The creation of a national innovation system (NIS) in Russia is a key objective of improving the competitiveness of the national economy. The innovation process, i.e., the creation, dissemination, and consumption of scientific, technological, organizational, managerial, and other innovations by economic agents, is the main content of the process of modernization of the economy and society in general.

In the last decade, the NIS notion and concept have often been used in studies dedicated to the economic aspects of technological progress. During this period, the Organization for Economic Cooperation and Development (OECD), as well as other international organizations, in particular, the World Bank, have conducted many analytical studies on the transformation of traditional national economies into postindustrial ones.

C. Freeman should probably be regarded as the father of this approach. In the late 1980s, he introduced the definition of NIS [1] as a complex system of economic agents and social institutions (standards and laws), which contribute to the establishment, storage, dissemination, and transformation of new knowledge into new technologies, goods, and services consumed by society.

According to Lundvall’s and Nelson’s classical definitions [2, 3], innovation is a complex process bringing together different participants—companies, producers of new knowledge, technological and analytical centers,—which have many interrelations, thereby creating an innovative system.

Let us point to several essential differences between the NIS concept and the traditional “linear” model\(^1\) of innovation in the economy.

First, the concept clearly implies that particular economic agents with their values and interests create and transform new knowledge and this process does not take place in an abstract “technological plane,” i.e., it is not “virtual.”

Second, directly following from the first statement, according to this concept not so much agents themselves as their interrelations play the major role in the innovation process.

Third, it is essential in what ways (by which rules and laws) these interrelations are regulated in specific economic systems.

It is noteworthy that current (formal and informal) legal space largely determines the national character of an innovation systems. This is especially relevant to the Russian economy in transition, since, on the one hand, Russian legislation still has many “blank spots” and, on the other, these relations in Russia are often regulated not by formal laws but by their informal substitutes.

Fourth, new knowledge may originate not at the beginning of an innovation cycle but at any stage and from any agent of innovation, which spells, in principle, the possibility of using it effectively to improve the final value of the “innovation bonus” [4]. For example, the innovative effect of a marketing policy, advertising campaign, or trademark management may significantly exceed the initially anticipated value added, resulting from the development of a new product/technology/service. Thus, one would be justified in concluding that the “linear” model of new knowledge flow in the innovation cycle transforms into a more complex “network” model, where an agent can generate new knowledge at any stage of the cycle.

Two types of national innovation system. According to the above argumentation, the essential characteristics of national innovation systems are fully defined by the economic and political systems in which they were formed. There are no grounds, then, to assert that Russia’s NIS now is being formed for the first time. Since scientific and technological progress, or the innovation process, has been going on for more than one century, we may state with confidence that the Soviet Union had its own, although peculiar, NIS, which differed considerably from systems characteristic for market economies.

\(^1\) According to this model, a new technology (product) “starts” with basic research, the result of which is used in applied research, and the latter in turn, after experimental development, is transformed into specimens and prototypes of future market products.
The most primitive classification of economic systems assumes two fundamentally different types of system: administrative, or command (centralized), and market (decentralized). The adopted economic paradigm almost fully defines the NIS as an economic subsystem; so, we may refer to two distinct NIS concepts: administrative command (AC) and market.

Historical experience allows us today to describe the qualitative differences of these two NISes and analyze their advantages and drawbacks.

The chief economic, social, and organizational characteristics of the NIS in the USSR command system evolved in line with the fundamental principles of the prevailing paradigm: full state ownership of publicly produced property, including intellectual property; closeness and self-reliance; the mobilizational type of development and the associated militarization of the economy; and the ideologization of all activities, including the science and technology sector. As a result, the NIS in the Soviet command economy had a number of unique characteristics.

Organization. The absolute priority of national security criteria in all economic decision making led to the formation of two loosely related economic sectors: the military-industrial complex (MIC) and the civilian sector. Almost all quality resources (personnel, equipment, technologies, etc.) were concentrated in the MIC [5]. Thus, we may assume, with a degree of conventionality, that one country had in fact established two weakly interacting NISes. Yet, the two NISes used the same organizational and managerial pattern: the departmental organization and management of all agents involved in research, development, production, and service.

