COMPANY DEVELOPMENT STRATEGY CHOICE ON THE GROUNDS OF INNOVATIVE POTENTIAL ASSESSMENT

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ABSTRACT

The article studies the ways of company development strategy choice based on the assessment of innovative potential. The Matrix of ways of innovative development of the company has been built, taking into account the properties of its innovative potential. The company's development strategies has been analyzed: advance (attack), following, imitation, selective growth, search, defence (protection), market niche protection. The system of corporate indicators for evaluating innovations that characterize the company activity in an economic space is determined.

Keywords: Innovative Potential, Susceptibility to Innovation, Development Strategies.

INTRODUCTION

In the face of increased competition, innovation activities are becoming one of the priority types of companies' functioning. None of the business entities can implement an active policy on the market without the use of innovative potential. The main task of innovations management, as one of the conditions for improving the efficiency of its development, is to ensure its effective operation and development in the long term due to grounding and choice of promising areas for attracting innovations that significantly differentiate products (services) of the company from competitors' products. So today, investing in innovative projects that ensure the production of competitive products based on progressive means of production and management is particularly relevant. In addition, the current economic environment requires companies to pay special attention to the analysis and evaluation of the prospects for innovation.

Innovative development involves, first of all, the definition of the place and role of innovation in implementing the general policy of company development, which is being developed to achieve long-term goals in a competitive environment. Achieving success requires continuous investment attraction, the effectiveness of which is impossible without the formation and justification of business area in the long term. Moreover, such a strategy should be based on the activation of innovation activities as improving the susceptibility to innovation and their realization by industrial enterprises.
LITERATURE REVIEW

The main condition of modern economic development is not only the creation and increase of potential as such, but also the more effective use of already existing potential and ensuring its growth in those areas that can provide real socio-economic returns. In this regard, in the framework of the study, the most relevant is the study of the use of innovative potential of a company, which can be implemented on the basis of management improvement (Wang & Vergne, 2017).

Innovative companies must have a strong innovative potential (especially a sufficient material and technical part), and for “followers” the most important are the financial and market parts of the potential (Hyon, 2017). It is proved, that in order to carry out innovation activity, it is necessary to have a certain amount of innovative potential of the company, which determines the choice of the way of innovative development.

Each innovation requires investments, the volume of which depends on the technological complexity of innovation, the conditions of creation and development, external factors. It is especially important to provide the optimal time for innovation, which is an important factor in the sustainable development of the company (Yahia et al., 2018). Thus, untimely development or introduction of innovation causes the bankruptcy of seven firms out of ten, and successful implementation of a well-grounded innovation helps the company overcome the crisis periods (Ionescu, 2017).

Results of company innovative potential assessment provide information for developing innovative development ways at different levels: for the company as a whole (corporate level) or for a separate business unit (structural unit, activity direction, type of product, etc.).

METHODOLOGY

The essence of innovation activity activation is to create conditions for effective management of innovative potential, containing an adequate information and analytical base, the mechanism of its functioning, as well as recommendations for the adoption of management decisions on the development of innovative potential. The main areas of innovation development can be: timely entry into a market with new goods (services); innovations in systems of production (supply); technological leadership; imitation of leading competitor’s innovative actions; defining the limits of innovations in the product (market) portfolio; innovation activities in relevant product categories, etc.

Depending on the state and position of the company, various innovative strategies are possible on the market, the basis of which are classical strategies of “attack”, “defence”, “imitation”, “dependence”, etc. Strong innovative potential enables companies to use innovative ways of development even under adverse conditions, and favourable conditions even allow weak innovative potential to improve market positions by increasing innovation activity.

Management methods of company innovative development should be based on the results of economic diagnostics in general and the properties of its innovative potential, in particular. To do this, it is necessary: to develop a tool for assessing the achieved position of the company in the innovation development, based on the ratio of “susceptibility-realizability”; to develop a unified structure of possible ways of innovative development at all levels of the company activity; to create a balanced map of company innovative development ways to develop a model of decision making on the choice of the appropriate way on the basis of analysis of the results of the matrix of the company innovative potential.
Such an ordered system of priority ways of innovative development and forms of using the company innovative potential to achieve its goals can reasonably lead to the positioning and management of innovative activities (including developing ways of activating innovative development).

One of the first models of the development ways choice, depending on the market share and industry growth rate, is the matrix developed by the Boston Consulting Group (BCG) (Ravicz & Rosowski, 2017).

It should be noted that traditional methods for investment projects assessment in the 21st century are actively developing in the energy sector. But the obligatory use of expert analysis at the stage of assessment indicators determining reduces the objectivity of the results obtained. Thus, in order to overcome this drawback, scientists (Gil’orne et al., 2016; Tetiana et al., 2018) propose, on the basis of the concept of system dynamics, to build a model for evaluating investment risks, taking into account the definition of the lag of delay in the reaction of the influence of the external and internal environment of the company.

