

STRATEGIC DIRECTIONS OF BALANCED ECONOMIC GROWTH OF ENTREPRENEURIAL ENTITIES

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Purpose. The purpose of the paper is to study and describe some characteristics of the balanced economic growth of entrepreneurial entities (small, medium and large enterprises), draw valid conclusions and reveal future perspectives, which will allow us to balance their sustainable dynamic development and be able to mobilize and effectively manage our own resources.

Results. In both developed and developing countries, the role of small and medium enterprises is important. Small and medium-sized businesses are the main driving force in business development. In many countries of the world (including EU countries), small and medium entrepreneurship is considered as the main strategic direction of inclusive growth, employment, and economic development. The problem of economic growth of enterprises in the market economy is an urgent issue. Despite many innovative offers, the activities of the country's enterprises, the growth of their scale requires more efforts. One of the main guidelines for ensuring the sustainable economic growth of enterprises is to ensure the economic efficiency of the leading sectors of the country's economy, the enterprises included in them. In the conditions of modern globalization, as a result of the strengthening of competition, the issue of the development of the innovative economy came to the fore. The role of the leading directions of the country as a whole, as well as their individual enterprises, is essentially increasing. They determine the country's specialization in the world economic system. Such enterprises determine the national competitive advantage.

Scientific novelty. While working on the research issues of the paper, as a result of theoretical and empirical research, the following were improved and complexly investigated: modern approaches to the study of ensuring the balanced economy, components of the balanced indicator system, balanced economic growth models, as a result of which the modern features and challenges of the economic growth of Georgian enterprises were revealed. Besides, in this study, the theoretical foundations of the balanced economic growth research are analyzed; the peculiarities of the balanced growth of enterprises in the conditions of globalization are defined; the ways of balanced economic growth of enterprises, its financial and economic indicators, models and perspectives are determined; the mechanism of sustainable development of enterprises is identified; as a result of studying the functions of a small and medium-sized enterprise, its strengths and weaknesses have been identified; the factors hindering the development and internationalization of the country's small and medium-sized enterprises have been identified; the main recommendations for the development and internationalization of small and medium-sized enterprises of the country have been developed.

Practical value. The conclusions and recommendations formed as a result of the conducted research can be used as a starting point for the balanced economic growth of the country's business entities, small and medium enterprises.

Key words: sustainable development, sustainable economic growth of enterprises, innovative economy, competitive advantage, balanced economic growth.

Introduction. Globalization processes have an adequate impact on the development of the country's economy. Modern globalization presents the country with new challenges. The most important thing is to ensure security and sustainable development. Sustainable development means meeting the needs of the present without compromising the needs of future generations (Rogers et al., 2012). Sustainable development is based on the economy of a democratic society, which combines the principles of ecological security and social justice.

Achieving sustainable development is an important challenge for the country's success and progress. It is important to raise the rate of economic growth, which ensures inclusive development, overcoming poverty, and increasing the income of each family. The relevance of our research lies in identifying the priority directions, the factors hindering the balanced, optimal economic growth of enterprises (companies), challenges and ways to solve them optimally (Sachs, 2015). Overcoming them will contribute to the strengthening of the country's economy, the permanent growth of the income of its business entities – companies (enterprises).

The growth of the country's overall economy is measured by the long-term increase in the production volume of real GDP. The main criterion for the growth of an individual enterprise is the indicator of the total income of the company. Auxiliary criteria, indicators of net profit and assets size are also used to characterize the economic growth of the enterprise.

Economic growth depends on resources. When a resource is involved in the production process, it becomes a factor. The main factors are: amount and quality of capital, labor or workforce, natural resources. The output volume can be increased by using additional resources. This is extensive economic growth. However, growth can be achieved as a result of rational use of production factors. This is intensive economic growth. In the second case, the main factors of economic growth are technologies. It is technologies that determine the nature of resource use. The ability to use resources efficiently also depends on demand and the capacity of markets. Economic growth is significantly influenced by institutions, historical and geographical (non-economic) factors (Zoidze, 2021).

As the country's resources are exhausted, the opportunities for extensive growth are significantly reduced. Intensive factors are becoming increasingly important for their economies. They are aimed at efficient use of resources. It is important to distinguish the main models of modern economic growth and development: development based on investments (new, more productive resources) and development based on knowledge and technology.

Review of literature. First of all, it is important to have a complex methodological approach to the assessment of the effectiveness of the companies' activities. We need an approach that we can apply to organizations of different types of ownership. Among indicator systems, the balanced indicator system has a special place today. This system includes the principle of a systematic approach to the functioning of the company, which measures the economic and operational activities.

The works of many scientists are devoted to the elaboration of the theoretical and methodological bases of the analysis of the balanced economic growth of the enterprise.

As is known, the beginnings of evolutionary economics are given in the works of the classics – A. Smith & T. Malthus. Its origins can also be seen in the works of biologists C. Darwin & J. B. Lamarck. Lamarck's evolutionary teaching is based on the idea of the variation of species and the complication of their organization as a result of the influence of the external environment. Elements of the evolutionary approach abound in the works of many economists.

J. Schumpeter (2017) developed an evolutionary theory of enterprise growth and development. J. A. Schumpeter's role in perfecting this theory is special. He was interested in what forces caused economic change. He considered innovation (initiatives) to be the source of development, and he considered the entrepreneur to be the main driving force.

D. Weil (2016) synthesized the growing literature on economic growth. The author's goal was to present research on economic growth to a broad audience in an easily understandable form, the facts that need to be explained, structure for analysis, physical capital, population and economic growth, future trends in population, human capital, measuring productivity, the role of technology in growth, cutting edge technologies, efficiency, growth In an open economy, government, income inequality, culture, geography, climate and natural resources, resources and the environment at the global level.

A. A. Atkinson, R. S. Kaplan, E. M. Matsumura & S. M. Young (2020) provided a valuable methodology on how to obtain information and analyze it to improve financial results. It also showed how to identify the types of activities that lead to these outcomes. To this end, it is important to know how to monitor information about key activities in order to understand the production process that transforms these activities into financial results. Financial results that enterprises try to improve include: costs, income, profit, sales. Product development, creation, sale, delivery, customer service is responsible for changing financial results.

