

# Strategic Aspects of Innovative Development of Entrepreneurial Entities in Modern Conditions

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*Abstract: The article is devoted to the generalization of strategic aspects of innovative development of entrepreneurial entities in modern conditions. It has been established that in innovative organizations, it is necessary to maintain creativity and provide the possibility for implementation of ideas and successful promotion of new products to the market. It has been proved that the most favorable conditions for the development of innovation projects, which can influence the implementation of a project, are the lack of bureaucratic barriers and the low degree of centralization, as well as the absence of too narrow specialization. It has been determined that the development of an entrepreneurial entity's innovative potential can be driven by the corporate culture that encourages innovative behavior, putting emphasis on such values as innovation, creativity and tolerance to unavoidable failures. It has been established that a favorable climate for innovation supports an entrepreneur and ensures that resources are used properly.*

*Index Terms: strategy, innovation, entrepreneurship, structure, business, culture, climate.*

## I. INTRODUCTION

One of the main methods designed to stabilize the economy and keep it growing at a fast pace is expanding the role and functions of management processes through the application of integrated approaches to the resolution of problems observed in state development. A strong entrepreneurial sector has been formed in the past few years, but the efficiency of its performance is low.

Studies show that main reason behind weak returns in entrepreneurial entities is the fact that their activities are isolated from strategic areas of national economic development, the unequal location of enterprise entities in the regions, and imbalance in the pace of development of entrepreneurship in the federal center and the periphery.

An important area for the resolution of these problematic issues is the deepening of entrepreneurship studies in accordance with the socio-economic objectives of entrepreneurial development. Poor efficiency of entrepreneurial entities makes it necessary to focus scientific

studies on the assessment of factors, which stimulate or hamper development of entrepreneurship in Russia, the elaboration of new conceptual approaches to the building of a system for the management of entrepreneurial development processes from the viewpoint of general interests pursued by main subjects of the economic environment.

The study of the problems related to the development of entrepreneurial entities was reflected in the papers compiled by Yu.E. Blagov [1], S.M. Krolivetskaya [2], R.B. Paliakin [3], V.V. Troshikhin [4], E.V. Anasenko [5], O.A. Blokhina [6], etc. The analysis of scientific papers showed that it is necessary to promote the development of strategic aspects of innovative development of entrepreneurial entities in modern conditions. At the same time, the fundamental elaboration of theoretic provisions and mechanisms for the execution of strategic plans is conducive for the efficient use of strategic approaches to the development of entrepreneurship.

## II. METHODS

The study's methodological basis includes fundamental provisions of the modern economic theory. The set objectives were executed from the position of the systematic approach, with the use of modern methods of research, namely the historical and monographic methods, as well as the abstraction method used for the study and generalization of theoretical and methodological basis of the establishment and development of entrepreneurial entities. The economic-statistical and economic-mathematical methods, as well as the table, graphic and cartographic methods were used to find main trends of innovative development of entrepreneurial entities in modern conditions.

The study's information base consists of laws, statutory and legal acts adopted by public authorities, data from financial statements and management accounts of entrepreneurial entities, articles written by Russian and foreign scientists, Internet resources, and documents governing the development and support of entrepreneurial entities [7, 8, 9].

In the course of the study, we plan to formulate the strategic aspects for innovative development of entrepreneurial entities in modern conditions, to elaborate measures aimed to coordinate activities carried out by entrepreneurial entities, to substantiate a provision on the management of entrepreneurial entities' innovative development in modern economic conditions.

## III. RESULTS

The practice has shown that there is no efficient strategic

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management without the harmonic and coordinated action of all managerial functions, in which strategic measurement plays an important role as it is unreal to conduct complete strategic analysis without proper understanding of methods used in measuring parameters and results of strategy achievements, without applying economically justified methods for assessment of efficiency and productivity of business processes in entrepreneurial entities.

Entrepreneurial entities' strategies can be classified based on the following criteria: the level of decision-making; the base concept for the attainment of competitive advantages; the stage of the industry's life cycle; relative strength of an entrepreneurial entity's sectorial position; the degree of aggressiveness of a company's behavior in the competitive struggle, etc.

A substantial factor that influences classification is the fact that most strategies cannot be unilaterally defined on the basis of a single criterion. An approach, which can be called competitive, provides for the classification of all strategies on the basis of three features, particularly being a part of five underlying strategies of achieving competitive advantages (global strategies), being a part of portfolio management strategies for areas of business (portfolio strategies), and being a part of the strategies that are used depending on internal and external conditions (functional).

The development of entrepreneurship in many countries of the world determines the success of socio-economic reforms, ensures the welfare and social stability. All sectors of civil society (the state, businesses and community) are interested in the formation of an effective strategy for the development of entrepreneurship. The creation of a strategy implies a profound and informative analysis of the current condition of the system, the study of retrospective, the elaboration of forecasts and scenarios of future changes, and the identification of problems and hurdles. For this particular reason, the study of quantitative indicators of entrepreneurial development is a topical scientific and practical objective.