According to the BCG model: companies with larger market shares in fast-growing industries (“stars” category) should choose the “growth” way; companies with large market share in stable industries (“milk cows” category) choose the “maintaining positions” way or “limited growth”, which ensures the maintenance of market positions and maximizing profits; companies with a small market share in slowly growing sectors (“dogs” category) choose the “reducing the share of business” way or leave the market; for companies that are barely established in fast-growing industries, choice of a way is a big problem, depending on the specifics of a particular market situation (“question mark” category) (Zhao et al., 2017).

RESULTS AND DISCUSSION

However, when choosing the innovation development way according to the considered model, the market position of the company, its scientific and technical policy, as well as the product life cycle stage are not taken into account.

That is to say, in our opinion, the basis of innovation strategy development should be the life cycle of the market and innovative product, the innovation potential and market position of the company, its resources and other opportunities, as well as scientific and technical policy.

It should be noted, that the introduction of innovative ways of development, on the one hand, gives the company a number of advantages: speeds up the organization development, provides competitive advantages, determines the position on the market, promotes leadership, and creates the image basis. On the other hand, a number of problems arise: the uncertainty of innovation activity final results, its terms, costs, quality and efficiency (which increases the investment risk of projects), the need for reconstruction (restructuring) of the organization (which also increases the risks of entrepreneurship in general).

Consequently, the innovative development of the company should be through the search for internal resources, so when making the development ways, particular attention should be paid to the economic diagnosis of innovative potential. The scale, the quality of scientific research results and scientific and technical developments, the timing of their implementation, and, consequently, the possibility of innovative upgrade of the company, depend on its condition.

For most firms, new products creation is a prerequisite for survival (Roig-Tierno et al., 2017). At the same time, for successful competition it is not at all necessary that the company is always the leader in updating the products. There are two main ways to enter the market with a
new product: enter the market before other firms, or among the first; entering the market when a new product is already secured a foothold in the market (Taddeo et al., 2017).

Companies that choose the first way are considered innovators in the industry or for the corresponding product, and those who have chosen the second-followers (Gil’orme et al., 2016). However, regardless of the ways in which the product is upgraded, it's common that the firm should create it in any case.

Innovators must have high scientific and technical potential, have a staff of specialists (researchers, designers, developers), and actively support a creative approach to work. They face high risk and are forced to invest large amounts of funds and resources in scientific, marketing and other research and development.

For followers, it is very important to have strong production, technical, financial and sales potential. Unlike innovators, they do not need to invest in scientific and technical research a lot of resources, nor risk entering the market of new products. The key conditions for success for followers—the possibility of rapid reorientation. Companies explore the behavior, habits, and preferences of existing and potential consumers in order to reflect the results of such research in their innovation activities. The experience of leading global corporations shows that they are moving from traditional management and control to creating consumer-oriented organizations. In a number of cases, this approach works well for evaluating the effectiveness of investment projects (Nilsson & Minssen, 2018).

Thus, choosing a certain development way, and moving from choice to implementation, the management of the company must take into account four main factors: risk, time, the results of applying previous strategies and company owners’ reaction.

The author's research shows that there are different approaches to assessing innovative potential based on the assessment of its structural components (organizational, infrastructural, scientific, technical, financial, personnel, etc.). However, this approach does not sufficiently take into account the specifics of the innovation system existing at the company, therefore the second section proposed an improved methodology for assessing innovative potential (Tetiana et al., 2018a; Tetiana et al., 2018b). In particular, the “susceptibility” term is used to determine the factors reflecting the company's ability to innovate and its degree of readiness for innovative projects development, but to determine the factors that reflect the degree of maturity of company structures to the introduction of innovations “realizability”. In turn, each of these properties of innovative potential is provided in the form of weighted average indicators characterizing organizational, scientific and technical, personnel and financial factors.

The study improved the procedure for justifying the choice of innovative development way (Table 1), which, in contrast to the existing ones, takes into account the properties (susceptibility, realizability) of the innovation potential of the company to create an aggregate picture of its innovation development.

<table>
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<tr>
<th>Assessment scale</th>
<th>Susceptibility to innovation</th>
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<tr>
<td>Realizability of innovations in the company</td>
<td>Very low</td>
</tr>
<tr>
<td>Very high</td>
<td>Additional analysis</td>
</tr>
<tr>
<td>High</td>
<td>Defence (protection)</td>
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<tr>
<td>Medium</td>
<td>Imitation</td>
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The essential difference of the proposed model is a number of its properties compared to other models. The modern methodology of planning recognizes as positive the possibility of a phased adjustment of the strategic plan depending on changes in the market situation and internal capabilities of the company, which increases the importance of the strategic planning process as a vector of innovation development (Batkovskiy et al., 2018).

