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## THE IMPACT OF INNOVATION DEVELOPMENT ON ENTERPRISE COMPETITIVENESS: RECOMMENDATIONS FOR STRENGTHENING COMPETITIVE ADVANTAGES IN THE MODERN ECONOMY

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In the context of globalization and digitalization, which are increasingly influencing the efficiency of enterprises, innovation development is gaining even greater significance as a key factor in ensuring the competitiveness of modern businesses. At the same time, recent decades have seen rapid technological progress alongside a significant intensification of international competition. Meanwhile, transformational processes in the economy, driven by technological advancement and globalization, are creating new challenges for enterprises, requiring effective ways to maintain and strengthen their market positions and overall competitiveness. In particular, innovation determines the ability of companies to adapt to changes in the external environment, mitigate risks, and build competitive advantages. Thus, the issue of the impact of innovation development on enterprise competitiveness is becoming particularly relevant, as despite the general recognition of the importance of innovation, the practical mechanisms for its effective implementation remain a subject of debate and further research. The modern economy is characterized by high dynamics of change, increased uncertainty, and the need for constant business adaptation to new economic conditions, which reinforces the role of innovation as a source of long-term competitiveness. The purpose of this study is to comprehensively substantiate the approaches by which enterprises can effectively enhance their competitiveness through the activation of innovation. The research applies methods of analysis and synthesis, comparative analysis, expert evaluation, SWOT analysis, and general scientific approaches to the systematic study of economic processes. Based on the research results, practical recommendations are developed to strengthen enterprise market positions and formulate effective innovation development strategies.

**Keywords:** competitiveness, innovation, innovation development, innovation activity, modern economy, digitalization, efficiency, competitive advantages, development strategy.

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### *Introduction*

The economy of the 21st century is characterized by rapid technological development, growing global competition, and the significant influence of global processes both on the activities of individual countries and directly on the functioning of enterprises. At the same time, the technological achievements of recent decades have significantly increased the role of

innovation activities and innovative development, creating new opportunities for enterprises that actively implement innovations, while for those business entities that ignore these trends – new risks and threats of losing competitiveness emerge. It is important to note that in the current environment, innovative development is seen not only as a means to improve management or production processes but also as a

strategic tool to achieve long-term competitive advantages and ensure sustainable market positions for enterprises.

At the same time, it should be recognized that the level of practical application of innovations in the activities of national Ukrainian enterprises remains insufficient for effectively strengthening their positions in global markets. Given this, the chosen research topic is particularly relevant. Studying the directions of using innovative development to enhance enterprise competitiveness allows for identifying new tools that will contribute to strengthening market positions and increasing operational efficiency.

It should also be emphasized that the issue of ensuring and increasing enterprise competitiveness has long been at the centre of scientific research, while modern processes of globalization and digitalization only intensify the relevance of this area. Additionally, it should be noted that the issue of the relationship between the level of competitiveness and innovative development is equally relevant for Ukrainian national producers and for enterprises in developing countries striving to integrate into global markets.

Research and results from developed countries demonstrate that through innovation, innovative development, and integration into global markets, it is possible not only to ensure a high level of national producer competitiveness but also to obtain significant economic and social benefits for the state. The analysis of the experience of leading economies and global leaders indicates a common feature – active innovation activities and investments in science and technology, confirming the thesis that sustainable competitive advantages cannot be achieved without the formation of innovation ecosystems.

At the same time, countries with transition economies, including Ukraine, face barriers such as insufficient funding, low technological readiness of enterprises, and fragmented regulatory environments. In this context, it is advisable to explore in more detail the mechanisms of state support for innovations, the role of clusters and technology parks, and the issue of interaction between businesses and academic institutions to accelerate the commercialization of developments. Particular attention is paid to analysing practical models for attracting financial and technological resources and monitoring the effectiveness of innovation projects. All these aspects formed the basis of this study and defined its conceptual framework and methodological approaches.

#### ***The purpose of the article***

Research objective is to identify, substantiate, and formulate effective approaches that will enable modern enterprises to strengthen their competitive

advantages through innovation activities.

Research tasks are: development of comprehensive recommendations for the implementation of innovations, attraction of financial and technological resources, and increasing their efficiency, considering current global trends.

