

CONCEPT OF FORMING THE COMPANY INNOVATION STRATEGY

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ABSTRACT

The necessity and managerial expediency of formation and implementation of the innovation strategy in the activity of the company are determined. The methodological connection between innovation activity and innovation strategy was identified, which formed the blocks of their interaction and support. The methodical approaches of the complex analysis of the external and internal environment of the company when developing an innovative strategy to strengthen market positions are proposed. The model of formation of innovative strategy of the company for activation of market activity and implementation of its production potential is built.

The method of alternatives indicates that the varieties of the overall development of the company in the system of strategy are reduced to three main types: growth, stability and reduction. The growth strategy is aimed at developing the most promising business areas of the company. The stability strategy involves focusing on and supporting existing business areas.

The authors think that the practical proposals provided will improve the conditions of innovative development of the company, management of which will allow to mobilize additional resources, improve the efficiency of internal flow management, as well as the quality of strategic and operational decisions at all levels of the company with a priority orientation for innovative type of development.

Keywords: Innovation Strategy, Tactics, Innovation Process, Planning, Rating, Market Conditions.

JEL Classifications: M21

INTRODUCTION

A continuous innovation process is at the heart of any socio-economic system, which is the preparation and implementation of innovative changes, in current conditions the results of this evolution are determined, first of all, not by the mass of factors of production, but by the efficiency of innovation activity. In industrialized countries, innovative development provided about 80% of economic growth and structural shifts in the economy in the XX century. Researching the company innovation strategy is the most important problem facing economic science. The complexity of its decision is comparable to its importance, since it is impossible to

directly explore this strategy, because it characterizes the projected state of the company in the future and the planned measures that must be taken to achieve a certain purpose of its activity.

LITERATURE REVIEW

An interpretation of the importance of strategy as one of the main economic concepts in the economics of industries is presented in the work (Guerras-Martín et al., 2014). The authors formulated the peculiarities of the process of its development and implementation taking into account possible changes of external and internal nature. For example, researchers (Powell, 2017; Rivera, 2017) say that the process of developing an innovation strategy does not end with any immediate action, as it ends with the formation of a goal tree, a set of common areas of action that ensure the development and strengthening of the company position in a particular market. The formulated innovation strategy is used to develop strategic (perspective) plans.

The well-known scientist practitioner (Geschka, 2015) defines the innovation strategy as a way to achieve and implement the target innovation level of economic system development, which includes the nature of the distribution and redistribution of resources between alternative trajectories of innovative development. A more specific definition of innovation strategy is given by experts (Hitt et al., 2016; Drobyazko et al., 2019a & b) who believe that the content of strategic innovation management lies in the current concentration of efforts on the development and use of promising achievements of scientific and technological development and timely provision of resources for the dynamics of innovation in order to achieve the company goals, create the conditions for its effective long-term activity.

METHODOLOGY

The following tools are the methodological basis for the formation of an innovation strategy: *“tree of company development goals”*, general market-based tactics that ensure the development and consolidation of a company position in a certain market. In the process of developing the innovation strategy of companies, the method of selecting relevant information on market development alternatives and possible projects of specific strategic measures is used. Alternatives in the decision-making process may call into question the validity of the initial strategic choice and necessitate the adjustment of the adopted strategy. The method of alternatives indicates that the varieties of the overall development of the company in the system of strategy are reduced to three main types: growth, stability and reduction. The growth strategy is aimed at developing the most promising business areas of the company. The stability strategy involves focusing on and supporting existing business areas. The reduction strategy is applied due to external or internal reasons that have created and brought the company to a critical situation.

RESULTS AND DISCUSSION

Strategy formation and implementation is an innovative process, the result of innovative activity of the company, regardless of the type of strategy: marketing, R&D, environmental or any other strategy. The innovative nature of the process involves the search for alternative solutions, new management decisions and the search for a model of functional strategy, sources

and factors of growth. When combining strategic and innovative processes in the company activities, we obtain four key blocks:

1. Strategic analysis (evaluation of the external and internal environment, defining the mission, formulating goals);
2. Planning (strategy planning, task setting);
3. Implementation (development of plans, making structural changes);
4. Control (budgeting, operational management, evaluation and control).

