

## **ANALYSIS OF MECHANISMS OF ENTERPRISE INNOVATIVE DEVELOPMENT**

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**Summary.** The notions of term “development”, “innovative development” and “strategy” have been considered. The mechanisms of enterprise innovative development have been analyzed, the particularities of strategic mechanism of enterprise innovative development and its constituents have been shown.

**Key words:** development, enterprise, innovative development, mechanism, strategy.

### **INTRODUCTION**

Problems in functioning of national economy arise up on the basis of changes in the real constituents of material world, but they can not be examined separately from transformations of conceptions of these objects within the bounds of the modern management theory and economic theory, which take place now on the basis of strategic paradigm. If you appeal to the world management theory and practice, you can note that principles of determinism and optimization of enterprise activity lost its actuality under conditions of dynamic external environment. In Ukraine these processes were accompanied by the process of primary accumulation of capital and the subsequent division of spheres of influence in different industries between the major owners of capitals. For the corporate structure of economy (based on interests of separate groups of control), existing today in Ukraine, most directions of scientific researches need correction against the institutes of ownership, management and control. The strategic constituent of cooperation of these institutes, which reveals in the processes of organizational changes and enterprises development, assumes the greatest importance under such conditions.

### **OBJECTS AND PROBLEMS**

The main shortcoming of the innovative policy carried out on microlevel is its primary orientation on the management of the physical constituents of innovative process, instead of orientation on the eventual result of innovative changes. The

orientation of production development on creation and wide application of brand-new complex technological systems is the purpose of such policy. However, the modern management of innovative process must be directed on creation of terms for the mass search of effective ways of technological changes and prompt support of positive results, and not on selective stimulation of the chosen themes of researches or workings. Only in such case Ukraine will become able to use the available scientific and analytical potential for development of its own economic system and achievement of stable rates of the economy growing. Only strategic ideology will be able to make enterprise innovative activity the main factor of economic development.

### **ANALYSIS OF PUBLICATIONS IN RELATION TO RESEARCH OBJECT**

The known proceedings of Ukrainian scientists [Grinyeva, Kozyreva 2006, Ponomarenko, Trydid, Kyzym 2003, Ilyashenko 2005] deal with the question of management of enterprise innovative development. The wide circle of questions application-dependent on the strategic paradigm in enterprises activity is considered in works of foreign and domestic scientists [Ansoff 1989, Mescon 1992, Porter 1998, Voronkova 2000, Gerasymchuk 2000 and others]. But in most works the strategic mechanism of management of enterprise innovative development practically is not considered. Meanwhile, enterprise innovative development is a strategic process, i.e. directed on the receipt of advantages in competitive activity and leading positions at the market.

We will appeal at first to some notions after the problem of innovative development. Analyzing the term “development” S.I. Ozhegov determines it as “a process of appropriate change, transition from one state to another, more perfect, transition from the old high-quality state to new one, from simple to difficult, from more low to more high” [Ozhegov 1998]. E.M. Korotkov considers development as “a set of changes that conduce to appearance of a new quality and strengthening of system vitality, its ability to resist the destructive forces of external environment” [Korotkov 1997]. V.A. Zabrodsky and M.O. Kyzym think that “development of the economical and production systems is the process of transition of the economical and production system in the new, more highly-qualitative state due to piling up of quantitative potential, change and complication of structure and composition, as a result of what its ability to offer resistance to the destructive influencing of external environment rises” [Zabrodsky, Vyzym 2000].

There is the variety of interpretations of the concept “strategy” in scientific literature. A.I. Lyukshinov under strategy understands the “set of rules for making decisions which organization follows in activities” [Lyukshinov 2000]. S.O. Popov gives the following notion: “... strategy is determined while summarizing the model of long-term actions of organization that it has to carry out for achievement of the put purpose through distributing and coordination of its resources” [Popov 2000].

Innovative development is determined as process of management based on the continuous search and use of new methods and spheres of enterprise potential realization under the changeable conditions of external environment within the

framework of selected mission and accepted activity motivation and which deals with modification of existing markets and forming of new sale markets [Mykytyuk 2007].

In spite of the fact, that its own idea lies in basis of each of the known development models, however, each of them base oneself on the meaning, that reflects the essence of development as change of phases of organization life cycle. At the same time the organizations development mechanism itself is substituted for the beautiful, evident and metaphorical presentation of life cycle phases and key factors of development. At the same time, when researching the problem of the economic systems development, today the attention is not enough spared to the existent traditions of domestic economic analysis, the scientific organization of production and labour. For all this, the industrial enterprises on the whole have inherited and keep methods of production management, planning and pricing formed in times of the centralized management. The theoretical models of growth and development of the microeconomic systems, existing in world practice, suffer from a number of shortcomings and remain in most cases incomprehensible (or, so much the worse, misunderstood) for the practical managers of micro and macroeconomic objects. These models and approaches need adaptation to the real operating conditions of economic objects. In our view, intraproductive processes, which undoubtedly have to be orientated on possibility of the rapid switching on the output of new products taking into account the enterprise external environment, must be the main condition of enterprise development.