#### ***Presentation of the main material***

When considering the issue of the competitiveness of a modern enterprise, it should be noted that at the present stage, the level of competitiveness is closely linked to technological and innovative development. In addition, the competitiveness of a modern enterprise is also influenced by global development trends, which spread across countries through globalization processes. At the same time, digitalization trends are becoming increasingly significant, and over the last decade, a new technology – artificial intelligence – has begun to gain momentum. Its implementation and improvement have the potential to shift the market balance in favor of those enterprises that actively adopt such technologies. Thus, technological development and recent trends may trigger a revolution similar to the one caused by the scientific and industrial revolution of the late 18th and 19th centuries, or the development of computing and production automation in the second half of the 20th century.

Therefore, research into the influence and interrelation of these processes with enterprise competitiveness is highly relevant. Although most scholars agree that innovation is an integral component of maintaining a sustainable competitive market position, studies in this area remain active. At the same time, for countries with transition economies, innovative development faces numerous barriers and obstacles that slow down progress. However, before proceeding to the main part of this study, it is appropriate to review the views of modern researchers on this issue.

For example, V. Horbaniova [4] examines how enterprises can enhance their competitiveness through digital transformation. The author emphasizes the significant impact of digital technologies on competitiveness, noting that digitalization is not merely a technical upgrade but rather a strategic prerequisite that allows enterprises to strengthen their market positions. Similarly, S. Kulakova [5] logically continues this line of research, considering e-business as an integral component of the network economy that influences enterprise competitiveness. According to the author, modern technologies, digitalization, and e-commerce significantly facilitate the entry of enterprises into global markets.

Alongside these scholars, Ye. Portnoy [6] also focuses on the innovative and digital development of enterprises. However, this author pays particular attention to the interdependence between innovation and digitalization, analyzing mechanisms for stimulating innovative development through digital solutions.

Complementing the views of the aforementioned researchers, I. Savras and N. Fedynets [1] also argue that the digitalization of enterprise processes positively affects competitiveness by optimizing processes and increasing labor productivity. The authors also believe that digitalization creates opportunities for innovative development, while emphasizing that this process requires additional efforts to adapt enterprise operations to digital changes. Although the interpretations of both authors differ in certain aspects, their general understanding is similar, defining digitalization as the transformation and transfer of analogue (paper-based or manual) processes into a digital (electronic) format, thereby changing the ways in which enterprises operate and interact [1].

An analysis of foreign scholars reveals that both domestic and international researchers share similar views on this concept, although some differences are observed. In particular, foreign authors tend to examine digitalization more deeply and technically, treating it as an independent concept. In contrast, domestic scholars often view digitalization not as a separate component but as an integrated element within other processes [2; 3].

Moreover, both domestic and foreign scholars recognize digitalization as one of the key components of innovative development processes, emphasizing that without digitalization, it is impossible to fully realize the enterprise's innovation potential.

It is also worth mentioning the term "innovation strategy," which is frequently used in academic literature and various scholarly works. Depending on the context or research focus, the concept may acquire different characteristics. Nevertheless, despite the diversity of interpretations, some common features can be identified. Thus, an enterprise's innovation strategy can be defined as a set of actions aimed at discovering and integrating innovations into enterprise operations to achieve competitive advantages.

In addition, foreign literature often uses the term "disruptive innovations," which differs from the general understanding of innovations and innovative development, primarily due to its significant impact on markets and competitors. Disruptive innovations, as the term implies, are capable of fundamentally shifting the market balance in favor of the enterprise implementing them. Examples of such innovations

today include robotics and artificial intelligence, which, once adopted and mastered, can provide a significant competitive advantage.

Returning to the context of domestic enterprises, it should be noted that for the majority of them, the current priority should be stabilization and adaptation to unstable economic conditions, as well as addressing structural problems, such as the modernization of outdated technological infrastructure. This would establish the foundation for competitiveness in global markets and, consequently, open avenues for further development.

At the same time, a more in-depth analysis of global trends reveals the formation of a so-called "closed-loop effect" or "closed club" phenomenon. That is, market leaders, through the rational use of resources, opportunities, and continuous development, coupled with favorable conditions, gain even more advantages for further growth and strengthening their positions. Conversely, countries or enterprises in weaker positions or those lagging behind in technological development face limited access to resources, even if they possess potential and willingness for development. This complicates efforts to close the gap and move to higher competitive levels. As a result, a stable market imbalance emerges, allowing current leaders to maintain a privileged position for extended periods.