The initial stage of developing an innovation strategy is to analyze the strategic factors of the international environment in which the company operates. It is usual to consider the environment of any company as consisting of three areas: general (or macro), working (or immediate environment) and internal environment (Huo, 2013; Stoyanova et al., 2019).

Macro environment creates the general conditions for the company to exist in the external environment. This part of the analysis examines political, legal, technical, economic, socio-cultural, environmental and similar factors (Prajogo, 2016; Wheelen et al., 2015; Dźwigoł & Wolniak, 2018).

There are quite a number of methods for strategic analysis, and often the choice of the optimal method is difficult enough. There are a limited number of features, which are common to all analysis results and of great value. These features relate to both the results and processes of analysis. The system that helps to determine the optimal methods of analysis in one situation or another is called FAROUT (Shenhar & Dvir, 2008; Tarkhanova, 2018).

The FAROUT system is based on the assumption that in order for the results of the analysis to be justified and therefore valuable for decision-makers they must have some general characteristics: “*Future Orientation*”, “*Accuracy*”, “*Resource efficiency*”, “*Objectivity*”, “*Usefulness*” and “*Timeliness*”. Each feature is assigned a five-point rating (1 to 5). If the results of the analysis meet all six characteristics, analysts or decision makers can be sure of the reliability of the information obtained during the analysis. All the approaches and their ratings are summarized by the FAROUT method and presented in Table 1.

Table 1 FAROUT RATING OF THE SYSTEM OF METHODS						
Strategic analysis methods	Future Orientation	Accuracy	Resource efficiency	Objectivity	Usefulness	Timeliness
1	2	3	4	5	6	7
Strategic analytical methods						
BCG matrix: growth – the share of turnover in the market	3	2	4	3	3	4
GE Business Screen Matrix	2	3	3	3	3	4
Sectoral analysis	3	3	4	3	4	3
Strategic group analysis	5	2	3	3	5	3
SWOT analysis	2	3	2	4	5	1
Value chain analysis	2	3	2	4	5	1
Methods of competitive analysis and analysis of consumers						

Blind spots analysis	3	4	5	3	5	5
Competitive analysis	4	4	1	5	5	2
Customer segmentation analysis	2	3	2	3	5	1
Purchasing value analysis	5	3	1	5	5	1
Functional and resource analysis	4	2	5	5	4	5
Assessment of individual characteristics of competitors	4	2	5	3	5	2
Methods of environmental analysis						
Problem analysis	4	2	3	2	3	2
Scenario analysis	5	4	2	3	4	2
Analysis of intermediaries	2	2	3	1	3	3
Methods of development analysis						
Experience curve analysis	3	1	3	3	4	3
Analysis of growth direction	3	3	3	3	4	3
Patent analysis	5	4	2	4	5	1
Product life cycle analysis	2	2	3	3	3	4
Analysis of S-curves (technology life cycle)	5	3	1	2	5	1
Methods of financial analysis						
Analysis of financial coefficients and indicators	1	3	5	5	2	5
Strategic fund programming	5	3	3	3	4	2
Analysis of the level of sustainable growth	4	4	5	4	4	3

External and internal factors influence the innovation activity of the company resulting in the formation of two areas of innovation pressure (external pressure area and internal pressure area), which determine the “boundaries” of innovation activity (Makedon et al., 2019; Tavassoli, & Karlsson, 2015). The “boundaries” of innovation activity influence the making of innovative decisions, on the basis of which an innovation strategy is formed and implemented. The model of innovation strategy formation is presented in Figure 1.