R. Kaplan & D. Norton (2015) offered companies a system based on cause-and-effect relationships between strategic goals, which reflects their parameters and factors to achieve planned results. It consists of four components – financial, customer, internal business processes and personnel training and development, goals and objectives, which are reflected in financial and non-financial indicators. The authors outline how to use these metrics to align the goals of individual employees, business units, and the entire enterprise, and how to identify new processes and initiatives that will lead to customer and shareholder satisfaction. It is also important that Kaplan and Norton place special importance on creating feedback necessary to test the correctness and viability of the strategy.

R. Kaplan & D. Norton developed a system (Balanced Scorecard System). This system includes effective planning of enterprise activities, information gathering,

objective evaluation of employees and methods of motivation. The main feature of the system is that not only financial, but also marketing, personnel and business process development indicators are used to achieve the goals. Thanks to this approach, the entrepreneur has the opportunity to consider and analyze all the cause-and-effect relationships that lead to the implementation of his company's strategy.

R. S. Kaplan, R. E. Kaplan & D. P. Norton (2004) described the indicators of a balanced system, such as strategy maps. It is a tool designed to visually describe strategies. It describes in detail the structure and methods of mapping for enterprises in the private and public sectors of the economy, as well as for non-profit organizations. Authors make provisions for the life of society. About value creation by companies, production management processes, customer relations, innovation, as well as the active role of enterprises. Kaplan and Norton pay a lot of attention to the alignment of the company's intangible assets (human, informational and organizational capital) with the formulated strategies. The book shows how to create ambitious but understandable strategies and strategy maps for employees. Also, the importance and methods of successful implementation of these strategies are outlined.

According to J. Sachs, C. Kroll, G. Lafortune, G. Fuller & F. Woelm (2021), the provisions put forward by the authors are important, that for the economic growth of enterprises, it is important to examine the characteristics that will allow us to balance their sustainable, stable, dynamic development and manage to mobilize and effectively manage our own resources.

In addition to the above-mentioned works, interesting views on the topic discussed by us are presented in the studies of the following authors: Beckerman (1994); Broman & Robert (2017); Carley & Christie (2017); Daly (1990); Duran et al. (2015); Hasan & Chyi (2017); Hirai (2022); Holmberg & Sandbrook (2019); Kurpayanidi (2021); Leon-Ledesma & Moro (2020); Madsen & Stenheim (2015); McCombie & Thirlwall (2016); Nazarova et al. (2021); Norreklit (2003); Perkins et al. (2014); Quesado et al. (2018); Rampersad & Hussain (2014); Roorda (2020); Silvestre & Tirca (2019); Veshapidze et al. (2022) etc.

Materials and methods. The purpose of the paper is to find out the characteristics of balanced economic growth of entrepreneurial subjects of the countries – micro, small, medium and large enterprises and to reveal their growth potential, draw valid conclusions and reveal future perspectives, which will allow us to balance their sustainable dynamic development and be able to mobilize and effectively manage our own resources.

The theoretical basis of the research is selected according to the achievement of the set goals and objectives. In particular, adequate theoretical-methodological foundations of small and medium-sized enterprises research, classic and modern theoretical provisions, models and methods on the economic growth and development of enterprises, studies of local and foreign authors and institutions have been used. The starting point of the research is the theoretical statement that small and medium-sized enterprises are the life force of the modern economy. According to world experience,

a strong middle class is a guarantee of the high development of the economy, which is essentially responsible for small and medium-sized enterprises, which create jobs, economic wealth, etc. A country that creates an adequate macro and micro environment for entrepreneurs and takes care of their development achieves success in terms of economic growth.

The work uses dialectical, analysis, synthesis, statistical and comparison methods; an empirical method for the scientific study of results obtained through self-observation and practical participation. We rely on data correlation and comparative analysis to explain the relationship between research data. However, our research is based on the data of international organizations, statistical references and official statistical data of countries.

Both general and statistical methods were used in the research process, in particular, analysis, synthesis, grouping, etc. A graphical representation of the obtained results and statistical material was carried out. The methods used in the work process represent modern expert models and approaches that are actively used in information processing by various international organizations, scientists or researchers.

Results and discussion. Competition is considered to be the universal mechanism of economic growth. In the nature of competition, important stimulating mechanisms are embedded. Modern models of economic growth associate economic growth with sustainable equilibrium and the growth of the potential capacity of the economy.

The term "sustainable development" is a complex concept. It has many aspects. Sustainable development means meeting the needs of society in a way that does not jeopardize the meeting of the needs of future generations (Hoque, 2014). Sustainable development is based on the economy of a democratic society, in which environmental security and social justice are combined.

On September 25, 2015, 193 UN member states agreed on the Sustainable Development Agenda, which outlines the 2030 agenda for global transformation and sustainable development. This document includes 17 goals and 169 tasks, which are oriented towards the following main directions of sustainable development: economic growth, social inclusion and environmental protection (United Nations, 2015; Biermann et al., 2017).

To implement the goals presented in Figure 1, it is necessary to coordinate the strategy according to each goal, to conduct cooperation in conditions of transparency and civic engagement based on effective partnerships between governments and civil society, and to allocate the necessary resources to solve the set tasks worldwide.

The world economy grows every year, but the created material and spiritual wealth, benefits, do not reach all members of the society. Therefore, it is important to make economic growth inclusive. Economic growth is inclusive when it is accompanied by poverty reduction. Inclusive growth means that everyone has the opportunity to benefit from it (Temple, 2010). Inclusive growth can be achieved by the maximum involvement of the population in economic processes, reducing unemployment, getting more incomes and opportunities. Economic growth is

impossible without inclusiveness.

