial accounting of a globally oriented company in the conditions of the new economy formation and offer the detailed practical recommendations for modernizing international standards of financial accounting in view of the necessity for reflecting the reward for employees' innovative activity.

Key words: reward for employees' innovative activity, financial accounting, globally oriented company, new economy.

análisis de conexiones causales, el método de análisis estructural y funcional, la inducción, la deducción, la sistematización y el método de visualización de la información. Los autores distinguen las razones de la necesidad de establecer la recompensa por la actividad innovadora de los empleados como un elemento especial en la contabilidad financiera de una empresa de orientación global en las condiciones de la nueva formación económica y ofrecen recomendaciones prácticas detalladas para modernizar los estándares internacionales de contabilidad financiera en vista de la necesidad de reflejar la recompensa por la actividad innovadora de los empleados.

Palabras clave: recompensa por la actividad innovadora de los empleados, contabilidad financiera, empresa de orientación global, nueva economía.

1. Introduction

The modern global economic system transforms under the influence of the two main tendencies. The first tendency is related to the ingoing globalization and integration, which opens new and wider possibilities and perspectives for transnationalization of entrepreneurship. In the new socio-economic conditions, the globally oriented entrepreneurship is established, which does not limit its economic activities by internal markets in the country of location and even may not have a connection to a specific country, placing its structural departments all around the world and striving to get a firm position in the global markets, having covered several countries of the world.

In the recent decades, globally oriented companies turned from non-standard manifestations of business activity into a common business practice, which is related to increase of interest to them from the society in the context of selection of reliable suppliers of high-quality products for good prices, from business structures in the aspect of their striving for expansion of their activities and selection of the transnationalization form, and from the state managerial apparatus in the process of stimulating the development of domestic entrepreneurship. The presence of globally oriented companies of domestic origin, as well as their number and position in the global market, is an important component of the national economy's competitiveness.

A second tendency in the modern global economy is formation of a new economy, which is known as "knowledge economy". It marked the transition of the most develop – in the socio-economic aspect – economic systems to a new level of development which is next to the post-industrial economy. The new economy supposes innovations being a basis of the national strategy of socio-economic growth and development. This determines the course for stimulating the business activity in the high-tech spheres of economy and formation of the social environment that favors the appearance of high innovative activity at the individual, corporate, and national levels.

Thus, a necessity for institutionalization of innovative activity arises. While at the national level there are active and, as a rule, successful attempts of institutionalization, related to strengthening of the normative and legal basis and toughening of the control over observation of rights for intellectual property, as well as implementation of standards and rules of accounting of the results of innovative activity of entrepreneurial structures in the systems of state statistics and norms for stimulating such activities and its reflection in the state budgets, at the corporate level the process of institutionalization of innovative activity is still at the initial stage.

The core of innovative activity at the corporate level is innovative activity of the company's employees. The specifics of such activities complicate standardization of its efficiency accounting – however, its reward can and should be reflected in the corporate financial accounting, especially of a globally oriented company. This is predetermined by the necessity

for a state providing a possibility for analysis of causal connections of the innovative activity of a globally oriented company, the activity of which influences the society and economy in which is functions, investors – attractiveness of such companies that usually have a form of a joint-stock company, and the society and potential employees – of the level of its innovativeness and social responsibility.

This determines high topicality of the research and the search for solution to a scientific and practical problem of formalization and reflection of the information on reward for innovative activity of employees in the financial accounting a globally oriented company, openness and accessibility for all interested parties. The purpose of this article is to substantiate the necessity and to develop practical recommendations for establishing the reward for innovative activity of employees as a special item in the financial accounting of a globally oriented company in the conditions of formation of the new economy.

2. Materials and methods

Let us specify the terminological apparatus of our research. The notion of a globally oriented company is rare in the modern economic literature, which shows its insufficient conceptualization. Instead, the researchers use such terms as export-oriented companies (Shen and D'Netto, 2012), (Brusrina et al., 2014), companies oriented at the global markets (Mitropoulos and Douligeris, 2011), global companies (Feng et al., 2010), and transnational (multi-national) companies (Shin, 2017), (Svetličič, 2016), (Bazik et al., 2017), (Chakravarty et al., 2017), (Greaney and Li, 2017), et al.