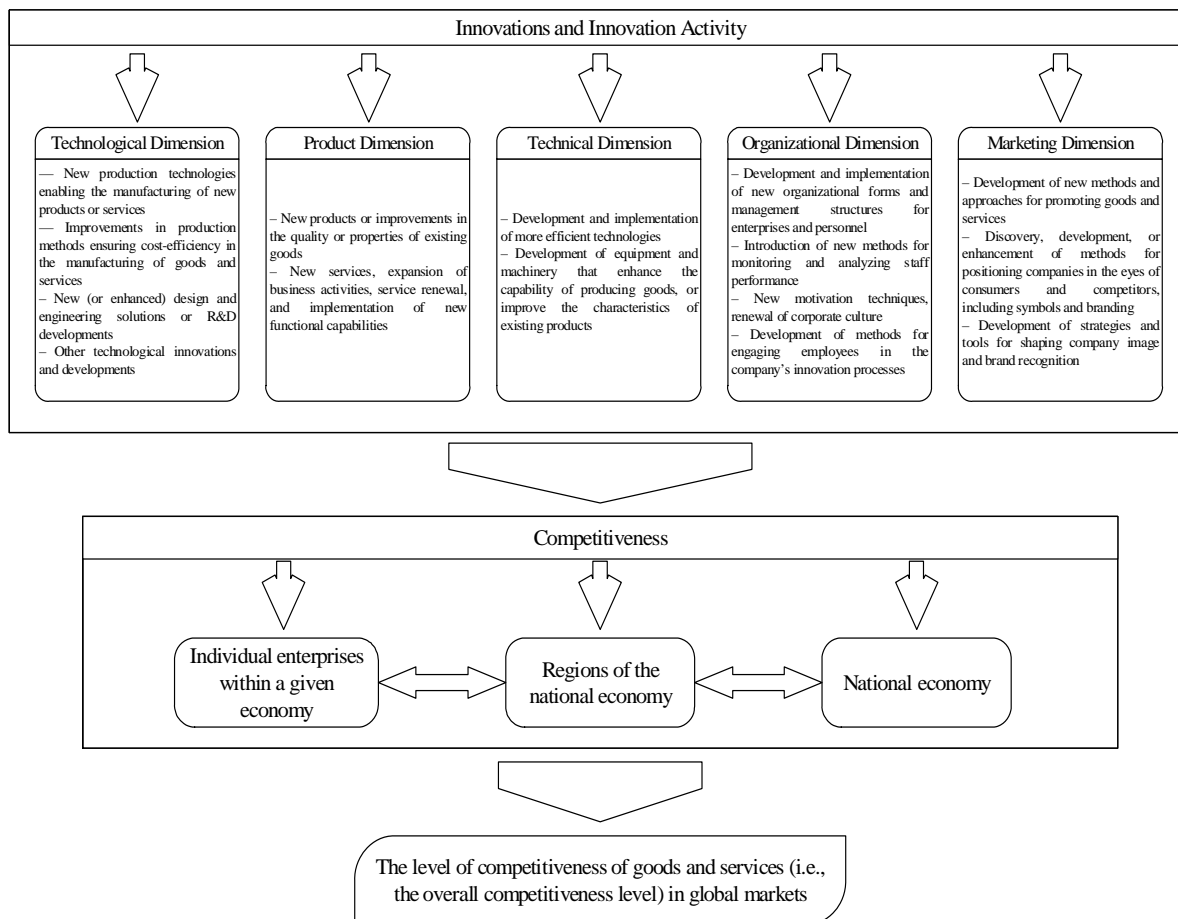
Nevertheless, it is worth noting that through proper strategic approaches, state support, and well-planned, effective government policies, both national enterprises and entire countries can obtain development opportunities and enhance competitiveness. Globalization processes can also contribute to this, as they may either hinder development or, with the right approach, offer additional opportunities. Therefore, enterprises and countries can gain extra advantages in global markets through international sectoral specialization. Although such specialization may restrict the actions of enterprises within a national economy by focusing on specific areas, it simultaneously enables the achievement of competitive advantages, the attraction of necessary resources, and the creation of opportunities for further development. Additional advantages are also obtained through the presence of certain resources or favorable geographic locations, which, in themselves, provide a competitive edge over more technologically advanced nations lacking sufficient resources or specific capabilities.