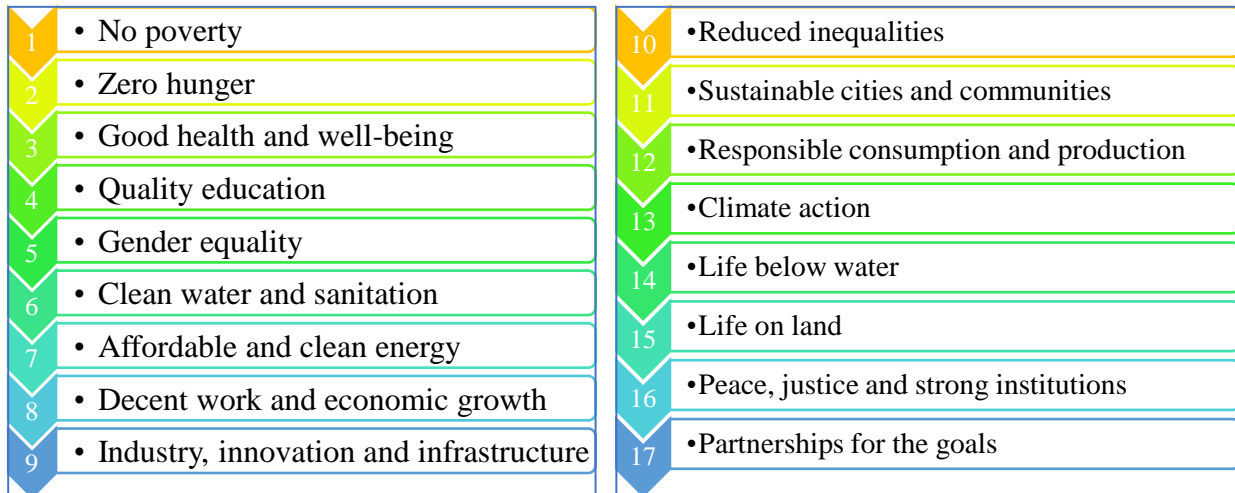


Figure 1. Sustainable development goals

Source: United Nations (2015); Rowe (2020).

The main task of economic growth and development is to meet the needs of society. This is reflected in the increase in well-being. Inclusive economic development has societal value.

Norway is often cited as an example of inclusive economic growth. Norway has large oil deposits. In 1990, a state oil fund was established in Norway. Only 4 % of the fund is spent on current state needs. The rest is in the fund, the accumulation of which has already reached a fairly substantial amount. These funds are spent for the benefit of future generations. It is placed in foreign securities. The fund plays an important role in the economic growth and development of the country. In Norway, the development of scientific fields is the main priority of the state. The savings of the country, together with the national motive, are also calculated on high economic efficiency.

It should also be noted that one of the regularities of the economy is its constant growth. This is the basis of sustainable social development. The main objective of such development in the economy is growth, efficiency and stability (Figure 2).

Economic growth means an increase in the volume of production. It is measured by the growth of Gross Domestic Product (GDP) and GDP per capita. Economic development leads to an increase in the standard of living of the population. The main ways to achieve this are the improvement of production, human capital and technology. Following the strengthening of the trend of globalization, the problem of economic growth is becoming more and more urgent. The problem is more urgent for developing countries. There are several reasons for this. The main thing is that the share of manufacturing industry in these countries is low. This rate is high in developed countries. The share of services is also high.

Investments are an important factor of economic growth. By influencing the multiplier mechanism, they increase aggregate demand and national income (Abuselidze, 2018). This in turn leads to an increase in savings. It will be followed by capital accumulation financing.

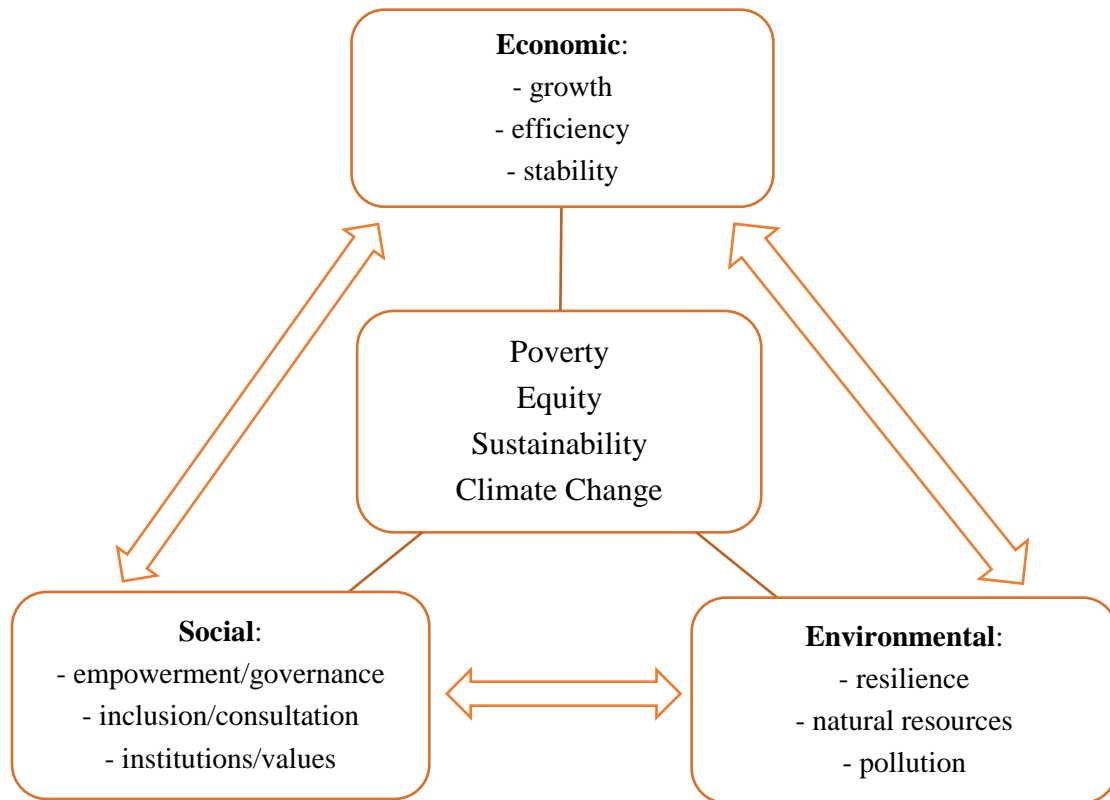


Figure 2. Sustainable development triangle

Source: Based on Munasinghe (2015).

Less developed countries do not have adequate sources of capital accumulation. Therefore, it is important to improve the investment climate. It is necessary to make such a climate that creates the same favorable conditions for both national and foreign capital (Zoidze & Tkhilashvili, 2021).

Economic development covers many areas. It is important to develop the service sector. Information technology is also an important field. Then comes the integration of all kinds of markets. Less intervention in the economy of the state is desirable. This means, on the one hand, the abolition of trade barriers and the liberalization of investment flows. On the other hand, it means an adequate reduction of state regulation of the economy.

