



Valishvili, M. (2026). Institutional Conditions of Innovative Development of Russia in The Context of Import Substitution. *Revista Perspectiva Empresarial*, 13(1-1), x-x.

Institutional Conditions of Innovative Development of Russia in The Context of Import Substitution

MERI VALISHVILI*

ABSTRACT

Objective. Determine the role and significance of innovative institutions as key elements of economic development and identify institutional factors influencing the implementation of innovative technologies in Russia. **Methodology.** The study employed general scientific and interdisciplinary methods, including scientific analogies, inductive and deductive approaches, and systems analysis to examine the institutional conditions necessary for innovation development. **Results.** The research showed that a top-down approach largely shapes Russia's innovation environment. Institutional structures are organized before businesses are engaged. State-funded innovation infrastructure does not always meet the needs of innovators, creating challenges for the effective implementation of innovations. **Conclusion.** Fostering a more favorable innovation environment can enhance state policies supporting innovation and achieving technological sovereignty. It would enable active business involvement in innovation development processes in priority economic sectors.

KEY WORDS: Innovation process, Institutional environment, Norms, Socioeconomic development, Import substitution.

* Plekhanov Russian University of Economics, Moscow, Russia. E-mail: Valishvili.MA@rea.ru. ORCID: 0000-0001-6258-4150.



Introduction

Under external economic and political constraints, the real sector of the economy faces increased risks (Abdullaev et al, 2023). These risks are particularly pronounced in innovative production (Kirillova et al, 2021). The transition to an innovation-driven development model for economic systems involves intensifying business community activities and, most importantly, fostering the development of high-tech industries. Harmonious development within these two areas creates a foundation for the competitiveness of the Russian economy in global markets.

Advanced technologies are key drivers of the transition to an innovation-oriented type of socioeconomic development. Processes related to building an innovative economy must be examined in conjunction with the establishment and effective functioning of relevant institutions. These institutions become integral factors in macroeconomic development.

This article examines the norms underpinning innovative institutions and their role and significance as essential components of economic development. Current conditions again draw researchers' attention to import dependence as a factor hindering economic growth and threatening national security.

The latest technological developments and solutions are integral to innovation and are catalysts for economic growth. Numerous studies confirm this thesis. By nature, the innovation process is evolutionary. The evolutionary dynamics of innovation are described by the theory of technological paradigms developed by Glazyev and Lvov (1986). According to this theory, a technological paradigm is formed by integrating related industries into a unified technological chain, with its life cycle lasting approximately a century, including a dominant phase of 40-50 years. Scientific and industrial revolutions influence the gradual shortening of the life span of technological paradigms.



The core thesis of the technological paradigm theory is the sequential replacement of lower technological paradigms with higher ones. This transition is driven by government-led innovation policies at macro- and micro-levels. Delays in the transition of paradigms at the national level led to technological lag, which has been the case in Russia.

According to expert estimates, approximately 30% of Russia's industrial production relies on technologies from the third (electrical energy technologies) and fourth (petrochemical technologies and internal combustion engine energy) technological paradigms. The fifth paradigm (informatics and microelectronics technologies) accounts for about 4% of production, while the sixth paradigm characterized by advancements in nano and cell technologies is still in its formative stage (Sultanguzhin, 2011). In comparison, the fourth paradigm accounts for 20% of industrial production in the US, the fifth stands for 60%, and the sixth holds around 5%.

Schwab, the founder of the World Economic Forum in Davos and a German economist, defined the sixth technological paradigm as a breakthrough across all sectors of the economy and public life. This paradigm promises unlimited opportunities for all global citizens, with billions of people interconnected through mobile devices, enabling unprecedented horizons in data processing, information storage, and access to knowledge. It represents a shift to the Internet of Things, extensive use of artificial intelligence, and the "fusion of technologies across the physical, digital and biological worlds" (Schwab, 2016, p. 48).

The Russian economy requires a technological breakthrough rather than an evolutionary development path to bridge the technological gap. The sixth technological paradigm aims to develop Russia's socioeconomic system, ensuring national security and sovereignty and achieving a high standard and quality of life for its citizens. The import substitution policy initiated in 2000 and becoming mainstream in 2022A has driven technological development.



Several approaches to defining the foundations of national economic development exist. Afanassenko (2008) emphasizes that the national economy integrates four elements: natural and climatic, spiritual and moral, economic, and organizational and legal. The latter is the institutional basis for the national economy.

Organizational and legal foundations can create conditions for an innovation breakthrough. The renowned Soviet and Russian scientist Moiseev (1999) claimed that “a breakthrough has always played an enormous role in the destiny of (the nation). Our country can achieve a colossal economic leap in minimum time” (p. 16).