However, excessive concentration on a single specialization without a plan for further diversification can pose risks to a country's socio-economic stability and enterprise resilience. External factors, resource depletion, or declining demand for specific products may threaten economic stability. Therefore, for

developing countries, the most effective strategy is an initial focus on existing strengths to secure competitive advantages, followed by diversification and expansion, including building production chains targeting broader segments of goods and services. Such behaviour is effective for both enterprises in competition and for national economic development.

It should be emphasized that similar principles apply at the enterprise level, where innovation plays a

key role in shaping competitive advantages. For deeper understanding and visual clarity, the influence of innovative development on enterprise competitiveness and their interrelation is illustrated in Fig. The figure demonstrates that innovation activity enhances enterprise competitiveness, which, in turn, allows the enterprise to derive additional benefits. These benefits can be reinvested into further innovation activities, ultimately strengthening competitiveness.



The interdependence of competitiveness on innovative development in the modern world

Source: Compiled by the author

As shown in the figure, innovative development directly impacts the strengthening of an enterprise's market position, which is highly relevant in the context of current global processes. It is also important to emphasize that the primary factors driving innovation activity in today's world are intense competition in global markets and globalization, which erodes boundaries between national and international markets. Prior to the strong influence of globalization, enterprises only needed to maintain competitiveness relative to their main domestic rivals. However, in

the modern world, significant lagging behind leading countries cannot be compensated for by protectionist policies, as such approaches may lead to shortages of certain goods and services.

Therefore, in the 21st century, enterprises must consider not only national but also global competitiveness. Furthermore, the main factors influencing modern competitiveness, particularly through globalization and digital transformation, include:

- the establishment of strong market positions by major players in the high-tech sector, as well as

the active development of other entities within the digital transformation infrastructure, which facilitates and supports the transition of businesses to a new digital level of information and communication technologies;

- the development and formation of a global intellectual property market, accompanied by well-established mechanisms for intellectual property protection, which stimulates researchers to conduct further studies and improve existing technologies, while providing enterprises with additional tools to enhance their competitiveness and expand business development opportunities;

- the concentration of global leaders and significant international investment in technological and innovation development, including digitalization technologies, artificial intelligence, and others. Simultaneously, the interest and capital inflows from major investors into companies primarily focused on innovation or digital activities attract highly qualified specialists to these organizations.

- thanks to the current level of information and communication technologies and globalization processes, innovative development worldwide is receiving a substantial catalyst for further advancement, as scientific communities across different countries have both the means and the tools for rapid information exchange. This, in turn, integrates informational environments and accelerates technological development;

- the intensification of markets where core activities are directly linked to information and communication technologies, including mobile, digital, informational, and other related technologies;

- the gradual recognition by national governments of the importance of developing and maintaining a high level of competitiveness, both for enterprises and for countries as a whole. This is reflected in actions aimed at improving and implementing information and digital technologies across various sectors of economic and social life [7-9].

It should also be noted that despite the interconnection between the concepts of innovative development and digitalization, the modern scientific community tends to clearly distinguish between these terms. Such differentiation arises, in particular, from the fact that innovative development encompasses more than just the processes of digitalizing business operations and societal life. Specifically, digitalization is regarded by scholars as a distinct, specialized process aimed at optimizing managerial activities and communication methods [10-11].

At the same time, this area of innovation must be considered when developing mechanisms to ensure

innovative development, as digitalization has a significant influence both on the innovation processes within individual enterprises and on the mechanisms for implementing innovations at the national level.

Moreover, digitalization processes are not only among the priorities of enterprise innovation strategies but also have a substantial impact on enterprise competitiveness. The use of digital technologies provides enterprises with clear advantages by accelerating interactions with customers, investors, partners, and competitors [12-13].