Economic growth is measured by long-term growth in real GDP and output. The economy can grow in intensive and extensive ways. Extensive growth of the economy means its expansion under the conditions of inclusion of additional resources in production. This way is mainly used when the country is rich in resources. But many important resources are exhaustible.

At the stage of modern globalization, the consumption of resources is limited by their exhaustion (Shengelia et al., 2020). Therefore, the opportunities for extensive growth of the world economy are significantly reduced. Intensive growth factors gain more importance. Intensive growth is aimed at efficient use of resources. Two main models of modern economic development can be distinguished. The first model is aimed at more productive use of resources. This model is called investment-based

development, which is aimed at new, more productive resources. In this model, the main focus is on capital accumulation. Here, investments in machinery and infrastructure are important.

The second model of economic growth is based on knowledge and advanced technologies. It implies a new and more effective use of existing resources. Let's touch on knowledge and technology based growth and development more thoroughly. Technology is the main driver of development in the global economy (Veshapidze et al., 2022). The sources of economic growth are inventions and innovations. The result of inventions is new knowledge, and innovations are the improvement of existing knowledge methods, more precisely, the improvement of ways of its use. Important changes in the economic growth of companies are related to inventions (Giannopoulos et al., 2013).

There are two basic forms of knowledge. The first is general knowledge. Its specific applied use is the second. This, the second form is based on changing technologies. It is the same as changing the behavior of people, therefore, the combinations of their activities, the sequence of their implementation and the rules change. As more people apply new ideas, the more scientists and engineers there are in society, the more ideas and discoveries will emerge. Effectiveness of general knowledge acquisition mechanism is important for economic growth. Such knowledge is an indicator of possible, potential development. It is aimed at changing production technologies as well as policies (Zoidze & Veshapidze, 2022b).

In addition, the growth of companies is significantly influenced by the information economy. This is an activity aimed at the production, distribution and use of information and communication technologies. Also, in modern conditions, liberalization is important to achieve economic growth. It increases the capacity of markets.

It should also be noted that non-economic factors are important for balanced economic growth. They affect the magnitude of economic growth. Such are the historical and geographical features. Institutional factors are especially important. They are not equally perfect and fair in all countries. It is important to protect the inviolability of property. Its importance in the global economy is increasing. The reason is that the interdependence of companies increases in these conditions. Good institutions make contracts easier to form as well as enforce. They are especially important for companies in developing countries. The reason is that the institutions in these countries are not fully formed yet.

Traditionally, earlier companies researched and made decisions on the basis of the following financial indicators: current profits, returns on investment, evaluating the performance of departments and determining the capital allocation base.

Modern globalization processes have put companies in front of a changed reality. The problem lies in finding the right combination of financial and non-financial indicators. Financial indicators alone may have been adequate and sufficient for companies in the early twentieth century. Companies today succeed by creating

differentiated value from their intangible assets as well as their financial and physical assets. The organization's intangible assets include: reliable and profitable customer relationships; high quality process; innovative products and services; employee experience and motivation; database and information systems.

For this purpose, special importance is attached to the model called Balanced Scorecard. Balanced Scorecard is a general and flexible approach to performance evaluation. It provides a framework that selects financial and non-financial indicators from the company's strategy (Nikolaou & Tsalis, 2013; Sibirskaya et al., 2015). Metrics include, but are not limited to, those related to performance, quality, and process improvement analysis.

The system of balanced indicators is a good tool for economic analysis. It includes the relationship between monetary and non-monetary measurement quantities, between economic and managerial activities, between past and future results, between strategic and operational management levels, as well as between internal and external aspects of the company's activities.

In order for companies to achieve optimal economic growth, they must develop and implement their strategy based on the analysis of complete information. The required information can be both financial and non-financial. A management accounting system provides both financial and non-financial information within an organization to company managers and employees.

This information is tailored to the specific needs of the individual decision maker and is rarely disseminated outside the organization. In contrast, financial accounting reports, economic information in a standard format, go outside the company and are intended for such persons and organizations as: shareholders, creditors (bankers, bondholders and suppliers), regulatory bodies and government tax authorities (Zoidze & Veshapidze, 2022a).

In order to plan, organize and control the company, it is necessary to focus on such financial indicators of the results of the activity, which use financial information, have relations with people outside the organization. Because the information that decision makers need is more non-financial information than financial information.

Companies need both financial and management accounting information. Financial accounting information is based on the information of the past period and creates a special form where this information is brought into the system, calculated and subject to distribution. At the same time, companies have freedom of action when creating a management accounting system, the information provided by which helps decision-making within the company.

To better understand how management accounting data can increase profits, reduce costs, and improve process management, we must focus on the information that employees and managers need in the decision-making process, and not on what is acceptable to outsiders and organizations.

Companies cannot manage financial results such as: costs; income; profit; sales. They can only manage activities that lead to financial results: product development;

product creation; product sale; product delivery; customer service. A company monitors information about key activities to understand the production function (or process) that transforms these activities into financial results. In this way, company managers clarify and improve financial results by changing the direction of the main activity.

If it turns out that the efficiency has decreased, in order to determine the reason and increase it, the company should review its business strategy. The most essential action to develop it in a modified form is to determine the main, target customer and provide products taking into account their needs.

The system of balanced indicators offers four areas of effectiveness evaluation, which are the most important for the successful operation of the company. The four different but related perspectives of the balanced scorecard consist of the organization's vision, strategy, and objectives:

1. Financial: How is success measured by our shareholders?
2. Customer: How do we create value for the customer?
3. Internal Business Process: Which process should we enhance to meet customer and shareholder demands?
4. Learning and Growth: What information systems, employee and organizational capabilities do we need to improve our processes and customer relationships? (Figure 3).

The four different but related perspectives of the balanced scorecard consist of the organization's vision, strategy, and goals. The creation of a system of balanced indicators begins with the mapping of strategic tasks. This means:

- 1) division of strategic goals according to perspectives;
- 2) determining the cause-and-effect relationship between goals;
- 3) to assign responsibility for their achievement. When companies define their long-term goals, they formulate their main objectives. To do this, they use the company's role-defining directives. These directives are vision, mission and strategy.