Main entities. They were limited to large and super-large (with employees of thousands, sometimes tens of thousands) research and design organizations and pilot and experimental facilities subordinated to ministries and departments. New knowledge generated by basic research (at corresponding research institutes), was transferred by in a planned manner to applied research institutes, design offices, pilot factories, and further on up to the starting of new products. This pattern “modeled” rather than studied the real needs of ultimate consumers. This NIS divorced the main body of new-knowledge producers, i.e., R&D facilities, from both education and industry. According to the accepted social paradigm, legitimate small forms of innovation, i.e., small innovative business, as indeed business in general, were lacking altogether.

Management, including incentives and motivations. In the planned economy, all processes, including innovation, were centrally regulated according to the targets of the economic plan, which determined the order and structure of technology, product, and service renewals for consumers and guides their “introduction.” To achieve application objectives, state resources were allocated in a centralized manner.

The lack of private ownership of intellectual products created by individual inventors prevented the use in innovation of powerful motivations connected with the desire of innovation owners to obtain significant economic benefits, advantages, and developmental prospects. This reason alone made the introduction of innovations in the AC NIS fundamentally impossible.

Some qualitative characteristics. Owing to its basic organizational principles, the AC NIS was characterized by low manpower mobility, either horizontal (interindustry and regional mobility) or vertical. In general, this NIS type is characterized by the poor flexibility and mobility of all structures, including, for example, the subject structure of R&D. This was one of the main reasons for the USSR’s lag in the technological “innovation race” among developed countries in the second half of the 20th century.

The planned economy's orientation toward a system of gross figures, in which quantitative indicators of output and scale prevailed over qualitative indices, coupled with a slow response to quickly changing needs of the economy's innovation sector, led to a permanent shortage of state-of-the-art instruments, unique (not mass) equipment, etc. They were replaced by relatively cheap labor resources, including intellectual ones. As a result, an important characteristic of the innovation process in the AC NIS was labor surplus at all stages of the cycle, which often led to labor “lumber” in many NIS entities.

At the same time, this NIS model offered some advantages, in particular:

— the possibility of concentrating huge intellectual and material resources on tackling large-scale scientific and technological tasks required by the state,

— very favorable economic and social conditions for the scientific community itself to develop basic research and pilot studies, and

— the possibility of solving some complex problems with very modest means (thanks to inexpensive intellectual resources).

At the same time, by the late 1980s–early 1990s, the irreparable drawbacks of the AC NIS model became visible, eventually leading to the increasing lag of the Soviet Union in the most advanced fields of science, technology, and high-tech production.

Modern market-type NISes are based on fundamentally different economic paradigm, with a corresponding liberal-innovational NIS. In practice, this means:

— the openness of a national economy and its incorporation in the global economy;

— legislated private ownership, including that of intellectual products;

\(^2\) Issuing certificates of invention and a small gratuity was in fact a state act of divorcing them from future economic results of the "application." The state (this or that department) took these functions upon itself.
—the equality of economic agents, including the state, in economic activities; and
—legal support of the competitive environment; this keeps producers targeted at consumer needs and stimulates continuous innovation.

In market-based NISes, agents assume almost all the main innovative risks, putting at stake their livelihood and even existence. However, these agents have many times higher motivational incentives than in the AC system. That is why the organizational structures of such NISes organically generate and develop small innovative businesses. Generally, the market-NIS organization is characterized by a combination of large—including transnational integrated firms, leaders of national and global economies,—with a multitude of small innovative businesses (SIB), which operate at the most risky stages of the innovation–technological cycle.

The Russian national innovation system in the transition period. Russia has been moving to a free market economy since 1992. Two important political decisions have been carried out: the openness of the social system and the demilitarization of the economy. Simultaneously, as a result of state decisions and actions of nongovernmental entities, a national market-type innovation system started to evolve. Significant shifts occurred in one of the main agents of the innovative process—in Russian science. The following of its characteristics underwent change.

Scale. Labor resources decreased, according to official statistics, almost twofold, and financial support, several times. The scope of research significantly narrowed; entire schools (and organizations) in the civilian sector and partly in the MIC disappeared because of noncompetitiveness.

Political and ideological limitations. The principle of openness and involvement of Russian science in world research has, generally, been realized, and ideological barriers have vanished.

The elements of a legal framework have been created; however, whole groups of topical problems cannot be addressed unless new laws are adopted and existing ones are corrected.