The mechanism of providing strategic development suggests the elaboration of justified measures and plans for the achievement of a goal set, which take into account an entrepreneurial entity's scientific and technical potential and its production and sales possibilities. Certain indicators, both qualitative and quantitative, are used when elaborating an entrepreneurial entity's strategic positions. In practice, qualitative indicators can be called landmarks and quantitative indicators – tasks.

The practice has shown that a landmark is a more remote goal that an entrepreneurial entity strives to achieve by developing a strategy. Setting a goal is a more specific level of decision-making, which requires the elaboration of the relevant strategic tasks. A strategy, which is developed for the achievement of one goal, can be unsuitable for the achievement of another. There are close interrelation and interdependence among landmarks, goals and a strategy. For instance, such an indicator as the share of the market can be both a landmark and a goal, as well as a strategy.

As landmarks, goals and strategies are elaborated within an entrepreneurial entity, a strategy, which is developed at the

highest level of management, becomes a goal and a landmark at the lowest level of management (production units). A strategic goal aims to strengthen an entrepreneurial entity's competitive positions in the market. That is, they concern competitiveness and aim to speed up growth, expand the market share, to improve the quality of products and services against rivals, to keep costs low and to increase return on investment.

In order to determine a strategy properly, it is essential to thoroughly examine an entrepreneurial entity's internal conditions and external factors of influence. Only having a clear view of an entrepreneurial entity's market position, taking into account peculiarities of the market, it is possible to determine better which strategy will contribute to the achievement of a goal set and financial results. The improper assessment of the situation raises the risk associated with the incorrect elaboration of a strategy. The selection of a strategy for innovative development is the most important stage of strategic planning of enterprises entities' innovative development because the efficiency of achievement of the goals set is largely determined by the right choice of an area for strategic development.

The art of executing a strategy consists in the proper assessment of actions taken to determine a place of the strategy, its professional execution and the achievement of good results. Measures related to the execution of a strategy are initially attributed to the area of administrative tasks that includes the following main tasks: the creation of organizational possibilities for the successful execution of a strategy; budget management for the purpose of depositing funds on profitable terms; the determination of an enterprise's policy that ensures the execution of a strategy; incentives for personnel to show better performance; the creation of a favorable environment in an enterprise for the successful fulfillment of tasks set; the application of the latest experience for constant improvement of performance; measures to ensure that there is an internal guide required for the movement towards the implementation of a strategy and control over the execution of a strategy.

The choice of the above strategies is determined by the level of innovative potential, which comprises a number of economic indicators that characterize an enterprise's possibilities to master new or improved technologies and to manufacture new or improved products, and a competitive position in the market. However, the generalized indicator of innovative potential does not give an objective view because, first, the aggregate of economic indicators, based on which innovative potential is measured, is not clearly defined or general, and, second, the indicator of innovative potential is an integral part of a higher-level system (potential of innovative development).

The potential of innovative development is a more adequate gauge when selecting a strategy for an entrepreneurial entity's innovative development. However, this indicator has some drawbacks as it is measured on the basis of the aggregate of retrospective indicators and, therefore, it takes no account

of the level of adaptation to changes in innovative decisions within a certain period of planning. For this reason, we propose to introduce an adaptability ratio of the potential for innovative development that will show to what an extent production facilities are adaptable as a whole to unpredictable challenges of an external environment, i.e. how fast alternative innovative decisions can be implemented within the selected strategy of innovative development and whether they can be implemented at all.

Based on the foregoing, we propose to assess the ability for innovative development and to subsequently choose a strategy by calculating and analyzing two integral indicators: the adaptive potential of innovative development; and financial potential of innovative investment.

It is proposed to calculate the integral indicator of the adaptive potential of an entrepreneurial entity's innovative development under the following formula:

$$PIR_{ad} = PIR \cdot K_{ad}, (1)$$

where  $PIR_{ad}$  means the potential of innovative development (a retrospective indicator);  $K_{ad}$  means the integral ratio of adaptability of the potential for innovative development that is calculated under the formula:

$$K_{ad} = \sum_{i=1} \omega_f \cdot K_f, (2)$$

where  $K$  is a specific indicator of adaptability of the potential for innovative development;  $f$  means an ordinal number of adaptability of the potential for innovative development.

We propose to determine the weight of  $K_{ad}$  components using the expert method, e.g. the method of paired comparison. As the type of an entrepreneurial entity's production and the potential of innovative development are closely interrelated, it is proposed to calculate separately the weight of indicators under assessment for each entrepreneurial entity by the type of production. Accordingly, depending on the type of production  $K_{ad}$  of an entrepreneurial entity should be determined under modified formulas.

