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## DEVELOPING AN INNOVATION STRATEGY FOR ENTERPRISES TO ENHANCE COMPETITIVENESS

**Israilov Rustam Ibragimovich**Associate Professor of the Department of "Accounting and Audit"  
of the Namangan Engineering and Technological Institute*Received: Oct 22, 2024; Accepted: Oct 29, 2024; Published: Nov 10, 2024;*

**Abstract: Objective:** This study aims to explore the role of development strategies in enhancing organizational competitiveness amidst a rapidly changing environment, emphasizing the significance of an innovation-driven approach to achieving long-term sustainability. **Methods:** The research employs a qualitative analysis of market-driven strategic frameworks and their application within industries and sectors, emphasizing the integration of socially-oriented transformations and innovation strategies into organizational operations. **Results:** The findings indicate that adopting an innovation strategy significantly contributes to the growth of industries and sectors within the national economy. Organizations with a focus on sustainable innovation demonstrate improved adaptability to evolving market conditions and a stronger foundation for maintaining competitive advantages. **Novelty:** This study highlights the interplay between innovation strategies and socially-oriented transformations as pivotal for modern organizations. It underscores the dual role of innovation as both a driver of national economic growth and a tool for creating sustainable competitive advantages in a dynamic environment.

**Keywords:** innovative environment, economic transformation, competitiveness, development strategy, growth drivers, competitive advantage

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### Introduction

The intangible sphere of production is a sector of the economy with unique characteristics that affect the features of innovative development and the types of innovative solutions being implemented [1], [2]. In this regard, it is necessary to clarify the definition of the term "innovation" in the context of the intangible sphere of production.

Innovations in the intangible sphere are the result of a combination of managerial actions and their impact on achieving the goals of the organization. This is due to the introduction of changes and transformations in the service product, processes, service technologies and customer interaction, which makes it possible to maximize customer needs and achieve competitive advantages for the organization [3], [4].

The end result of intangible production is a service product, service technologies, service organization, etc., the main task of which is to minimize the gap between requests and the perception of quality. In achieving this, organizations must also consider customer satisfaction metrics and market feedback as pivotal elements of their innovation strategy. A well-designed innovation not only bridges gaps in service expectations but also fosters long-term customer loyalty and sustains the competitive edge of an organization. This highlights the necessity of integrating continuous improvement and customer-centric approaches in the innovation processes within this sector [5], [6].

## Methods

To determine the relationship between the goals of organizational development, we will decompose the goals of strategic management of innovative development, aimed at ensuring competitiveness. Competitiveness is a complex economic category. The goals are decomposed in accordance with the main purpose of the study — to achieve high competitiveness of the organization through the implementation of an innovation strategy [7], [8]. There are three levels of management in this scheme:

- a. Macro level — the national level of interaction and management.
- b. Meso—level - the regional level of interaction and management.
- c. Microlevel — the level of a specific organization in the field of intangible production.

As a result of the analysis of goal-setting in the field of intangible production at different levels, organizational goals achieved through the implementation of an innovation strategy were systematized. These include:

- a. Strengthening the company's competitive position.
- b. Adaptation to negative environmental influences.
- c. The opportunity to occupy a previously free market niche with the help of an innovative product.
- d. The opportunity to avoid competition by creating a new market niche.
- e. The possibility of increasing the volume of intangible production.

From the point of view of the stages of the innovation process, there are several stages, each of which has its own specific goal-setting features [9]:

- a. The stage of innovation development.
- b. The stage of innovation implementation.
- c. The stage of operation of innovations.

Thus, for the successful implementation of an innovation strategy, it is advisable for organizations in the non-manufacturing sector to implement a set of measures aimed at more effectively achieving their development goals.

Innovative development strategies in the intangible sector that contribute to improving the quality and competitiveness of the economic sector are policy documents at the industry level, which include:

- a. A description of the set of targets for the long-term development of the industry, formulated on the basis of an analysis and assessment of conditions and factors affecting both external and internal levels in relation to sector organizations.
- b. Tools and mechanisms, the use of which presupposes the achievement of strategic goals aimed at increasing the innovative potential of enterprises and organizations in this field [10].