The organizational structure of science has also been changing but slowly: old scientific organizations have noticeably decreased in size, which improved the flexibility and quality of their management. New sectors have appeared: nonstate science and small innovative business.

Qualitative characteristics. Instrumentation and equipment have not improved, but differences between weak and strong sectors have increased. Science has considerably “aged”; however, the interest of young people in higher science and technical education grew in the last couple of years. The integration of science and education is a very slow process. The solution of this problem may give a qualitatively new impetus to the process of revival of Russian basic science.

With few exceptions, science management is not adequate to the new economic realities. Universities and scientific organizations lack innovation culture. The creation of innovations, as before, follows the logic of science development and not of social needs and demand (i.e., the “technological impact” approach prevails).

Budgetary outlays are used inefficiently. Some of the reasons are an obsolete financial mechanism (the “leftover principle”) and an archaic organization of science, dominated as before by traditional Soviet-type departmental institutions, while the productive, technological, and information infrastructures are underdeveloped and many processes (licensing, accreditation, certification, and patenting) are too bureaucratized.

All this indicates that presently, a transitional innovation system functions in Russia, which combines elements of the old and new innovation systems. The old NIS includes the vast majority of scientific and technological organizations in the state sector, i.e., the Russian Academy of Sciences, state research centers, and MIC organizations. The new NIS involves private scientific—technological and service-industry organizations (intra-company science); small innovative businesses; and many nongovernmental, nonprofit, scientific, analytical, consulting, and other centers. All these NIS agents operate on the organizational and systemic principles of market economy. Moreover, some of them are in fact components of the global innovation system.

Flexible ad hoc teams doing project and grant-supported research are being formed, compact and efficiently managed organizations appear, and SIBs are operating within the new NIS.

Small innovative businesses are an important NIS component, since they link science with applications: it is small firms that often take the risks of developing new products and technologies and converting knowledge into a commodity. Because of the risky nature of their activities, the composition of small firms is constantly changing, many firms die, but new ones take their place. This creates some equilibrium and provides the “critical mass” of small firms in the NIS. The Russian specificity is that small firms are still too few and the innovative structure to support and develop them is only just evolving.

Development of small knowledge-intensive business in the Russian NIS: peculiarities and strategies. Outside Russia, where the operating and support problems of small innovative businesses are well investigated, several efficient programs of support are in operation [6–8]. However, direct transfer of foreign experience to the Russian soil would not yield the same results as in the West. To adapt economic instruments to Russian conditions, it is necessary to study the specificity of the SIB sector during the transitional NIS reform period. Sample analysis of the success stories of Russian small firms helped reveal the characteristics of SIB development. Businesses included in the pilot survey
Innovations Contest, held since 2001 by Ekspert magazine with support by the Russian Ministry of Science and the Russian Ministry of Atomic Power.

All small businesses operating in the Russian innovation sphere fall into two broad groups: businesses affiliated with their parent research institutes and higher educational establishments and independent operations. The first type of small business includes companies founded by research institute staff or college faculty members, as well as companies holding licenses for key technologies of their parent organizations. The majority of small innovation firms belong to this type. Operating under the auspices of parent organizations, they enjoy a number of advantages: they can pay rent and utility bills at a later date; use the relations with partners and customers that were earlier developed by the parent organization; utilize its scientific potential and brand name when promoting their developments, as well as the pilot and experimental facilities; and, finally, receive part of the state orders through their parent organizations. Independent small firms are much fewer, and they survive by finding their niche in the scientific product market.

The main factors that hinder the development of small innovation businesses are underdeveloped financial, productive, and personnel infrastructures; high taxes; shortage of current assets (access to loans); and limited demand from industry.

At the same time, potential venture investors and "business angels," who are appearing in Russia, have their own lists of grievances against small business. Their main point is that money is already available in the country but good projects are not. Small firms are typically nontransparent, they are unable to generate a convincing business plan and are afraid of putting their business under outside management, and they demand a 51% controlling stake. Finally, many companies have not resolved the problem of intellectual property rights, and until recently, few have paid serious attention to this issue.

At the same time, surveys show that the main factor of SIB success is a team of like-minded persons and the high skills of managers who organize small firms. According to the Fund for Promotion of Small Enterprises in Science and Technology, among the small enterprises that have received its support, a good team together with a happy choice of product are the main success factor in the knowledge-intensive business (Table 1) [9, p. 11].

