

THEORETICAL AND METHODOLOGICAL PRINCIPLES OF FORMATION OF INVESTMENT AND INNOVATION STRATEGY AT THE ENTERPRISE

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Abstract. The *purpose* of the article is to develop and theoretically substantiate the mechanism of formation of investment and innovation strategy of the enterprise in the conditions of institutional transformations. It has been established that future competitiveness is associated with innovation, and for enterprises it is associated with their innovative activity. At the same time, the innovations themselves become objects of investment. *Methodology.* In the course of the research, scientific methods were used that took into account the laws and regularities of economic theory, agrarian economics, agrarian management, the dialectical and historical approach to scientific knowledge. *Results.* For enterprises operating in modern conditions, it is advisable to form an investment and innovation cross-functional strategy, which allows to coordinate tasks in the field of innovation and investment in achieving the goals of the overall strategy. The essence of innovation and investment strategy is based on limited resource provision of development processes, taking into account that investments act as an independent source of competitiveness and as a means for innovative development, but must be implemented in a better combination of investment directions. In addition, the investment and innovation strategy allows to provide the necessary cyclical processes of enterprise development in combination with the cyclical nature of the economy for a long period. Investment and innovation strategy must have a structural integrity in terms of resource use and impact on the enterprise as a whole. This strategy of the enterprise should be consistent with the overall strategy, contribute to the achievement of common goals, strengthen the competitive, financial, technological position of the enterprise, as well as create opportunities for further growth and development. The role of investment and innovation strategy is subordinated to the strategic goals of the enterprise and is transformed depending on the type and objectives of the overall strategy, can range from full focus on creating and implementing innovation to investment in support of current activities and sustainability. *Practical implications.* The practical significance of the study is that its scientific and theoretical results, proposals, conclusions and generalizations form the scientific basis for solving the problem of formation of investment and innovation strategy of the enterprise in modern conditions. *Value/originality.* The implementation of the proposed measures will increase the efficiency of enterprises of all sectors of the national economy and ensure the process of formation of investment and innovation development of the economy.

Key words: investment and innovation strategy, development, enterprise, efficiency, mechanism, management.

JEL Classification: D25, L26, O32

1. Introduction

The search for and implementation of various measures to support and improve the efficiency of enterprises is associated with anticipating changes in the future. Investments allow you to use the existing opportunities in the markets through the change or expansion of production, to maintain fixed assets at a stable production level, to create

and develop the infrastructure of sales systems and much more. At the same time, as practice shows, investment alone to obtain unique competitive advantages is becoming insufficient in our time. Future competitiveness is now associated with innovation, and in the case of enterprises, with its innovation or innovation activity. At the same time, the innovations themselves become objects

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of investment. Accordingly, there is a dilemma in the paradigm: investment or innovation is needed by the company to maintain current and ensure future competitiveness. An additional complication is created by the current production and economic situation at the enterprise, which may require the diversion of investment resources from development goals to solve current problems. All these processes take place in conditions when it is necessary to ensure a certain stability of the economic situation of the enterprise for the entire period of investment in innovation, the risk of which is traditionally significant. Management decisions made at the enterprise in these conditions require the use of a serious theoretical basis for choosing from a variety of alternatives and economic justification of current and future effects, taking into account possible risks. Traditionally, long-term decisions on setting goals of the enterprise and determining ways to achieve them are considered in the framework of strategic planning, as a result of which form a development strategy. However, the place and role of innovation and investment in

the strategy of the enterprise in modern conditions requires rethinking, namely, what place innovation should play in changing technological systems, what share of investment resources should be directed to innovation and how, from the management point of view, to combine strategic decisions; in the field of investment and in the field of innovation.

2. The place and role of investment and innovation strategy in enterprise management

As you know, the starting point for developing a strategy is to decide what the company will earn in the short and long term: 1) a well-known product (by investing in increasing production, investing in diversification projects, penetrating new markets and etc.); 2) innovative product (by investing in the implementation of innovations) (Marmul, Ksonzhyk, 2011). Based on the conclusions that innovation cannot be carried out separately from the current activities of the enterprise and requires the cost of financial, labor, material resources, decisions in the field of investment and innovation