Based on the results of systematization of fundamental and applied provisions that are contained in these works, we distinguish the following main characteristics of a globally oriented company:

- global presence: such company uses the possibilities of globalization and integration for maximization of its effectiveness, optimizing the placement of its branches for production and sales, attracting the global investments and the leading (including, the most innovational) employees;
- large-scale production: it conducts large-scale production and strives to achieve the “scale effect”;
- wide innovational possibilities: as a rule, it’s large business with a lot of employees and large resources, which predetermines its most significant possibilities in the sphere of manifestation of innovative activity as compared to most other forms of entrepreneurship;
- high innovative activity: striving to long-term presence in the global markets and strengthening of its positions, the company has to show high innovative activity for supporting the consumers’ interest and ousting rivals from the market.

Based on these characteristics, globally oriented companies could be considered the key subjects of the new economy, which stimulate its development and are the targeted market players in the conditions of the formed economy. This emphasizes the importance of strengthening of the institutional basis of their innovative activity, one of the most important manifestations of which is stimulation of innovative activity of employees.

Various issues related to development of the new economy, which is called knowledge economy, are reflected in a lot of publications of such authors as (Miao, 2017), (Schulze-Cleven, 2017), (Asongu, 2017), (Antony et al., 2017), (Abdulwahed, 2017), (Caruso, 2016), (Gürpınar, 2016), (Dudukalov et al., 2016), (Kravets et al., 2013), (Skrodzka, 2016), (Labra et al., 2016), etc. Its basic features are the following:

- high value of knowledge, technologies, and information (especially, new) and, accordingly, of their sources and carriers – human resources – as the key production resources;
- founding on high-tech spheres of economy – unlike the industrial economy, in which the industrial sphere is critical, and unlike the post-industrial economy, oriented at the services

sphere, in the new economy not the object of production (goods or services) but the means of their production – which has to be innovational – is important.

The topic of reward for innovative activity of employees is still not sufficiently studied by representatives of the international scientific society. Among the publications, it is possible to distinguish (Belkin et al., 2014) and (Slåtten, 2014). Insufficient level of elaboration of the problem of the reflection of reward for innovative activity of employees in financial accounting of a globally oriented company in the conditions of formation of a new economy causes the necessity for further research in this sphere.

The theoretical and methodological foundations of this research are the modern scientific concept of the new economy, the concept of innovations, and the concept of globally oriented entrepreneurship. The methodology of the research is based on the use of the systemic and problem approach, in particular, the method of analysis of causal connections, the method of structural and functional analysis, synthesis, induction, deduction, systematization, and visualization of information.

3. Results and discussion

As a rule, globally oriented companies prepare their corporate financial accounting according to the international standards (Ojo, 2016; dos Santos et al., 2016; Duvanskaya and Sverchkova, 2016), et al. In addition to this, a lot of national standards of corporate financial accounting are developed according to the international standards. That's why special attention should be paid to studying the international standards of financial accounting.

The results of analysis of the history of their development and modern state showed that under the influence of current tendencies of the global economy these standards develop in the sphere of entrepreneurship. The confirmation and example of this is inclusion of goodwill into fixed assets – to be precise, its distinguishing as a separate item in the structure of fixed assets – in the financial accounting under the influence of the global tendency of marketization of economic activities.

Despite the distinguished tendency in the modern economy, related to formation of the knowledge economy, the results of innovative activity are not reflected in a company's assets, and expenditures for such activities are not included into liabilities in the balance sheet. The corresponding financial operations related to innovative activity are not reflected in the reports of the financial assets movement.

We think that it shows the incompleteness of financial accounting, prepared according to the existing international standards of financial accounting. The necessity for establishment of reward for innovative activity of employees as a special item in financial accounting of a globally oriented company in the conditions of formation of a new economy is caused by the following reasons.

Firstly, lack of this item in financial accounting predetermines a non-priority attitude of globally oriented companies to reward to innovative activity of employees. This is due to the fact that financial accounting of such companies is usually in a free access, and for the purpose of supporting high loyalty of the interested parties (investors, consumers, potential employees, inspecting bodies of public authorities, etc.), globally oriented companies strive to make the results of their activities for the accounting period most attractive, in order to show themselves in a favorable light.

