

INNOVATION STRATEGIES OF SMALL INDUSTRIAL ENTERPRISES

Vitaliy Lutsyak*

1. Introduction

Freedom of small manufacturing enterprises in business promotes innovation processes. Small businesses form and implement the marketing mix on their own: manufacture valuable goods, set their prices, establish business contacts and form the sales system, define measures and means of promoting their products.

Marketing strategic management ensures effective coordination of a company's market policy with factors of external market environment. Neglect of marketing or bad marketing strategies inevitably lead to bankruptcy, so the formation of an effective strategy is one of the most important tasks of the management of any enterprise [1, p.7].

2. Analysis of researches and publications in recent years

Strategies development of small manufacturing enterprises, which ensures the functioning of the enterprise at the market is a relevant theoretical and practical task, to the solution of which the works of many domestic scholars and scholars of near abroad such as M. Bech, S. Varnali, A. Woychak, A. Kostusev, A. Fisher, L. Fedulova and others are devoted.

3. Highlighting unresolved issues

The rationale of the process of development and selection of innovation strategies of small manufacturing enterprises are highlighted.

4. Statement of the problem

The aim of this work is to identify the major innovative strategies for ensuring the competitiveness of small manufacturing enterprises in the current economic circumstances.

5. The main materials of the study

The strategy of small manufacturing enterprises can be defined as a comprehensive plan for the conduct of the enterprise in conditions of uncertainty and changes in market conditions, including the formation of the mission, goals, ways, principles and rules of decision making for the effective use of the potential and protection from the external environment threats in order to ensure competitive advantages and future profitability of the company.

Innovations in economic activity suggest the creation of new types of economic activity on the basis of existing patterns. This strategy requires a thorough research in the development or transfer of new equipment, development of new products and ensuring their variety, enhancement of existing or creation of new markets. The use of this strategy should be based on the study of the potential of the region and the activity of the enterprise for the presence of opportunities for the development of raw material base. It is necessary to follow such conditions because the production of new products within a new economic activity requires a stable supply of raw materials.

The place of innovative strategies in the strategic planning system for small manufacturing enterprises is determined by the fact that innovation strategy, first of all, should raise and/or maintain the competitive status of the products and the whole enterprise. Innovations aimed at

* © Vitaliy Lutsyak; PhD; Marketing and Advertising Department; Vinnytsa trade and economic institute of Kyiv National University of Trade and Economics; E-mail: <bogatirster@googlemail.com>.

changes in the manufacturing process, which is closely linked with all other processes in the company, may cause changes in the production process and marketing organization, as well as in staff training and the management system.

Innovation strategy of a company should reflect the content of the basic processes occurring in it, thereby ensuring innovative development and enhancing the competitiveness of the enterprise as a whole.

Innovations are developed and introduced in the market in accordance with the terms of the marketing environment. Thus, it can be argued that the theory of the product life cycle, competitiveness and competitive advantages of the enterprise, as well as scientific-technical policy of small manufacturing enterprise constitute the basis for innovative strategies development [2, p.308].

The process of developing an innovative strategy assumes equivalent interaction between intuition and rationality. The entrepreneurial vision of the future is the motive force of the development of small manufacturing enterprises. However, if the entrepreneur's ideas are applied without proper feasibility study and rational analysis, negative consequences are quite possible.

Selecting specific innovation strategies at the enterprise level or at the micro level depends on innovative strategies at a higher level. Through a system of its own factors the macro-environment creates the conditions for functioning of the enterprises in scientific and technical areas, which correspond to world trends. Innovative activities of the company are directly (through the influence of the macro-and microenvironment factors) and indirectly (through the influence of contact audiences) coordinated in accordance with these trends.

There are many classifications of innovative strategies depending on the level of planning and implementation; managerial behavior, etc.

Analysis of the current innovation perspective allows us to distinguish the following main types of innovation [3–7]:

- innovation of products (services);
- innovation of technological processes or technological innovation;
- innovation of the equipment;
- organizational innovation;
- social innovation.

Innovation of products (services) is the process of updating the sales potential of the company, which ensures the sustainability of the enterprise to changing factors of economic environment, the expansion of its market share, customer retention, strengthening the independent position of the company and others.

Innovation of technological processes or technological innovation is the process of updating the industrial potential of the enterprise, which aims to increase productivity and save resources. This, in turn, provides an opportunity to increase profits, improve safety, conduct environmental activities, implement new information technologies, etc.

The innovation of the equipment is the process of development, implementation and use of new equipment resulting from scientific research on the company or acquired from outside sources.

Organizational innovation is the process of improving the organization of production and management at the pre-acceptance stage.