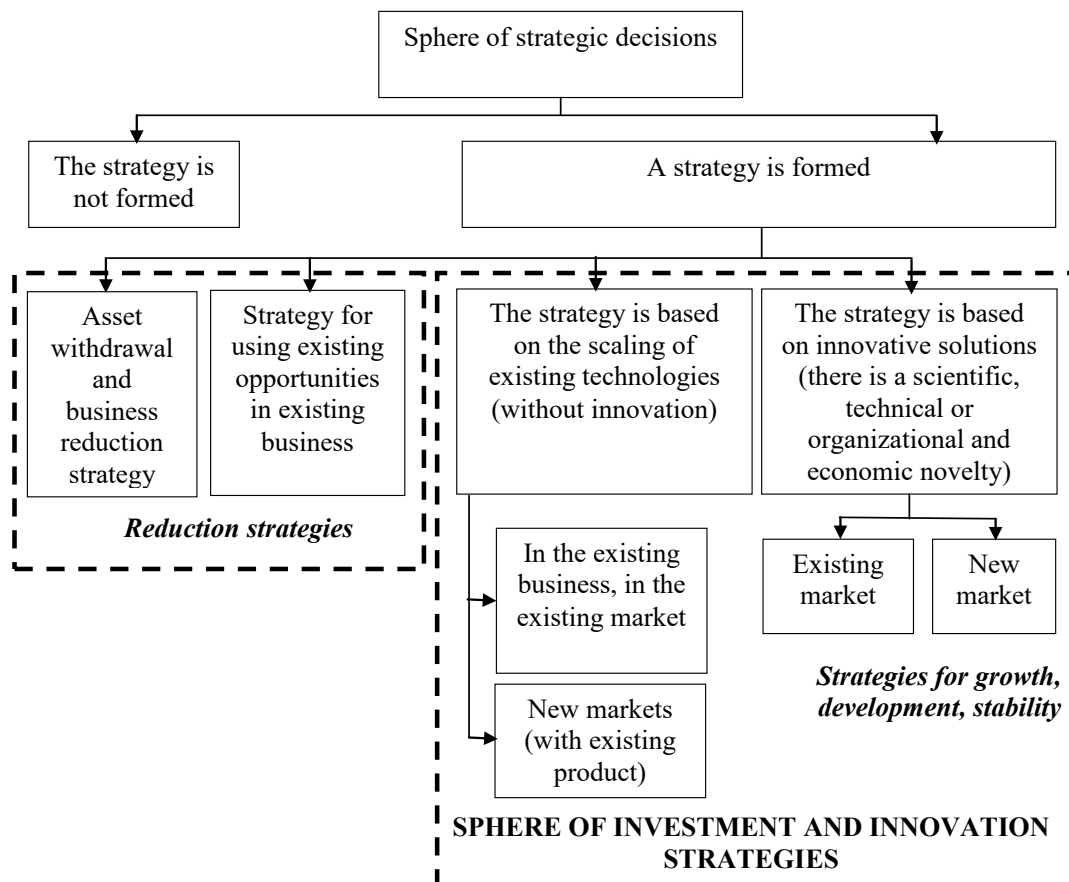


Figure 1. The scope of strategic decisions of the enterprise and the place of investment and innovation strategy

strategy are superimposed on several functional strategies (Figure 1).

The role of investment and innovation strategy for each of the types of strategy (development, growth, stability and reduction) varies depending on the priorities of the owners and management of the enterprise and, accordingly, changes the contribution of this strategy to achieving overall development goals (Heiets, Semynozhenko, 2006). In the case of choosing a strategy of development, growth or stability, one of the tools to achieve strategic goals can be innovations of varying degrees of radicalism. Thus, the role of investment and innovation strategy may be as follows:

- 1) maintaining or strengthening the innovative (usually technological) position of the enterprise as a result of the introduction of innovations, which will affect the share of revenue received from the sale of products manufactured using innovative solutions;
- 2) maintaining or increasing market share by improving existing or bringing new products to market;
- 3) ensuring the necessary for the company the average return on investment;
- 4) ensuring the growth of the value of the enterprise on the basis of both investments with acceptable profitability for the enterprise, and by increasing operational efficiency provided through the introduction of innovations. The interests of business owners, regardless of the chosen strategy include both receiving dividends and increasing the value of available assets. Accordingly, when developing an investment and innovation strategy should take into account its impact on the value of the enterprise;
- 5) maintaining financial stability or strengthening it. When carrying out investment and innovation activities, significant funds can be diverted, which will increase the debt burden of the enterprise. An investment and innovation strategy is being developed as an integral part of the overall strategy and should not hinder the achievement of its goals, including in the field of finance.

3. The mechanism and elements of development of investment and innovation strategy of the enterprise

The development of investment and innovation strategy as a large and complex task can be done in different ways. In the field of strategic planning and management of investment and innovation

activities, we can identify general elements of the mechanism for developing investment and innovation strategy:

- 1) elements aimed at the implementation of processes related to the preparation for the development of investment and innovation strategy, including approaches and methods of assessing the strategic position of the enterprise and approaches to the development of the overall strategy;
- 2) elements related to project evaluation and risk assessment associated with these projects;
- 3) elements related to the implementation of the strategy, which include the main stages of the cycle of strategic management of the enterprise, related to the implementation of the approved innovation and investment strategy.

In any case, it is important to keep in mind that the investment and innovation strategy is developed not only to achieve the objectives of innovation as such, but also the objectives of the overall strategy, which necessitates their coordination and linkage. On the other hand, the development of investment and innovation strategy should include the definition of the approach and sources of investment, without which the implementation of decisions will be impossible.

4. The main types of investment and innovation strategies of the enterprise

The development of investment and innovation strategies should take into account the need to ensure a balance of limited resources between investment, innovation and current activities. Under these circumstances, business owners and management of the enterprise in the presence of a number of potential projects and activities face the problem of choosing among them only those that should be implemented in the first place. Another important decision is to choose the type of strategy that the company will follow. Given that the implementation of any strategy requires investment resources, we can rely on the most well-known classifications of investment strategies (Balatskyi, 2004).