The development management must be aimed on the dynamic aggregate of interdependent administrative processes directed above all things at the search of the internal and external reserves of economical growing and development. As known from the classics of the economic cycle theories, one of the basic principles that provides microsystem development, is providing of possibility of transition from the stage of higher level of development within the framework of one period of cycle (maturity phase) to the phase of establishment with high-quality new parameters of the next level, passing the phase of recession and crisis. Providing of effective management of enterprise development must be accompanied by the permanent strategic diagnostics of activity, that allows to define possibilities of enterprise in external surroundings. Exactly on the basis of strategic diagnostics an enterprise can elaborate or correct the external activity strategy that will determine its development. For enterprise development it is necessary to create terms for adoption of innovative, organizational, economic measures, that allow to pass the phase of the next level becoming.

The analysis of mechanisms of enterprises innovative development is the purpose of the article.

## **RESULTS OF RESEARCH**

Enterprise innovative development is based on the set of interconnected elements, which facilitate the generation of new knowledge, manage their streams, distribute them. Efficiency of enterprise innovative activity is determined by co-operation of basic acting persons of innovative process as element of the collective system of knowledge creation and use. The substantiation of direction of enterprise innovative development consists in elaboration and use of optimum economic criteria

and choosing on their basis from the great number of alternative decisions. In that time, enterprise innovative development is the organizational, administrative and strategic question not only economic. As the factors of innovations management have a different nature (social, economic, technical, organizational, strategic), it is necessary to define the proper mechanisms of innovative development that is the forming basis of the complex mechanism of innovative development management. The specialized action mechanisms on the concrete constituents of productive forces and production relations must be a part of the complex mechanism of enterprise innovative development management. The complex mechanism of innovative development management is the multipurpose system, that includes the number of concrete mechanisms, among which is traditionally selected: economic and organizational (which today are often considered as unique organizationally-economic mechanism [Mykytyuk 2007]), motivational, financial. Except stated, in our view, it is expedient to examine the strategic mechanism of innovative development, the substantiation of which is made in this publication. So we will consider the basic mechanisms of enterprise innovative development.

The economic mechanism of innovative development includes the following elements: preparation and substantiation of plans of assortment and volume of output taking into account the existing limitations on material, financial, labour resources, sales volume, location of enterprise capacities, that provide production development; elaboration of enterprise development plans and substantiation of economic efficiency of innovative and investment projects of enterprise reconstruction, equipment modernizations and products renewal, distribution of profit to the funds of accumulation and consumption; choosing the most advantageous level of specialization and co-operation; systematic economic analysis of enterprise, forming of indices, that characterize enterprise activity, and determination of their quantitative size. The economic mechanism of enterprise operates under market influence at the expense of the competitive forming of price and demand for products of enterprise. Duration of productive forces reproductive cycle depends on speed of innovations distribution, also determined competition and situation at the markets of financial resources.

The organizational mechanism of innovative development provides: choosing and forming of the general structure of enterprise, functions of every element of structure, relations between structural elements; necessary coordination and coordination of actions of enterprise subdivisions; control and evaluation of quality and efficiency of structural elements functioning; forming of rules, which regulate the relationships with other organizations, suppliers of raw material, materials, consumers, financial organizations; planning of organizational and technical measures with distributing of responsibility into separate types of work; standardization and certification of technological processes and products; creation of data providing system of external and internal communications.

The motivational mechanism of innovative development is directed at increase of workers preparedness to the innovative activity, responsibility due to the internal mood, use of positive and negative stimuli, material and social encouragements; providing of enterprising initiative, willingness to go to the balanced creative risk, active search of possibilities and foresight of problems; creation of creative surroundings, receptivity to the innovations, disposition to professional growth; providing of the system of stimuli and interests, achievement of difficult aims of enterprise. The choosing of goal always

has subjective character, and approaching of goal to objective representation depends on motivation of people's activity. Because of that the providing role as a part of the complex mechanism of management innovative development belongs to the motivational mechanism, and each goal at all levels of hierarchy of goals should correspond the specific motivational complex, that provides achievement of this goal. Moreover, the goal remains only a guideline, if the «change» of individual and collective interests of all participants of enterprise activity to its achievement is not made.