Metodology

A significant part of this study analyzes key approaches to identifying institutions and institutional conditions for innovation development in the national economy. The research methodology includes general scientific, interdisciplinary, and special economic methods. These comprise the method of scientific analogies, inductive and deductive approaches, and a systems approach.

To identify institutional factors influencing the development and implementation of new technologies in production processes in Russia, we examined the main parameters of innovation development institutions as presented in scientific works.

Results and Discussion

Technological transformations in the real sector of the economy are driving forces that ensure national security, sovereignty, and economic competitiveness on the international stage. Processes related to forming a new type of economy must be considered in conjunction with



establishing corresponding institutions. Institutions regulating innovation processes become independent factors of macroeconomic development.

As innovation activities progress, a new approach to production organization is formed. An analysis of scientific literature identified key criteria for classifying production as innovative or traditional (Table 1):

Table 1. Competencies that promote the development of professional communication.

Criteria	Traditional (industrial) production	Innovative production
Limited resources	Resources are limited	Resources are unlimited
Saving resources	Saving resources is important	Saving resources is not a primary requirement
Capital	Physical and natural capital	Substitution of physical and natural capital with intellectual capital
Novelty	Production that is not novel	Science-intensive production. Increase in employee qualifications
Technology maturity	A well-known, proven process implemented based on old knowledge and skills	A process with many unknowns, the product of which is new knowledge, technologies, and technical solutions implemented in practice
Creative development	Creativity disrupts the standardized technological process	Development of the creative personality, abilities
Risks	The risks are known	Moving toward informed risk
Product awareness	Mass production. A product known to the market	Search for technological solutions and development of new products
Reproducibility	Reproducibility of the structure and properties of materials	The process of innovation and scientific discoveries is repeated cyclically
Profitability	Falling profit margins, when the market is saturated with products	High profit margins

Source: Compiled by authors

Table 1 demonstrates that, unlike traditional production, innovative production focuses on maintaining a high profit margin by continuously integrating new knowledge, technologies, and technical solutions. The foundation of innovative production lies in people's creative abilities to generate new ideas and the risks associated with launching, manufacturing, and marketing innovative products.



The potential for economic growth in a national economy and the ability to use innovative technologies for further development are linked to the existing institutional conditions. The institutional theory distinguishes between the concepts of institute and institution. Commons (1950), a representative of traditional institutional economics, was among the first to propose this distinction in “The Economics of Collective Action”. He emphasized that institutions (processes) are not identical to institutes (structures or rules). Institutions are understood as ongoing processes, whereas institutes are the outcomes of these processes, representing rules of conduct. Various authors interpret institutes differently: as rules, mental frameworks (Veblen, 2018), rules and mental models, or rules, beliefs, and organizations (Greif, 2012). Institutes are regarded as a driving force behind economic and social development.

Institutes and institutions are realized as the institutionalization of intangible productive forces that regulate transformations and transactions. This means that an institution serves as the substantive basis of an institute, while an institute ensures the realization of institutions.

American political scientist and economist, founder of the Bloomington School, E. Ostrom (2007) in her studies of institutional processes shifts the focus from institutions as a set of rules to institutions as “action arenas”. In these arenas, behavioral incentives for participants are formed, and an overall institutional environment is created.

In Russian studies, institutions are viewed as “norms” and “rules”. When examining institutional traps in economic development, Polterovich (1998) uses the terms “institute”, “norm”, and “rule of behavior” as synonyms. Kleiner (2001) defines an institute as an “integrated complex of traditions and routines”, a set of “norms plus mechanisms that control and support their implementation” (p. 23).



When considering institutions as a set of regulating norms, we can distinguish several groups of these norms:

- 1) Basic norms are the core of the institution which remains unchanged throughout its existence.
- 2) Additional norms are the protective layer of the institution which adapts to external conditions and allows modifications of the norms without changing the core.
- 3) Auxiliary (supporting) norms aim to monitor and control compliance with the norms included in the institution's core.
- 4) Values-based norms reflect the attitude of society and its members toward the institution in question.
- 5) Cognitive norms regulate the perception and analysis of the norms of an institution by different subjects.

In the context of innovation development, these norms undergo substantial transformation.

An institution's core in the context of innovation development is the norms that regulate the activities of the innovation process participants. The institutions of innovation development (i.e., the core) include economic, legal, and political norms. Within the framework of innovation development, the system of norms for state support and incentives for innovation is enshrined in strategic documents, such as the Concept of Technological Development of the Russian Federation until 2030 and the Unified Plan for Achieving National Development Goals of the Russian Federation until 2024 and the Planning Period until 2030.