Unfortunately, personnel skills, while an important component, cannot fully compensate for either lack of funding or an unfavorable legal environment. This has been borne out by the negative dynamics of the development of small innovative business.

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According to official statistics, which accounts only for the number of SIBs registered in the sector of science and science service, the number of small businesses is steadily decreasing. In 1995, almost 50000 small innovative firms were registered, by 2000, they were slightly more than 30000, and by 2002, their number dropped to 22700. Meanwhile small innovative companies are also active in different industries. According to expert estimates, the industrial sector concentrates nearly 120000 small businesses. Assuming that about 25% of them are innovative, the total estimate of small innovative enterprises should be at least doubled. Yet, there are no accurate data on the number and dynamics of small innovative companies, and we can only judge tendencies but not specific figures with any confidence.

The decrease in numbers of small businesses may be due to several reasons. First, the number of previous designs, around which small firms were formed, has been exhausted. Partly in consequence of this, there was a trend among small-company teams in the last couple of years to return to the organizations from which they had emerged. Second, current legislation has become stricter, and so has enforcement, which has been especially noticeable since the adoption of the Civil and Budget codes.

On the other hand, the regulatory and legal framework has not become more transparent. For example, state research institutes may now be cofounders of businesses but cannot contribute the founder’s share, not even out of their extrabudgetary funds, or intangible assets (intellectual property) either. This ambiguity leads to the contraction of small businesses affiliated to research institutes or colleges, the majority of which are state-run. At the same time, imperfect legislation encourages SIB incorporation schemes under which a parent organization bears the actual losses of its NIS. This happens, for example, when individuals employed by research institutes or colleges build up small businesses. They retain their personal contacts with the

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage of firms that referred to this factor, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful choice of product</td>
<td>57</td>
</tr>
<tr>
<td>Good team</td>
<td>56</td>
</tr>
<tr>
<td>Well organized marketing</td>
<td>44</td>
</tr>
<tr>
<td>Efficient technology</td>
<td>38</td>
</tr>
<tr>
<td>Competent financial policy</td>
<td>24</td>
</tr>
<tr>
<td>Good dealer net</td>
<td>10</td>
</tr>
<tr>
<td>Intellectual property protection</td>
<td>5</td>
</tr>
</tbody>
</table>

3 According to Article 66 of the Civil Code, as well as Article 24 of the Federal Law On Nonprofit Organizations, of January 12, 1996.
4 According to Article 140 of the Federal Law On the 2004 Federal Budget, of December 23, 2003, "federal institutions may not channel their returns from business or other profit-making activities to the establishment of other nonprofit organizations."
leadership of the parent organization and market the institute's/college's designs elsewhere.

A sampling analysis of the success stories of small companies indicates that the majority of them have sprung from parent R&D organizations (Table 2), but almost half of them are operating independently. Among other ways of forming small firms are alliances between a scientist and a businessperson (16.7% of cases), firms set up by individual scientists/inventors/engineers with no relation to their last employment (11.1%), and small businesses established by entrepreneurs interested in the knowledge-intensive business.

The sphere of activity of small businesses is very diverse, and it is hard to single out the dominating fields. Software engineers, drug manufacturers, and oil and gas equipment designers, as well as promoters of new manufacturing technologies, are encountered in roughly equal shares. Commodities sold vary from mathematical algorithms to night vision devices.

Almost 94% of companies operate in the domestic market, with 44% of companies having a share in both the domestic and foreign markets, and 10% dealing only with foreign customers. Usually firms gradually move from the domestic to the foreign market; however, there have been cases of reverse movement, from the foreign to domestic market. These are cases when domestic technology consumers were more wary of products marketed by small firms than their foreign competitors were. On one occasion, Russian entrepreneurs learned about a product developed by a Russian small firm from their foreign partners.