The financial mechanism of innovative development provides determination of financial needs according to directions of innovative activity; forming of necessary quantity of financing sources of innovative development; the optimum structure of financial resources; the timely redemption of financial liabilities. Finances also establish linkage between operative and strategic processes of enterprise. Every project of development for the realization needs financial, material and labour resources, therefore the major task of project management is organization of its financing or, more precisely, providing with investment resources.

The strategic mechanism of innovative development has not been enough explored in modern scientific works. At the same time, practically all researchers address to the strategic providing of enterprise innovative development. For example, S.M. Illyashenko gives the comparative description of ways of development [Illyashenko 2005]. The special attention from the description developed by him deserves such description, as correlation of production cost (PC) and marketing cost (MC). For the innovative way of development professor S.M. Illyashenko determines this correlation as follows:  $MC > PC$ , i.e. marketing cost is more than production cost. Thus, the enterprise efforts to innovative products promotion, that is for development and realization of competitive strategies deserve the special attention today. However, essence, structure and action of strategic mechanism of innovative development are left without attention of scientists.

The strategic mechanism of innovative development is a set of ways, methods and modes of development of strategic guideline directives which regulate the conduct of subjects of administrative activity under different conditions of development of strategic situations and direct the dynamics of management objects at the achievement of the strategic goals of innovative development. A strategic situation is the existing state of object of innovative development and concrete terms of external environment that stipulate possibilities of realization of enterprise innovative potential.

The process of analysis of strategic situation includes the following elements: determination of enterprise primary objective, determination of the system of descriptions and possible states according to the different scenarios of external environment development, analysis of the goals system, analysis of the system of enterprise innovative possibilities, determination of strategies of goals achievement in concordance with the different strategic situations, system of estimation indices of different variants of development of management objects and environment.

The first element is the primary objective of enterprise that is vector-function of enterprise innovative development. For conception of strategic conduct under the hard competition environment the primary objective consists in victory which in the field of economics means achieving the best results in the process of resources use. Receiving

the best results today is possible only on the basis of introduction of the newest achievements in the field of production, i.e. on the basis of providing of enterprise innovative development.

An external environment is the uncontrollable factor therefore the question is about the possible scenarios of its development. For all this, an external environment represents today for enterprises in most cases uncontrollable and difficultly forecasting factor. Representation of external environment can not be limited to some one parameter therefore the vector of the state of external environment takes place. Components of the vector determine the possible scenarios of external environment development: pessimistic scenario of development; neutral scenario of development; optimistic scenario of development.

Similar judgements take place in relation to other factors which will influence on achievement of enterprise primary objective. But, these factors materially will be guided. The vector of the state of management objects characterizes the state, dynamics and efficiency of the use of enterprise production potential, which by-turn can become worse, remain without changes, or become better.

The system of innovative alternatives (vector of innovative possibilities) is the set of alternative innovative projects which an enterprise can use for providing of development. The possible three correlations between enterprise innovative potential and innovative possibilities are: the insufficient innovative potential, i.e. enterprise production possibilities do not allow to innovative projects to realization; the sufficient innovative potential, i.e. enterprise production possibilities allow to implement innovations on an enterprise; the excessive innovative potential, i.e. enterprise production possibilities allow to implement innovative projects to realization in a greater volume than the offered innovative projects.

Strategies of goals achievement according to different strategic situations (vector of strategic alternatives) in our case consist of the relevant strategies for achieving the primary objective of enterprise: increase of innovative potential or search of satisfactory innovative alternatives; support of innovative potential and its effective use; search of innovative alternatives which would allow to realize as much as possible enterprise innovative potential.

Achievement of the defined strategies is possible only under condition of the proper regulation and correction of conducts of the separate subdivisions leaders and the separate executives. Providing of the selected strategies realization is achieved in the operative activity of executives and their behavior must be the function of the selected strategy.

## CONCLUSION

The conducted analysis allowed to define the basic mechanisms of enterprise innovative development, the features of the strategic mechanism of innovative development and its constituents.

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### АНАЛИЗ МЕХАНИЗМОВ ИННОВАЦИОННОГО РАЗВИТИЯ ПРЕДПРИЯТИЯ

**Максимов В.В., Галгаш Р.А.**

**Аннотация.** Проанализированы механизмы инновационного развития предприятия, показаны особенности стратегического механизма инновационного развития предприятия и его составляющие.

**Ключевые слова:** механизм инновационного развития, система инновационных альтернатив, сценарии развития внешней среды, стратегическая ситуация.