The protective layer is formed by national priorities for innovation development, mechanisms of coercion that preserve the institution, and tools for state innovation policy within the framework of priority state projects and programs. Additional norms regulating innovation activity include regulatory acts, such as the Decree of the Government of the Russian Federation No. 1273-r (July 14, 2012), which established a list of technologies of significant socioeconomic or critical importance for the country's defense and security.

Auxiliary (supporting) norms of innovation development include active government involvement in creating objects of innovation infrastructure, financial support mechanisms, and stimulating innovators using budgetary funds and monitoring and controlling the effectiveness of budget expenditures. As part of the state policy for creating innovation infrastructure, 53 special economic zones (Federal Law of the Russian Federation No. 116-FZ, 2005), 23 advanced development territories (Federal Law of the Russian Federation No. 473-FZ, 2014), and 25 innovation clusters (Order of the Government of the Russian Federation No. DM-P8-5060, 2012) were established.

Values-based norms reflect the attitude of business and civil society toward innovation activities. The maturity of these norms determines the receptiveness or resistance to innovations within the economy. Entrepreneurs typically seek quick economic returns in their business activities while minimizing potential risks, whereas innovation activities are inevitably associated with risks, and economic returns may require a long time.

Innovation receptivity or resistance characterizes the essence of values-based norms and reflects society's attitude toward innovation activities. On the one hand, people are not always ready to use innovative goods, services, and technologies in their everyday lives. On the other hand, entrepreneurs aim to achieve immediate economic effects with maximum risk avoidance, whereas innovation activities are inherently tied to risks.



Cognitive norms are related to creativity, achievements in science and technology, and the adoption of economic decisions that consider the high risks associated with innovative production.

The key meaning of the institutional approach to innovation activities lies in analyzing institutes and institutions considering economic, political, legal, behavioral, socio-psychological, and other factors. In this context, particular importance is given to stimulating innovation and innovation-driven import substitution as a specific area of state policy. A new concept emerges in the economic turnover (localization of production) which refers to the creation of domestic production based on imported technologies. Production localization has become a priority import substitution form in current macroeconomic conditions. Institutional conditions are formed to stimulate the import substitution of technological innovations amid the transformation of the Russian market.

The institutional characteristics of innovation processes under import substitution conditions determine the direction of government policies in several key areas, including:

- Development of a regulatory framework that establishes the authority and boundaries of state regulatory influence over economic and innovation activities.
- Creation of critical and innovative infrastructure to provide favorable conditions for innovators and enhance the investment attractiveness of specific regions.
- Establishment of technology transfer channels by creating an effective system of interactions among all participants and sectors of innovation activity, including government bodies and innovation-driven businesses.



– Formation of business incentives, such as financial support, organizational, economic, and administrative mechanisms for innovation development, and the promotion of public-private partnerships.

– Fostering social demand for innovative goods, services, and works.

The development of innovation activities on a national scale does not fully align with traditional institutional theory due to the specific nature of the innovation process, which manifests in two aspects: static and dynamic. The static aspect is related to a national innovation system, where effective multilateral connections are established between government bodies, business, and science, and where an innovation infrastructure is created to implement all stages of the innovation cycle, including fundamental research → applied research → pilot production → mass production → diffusion of innovations. The dynamic aspect is determined by innovation-driven economic modernization, which involves passing through certain stages (phases) of development.

Innovation activities in the context of import substitution require the creation of prerequisites, particularly an institutional environment analogous to the investment climate in innovation creation. The term “innovative environment” has been used since the 1980s to analyze the systemic conditions a country can create for the genesis of new ideas and products, the organization of new production, and the development of new markets (Krasochenkova, 2014).

The theoretical interpretations of the innovative environment presented in the scientific literature are diverse, but their nature is relatively limited and correlates with: 1) a set of rules of conduct for market participants; 2) a set of interconnected institutions (Sannikova, 2013); 3) forms of influence and interaction between institutions (Sambueva, 2014); 4) formalized and informal frameworks and restrictions.



Conclusion

Each socioeconomic system is characterized by specific norms, rules, traditions, and models of economic behavior.

In the Russian economy, innovation processes deviate from the classical institutional approach and develop reversely. First, an organized institutional environment is created and managed top-down. In this environment, business is involved in innovative production. Similarly, innovation infrastructure is established and funded by the state budget, but it does not always align with the needs of innovators. The overall focus of state policy on fostering innovation and ensuring technological sovereignty in priority economic sectors has the potential to reorient government authorities toward supporting and assisting businesses. This can be achieved by creating a highly favorable innovative environment.

Acknowledgments

The article was prepared with the financial support of the Plekhanov Russian University of Economics within the internal grant “Improvement of measures of state financial regulation of innovative development of the Russian Federation in the conditions of import substitution policy” (Order No. DO-1527 of July 29, 2024).