When developing strategic goals and indicators through the four perspectives of the balanced scorecard system, long-term financial goals must first be defined. In the perspective of the process, it is necessary to choose those goals that will improve productivity and efficiency, the main carriers of financial indicators. Finally, it is necessary to define the employee experience, the information to be delivered, and the culture of the company and its means of regulation, which ensures the improvement of the basic processes. Companies represent this relationship with a picture called a strategy map, which shows the causal relationship between the four goals of the Balanced Scorecard perspective. The foundation of any strategy is a financial and learning and growth perspective.

A balanced scorecard system allows companies to track financial results while continuously monitoring non-financial indicators of how they are creating customer, process, employee and system related tools for future growth and improved profitability (Gigolashvili, 2022). Companies, when drawing up their plans, develop a mission, goals and expected results according to the perspectives on the results map.

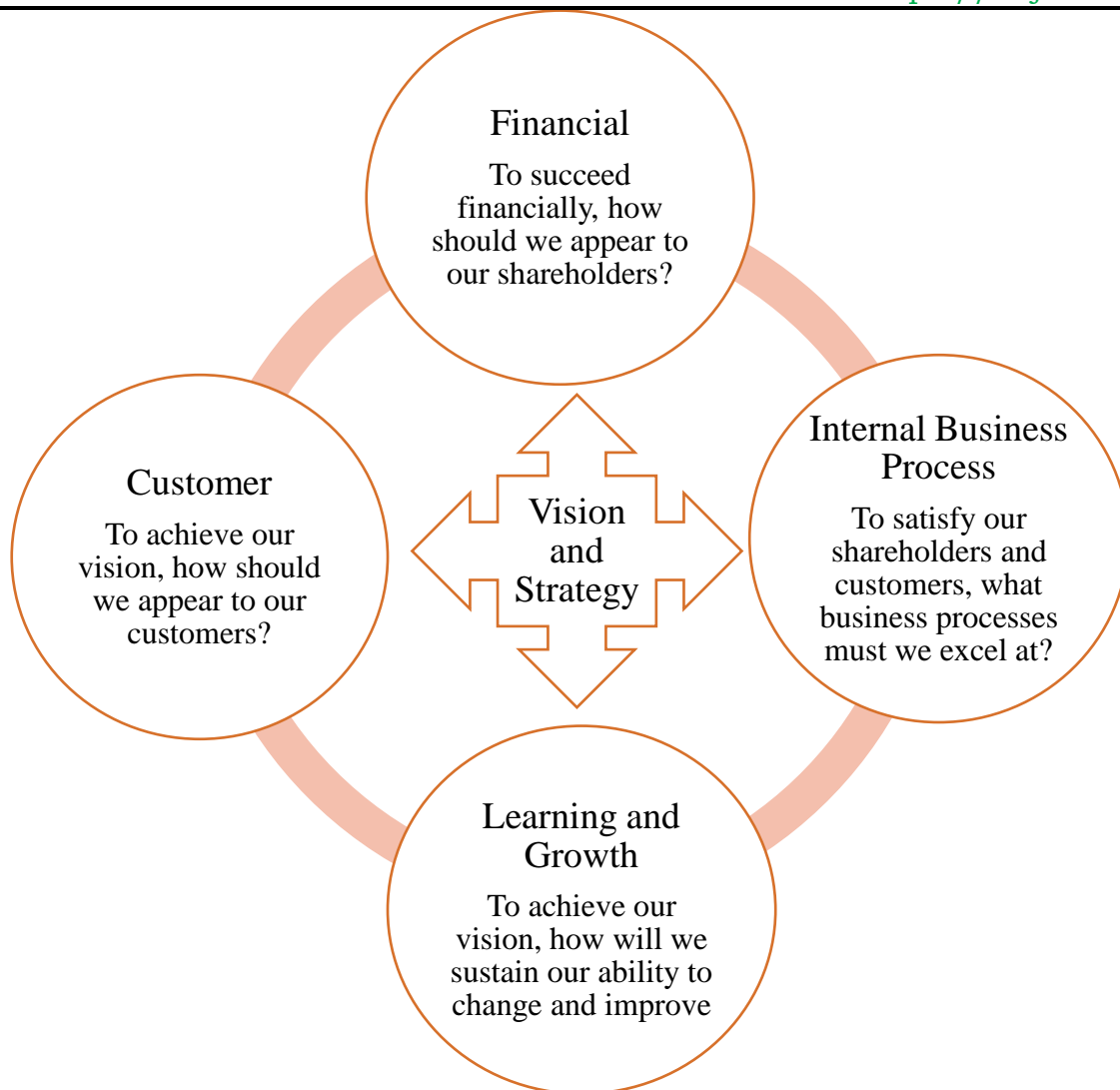


Figure 3. Balanced scorecard framework

Source: based on Kaplan & Norton (1996).

After developing the company's vision, mission and strategy, the management team should choose a performance appraisal system to make the statement of the company's vision, mission and strategy more effective and understandable to all employees. Creating a balanced scorecard system should begin not with indicators, but with a statement called a objective that describes what the company is trying to achieve (Abdullah et al., 2013; Coe & Letza, 2014).

Typical goals that can be reflected in the four perspectives of the balanced scorecard system are as follows: increase in revenue by increasing the volume of sales to existing customers (Financial); Creation of a customer-oriented company (Customer); Continuous efforts to improve the process (Internal Business Process); Alignment of employee incentives and promotions with strategy (Learning and Growth).

The financial perspective of the balanced scorecard system includes objectives and indicators for maximizing the company's profits and reflects the level of ultimate success. Financial performance indicators, such as operating income and return on

investment, indicate the company's strategy and whether its implementation is sustaining growth in share value. Improving the company's financial performance is done through two main approaches: revenue growth and productivity.

A customer perspective should describe how a company can differentiate itself from its competitors in terms of attracting, retaining, and developing deeper relationships with its target customers. The customer perspective forms the core of the strategy. It should include specific objectives and indicators for the customer value proposition, which refers to the combination of product characteristics, service and customer relations that should satisfy the target customer's requirements more than competitors. Success from a customer perspective leads to improved financial objectives by increasing revenue and profits.

The user perspective of the balanced scorecard system begins with inputting several indicators of successful results from a well-formulated and implemented strategy (Rompho, 2011). This can be expressed as follows: customer satisfaction; customer retention; customer acquisition; customer profitability; market share; recorded share. From a process perspective, financial and performance objectives and metrics reflect results – satisfied shareholders and reliable customers. On the basis of a successful strategy, when a company has a clear idea of what it wants to deliver to shareholders and customers, it will be able to determine how to implement it, which involves basic, operational management processes.