Social innovation is the process of improving enterprises' social sector, which mobilizes staff for the implementation of the company strategy; extends the capabilities of the enterprise on the labor

market. It is also the process of strengthening the credibility of the social obligations of the company to employees and society in general.

In her works L. Fedulova provides the following classification of innovative strategies according to the company's position relative to its competitors:

- offensive strategy;
- defense strategy;
- simulation strategy;
- dependent strategy;
- traditional strategy;
- situational reaction strategy (niche marketing strategy) [8].

Offensive strategy is typical for companies that base their activities on the principles of business competition. It is connected with the desire of enterprises to achieve technical and market leadership by creating and introducing new products. This strategy assumes a constant orientation of the enterprise on global scientific and technological achievements, which are funded and implemented by the enterprise, rapid response and adaptation to new technological opportunities. Its characteristic feature is the active involvement of employees in the creation and implementation of innovations. Offensive strategy can be used either by small manufacturing enterprises with innovation orientation (venture capital) or large enterprises, that are actively exploring the market to extend their influence on other attractive spheres of action.

Defense strategy aims at maintaining the competitive position of the enterprise on the already occupied markets. This strategy adheres to most businesses that avoid excessive risk. They tend to move a step behind the leaders on the market and adopt the innovation only after verifying its availability. However, such enterprises do not fully imitate new products. Products undergo significant changes, which increases their competitiveness and adapts them to new market segments and niches, and it contributes to the implementation of innovations in other areas or their transfer to other markets.

Simulation strategy is used by companies that are not pioneers in the introduction of certain innovations on the market, but they have purchased the license at the pioneer company and adapted their technologies for the production of these innovation. Sometimes imitation can take place without the permission of the owner of technologies or technological developments. In doing it, the enterprise simulator does not merely copy the main consumer properties of innovations, but also gets certain benefits in manufacture.

Dependent strategy – the nature of technological change in the application of this strategy depends on the policy of enterprises, which act as founders for small manufacturing enterprises that do not attempt to change their products, because they are closely linked with the requirements of their parent company. Small businesses of this type are common in capital-intensive industries, their market success depends on the demand for the main product of a parent company. Such firms do not carry out innovative search independently, but provide the highest criteria of quality and flexibility of adaptation to the requirements of new technologies and markets. Most of them operate in the service sector and promote products to new markets.

Traditional strategy. This type of strategy does not provide any significant technological changes, so it only nominally belongs to the innovation group. Very often it happens that manufacture is fastened to a certain innovative form for a long time period. This strategy improves maintenance of traditional products, and it has inherent traits of other innovative strategies. Despite the traditional meet of demand, the shape and quality of the enterprise that operates on the traditional strategy basis is constantly evolving.

Situational reaction strategy (niche marketing strategy) is a response of management to the external market signals and changing environment. Here the innovative activity of an enterprise lies in searching information regarding opportunities that companies may have in new circumstances or finding a special niche in the existing markets of goods and services with the consumer that has an unusual but significant variety of needs. This type of strategy is often used by companies that are starting out and trying to quickly enter markets using their traditional capacity.

Each of strategies listed can be used as an independent course of action, or in combination with others. However, their use requires a thorough analysis of the situation on the market, real forecasts and feasibility calculations of efficiency according to different variants of development of events.

In accordance with the level of marketing management at the enterprise and the degree of generalization of the main objectives and plans of the company it is possible to distinguish three types of strategies: conceptual, managerial, and operational.

Conceptual marketing strategies are formed on the basis of functional dependencies of production on the volume and structure of demand. The concept of enterprise is formed at the highest management with regard to the general laws of the market, global trends in demand, fluctuations in market conditions, economic cycles, and so on. The general concept of strategy can be the mission of the company.

Managerial marketing strategy is justifying the choice of the best ways of production and sales. The marketing mix is formed and directed at formation of a particular product supply and its reinforcement, creating distribution channels and sales forms. The form of such strategies is a detailed marketing plan.

Operational marketing strategy is a system of means and methods of market research and learning the factors that shape the external environment of the enterprise. These strategies deal with specific tasks. Strategies can take different forms depending on the task peculiarities. As an example it may be given a questionnaire, which is built in such a way that it enables us to collect information about specific phenomena and trends on the market or help us plan certain activities aimed at the establishment of marketing relations.

A theory of the product life cycle, competitiveness and competitive advantages of the enterprise, as well as the scientific-technical policy of small manufacturing companies constitute the basis for developing innovative strategies.