Given these considerations, and understanding the significant influence that digitalization, innovative development, and globalization processes (which are also interconnected with global innovation trends) have on competitiveness in the modern world, it is necessary to examine the potential benefits that contemporary enterprises can derive from implementing information and communication technologies.

The key recommendations for enterprises regarding the integration of innovations into their operations are presented in Table.

Based on the recommendations provided, it can be concluded that for a modern enterprise, it is critically important not only to implement innovations but also to approach this process comprehensively by combining technological upgrades with improvements in organizational efficiency and active digital transformation. Thus, the systematic implementation of the proposed measures can serve as a foundation for strengthening enterprise competitiveness, especially under conditions of intensifying global competition and rapid technological advancement.

### **Conclusions**

In the current environment of global competition and economic instability, innovative development has become a key factor in forming and maintaining enterprise competitiveness. The study revealed a relationship between the level of innovation activity, digital transformation, and the enterprise's ability to compete effectively both in domestic and international markets.

At the same time, it should be noted that for enterprises, particularly those operating in complex or unstable economic conditions, innovative development must be more than declarative; it should be oriented toward addressing specific practical challenges. Specifically, for domestic enterprises, it is advisable in the initial stages to focus on modernizing the technological base, enhancing operational efficiency, and gradually implementing digital solutions to establish a fundamental level of competitiveness. Only thereafter should enterprises move on to more complex innovation strategies aimed at disruptive



technologies and integration into global value chains.

Thus, the combination of innovative development with a well-planned digital transformation is a guarantee of strengthening the enterprise's market

position and ensuring its sustainable growth. Moreover, this study provides practical recommendations regarding the pathways and methods by which modern enterprises can improve their level of competitiveness.

#### Recommendations for Modern Enterprises on the Implementation of Innovations into Their Activities

No.	Recommendations	Description of Recommendations	Possible Benefits
1	Development and implementation of a culture of innovation and innovative development	Formation of a system for improving employee qualifications, as well as systems and methods to encourage innovations. Implementation of a working environment that fosters the initiative of employees and stimulates innovative activities, as well as providing opportunities for the realization of initiatives	Receiving new ideas for innovative development and uniting employee teams, which allows generating interesting innovative solutions
2	Implementation of modern technologies and technological solutions	Directing investments into the technological development of the enterprise, which will increase labor productivity, reduce time spent on production, and additionally reduce the time for employees who can focus on other enterprise needs	Increases the level of enterprise competitiveness. Frees employees' time for personnel training and prioritizing tasks, which increases the overall efficiency of enterprise activities
3	Analysis of market trends, consumer needs and preferences	Continuous monitoring of market needs and trends, as well as analysis and identification of new opportunities, needs for new products, or demands to improve the existing product range. Identification of opportunities to enter new markets or launch new products and services	Timely response to trends, which forms a competitive advantage by enabling enterprises to react promptly to changes and thus increase benefits or minimize negative impacts
4	Cooperation with educational institutions and scientific organizations, including startups	Implementation of cooperation programs with scientific organizations and educational institutions. Exchange of information for business regarding directions for training and possibilities to involve new specialists for educational institutions and the preparation of qualified personnel. Creation and support of startup projects, allocation of grants for young and promising scientists. Development of special internship programs for young specialists. Exchange of experience and formation of links between practice and theory. Development and implementation of a system for generating new ideas through joint research	Cooperation with scientific institutions and educational establishments provides opportunities not only for enterprise to improve their knowledge and information but also helps educational institutions meet real business needs. This cooperation supports training of highly qualified personnel with skills necessary for business. Together with startups, it can realize innovative potential, which also generates added value
5	Optimization of production processes and improvement of other business processes	Development and implementation of new ideas and approaches to enterprise management using modern technologies. Formation of new ways to manage business, improve efficiency and introduce innovations	Increases the efficiency of resource management, improves the analysis of enterprise activities, and also provides new opportunities for personnel management
6	Development of product quality control systems and enterprise activities	Transferring experience in the formation of control systems for enterprise activities and results from examples of world leaders and successful countries with adaptation to national realities, as well as implementing product quality control systems.	Implementing such control systems increases the overall level of competitiveness of the enterprise and the possibility of entering global markets.
7	Formation of more flexible strategic management approaches to enterprise governance	Adapting strategic planning to modern realities and external changes, introducing more flexible approaches based on the experience of other enterprises and states	More flexible strategic planning will enable the formation of a system of decisions and plans (more developed), which will help in enterprise development
8	Development of systems for evaluating enterprise performance	Formation of indicator systems and mechanisms for control with clearly defined methods to obtain reliable management information and early detection of problems or changes for timely response	Provides a tool for assessing performance and forming a management system aimed at effective and prompt response to internal and external factors

Source: compiled by the author.

