

# THEORETICAL FOUNDATIONS OF THE INNOVATION PROCESS FLOWING ON ENTERPRISES IN A COMPETITIVE ENVIRONMENT

**Vostriakova Valentyna,**

*PhD, Kyiv National Economic University named after Vadym Hetman,  
Ukraine, vvostriakova@kneu.edu.ua, <https://orcid.org/0000-0001-8999-6323>*

В научной работе инновационная деятельность рассматривается как неотъемлемая часть конкурентного рынка; автором приведено описание инновационных процессов, происходящих в рамках линейных и нелинейных инновационных моделей, сделанны соответствующие выводы.

**Ключевые слова:** инновация, инновационная деятельность, инновационный процесс, конкурентоспособность предприятия.

У науковій роботі інноваційна діяльність розглядається як невід'ємна частина конкурентного ринку; автором описано інноваційних процесів, що відбуваються в рамках лінійних і нелінійних інноваційних моделей, зроблені відповідні висновки.

**Ключові слова:** інновація, інноваційна діяльність, інноваційний процес, конкурентоспроможність підприємства.

The information revolution has changed the environment for the functioning of business structures, creating fundamentally new conditions for enhancing their innovative development. At this stage of economic development, the ability to create and introduce innovations becomes a prerequisite for long-term business success by providing on this basis competitive advantages.

The theory of innovation in the modern sense of the word arose at the beginning of the 20th century, when the french sociologist G.Tarde, and then the austrian economist J. Schumpeter put forward hypotheses on the consideration of scientific and technological inventions as the main driving force of social progress [1]. Over the next hundred years, innovation theory has gone a long way from describing the entrepreneur, enterprise, and state as separate elements of the innovation process to

understanding them as interconnected links in a complex system, the work of which is ensured by a certain set of institutional factors.

In modern economic science, the term «innovation» was first introduced by J.Schumpeter in 1912 in his work «Theory of Economic Development» [2, p. 7]. One of the most prominent management theorists of the twentieth century, P. Drucker [3, p. 11] determined that «innovation is a manifestation of the entrepreneurial spirit, whether it is an existing commercial organization, utilities or an idea born at home in the kitchen. For an entrepreneur, this is a way to create new sources of income or expand the potential of existing ones».

The modern methodology of systematic description of innovations is based on international standards developed by the Organization for Economic Co-operation and Development. The Frascati Manual - Proposed Standard Practice for Research and Experimental Development - has been developed by the panel of experts, whose provisions are periodically updated. The methodology for collecting data on technological innovation is based on the recommendations adopted in Oslo in 1992. (First Edition), and is called the Oslo Manual. The Oslo Manual refers to innovation as any scientific, technological, organizational, financial or commercial action that actually leads to innovation or is designed for this purpose [4, p. 56]. Innovative activity can enhance a firm's ability to innovate or its ability to successfully master innovations developed by other firms or organizations [4].

The study of innovation processes has for a long time been conducted in the so-called linear model of innovation, which basically deals with the formal or explicitly given knowledge obtained in the process of basic research. Each level of the linear model creates a result that is passed as input to the next level. The knowledge flow is unidirectional, which means that the later stages do not provide input for the earlier stages. The model assumes that the boundaries within which fundamental research is conducted have a significant impact on technological innovation. Within this hypothesis, the innovation process is seen as the consistent transformation of an idea into a commercial product through the stages of basic, applied research, developmental and technological development, marketing, production and, finally, marketing.

Now it is becoming increasingly apparent that the linear model of innovation, which implies a causal relationship between scientific knowledge and innovation, is an exception rather than a rule that is more relevant to high-tech industries.

Non-linear (interactive) models suggest that, firstly, new ideas arise and are developed at all stages of the innovation process; secondly, between the stages of the innovation process, qualitatively new types of relations arise. Thirdly, research results, including the commercialization of technologies used in various forms at all stages of the innovation process. Fourth, the non-linear model enhances the role of innovation process managers and consumers of innovative products. Accordingly, the correct construction of innovative processes in companies is the basis for the formation of effective business models. The evolution of models of the innovation process from simple linear to more complex with the development of the theory of innovation and their detail is presented in Fig. 1, 2.