Tab. 1. Conceptual approach to the creation of a portfolio of innovative strategies

| Phase of an enterprise life cycle | Marketing objectives an the enterprise | Innovative company goals | The composition of the portfolio strategies |
|---|--|---|---|
| Entrance to the market – stage of entrepreneurship | The gradual growth, economies of scale, a significant share of production is in the process of entering the market | The introduction of new equipment, the introduction of strategic innovation. | R & D: leadership research, Marketing: radical advance |
| | | | R & D: licensing Marketing: product and process simulation, vertical borrowing |
| Intensive development - the stage of commercial links | The rapid growth: the development of production, a significant share of production is in the growth stage | Increasing number of produced equipment, intensive development of new products and processes. | R & D, knowledge intensity of anticipating Marketing: technological connectivity |
| | | | R & D: licensing Marketing: technology transfer |
| Stabilization – the stage of stabilization of business activity | Very high growth: increase in market share of the enterprise, the rapid introduction of | Growth of technical level of production, development of new products and | R & D: research leadership, advanced science Marketing: following the market |
| | | | R & D: following the life cycle |

| | new products on the market | competitive advantages of enterprise | Marketing: the strategy of the leader, saving technological positions |
|-------------------------------------|--|---|---|
| The collectivity stage | Very high growth: the growth of market share of the enterprise, improvement of basic products, bringing new products to market, on the basis of key products | Optimization of the technical level of production, increase of competitiveness, reduction of production costs | R & D: a parallel development, Marketing: technological connectivity |
| | | | R & d: licensing Marketing: following the market, product and technology simulation, technological connectivity |
| The formalization and control stage | High growth: stabilization of competition on the market, assortment optimization stage | Support of high technical level of products and technologies, ensuring accordance of the product life cycle stages and the R & d cycles | R & D: advanced technology capacity, following the life cycle Marketing: the strategy of the leader, following the market |
| | | | R & D: licensing Marketing: saving technological positions, following the market, technological connectivity, vertical drawing |

The analysis of a company’s potential from the standpoint of its strengths and weaknesses is considered to be one of the first steps in developing the principles of strategic planning. Usually the analysis is complemented with a plan of possible changes in firm’s possibilities. This allows to dynamically adapt the strategy of the company to changes in both the external environment and its internal organizational capabilities.

In order to be successful, any business strategy should be based on company’s achievements and its competitive advantage. A company has a competitive advantage when its competitive position is characterized by a more favorable position relative to rivals in the competition and it attracts more customers. Competitive advantages may be different: the advantage of higher quality goods, providing customers with a wider range of goods and services, sale of goods at relatively low prices, a more favorable geographic location, production of goods that do not have equivalent counterparts, production of more reliable and durable products, combination of high quality, good service and reasonable price.

Whatever the strategy the company has chosen, if it seeks to achieve a competitive advantage, it must attract the attention of consumers to their products, providing them greater “value” than the buyer expects. Additional value is created in one of two ways: either by providing customers with high-quality made products at lower prices or by providing products of “higher quality” than the ones the buyer expects even with the premium markup.

Small manufacturing enterprises, which are independent market subjects have to exert considerable efforts to create a positive market reaction to the innovation: the introduction of innovations on the market and their adaptation to market conditions [9, p.55].

6. Conclusions and prospects for further development

Globalization processes of economic development and the global financial crisis have significantly complicated the planning requirements and the implementation of innovative marketing strategies. In crisis conditions, when the resources of the majority of enterprises, especially small and medium businesses, are very limited, unreasonable costs on marketing innovations can lead to significant complication of their financial condition. Therefore the problem of strategic marketing innovation management is becoming increasingly urgent [10, p.35].

Under conditions of intense competition companies are forced to use all possible forms and methods of its conduct, sometimes doing things that go far beyond the level of traditional competition. One of such methods is using innovative marketing strategies.

Innovation strategy is one of the means to achieve the goals of an organization. It's different from other tools in its novelty. Examples of such strategies are: offensive strategy, defense strategy, simulation strategy, dependent strategy, traditional strategy, action by the situation (niche strategy of choice) and many others.

An example of such strategies is the offensive strategy, defense strategy, simulation strategy, dependent strategy, traditional strategy, situational reaction strategy (niche marketing strategy) and many others. The existence of a large number of innovative strategies is caused by a variety of possible activities, variability of environmental conditions, STP, increased competition in the market and so on. Small manufacturing enterprises in modern conditions must devote considerable attention to the development strategy that will be adapted to the environmental conditions and will give the opportunity to achieve the main goal of any enterprise – to obtain maximum profit at minimum cost.

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Summary

This paper examines the nature and significance of innovation strategies of small industrial enterprises. The main innovation strategies that provide competitive and innovative development of small industrial enterprises in the current economic circumstances. The process of developing and implementing evidence-based innovation strategy.

Keywords: innovation, strategy, enterprise, business, marketing, management, efficiency.

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