Therefore, they pay a lot of attention to the separate articles of their financial accounting, pushing to the background other aspects of their activities. Specifics of the existing international standards of financial accounting determine the priority of investment and financial activities which are distinguished in the accounting of flow of funds and marketing activities which are distinguished in financial accounting. Innovative activities are not distinguished as a separate item in any of the forms of financial accounting, due to which its various aspects are reflected in different items of financial accounting, which predetermines

moderate attitude towards such activities from globally oriented companies.

Secondly, due to non-disclosure of information on the reward for innovative activity of employees, investors in the global markets of financial capital do not take it into account during investment decisions, which violates the effectiveness of global investment flows, as in the conditions of formation of the new economy one of the most important criteria of their movement is innovative activity of investment objects.

Reward for innovative activity of employees is an important indicator of a company's innovative activity, as it reflects the intensity of stimulation of such activity and allows for developing an idea on the process of obtaining the corporate innovational results and the company's innovational potential.

Thirdly, inaccessibility of such information may lead to ineffectiveness of the national the national and global economy on the whole. Thus, for example, consumers can support globally oriented companies with low innovative activity by purchasing their products, and the state – by absence of sanction measures that are to increase such activity (fines, additional taxes, etc.). As a result, globally oriented companies which are behind according to other criteria but show larger innovative activity will have lower competitiveness, which may be a serious obstacle on the path of formation of new economy.

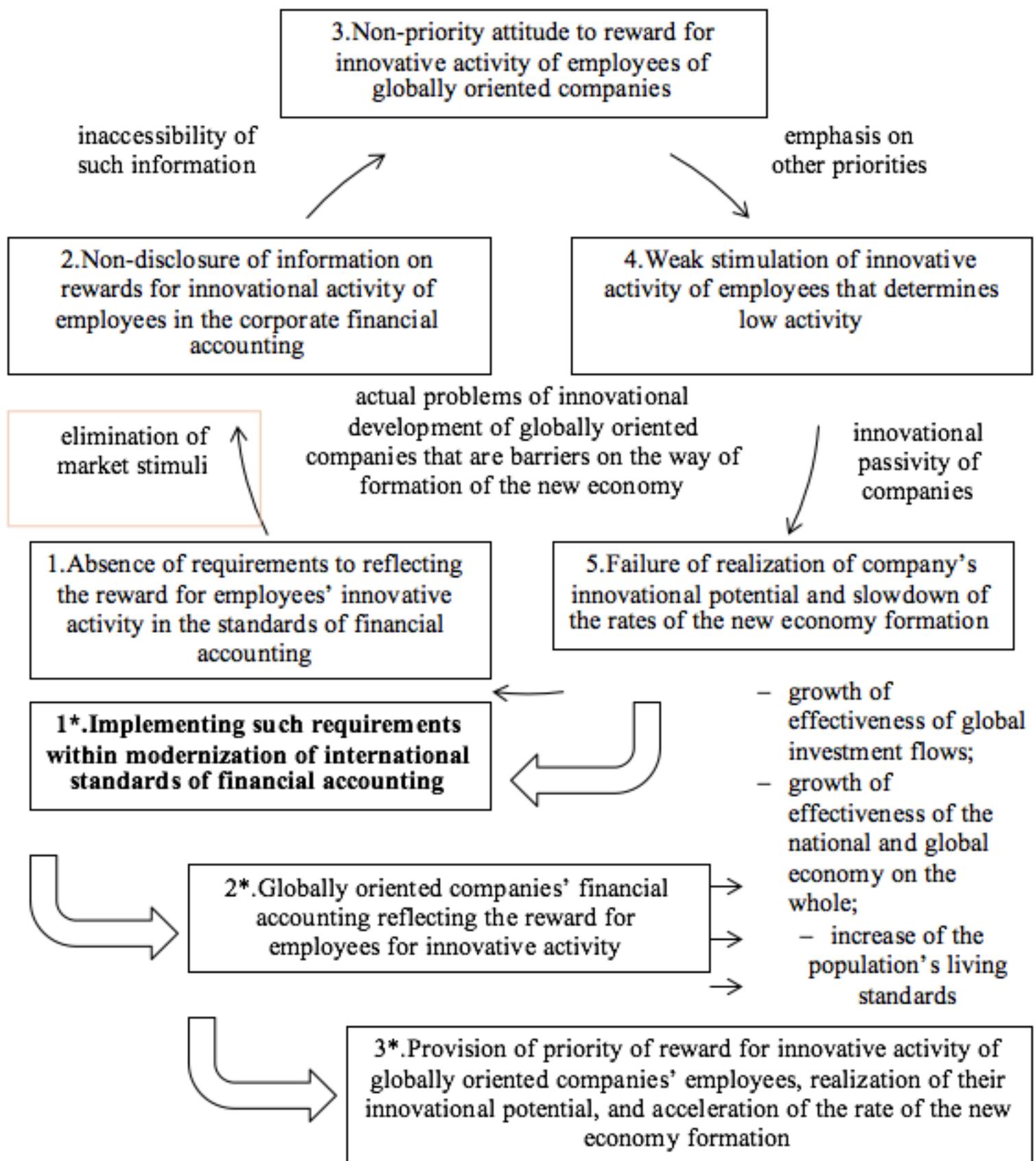
These reasons lead to the necessity for modernization of international standards of financial accounting in view of the necessity for reflecting the reward for employees for innovative activity. For this, the following practical recommendations are offered:

- adding the article "objects of intellectual property" to the article "fixed assets" and adding the article "debt before employees for reward for their innovative activity" into the article "short-term liabilities" of financial accounting. This article should reflect the liabilities of a globally oriented company before its employees for payment of premia and provision of various bonuses in monetary terms;
- creating the article "movement of money assets from innovative activity" in the report on the cash flow report. This article should reflect such items as revenues from sales and rent of intellectual property objects, revenues from selling innovational products, and investments into the material components of innovative activity (including expenses for purchase of equipment, resources, etc.), investments into development of intellectual capital (expenses for additional training of employees), reward for employees for innovative activity (wages for the innovational team members, bonuses for innovational employees, etc.), and the article "Net assets used in the innovative activity".

The offered recommendations suppose accounting of the reward for innovative activity of employees of a globally oriented company in the conditions of formation of the new economy together with other components of their innovative activity, including not only the expenses for its conduct, which include such rewards, but its profits and results. Based on these recommendations, we offer to modernize the international standards of financial accounting in view of the necessity for reflecting the innovative activity on the whole and the reward for innovative activity of employees in particular (Fig. 1).

Figure 1

Modernization of the international standards of financial accounting in view of the necessity for reflecting the reward for employees for innovative activity



As is seen from Fig. 1, the actual problems of innovational development of globally oriented companies come from each other and form a closed circle, which leads to slowdown of the rate of the new economy formation. Implementation of the offered recommendations for modernizing the international standards of financial accounting in view of necessity for reflecting the reward for employees for innovative activity allows breaking this circle and provides advantages for all interested parties.

The financial accounting of the globally oriented companies reflecting the reward for employees' innovative activity stimulates the growth of effectiveness of the global investment flows, growth of effectiveness of the national and global economy on the whole, and, therefore, increase of the quality of the population's living standards. This shows the positive influence of the offered authors' recommendations on the globally oriented companies, interested parties, and the process of the new economy formation and proves the expedience of their practical realization.

4. Conclusion

Thus, it is possible to conclude that reward for employees' innovative activity should be a special item in the financial accounting of globally oriented companies for quick and successful formation of the new economy in the modern global economic system. This requires modernization of the international standards of financial accounting. This allows increasing the transparency of innovative activity of globally oriented companies and optimizing the process of decision making by economic agents that work in the world markets.

The performed research contributes into development of the conceptual provisions of the theory of globally oriented entrepreneurship and the theory of corporate financial accounting, which determines its fundamental value for the modern economic science. The practical value of the work consists in the high level of detalization of the offered authors' recommendations for modernization of the international standards of financial accounting in view of the necessity for reflecting the reward for employees for innovative activity, which allows using them in the final form for improvement of such standards.

A certain limitation of the received conclusions and results of the research is emphasis only on the aspect of reflecting the reward for innovative activity in the corporate financial accounting (result), while its accounting (process) remains outside of the limits of this work. That's why future efforts in scientific research should be focused on development of the methodological provision of various components of innovative activity of a globally oriented company, including the reward for employees' innovative activity. This will allow avoiding the mistakes in this accounting and will ensure compatibility of the data of financial accounting of various globally oriented companies.

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