Thus, the establishment of a small knowledge-intensive firm in the present context may take any of the following courses:

—scientists or engineers develop a technology or product they believe to have a commercial potential. They build up a small firm and try to find consumers (buyers) for it. The desire to preserve a scientific school and keep unique specialists at the parent organization often dictates the establishment of an independent firm;

—a rarer modification of the previous approach is when the patenting of a product forestalls the establishment of a firm, and the startup of a small business is

Table 2. Typology of small innovative firms in the sample

<table>
<thead>
<tr>
<th>Origin (founder)</th>
<th>Sphere of activity (product type)</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic research institute staff, affiliated to the institute</td>
<td>Medicinal proteins</td>
<td>Domestic and CIS</td>
</tr>
<tr>
<td>Academic research institute staff, affiliated to the institute</td>
<td>Gas analyzers</td>
<td>Domestic (start-up) and foreign</td>
</tr>
<tr>
<td>Higher educational establishment’s department faculty using its research institute facilities</td>
<td>Thermoelectric materials</td>
<td>Foreign</td>
</tr>
<tr>
<td>Industrial research institute staff, affiliated to the institute</td>
<td>Film deposition processes</td>
<td>Domestic</td>
</tr>
<tr>
<td>Industrial research institute staff, affiliated to the institute</td>
<td>Crushing and grinding technology</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Industrial research institute staff, affiliated to the institute</td>
<td>Piezoelectric materials for new generation mobile systems</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Factory design office staff</td>
<td>Night vision equipment</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Factory employees using factory facilities</td>
<td>Power units</td>
<td>Domestic</td>
</tr>
<tr>
<td>Employees of several research institutes</td>
<td>Blood purification preparations</td>
<td>Domestic</td>
</tr>
<tr>
<td>Employees of different organizations</td>
<td>Design, manufacture, and installation of automation systems for oil and gas facilities</td>
<td>Domestic</td>
</tr>
<tr>
<td>Engineer on the basis of his/her invention</td>
<td>Improvement of engineering parts</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Researcher or company not associated with parent structure</td>
<td>Mathematical algorithms used in banking, insurance, and trade</td>
<td>Domestic</td>
</tr>
<tr>
<td>Academic research institute staff, company not associated with parent structure</td>
<td>Semiconductor lasers and other gallium nitride-based devices</td>
<td>Mainly foreign</td>
</tr>
<tr>
<td>Industrial research institute laboratory staff, company not associated with parent structure</td>
<td>Dental materials, instruments, and equipment</td>
<td>Internal and CIS</td>
</tr>
<tr>
<td>Alliance between scientists and businessmen</td>
<td>Wide-range temperature measuring instruments</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Alliance between scientists and businessmen</td>
<td>Instruments for microanalysis</td>
<td>Domestic and foreign</td>
</tr>
<tr>
<td>Banker reoriented to knowledge-intensive business</td>
<td>Medicinal preparations</td>
<td>Domestic</td>
</tr>
<tr>
<td>Alliance between a Russian and a foreign scientist</td>
<td>Cryogenic instruments</td>
<td>Foreign</td>
</tr>
</tbody>
</table>
related to a competent licensing policy. Once this stage is over, an independent production unit is set up;

—scientists leave science and become traders or brokers to generate seed money, then set up a SIB; and

—business people interested in the manufacture of knowledge-intensive products study market demand, find developers, launch R&D, and then establish their own enterprise.

The first and the third ways of creating SIBs are the most widespread.

The origins of seed money. According to the development histories of many SIBs, the origins of seed money are diverse, but the dominant source is organizers’ own funds. Here is the list of financial resources in the descending order of their frequency of use: independent means of the founders of a small firm, “business angels’” funds, bank loans, federal budget, customers’ funds (as a rule, an order is made not to the firm but to scientists while they are still on the staff of a research institute), and regional budget.

As a rule, R&D is funded from somewhat different sources. In the companies under consideration, R&D was funded by way of orders and reinvested profit, the Fund for Assistance to Small Innovative Enterprises, the Russian Foundation for Technological Development (RFTD), international programs (CORDIS, Eureka), and venture capital.

The most common approach is reinvestment of profit in new development.

Ways of market expansion. Market expansion usually occurs either due to diversification or by way of entering a foreign market. The latter, as a rule, involves the use of such mechanisms as partnerships with Western distributors, meeting potential customers at exhibitions and conferences, and developing new niches in the wake of Western partners who are leaders at certain markets.

Russian companies face serious problems in developing foreign markets. One of nontraditional problems is Western consumers’ distrust of Russian products: the world still treats Russian goods and technologies as unreliable and uncomfortable.