The innovation process is very important. At this time, new products, processes and services are developed, which often allow the company to enter a new market and a different customer segment. Successful innovation leads to customer acquisition, trust and growth, which ultimately leads to increased operating profit. Without innovation, a company's value proposition may ultimately be false and compete only on price for undifferentiated products and services.

The conducted studies revealed that in the conditions of the Covid-19 pandemic, the priorities for the recovery and further development of the economy were arranged as follows: a flexible health care system, more local production and less imports, promotion of domestic tourism, digitization-remote work, setting reasonable tariffs within the transit corridor, taking care of the economy on the part of the government, which means caring for the well-being of every citizen (Abuselidze & Mamaladze, 2021).

The inclusive economic growth model: a descriptive and comparative analysis. Inclusive economic growth is an important benchmark for developing countries, as a proper assessment of inequality allows resources to be used in the right direction, which provides the opportunity to achieve a high level of development and economic growth. In addition, a high level of inequality reduces the possibility of reducing the level of poverty.

Inclusive growth considers appropriate social policies that will promote the broad involvement of production factors in growth and departs from the logic of "Kaldor-Hicks", according to which the main economic growth and then the redistribution of

growth through social security. Various studies show that the development of infrastructure, the development of public services, raising the level of education, the availability of health services, the openness of the economy to capital and access to credit – can raise the level of well-being in the country. Therefore, the issue of inclusive economic growth is important today, as many developing countries are facing the above-mentioned challenges.

In our research, based on the comparative analysis of relevant statistical data, we studied the dynamics of the annual growth of the gross domestic product of 6 countries: Slovakia, Croatia, Georgia, Bosnia-Herzegovina, Slovenia, and Latvia for the years 2001–2021. We selected these 6 European countries based on some similar quantitative and qualitative indicators (for example, population size, gaining independence, economic and political strength).

In this research, we studied the following statistical data from various authoritative organizations (including the UN, World Bank): world population, GDP per capita (by 2021), annual GDP growth (2001–2021 dynamics, as well as the average and mean standard deviation for the years 2001–2021) (Table 1).

Table 1

A comparative analysis of the six target countries by Population, GDP per capita, St. Deviation and Mean of GDP Growth

| No | Country | Population, UN estimate, 2021 | GDP per capita (in USD), 2021 | St. Deviation of GDP growth (annual %), 2001–2021 | Mean of GDP growth (annual %), 2001–2021 |
|----|----------------------------|-------------------------------|-------------------------------|---|--|
| 1 | Slovakia, 1993 | 5,447,622 | 35,550 | 3,7 | 3.5 |
| 2 | Croatia, 1991 | 4,060,135 | 32,942 | 4.3 | 1.9 |
| 3 | Georgia, 1991 | 3,757,980 | 15,709 | 4.5 | 5.2 |
| 4 | Bosnia & Herzegovina, 1991 | 3,270,943 | 16,300 | 2.8 | 2.8 |
| 5 | Slovenia, 1991 | 2,119,410 | 43,210 | 3.7 | 2.4 |
| 6 | Latvia, 1991 | 1,873,919 | 34,120 | 6.0 | 3.4 |
| 7 | World | 40,000,000 (approx.) | 12,263 | 2.0 | 2.9 |

Source: United Nations (2022a; 2022b).

Our research revealed several important details. One of the things that the analysis of the data clearly showed us is that the data for all six countries in question is higher than the corresponding world average (Figure 4). Latvia (6.0), Georgia (4.5) and Croatia (4.3) have the highest standard deviation of annual GDP growth, indicating that in the 21st century these countries have less balanced growth than the other three countries (Bosnia-Herzegovina, Slovakia, Slovenia). It should also be noted here that the highest average value of GDP growth was found in Georgia (5.2).

As for the GDP per capita, it is ahead of the growth rate of the GDP in percentage terms. The question arises, what is the reason for this difference? The only reason is that the increase in GDP per capita is caused by the reduction of the population, that is, the population of Georgia has decreased by about 10 % compared to 1990. Depopulation is mainly caused by migration, which is directly related to economic freedom, as citizens migrate in search of better alternatives (employment, social

conditions) in regions where there is more freedom of choice to improve the standard of living.

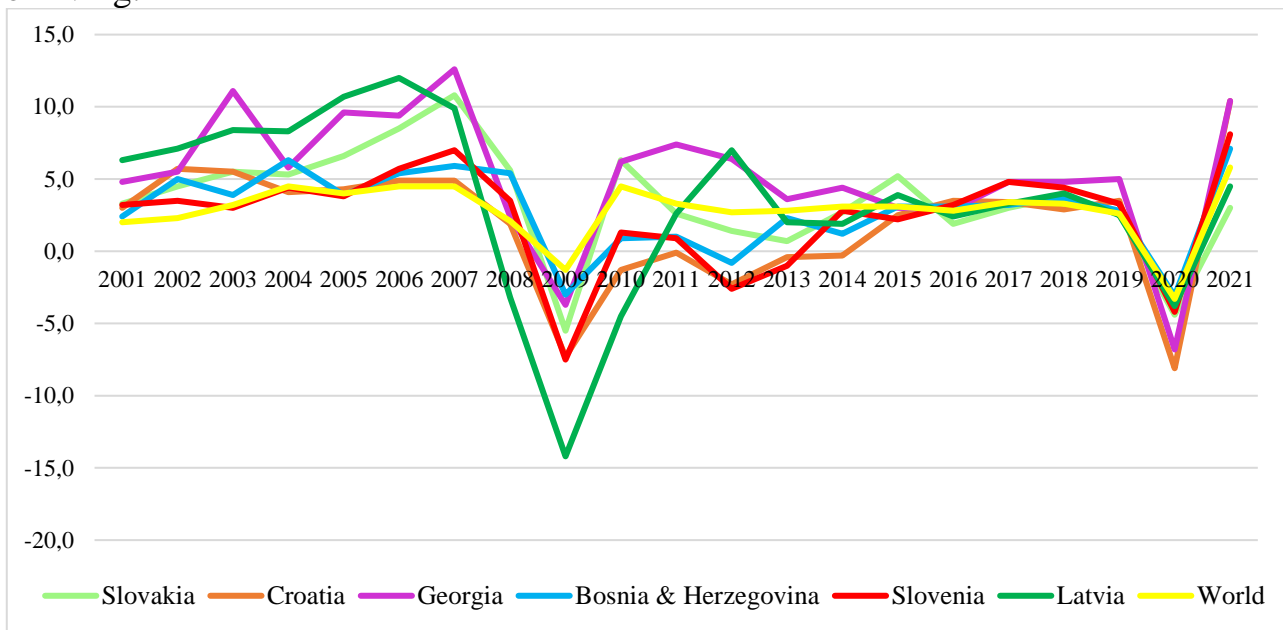


Figure 4. Annual GDP growth: comparative analysis of Slovakia, Croatia, Georgia, Bosnia and Herzegovina, Slovenia, Latvia and the world average

Source: World Bank (2022).