The following main types of investment and innovation strategies can be identified:

- 1) offensive investment and innovation strategy or strategy of the technological leader, which is characterized by the highest level of risk, growth of innovative activity of the enterprise and the possible introduction of basic innovations. Due to the large amount of research performed and

a significant increase in the technological level on this basis, the problem of reducing the cost of production, increasing market share, as well as ensuring the possibility of making a profit;

2) protective innovation and investment strategy, which involves following the market leaders in the field of innovation. The degree of risk of implementing this protective type of strategy is lower than the offensive, but the profitability of such enterprises, respectively, is lower than the technological leaders. Enterprises that have chosen this type of innovation and investment strategy are characterized by a fairly high level of technology and have a significant market share;

3) investment and innovation strategy of imitation provides a slight improvement of innovations previously released by competitors. At the same time, the introduction of innovations is the basis for increasing profitability;

4) traditional investment and innovation strategy, which assumes that investment in innovation is minimal;

5) absorption of investment and innovation strategy, which is based on the acquisition of licenses for the use of innovations of other enterprises. This type of strategy complements others because when implementing, for example, offensive investment and innovation strategy, the company can implement not only the results of its own development in its activities, but technological solutions of competing companies on the basis of a license. At the same time, it should be noted that if the typology of investment and innovation strategies is well developed, the approach to determining the type of strategy for a particular enterprise is a task that requires further research.

5. Ways to ensure consistency of investment and innovation strategy with the overall strategy of the enterprise

The tools for developing an innovation and investment strategy should ensure its coherence, which affects the following areas:

1) ensuring a balance between projects related to the implementation of innovations and, accordingly, not related. This balance is based on the ratio of planned profitability and the expected degree of risk of investment and innovation activities;

2) the cumulative effect of the implementation of investment and innovation strategy both from a financial standpoint, expressed as income from investments and from a market position,

which involves strengthening competitiveness and increasing the value of the enterprise on this basis, should meet the objectives set in the overall enterprise development strategy;

3) consistency in the inclusion in the investment and innovation strategy of projects related to innovations of varying degrees of radicalism. The radicalism of the implemented innovations depends on the characteristics of the industry, in particular, the life cycle of the applied technologies. For those industries that are characterized by technology consistency, improving innovation is a priority over basic ones. Thus, when developing an investment and innovation strategy, it is necessary to analyze the industry in terms of life cycle to determine its type;

4) consistency of investment and innovation strategy implies coordination between qualitative and quantitative goals, determining what the competitive advantages of the enterprise in the future are based on, what the planned return on investment in investment and innovation activities is, what the basis for generating free cash flow or improving the quality of products is, which is carried out to expand market presence.

Achieving a balanced investment and innovation development of the enterprise is associated with solving a number of tasks, namely (Marmul, Ksonzhyk, 2011):

1) balanced development in time of traditional production and production, which is carried out with the use of innovations (management of investment processes to create innovative products with the prevention of temporary gaps in economic turnover);

2) problems of rational combination of innovations of various degrees of radicalism;

3) balanced investment in the main areas of creation of innovative products of the enterprise (from marketing to the consolidation of copyright);

4) problems of stock of investment opportunities of the enterprise.

Recognizing the need to develop scenarios and balance in the formation of investment and innovation strategy, it is important to determine how to achieve innovation and investment goals. Achieving goals is almost impossible without filling the strategy with essential content, which allows you to consistently implement investments and obtain the necessary effects. In modern management the project approach is used for this purpose, application of which both during strategy

development, and at its realization is the most expedient from the practical point of view. Projects included in the strategy should be selected based on the criteria of consistency and bring the greatest effect to the company.

6. Conclusions

Clarification of the essence and role of investment and innovation strategy of enterprises allowed to make the following conclusions and generalizations:

- 1) for enterprises operating in modern conditions, it is advisable to form an investment and innovation strategy, which is cross-functional and allows to coordinate tasks in the field of innovation and investment in achieving the goals of the overall strategy;
- 2) the essence of innovation and investment strategy is based on limited resource provision of development processes, taking into account that investments act as an independent source of competitiveness and as a means for innovative development, but must be implemented in a better combination of investment directions. In addition, the investment and innovation strategy

allows to provide the necessary cyclical processes of enterprise development in combination with the cyclical nature of the economy for a long period;

3) investment and innovation strategy must have a structural integrity in terms of resource use and impact on the enterprise as a whole. This strategy of the enterprise should be consistent with the overall strategy, contribute to the achievement of common goals, strengthen the competitive, financial, technological position of the enterprise, as well as create opportunities for further growth and development;

4) the role of investment and innovation strategy is subordinated to the strategic goals of the enterprise and is transformed depending on the type and objectives of the overall strategy, can range from full focus on creating and implementing innovation to investment in support of current activities and sustainability.

The conclusions and generalizations are consistent with the provisions of economic policy, which provide for effective economic development through the comprehensive implementation of innovations and active investment activities of enterprises.

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