At the same time, if potential foreign customers see the competitive advantages of proposed products (technologies), they try either to “buy” the idea originators themselves by suggesting them to move for work abroad or to get the controlling stake in the company. If a small company succeeds in asserting itself in such a situation, it then shifts to the next stage of development.

Development of successful small innovative firms has both common and specific features. Common features include the following:

—the majority of SIBs are initially targeted at the domestic market; they learn in the process of commercialization and come into foreign markets, including CIS markets. At the same time, a certain group of firms (for example, in the oil and gas sector) do not have plans to enter foreign markets, since the domestic market is quite broad for their products and their sales are growing at high rates;

—the presence of a leader—a scientist or a businessman, or an alliance between a scientist and businessman, or a scientist who is also a skilled manager;

—highly motivated personnel willing to go through hard periods and suffer losses together with the firm;

—as firms develop, they move from the knowledge and skills needed to manufacture separate parts (components and accessories) to the manufacture of complete products;

—firms grow by establishing auxiliary services (marketing and maintenance), their own production facilities, and personnel training systems. Simultaneously, some firms practice outsourcing (as a rule, at the stage of transfer to the class of medium-sized businesses);

—permanent study of foreign experience in the management, marketing, pricing policy, and client service fields;

—gradual diversification of the market, targeting at different industries, in case if products (technologies) allow this change;

—learning different price strategies and forms of marketing (varying the price depending on the product’s further “tie-in” to component parts, performing first contracts at half price, or offering products for free for the purposes of advertising and attracting customers); and

—resolving property issues by buying out rented premises at a certain stage, since renting creates an unstable position because of the dependence on the landlord’s policies.

Characteristics of small innovative businesses are determined, first, by the fact that success and development are largely based on a number of random and unsystematized factors, on “luck,” business sense, and wise guessing; second, the role of exhibitions and fairs in the search for customers and investors is ambiguous. The success stories of different firms show a wide range of judgments, from the positive and catalytic influence of exhibitions to absolutely neutral opinions, when such events have had no effect whatsoever. As a rule, participation in specialized exhibitions brings better results; however, taking part in a prestigious international exhibition is very costly: from $4000–$5000 to $20000 [10]. Far from every small business can afford such costs. As a rule, companies will get ahead at exhibitions that have prepared and conducted a thorough market research.
Thus, the main SIB problems are related to shortage of funds, especially in the start-up period, as well as to limited opportunities of expanding the business when it develops successfully.

Presently, the START program, implemented by the Fund for Assistance to Small Innovative Enterprises, is a promising way of supporting small innovative businesses at the earliest stage of development. The program was initiated in November 2003 and is, in fact, unique in Russia: it allocates so-called seed funding to implement innovative projects at the earliest stages of development. The new initiative to some degree resembles SBIR, the Small Business Innovation Research Program, in the United States. As the START program is in the area of risk financing, the level of success is anticipated to be around 10%—an indicator accepted throughout the world as the criterion of success for high-risk innovative projects.

It is advisable that, on conclusion of the first stage of the program, the establishment of an independent “seed” fund should be considered. It is also necessary to start preparations for extending the program to other ministries and agencies that could finance the initial stages of commercialization by allocating a percentage from their research budgets. At the first stage of this initiative, such grants could amount to 0.5% of the R&D budgets of interested ministries. This measure is very important, since it may lead to a reduction in numbers of small innovative businesses. Government participation will reduce existing investment risks, leading to the attraction of nonbudgetary sources to the high-tech sectors of the economy.

For companies having a more stable financial positions, the Russian Foundation for Technological Development is an effective source of repayable loans.

Another way of stimulating the development of small innovative firms is to allow stably developing small businesses to use, cost free, currently idle premises and facilities of factories and research institutes with the prospect of their redemption within 15 years. Setting up production at rented premises is known to be very risky. The experience of developing small innovative firms shows that a sudden cancellation of rental relations on the landlord’s initiative, incurring losses to small businesses, is not a rare occurrence. Pending property problems also hinder the development of the whole technological infrastructure (innovation centers and technoparks). There are no mechanisms of transferring fixed assets from universities or academic institutes (which are state-owned organizations having the right of working management of property); therefore, the innovative infrastructure is expanded either through development of idle land or completing incomplete construction projects. Consequently, it is necessary to develop regulatory and legal procedures for the transfer of property complexes.

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