The inflationary process also affects the nominal GDP growth. The study revealed that during this period this process was characterized by moderation. However, when calculated, the exchange rate difference does not make a significant difference in constant 1996 or 2003 prices, so a low exchange rate pushes GDP higher than real GDP. This, on the one hand, seems to bring us closer to the corresponding indicator of the world, however, it limits economic freedom for economic subjects and national producers entering foreign markets. This is due to the fact that goods in foreign markets are exchanged for convertible currency. In the end, this has a negative effect on the indicators of economic growth.

Georgia has very low economic growth rates. Obviously, there are small but real economic growth rates. This small economic growth is due to whom and at what expense? We will try to analyze this with general reasoning. Philosophical “I” wants to live better tomorrow than today, therefore to have more income, spend more and save more. Thus, the personal aspiration of each “I” towards progress gives us little growth, and in this economic growth the most important factor of economic growth – the state economic policy with its supporting mechanisms to ensure a free environment for economic activity – is less involved.

Based on the general picture, the low standard of living of the population is worrying, which is evidenced by the low indicators of GDP per capita compared to the world indicators, if the standard of living of the population is not sharply raised, it will be impossible to accelerate economic growth. To do this, Georgia needs to achieve double-digit GDP growth rates in order to catch up with developed country economies, and most importantly, maintain stability and sustainability.

Lack of investments appears to be one of the main obstacles to economic growth in Georgia. The influence of banks on economic growth is also weak, because they mainly provide only short-term credit. The mentioned circumstance creates quite unfavorable conditions for the private sector, not to mention the high cost of credit, which is basically a sign of a non-competitive money market and low economic freedom. While the greatest importance is given to the free investment resources to ensure economic growth, the greatest importance is given to the growth of domestic savings and the development of the financial market in the investment resources, which is also ensured by the free environment (Veshapidze & Karchava, 2022).

Thus, the analysis of the materials showed us that Georgia did not manage to transition to solid economic growth. The main reason for this is that the state failed to provide appropriate institutional and structural transformations, to establish a management system that would contribute to the creation of a free economic environment and favorable conditions for business development. In the future, it is hoped that the state will be able to perform the function assigned to it, which is necessary to achieve a solid and stable rate of economic growth.

The economic growth of the country is of great importance for its development, improvement of social conditions and overall well-being of the population. Although it may have some negative effects from an environmental point of view, the benefits of economic growth are so far outweighed by its negative effects that the negative factors become negligible. For sustainable and safe economic growth, it is necessary for the state to support economic freedom and conduct an effective socio-economic policy (Zoidze, 2021). The manifestation of freedom, or the desire arising from it, moves into the material sphere, thus it acquires an economic character, therefore it is necessary to have an institution that plays a regulatory role, because in the material sphere, economic interests may conflict, cross, or connect.

Both sides of the transaction in the state market (buyer and seller) care about their own well-being, but in most cases this allows the state representatives to strengthen the care of personal well-being; And this is how the derogatory elements of freedom and competition arise. Restrictions on economic freedom lead to the transition or liquidation of economic agents from the formal to the shadow sphere, limit the economic freedom of business entities operating in the formal economy, and thus stimulate corruption in the shadow economy.

In the post-social space, the state mainly limits economic freedom by delaying the formation of private property, in particular by delaying the transfer of state property inherited from the socialist system to private ownership, in particular, the “secondary market” is limited by a large share of the state “primary market”. Unfortunately, the mentioned circumstance remains out of attention from the organizations and researchers working on the circumstances limiting the quality of economic freedom. Thus, the non-use of “dead” capital does not allow for the formation of a real market economy, the main driving factor of which is capital, and power is an economic property (Gerliani, 2013).

The degree of economic freedom depends on free choice. Accordingly, our definition of the degree of economic freedom is as follows: the greater the number of optimal alternatives, the choice of which can bring an optimal and rational (profitable) result, the greater the degree of economic freedom. Also, the degree of economic freedom determines personal freedom, and both together create political freedom. Based on the above, the well-being of people and society, the marginal area of existence of economic units, the public interest of the state, are balanced in one common space. The common intersection between these interests gives us a favorable area of common economic freedom. The larger this area, the greater the economic freedom.

In the case of restrictions on economic property by the state, people's well-being decreases and, accordingly, the incomes of the society (citizens) decrease, their level of freedom decreases and the society in general becomes less purchasing power (i.e. becomes poorer), this has a negative impact on a number of macroeconomic indicators, especially on savings. Economic freedom differentiates profits horizontally among economic agents, which leads to the growth of total (common) savings, as well as optimal investment of savings, while the restriction of economic freedom, on the contrary, leads to a decrease in savings and investments. If the state carries out a liberal-economic freedom stimulating policy in the conditions of a market economy, the degree of economic freedom increases and has a positive impact on macroeconomic indicators, which determines economic well-being and economic growth.

Economic freedom is limited during crises. Almost all anti-crisis policies increase the level of government administration, thus restricting economic freedom, which may lead to deepening recessions and depressions. In addition to the above, we consider the unequal existence of economic freedom at the local or global level to be the main cause of the crisis itself. The different level of economic freedom in different countries leads to unrealistic economic representations in economic segments, the so-called "bursting of bubbles". Since the investment funds cannot be realized in the real economy due to the lack of rational alternatives.

During an economic crisis, the balance between aggregate supply and aggregate demand is disturbed. Nevertheless, under conditions of economic freedom, it is possible to manage an economic system relatively resistant to recessions, which operates on market principles rather than artificial interventions.