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**ВЗАЄМОЗВ'ЯЗОК ІННОВАЦІЙНОГО РОЗВИТКУ ТА  
КОНКУРЕНТОСПРОМОЖНОСТІ ПІДПРИЄМСТВ:  
РЕКОМЕНДАЦІЇ ДЛЯ СУЧАСНОЇ ЕКОНОМІКИ****Маслов Д. Г.**

В умовах глобалізації та цифровізації, які дедалі більше впливають на ефективність функціонування підприємств, все більшого значення набуває інноваційний розвиток як ключовий чинник забезпечення конкурентоспроможності сучасного підприємства. Паралельно з цим, за останні десятиліття відбувся стрімкий розвиток технологій, а також значно посилилася міжнародна конкуренція. Водночас, трансформаційні процеси в економіці, спричинені розвитком технологій та процесами глобалізації, створюють нові виклики для сучасного підприємства, що потребує пошуку ефективних шляхів збереження та посилення своїх ринкових позицій та загального рівня конкурентоспроможності. Зокрема, саме інновації визначають можливості підприємств адаптуватися до змін зовнішнього середовища, знижувати ризики та нарощувати конкурентні переваги. Таким чином, можна стверджувати, що питання впливу інноваційного розвитку на конкурентоспроможність підприємств набуває особливої актуальності, оскільки навіть попри загальне визнання важливості інновацій, практичні механізми їх ефективного впровадження залишаються предметом дискусій та подальших досліджень. Сучасна економіка характеризується високою динамікою змін, посиленням невизначеності та необхідністю постійної адаптації бізнесу до нових умов господарювання, що зумовлює підвищення ролі інновацій як джерела довгострокової конкурентоспроможності. Метою даного дослідження є комплексне обґрунтування підходів, за допомогою яких підприємства можуть ефективно підвищити конкурентоспроможність через активізацію інноваційної діяльності. У процесі дослідження застосовано методи аналізу та синтезу, порівняльного аналізу, експертного оцінювання, елементи SWOT-аналізу та загальнонаукові підходи до системного вивчення економічних процесів. За результатами роботи розроблено практичні рекомендації щодо використання інноваційних інструментів для посилення конкурентних позицій підприємств і формування стратегій їхнього інноваційного розвитку.

**Ключові слова:** конкурентоспроможність, інновації, інноваційний розвиток, інноваційна активність, сучасна економіка, цифровізація, ефективність, конкурентні переваги, стратегія розвитку.

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In the context of globalization and digitalization, which are increasingly influencing the efficiency of enterprises, innovation development is gaining even greater significance as a key factor in ensuring the competitiveness of modern businesses. At the same time, recent decades have seen rapid technological progress alongside a significant intensification of international competition. Meanwhile, transformational processes in the economy, driven by technological advancement and globalization, are creating new challenges for enterprises, requiring effective ways to maintain and strengthen their market positions and overall competitiveness. In particular, innovation determines the ability of companies to adapt to changes in the external environment, mitigate risks, and build competitive advantages. Thus, the issue of the impact of innovation development on enterprise competitiveness is becoming particularly relevant, as despite the general recognition of the importance of innovation, the practical mechanisms for its effective implementation remain a subject of debate and further research. The modern economy is characterized by high dynamics of change, increased uncertainty, and the need for constant business adaptation to new economic conditions, which reinforces the role of innovation as a source of long-term competitiveness. The purpose of this study is to comprehensively substantiate the approaches by which enterprises can effectively enhance their competitiveness through the activation of innovation. The research applies methods of analysis and synthesis, comparative analysis, expert evaluation, SWOT analysis, and general scientific approaches to the systematic study of economic processes. Based on the research results, practical recommendations are developed to strengthen enterprise market positions and formulate effective innovation development strategies.

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