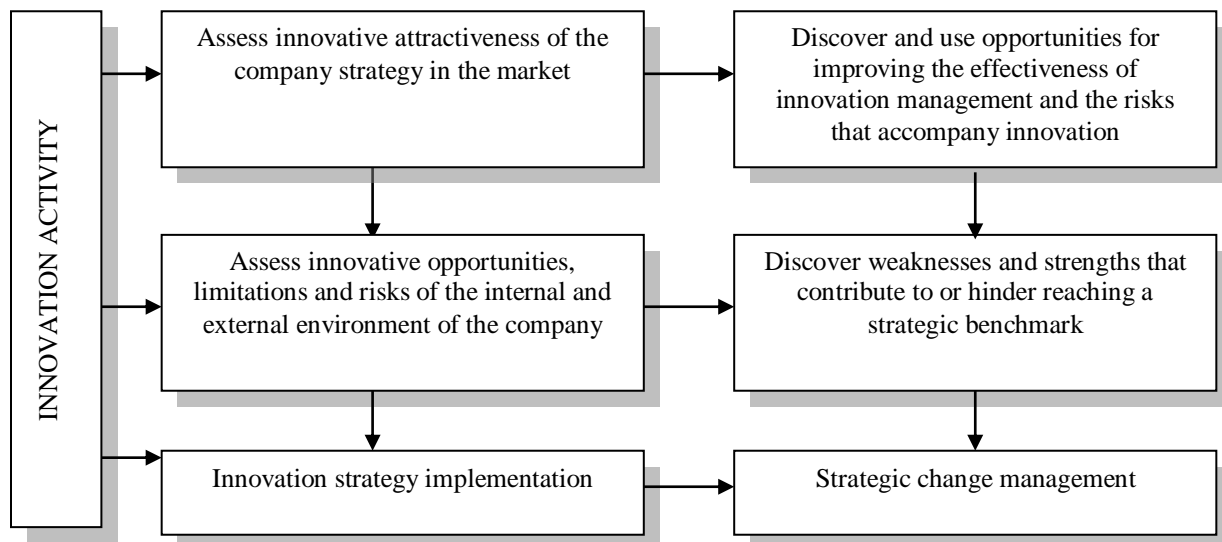


FIGURE 1
MODEL OF FORMATION OF THE COMPANY INNOVATION STRATEGY FOR ACTIVATION OF MARKET ACTIVITY

Change management during the implementation of the company innovation strategy should be considered in terms of specific and general measures.

Specific measures for managing strategic change include:

- Adding innovative benchmarks to the company mission;
- Developing goals taking into account innovative factors.

A modern company, as the developer of a long-term innovation strategy, should formulate an idea of its mission by incorporating innovative parameters through the efforts of top executives. The main goal: to ensure the implementation of strategic goals of the company through all types of innovative activity. The inclusion of innovative parameters in the mission is based on an assessment of innovative capabilities (innovation as a competitive advantage), constraints and risks of the internal and external environment.

RECOMMENDATIONS

The authors think that the practical proposals provided will improve the conditions of innovative development of the company, management of which will allow to mobilize additional resources, improve the efficiency of internal flow management, as well as the quality of strategic and operational decisions at all levels of the company with a priority orientation for innovative type of development. In addition, there were substantiated the feasibility of using a comprehensive approach to formulating an innovation strategy based on the optionality of achieving the goals of innovative development of companies in the process of developing and implementing management decisions taking into account unforeseen changes in internal and external factors.

CONCLUSIONS

It is substantiated that the process of developing the company innovation strategy should include the following steps: strategic analysis of the company innovative capabilities in the market; analysis of innovative potential; determining the level of innovation costs; selection and substantiation of innovative projects; operational management and adjustment of the innovation strategy.

When developing an innovation strategy a strategic analysis should be carried out and the innovative potential of the company should be assessed. It is determined that the innovative activity of the company in the market tends to be influenced by a large number of environmental factors and is carried out in conditions of certain instability, which creates the need for flexibility in managing the implementation of the innovation strategy.

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