A correct understanding of innovative processes is the basis for the formation of effective business models of enterprises for the various stages of their life cycle. The success of the innovation process depends, among other factors, on the speed of completion of the innovation cycle and the flexibility of the organization when using the results. Since the source of innovation does not have to be theoretical research, and the innovation process relies on the use of previously obtained results, its success does not depend on whether these results were obtained inside or outside the innovator (Fig. 2).

Understanding the nonlinearity of innovation processes and the importance of the relationship between the individual stages and subjects of innovation led to the emergence of the theory of innovation systems. The concept of national innovation systems was adopted by the OECD as an analytical base for analyzing the innovative development of various countries and regions on the basis of the adoption of the hypothesis on the decisive role of national developmental features in the country's technological development.



Linear model «technology-push model» (20–60 years of the 20th century)

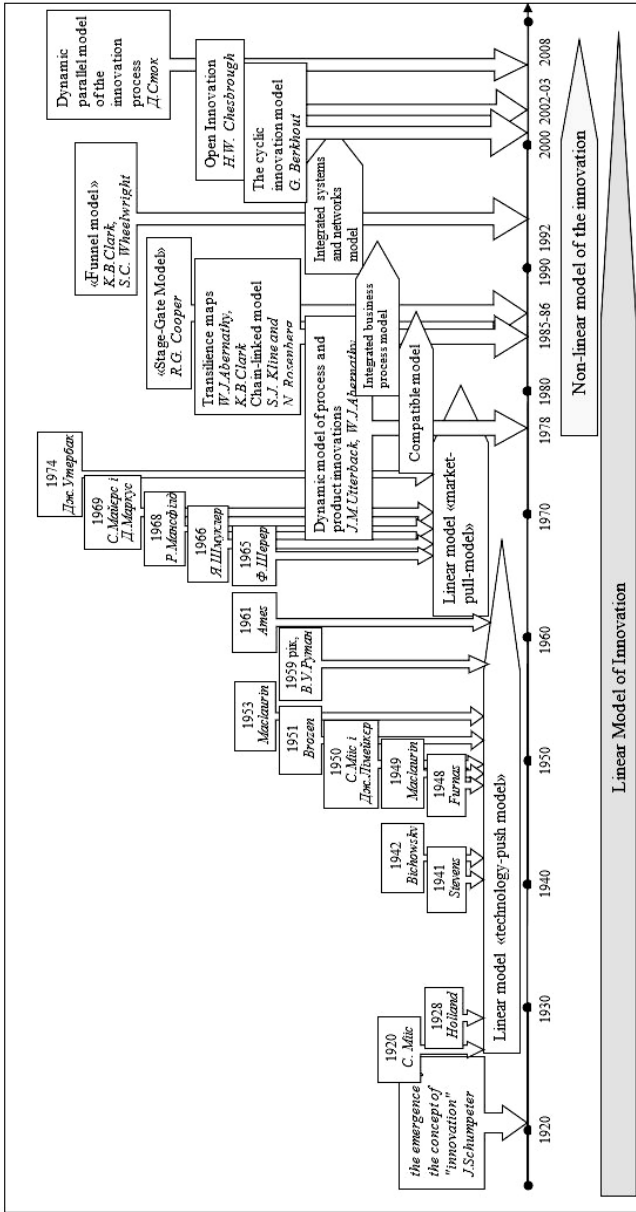
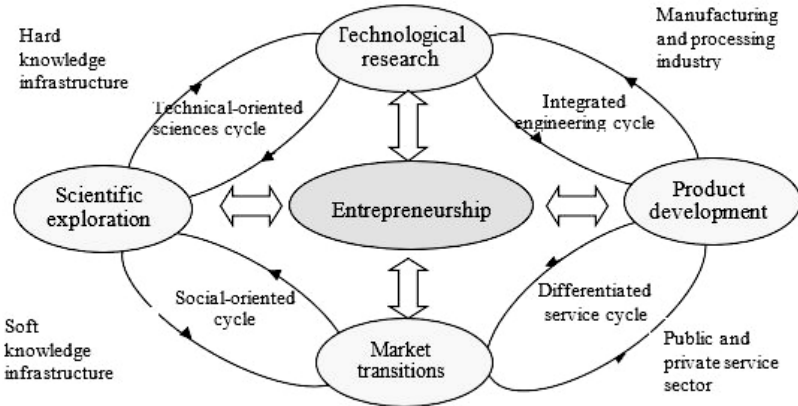