References

Abdullaev, I., Prodanova, N., Ahmed, M. A., Joshi, G. P., & Cho, W. (2023). Leveraging metaheuristics with artificial intelligence for customer churn prediction in telecom industries. *Electronic Research Archive*, 31(8), 4443-4458. <https://doi.org/10.3934/era.2023227>



Afanasenko, I. D. (2008). Khozyaistvo s neodnorodnoi ekonomicheskoi strukturoi [An economy with a heterogeneous economic structure]. *Izvestiya Sankt-Peterburgskogo universiteta ekonomiki i finansov*, 3, 7-15.

Commons, J. R. (1950). *The economics of collective action*. Madison: University of Wisconsin Press.

Decree of the Government of the Russian Federation No. 1273-r. (July 14, 2012). *On approval of the list of technologies that have important socio-economic significance or are important for the defense of the country and state security (critical technologies)*. Retrieved from: <https://base.garant.ru/70202762/>

Federal Law of the Russian Federation No. 116-FZ. (July 22, 2005). *On special economic zones in the Russian Federation (latest revision)*. Retrieved from: <https://base.garant.ru/12141177/>

Federal Law of the Russian Federation No. 473-FZ. (December 29, 2014). *On territories of advanced socio-economic development in the Russian Federation (latest revision)*. Retrieved from: <http://www.kremlin.ru/acts/bank/39279>

Glazyev, S. Yu., & Lvov, D. S. (1986). Teoreticheskie i prikladnye aspekty upravleniya NTP [Theoretical and applied aspects of scientific and technological progress management]. *Ekonomika i matematicheskie metody*, 5, 793-804.

Greif, A. (2012). Instituty i put k sovremennoi ekonomike. Uroki srednevekovoi trgovli [Institutions and the path to the modern economy. Lessons from medieval trade]. *Ekonomicheskaya sotsiologiya*, 13(2), 35-58.



- Kirillova, E. A., Zulfugarzade, T. E., Blinkov, O. E., Serova, O. A., & Mikhaylova, I. A. (2021). Prospects for developing the legal regulation of digital platforms *Perspectivas de desarrollo de la regulación legal de las plataformas digitales*. *Jurídicas CUC*, 18(1), 35-52. <https://doi.org/10.17981/juridcuc.18.1.2022.02>
- Kleiner, G. B. (2001). *Osobennosti protsessov formirovaniya i evolyutsii sotsialno-ekonomicheskikh institutov v Rossii* [Features of the formation and evolution of socioeconomic institutions in Russia]. Moscow: TsEMI RAN.
- Krasochenkova, N. P. (2014). Otsenka sredy, vliyayushchei na razvitie innovatsionnogo protsessa v Rossii [Assessment of the environment affecting the development of the innovation process in Russia]. *Upravleniye ekonomicheskimi sistemami: Elektronnyy nauchnyy zhurnal*, 12(72), 69.
- Moiseev, N. N. (1999). *Agoniya* [Agony]. *Svobodnaya mysl*, 5, 15-23.
- Order of the Government of the Russian Federation No. DM-P8-5060. (August 28, 2012). *On approval of the list of innovative territorial clusters*. Retrieved from <https://cluster.hse.ru/news/214040565.html?ysclid=m4g5fjy7cr308218305>
- Ostrom, E. (2007). Challenges and growth: The development of the interdisciplinary field of institutional analysis. *Journal of Institutional Economics*, 3(3), 239-264. <https://doi.org/10.1017/S1744137407000719>
- Polterovich, V. M. (1998). *Institutsionalnye lovushki i ekonomicheskie reformy* [Institutional traps and economic reforms]. Moscow: Rossiiskaya ekonomicheskaya shkola.



- Sambueva, N. A. (2014). Rol institutsionalnykh uslovii v formirovanii sotsialno-ekonomicheskoi sistemy regiona [The role of the institutional environment in shaping the socio-economic status of the region]. *Vestnik Buryatskogo gosudarstvennogo universiteta*, 2, 15-18.
- Sannikova, T. D. (2013). K voprosu o transformatsii institutsionalnoi sredy innovatsionnoi deyatel'nosti v regione [On the transformation of the institutional environment of innovation activity in the region]. *Innovatsionnyy vestnik región*, 2, 67-71.
- Schwab, C. (2016). *Chetvertaya promyshlennaya revolyutsiya* [Fourth industrial Revolution]. Moscow: "Eksmo".
- Sultanguzhin, I. F. (2011). Tekhnologicheskie układy v Rossii i priority innovatsionnogo razvitiya [Technological structures in Russia and priorities of innovative development]. *National Interests: Priorities and Security*, 1(94), 39-43.
- Veblen, T. (2018). Teoriya prazdnogo klassa [The theory of the leisure class]. Moscow: URSS.