## Results and Discussion

The analysis of the conceptual framework allowed us to identify the unique characteristics of the innovation process in organizations of the intangible sphere:

- a. The multifunctionality of introducing innovations into the activities of organizations in this industry.
- b. The innovative development of organizations should take into account the integration aspects of the sector's development.
- c. Innovative development should be comprehensive, covering all aspects of the organization's

functioning.

- d. Innovative development should be managed by the company's management.
- e. It is important to create an innovative culture among employees and reduce the risks of resistance to innovation.

The complex characteristic of the innovative development of organizations in the intangible sphere is determined by their innovative activity. Innovation activity is a flexible indicator of health and competitiveness. According to the OECD methodology, any organization can be considered an innovatively active organization, regardless of its organizational and legal form and type of activity, which is constantly engaged in the development and implementation of new or improved products, as well as technological and managerial processes or other types of innovation activities. An organization is recognized as innovatively active during the observation period, regardless of whether successful innovations have been implemented, whether they are in the process of being implemented, or whether implementation has been suspended.

The innovative activity of organizations in the intangible sphere can be determined by several factors, among which are:

- a. Internal factors related to the organization itself, including its ability to innovate (availability of technological, organizational, financial and other resources), as well as ownership structure and industry affiliation.
- b. External factors affecting the organization (market monopolization, access to unique resources, cluster integration, government policy).

Both internal and external factors have a significant impact on the development of innovation processes.

Competition is an important incentive for the development of innovation activities in organizations. Therefore, it is necessary to pay special attention to the analysis of the relationship between the innovative activity of companies in the intangible sector and the level of competition in the industry. To date, there is no consensus on this issue. Some researchers argue that there is a direct link between these processes: the larger the company, the higher its potential for innovation. At the same time, other scientists suggest the existence of an inverse U-shaped relationship between competition and innovation. This means that at the initial stage, the growth of competition contributes to an increase in innovation activity, but after reaching a certain level of market saturation and weakening competitive pressure, the incentives for innovative development may decrease.

The model of innovative development makes it possible to assess the innovative potential of an enterprise as a set of assessments of the existing conditions of its formation (internal factors) and the conditions of implementation (external factors). An important role in the development of an organization's innovation strategy is played by factors that can both facilitate and limit this process. These factors serve as an information basis for conducting predictive and analytical research, which is a prerequisite for developing measures that promote the innovative development of organizations. The strategic approach to factor analysis involves structuring them depending on the level of influence on the results of an organization's innovative development.

The external factors influencing the effectiveness of innovative strategies of organizations include: political, legal, economic, social, natural, geographical, technological and cultural aspects. These factors differ in that the organization cannot control them and does not receive feedback. The external environment also affects the level of competition between companies in the same industry in a saturated market.

Economic factors have an impact on the stability of the company's financial condition and its

competitiveness. These include the inflation rate, the taxation system (including the availability of tax benefits), consumer incomes, and interest rates that determine the availability of loans.

Social factors influencing the effectiveness of the strategy include the demographic structure of the population, life expectancy, morbidity rate, and economic behavior of citizens. These aspects depend on the specifics of the industry and the definition of the target audience.

Natural and geographical factors play a key role in the effectiveness of an organization's innovation strategy, especially in the areas of intangible production. For example, they can determine the specialization of institutions in the sanatorium sector, such as mud treatment, balneotherapy and climate treatment, which emphasizes the importance of having natural resources and taking into account the climatic conditions of the region. Proximity to the sea and mountain ranges can also become an additional factor influencing the choice of consumers and their preferences for specific organizations.

## Conclusion

The competitiveness of an enterprise and the success of its activities in the field of intangible services are influenced by many factors. Some of them are common to all branches of intangible production, while others are specific to each specific industry. These factors include various parameters of the external and internal environment of the organization, as well as aspects of competitiveness and risks of investment activity. The analysis of the priority and impact of these factors helps to choose the optimal innovative development strategy for organizations. On this basis, a methodology has been developed for choosing an alternative innovation strategy for organizations in the intangible sector, which is based on assessing the impact of a set of factors and prioritizing them.

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