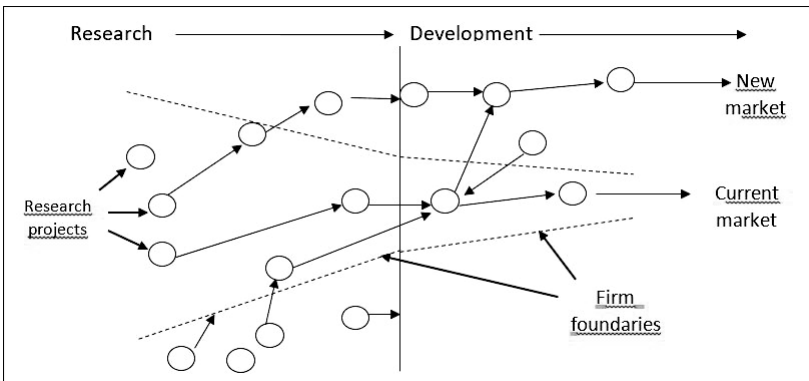
Figure 1. Development of models of the innovation process  
Compiled by author based on [5, 6, 7, 8]



Linear model «market-pull-model» (50–60 years of the 20th century)



The cyclic innovation model G. Berkhout (2002)



Модель відкритих інновацій Г. Чесборо (2003 р)

Open Innovation Model H. Chesborough (2003)

Figure 2. The implementation of some models of the innovation process

*Compiled by author based on [5, 6, 7, 8]*

## Findings

1. Since its inception in the early twentieth century. The theory of innovations has gone a long way from describing the entrepreneur, firm, and state as separate elements of the innovation process to understanding them as interconnected links of a complex system, the functioning of which is ensured by a certain set of institutional factors. Important features of the modern theory of innovation is its focus on the study of methods and mechanisms for obtaining sustainable added value at both the micro and macro levels, which take into account the relevant information-knowledge economy of the globalized-entrepreneurial context of the business environment.

2. Innovative activity in modern business conditions is an integral part of the competitive market. A systematic analysis of innovation processes occurs within the framework of linear and nonlinear innovation models, which describe various approaches regarding the nature of the relationship between the emergence of innovations, basic and applied research, and the diffusion and commercialization of innovations.

3. Awareness of the nature and characteristics of innovative processes in enterprises is the basis for the formation of effective business models for the various stages of their life cycle.

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## THE IMPACT OF THE CORPORATE SOCIAL RESPONSIBILITY ON THE REPUTATION OF COMPANIES

**Zinchenko Alla,**

*PhD, Associate Professor at the Department of Public Relations,  
National University Kyiv-Mohyla Academy, Ukraine,  
a.zinchenko@ukma.edu.ua, <https://orcid.org/0000-0002-1193-6109>*

**Naumov Vadym,**

*PhD, Associate Professor, National University Kyiv-Mohyla Academy,  
Ukraine, v-naumov@ukr.net, <https://orcid.org/0000-0001-5529-7903>*

Розглядаються глобальні тренди сучасності, які дають поштовх до впровадження і подальшого розвитку соціальної відповідальності компаній. На основі численних досліджень аналізується позитивний вплив політики соціальної відповідальності на компанію (інвестиційну привабливість, лояльність споживачів і працівників, її вартість) та її репутацію. На основі аналізу і порівняння методології міжнародних рейтингів репутації виокремлені складові соціальної відповідальності, які мають найбільший вплив на зростання репутації компанії.

**Ключові слова:** КСВ, репутація, стійкість

Рассматриваются глобальные тренды современности, которые дают толчок к внедрению и дальнейшему развитию социальной ответственности компаний. На основе многочисленных исследований анализируется положительное влияние политики социальной ответственности на компанию (инвестиционную привлекательность, лояльность потребителей и работников, ее стоимость) и ее репутацию. На основе анализа и сравнения методологии международных рейтингов репутации выделены составляющие социальной ответственности, которые имеют наибольшее влияние на рост репутации компании.

**Ключевые слова:** КСО, репутация, устойчивость