In order to develop recommendations for choosing the ways of innovative development of an industrial enterprise, on the basis of measuring the properties of innovative potential, it is expedient to consider the principal features of the basic ways: advance (attack), following, imitation, selective growth, search, defence (protection), market niche protection.

The author's methodology for investment projects assessment is based on a modified premium theory for liquidity and risk, the existence of causal relationships between them in the information space, feedback loops and the like. The author's modification consists precisely in justifying the dichotomy of the liquidity and risk premium in the investment portfolio—before this, the liquidity premium and the risk premium were considered separately.

The proposed author's model for investment risks assessment allows you to optimize the allocation of investment project resources by forming the optimal ratio of investment characteristics (profitability, risk and liquidity), taking into account the influence of risk management measures and tools.

An analysis of the activities of industrial enterprises that successfully carry out innovative activities shows that the main motive for innovative ways development is the desire of management to see strategic advantages (Nakashydze & Gil'orme, 2015). In order to carry out such innovation activity, there is a need for the developed properties of innovative potential of the enterprise. The use of economic diagnostics mechanism of innovation potential involves accounting for costs and results associated with innovation activities, which contributes to the formation of an array of analytical information and systematization of the process of collecting it. Using this mechanism will allow the management of the company to really assess their innovative capabilities in the preparation of innovative projects and programs, to avoid inefficient expenditure on projects that are ineffective.

Thus, innovation perception is determined by parameters of the production system of enterprise and innovation. Perception nature of the same innovations by separate parts of the production system may be different; therefore one of the most important tasks of management of innovative potential development is the creation of conditions that ensure the recognition of innovation by a greater number of components (parameters) of the production system. To improve the quality of the production system as a result of innovation can be calculated only if they are recognized by the production system as a whole. This requires the optimal combination of innovations properties: object, scope (or level) of innovation; combination of the properties of the integrity and isolation of innovations and the process of their implementation; degree of radicalization, innovation modification degree; form of perception.

With reference to the foregoing, it is arguable that company potential is the main criterion of expediency of its existence. In this case organization development is seen as a reaction to changes in the external environment and therefore has a strategic nature (Tetiana et al., 2018).
Thus, company innovation potential can be described using indicators of components of susceptibility and realizability. That is, innovative potential actually describes some state of the company, and the management task is to transfer the potential from one state to another, higher, sufficient to achieve the goal. Company innovative potential development is characterized by the availability of optimal results of the introduction of new or improved innovative products and technological processes. It is necessary to solve the problem of assessing the degree of innovations novelty and differences in their level: whether an innovative product is new for the industry, region, country, world market, which in turn reflects the proportion of innovation products in the total volume of produced products; influence of innovations on the final technical and economic results of financial and economic activity of the company; influence of innovations on effective use of production resources.

When developing corporate indicators of innovations, it is imperative to include in the list not only the quantitative (profit share from sales of new products, etc.), but also qualitative indicators (time since the creation of idea to its implementation, etc.). Dynamics of changes in quality indicators will help to identify problems in the idea management system in a timely manner and take measures before the crisis. In addition, it is necessary to regularly analyze the relevance of used indicators: company is developing, and some of them may become outdated or demand other calculation algorithms.

Indicators system for assessing innovative potential will help maximize the involvement of staff in innovation processes. It is necessary to include in the system indicators that characterize the relationship of the company with customers (for example, the ratio of customers’ number, who considers the company innovative, to their total, etc.). It is necessary to remember that any most advanced system of indicators is just a tool that supports the idea management system, namely, the responsiveness of the management team to innovation is a prerequisite without which it is impossible to start an innovation process.

**CONCLUSIONS**

Analysis of the management system for the formation and development of innovative potential allows us to establish a number of features that characterize the company activity in a constantly changing economic environment: sensitivity; ability to study; ability to generate unusual solutions appropriate to the situation; experimentation; internal communicability; readiness for risk; adsorption. On the basis of above mentioned aspects one should formulate such separate quality of the company as innovativeness. Consequently, management of the formation and development of company innovative potential will ensure: achievement of high competitiveness of innovative products on the domestic and foreign markets; ensuring the maximum rate of product and technology updates; achievement of high technological level of production; optimal use of all kinds of resources (natural-material, information-energy, etc.); reducing environmental pollution and ensuring environmental safety in the creation and implementation of innovative products.

Effective management of the use of company innovative potential will provide: adequate assessment of its state and readiness for innovative transformations; analysis and forecasting of development trends; revealing the main advantages and “soft” places of the chosen ways of development; recommendations on formation of innovative way of development and mechanisms of its realization, which will allow to strengthen positions in the market, etc.
REFERENCES