The financial potential of innovative investment was chosen as the second criterion used while the choice of the strategy of innovative development was driven by the fact that the financial support of innovative decisions is very important because the risk associated with the unsatisfactory financial support of an innovative decision is generalized in terms of an entrepreneurial entity's innovative development as a whole. On the one hand, the financial strategy is part of an entrepreneurial entity's overall economic development strategy and, on the other hand, the financial strategy itself influences the formation of a development strategy and consequently a strategy of innovative development.

The financial potential of innovative investment is determined as a sum of investment potentials: equity; attracted funds; borrowed funds; the potential of assets, namely the potential of their liquidity; the potential of an entrepreneurial entity's possibilities; in particular an entrepreneurial entity's ability to raise funds quickly and its image as a borrower are considered among the possibilities.

At the same time, a strategic goal aims to solidify an entrepreneurial entity's competitive positions in the market. That is, they concern competitiveness and aim to accelerate the pace of growth, to expand a market share, to improve the

quality of goods and services against rivals, to keep costs low and to increase return on investment.

To determine a strategy correctly it is essential to thoroughly examine an entrepreneurial entity's internal conditions and external factors of influence. Only having a clear view of an entrepreneurial entity's position in the market and taking into account its peculiarities, senior management can define a strategy that will be conducive for the achievement of a goal set and financial results. Given various combinations of the financial potential of innovative investment, and the technical technological potential of production, possible strategies for an entrepreneurial entity's innovative development can be shown in Table 1.

Table 1: Choice of an innovative development strategy for entrepreneurial entities

Financial potential of innovative investment	Potential of innovative development (adaptive)		
	High	Medium	Low
High	Active offensive strategy; Passive offensive strategy; Defensive strategy; Strategy of a market niche.	Passive offensive strategy; Strategy of a market niche; Imitation strategy.	Imitation strategy; Strategy focused on small knowledge-intensive enterprises.
Medium	Passive offensive strategy; Defensive strategy; Strategy of a market niche.	Opportunistic strategy; Traditional strategy.	Opportunistic strategy.
Low	Defensive strategy; Strategy of a market niche; Opportunistic strategy.	Defensive strategy; Opportunistic strategy.	Defensive strategy (streamlining of production processes)

At the same time, studies have shown close interrelations in various approaches to the choice of an innovative development strategy for entrepreneurial entities. The interrelation of this kind is seen in all possible strategic initiatives that ensure the innovative development of entrepreneurial entities in modern conditions.

#### IV. DISCUSSION

The reliability of the presented approaches is confirmed by the fact that innovative development of entrepreneurial entities includes a set of various plans for the fulfillment of main functions and tasks of planning [10, 11,



12]. For this reason, the most important factors, which determine the structure and the content of this set, are the organizational structure and the profile of an innovative organizational structure that implement the innovation level of cooperation.

Higher turnover and growth of small and mid-sized entrepreneurial entities, to a large extent, depend on innovation. A mandatory term for the survival of these entrepreneurial entities in the market is new and improved products and services. Changes in clients' requests, quality requirements, the creation of short life cycle products and the faster pace of upgrade lead to the fact that it is necessary for small and mid-sized entrepreneurial entities to restore their operating programs fast. Innovation is a key strategic stage of development for any entrepreneurial entity and the economy as a whole.

When the owner of a small or mid-sized enterprise begins to examine an unknown product, service or method of production, he/she does not always understand whether what seems new to him/her will be innovation. Often, innovation is what can be considered only in the retrospective. This very fact is a hidden opportunity and concealed danger. Innovative development, therefore, covers all strategic and operating goals of management, planning, organization and control of innovation processes.

Furthermore, small and mid-sized entrepreneurial entities, which cooperate with other companies, are stipulated to cooperate within the strategy. Cooperation of this kind can be carried out at all stages of an innovation process. Cooperation between small and mid-sized entrepreneurial entities aimed to improve their competitiveness and reduce risks has become widespread in larger-scale innovation projects. For this reason, cooperation can be carried out in various forms, e.g. via a strategic alliance and a joint study.

## V. CONCLUSION

Summing up, it can be pointed out that in innovation companies it is necessary to maintain creativity and provide possibilities to implement ideas and to market new products. At the same time, there is no generic form of an innovation process for entrepreneurial entities. A type of innovative development should correspond to a certain choice of organizational conditions. Therefore, the most favorable conditions for the development of innovation projects, which can influence the execution of a project, are the absence of any bureaucratic barriers and the low degree of centralization, as well as the absence of too narrow specialization.

However, the development of an entrepreneurial entity's innovative potential can be driven by the corporate culture that encourages innovative behavior, paying close attention to such values as innovation and creativity or tolerance to unavoidable failures. Signs of the corporate culture, which promote innovation, include incentive systems, public telecom networks and incentives for cooperation. Accordingly, one should clearly understand that favorable conditions for innovation are not created by an order issued by authorities, they require a straight-forward behavior, thereby lending support to individual entrepreneurs and

ensuring the proper use of resources.

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