In order to stop or mitigate the economic decline, it is necessary to invest in innovations and scientific and technical progress. Our analysis shows that the growth of savings is not at all wretched and dangerous, if it is freely invested in optimally progressive sectors in accordance with the advanced needs. However, for the state, as well as for private business entities, the increase in savings, in turn, should be a signal that investment is not being carried out optimally and economic freedom needs to be supported. It is necessary for private entities to review the market situation in order to anticipate new needs and occupy a new activity niche by satisfying them.

In the conditions of economic freedom, the global crisis can become a factor of

local success. The right economic policies of a number of countries can increase economic prosperity by ensuring economic freedom. An economically underdeveloped country (region) in the background of the global crisis can gain much more than it can lose, which is possible by ensuring economic freedom.

Conclusions. While working on the research issues of the paper, the modern approaches to the research of ensuring the balancedness of the economy, the components of the system of balanced indicators, the models of balanced economic growth, the modern features and challenges of the economic growth of enterprises were investigated in a complex way. As a result of the research, scientific innovations were revealed and recommendations were developed on the basis of the mentioned, which are expressed in the following:

- The dependence of the economic growth of enterprises, companies, corporations and firms on inclusive economic growth, inclusion in world economic processes and the use of the country's potential, traditions and culture were analyzed.
- Aspects of activities of enterprises, companies, corporations and firms were analyzed. The multifaceted role of companies in achieving the country's economic growth and development strategy, effective management of the economy and attracting investments were revealed.
- Factors hindering the internationalization of enterprises, companies, corporations and firms were identified and recommendations to overcome it were offered. The main threat is the neighborhood and unstable political situation. Therefore, the first and effective factor for a sustainable economy is peace and stability, for the government to ensure and facilitate the proper participation of companies in global trade markets.

As a result of the research, it is substantiated that education and cultural policy are essential for the growth of the economy. Along with this, increasing the efficiency of enterprises, companies, corporations and firms largely depends on reinvestment, increase of own capital and reduction of borrowed funds. Enterprises, companies, corporations, and firms should conduct economic activities taking into account the potential of the country's territorial units. Any state should formulate its economic policy in this direction, which in turn ensures security and sustainable development.

The rise of economic freedom in the background of the global crisis, when economic freedom is limited by regulations at the global level, allows attracting investment and material resources. At the same time, the less developed countries can become lifelines for the leading countries of the world economy in terms of getting them out of the crisis (buying cheaper dormant goods).

This requires economic freedom and raising its quality, supremacy of the main factors of its provision. In general, various indices do not provide economic growth, they only measure various indicators of the economy in relation to certain indicators, however, the information provided by them can be used to increase the balanced growth of the economy and economic well-being.

Conducted studies confirm that economic freedom, which is focused on the free

market (free exchange and price formation), has a positive effect on economic growth indicators and increases social well-being, both in terms of purely economic characteristics and in terms of the criteria of general public goods of life.

Globalization processes have an adequate impact on the development of Georgia's economy. Modern globalization presents the country with new challenges. The most important thing is to ensure security and sustainable development. Sustainable development means meeting the needs of the present without compromising the needs of future generations. Sustainable development is based on the economy of a democratic society, which combines the principles of ecological security and social justice.

Achieving sustainable development is an important challenge for the country's success and progress. It is important to raise the rate of economic growth, which ensures inclusive development, overcoming poverty, and increasing the income of each family. The topicality of the topic derives from this, in order to highlight the priority directions, factors hindering the balanced, optimal economic growth of enterprises (companies), challenges and their optimal solutions. Overcoming them will contribute to the strengthening of the economy of Georgia, the permanent growth of the income of its business entities – companies (enterprises).

Economic growth depends on resources. When involved in the production process, the resource becomes a factor. The main factors are: amount and quality of capital, labor or workforce, natural resources. The output volume can be increased by using additional resources. This is extensive economic growth. Growth can be achieved as a result of rational use of production factors. This is intensive economic growth.

In our study, it is also justified that according to the new trends of transition to Eurocriteria, small and medium-sized entrepreneurs should familiarize themselves with and analyze the deep and comprehensive free trade agreement signed with the European Union, in which the government expresses strong support (small business loans, project "enterprise Georgia", ease of doing business, a liberal payment code and fewer regulations).

The analysis revealed that for the post-pandemic period, the priorities for economic recovery and further development should be arranged as follows: a flexible healthcare system, more local production and less imports, promotion of domestic tourism, digitization-remote work, setting reasonable tariffs within the transit corridor and Transcaucasian corridor, government on the part of taking care of the economy, which means taking care of the well-being of every citizen.

Companies at the modern stage often face such challenges as: increased flow of economic information, most of which is unstructured, contradictory and delayed; excessive orientation on financial indicators, which reflect the past economic situation, that is, on the results of early decisions; using accounting data as the main source of information; the increase in the size of companies, the complication of their organizational structure; lack of complete information about various aspects of entrepreneurial activity, which play an important role in increasing the competition of

the enterprise; the insufficiency of traditional indicators (profitability, sales volume, etc.) to make long-term strategic decisions; insufficient attention to the external environment, as the traditional system of indicators cannot reflect the possible behavior of customers and competitors in the future and, therefore, cannot warn us about other possible changes in the components of the industry and the external environment. However, key financial indicators are mostly focused on internal problems of the enterprise, not on external ones. Therefore, it is important for companies to use a balanced scorecard system to overcome the above-mentioned problems.

Research limitations and research perspectives. The study of the peculiarities of economic growth of Georgia according to the types of economic activity requires, first of all, consideration of the problem as a whole. For this kind of research, it is important to analyze the main macroeconomic and social results of the country. An important role in the growth and development of the economy belongs to the state. The government can create a competitive environment, develop basic infrastructure, take care of education, make it easier to do business, introduce low, reasonable taxes, make business loans cheaper, reduce interest rates. It is important for entrepreneurs to familiarize themselves closely with the requirements of the DCFTA, a deep and comprehensive free trade agreement signed with the EU. This will make it possible to see how the mentioned agreement provides opportunities and what are the requirements in terms of goods and their quality in the EU market.

Overall, it's important to get to know how businesses work together in the EU. This will enable entrepreneurs to overcome low productivity, low access to knowledge and technology. Also, it is important for the entrepreneurs to realize that it is necessary to increase the quality of the products and to spread proper information about the products in the European Union and other markets.

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