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**INNOVATIVE STRATEGIES AS A DECISIVE FACTOR  
IN BUSINESS DEVELOPMENT IN RURAL AREAS**

*The article presents the results of research on the role of forming an innovative strategy for business development in rural areas. It has been proven that in the conditions of a turbulent economic environment, which is characterized by the rapid development of information technologies, the full-scale war of the Russian Federation, the consequences of the pandemic, and increased competition, it is extremely important for the development of business in rural areas to conduct effective innovative management of enterprises. The article substantiates at the theoretical level the vector component of innovative business management, namely the innovative strategy of business in rural areas. It has been proven that this specific direction of business development is aimed at strengthening the position of rural areas, achieving the intended goals, meeting the needs of customers as efficiently as possible through the use of innovative management methods and technologies. In the context of innovative management, it is determined that the development of business in rural areas involves constant changes and flexible adaptation to these changes, an approach to identifying innovative strategies based on a change in the current state of one or more management objects is formed: the market, the state of business, the industry aspect, the presence innovative technologies, reference strategies that are important for rural areas are singled out, namely, concentrated growth, integrated growth, diversified growth, and planned reduction. The justification for choosing an innovative business strategy should take into account the fact of compliance with the general strategy for the development of rural areas, as well as the possibility of market acceptance of a new product and the corresponding risks of promoting this product in the future. The key factor in choosing a particular innovation strategy is the existing innovation potential of the business.*

**Keywords:** *innovative strategy; innovative potential; innovative technologies; rural areas; business development of rural areas.*

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**ІННОВАЦІЙНІ СТРАТЕГІЇ ЯК ФАКТОР РОЗВИТКУ  
БІЗНЕСУ СІЛЬСЬКИХ ТЕРИТОРІЙ**

*В статті наведено результати дослідження щодо ролі формування інноваційної стратегії розвитку бізнесу сільських територій. Доведено, що в умовах турбулентного економічного середовища, яке характеризується стрімким розвитком інформаційних технологій, повномасштабної війни рф, наслідків пандемії, та посиленням конкуренції вкрай важливо для розвитку бізнесу сільських територій провадити ефективне інноваційне управління підприємствами. В статті обґрунтовано на теоретичному рівні векторну складову інноваційного управління бізнесом, а саме інноваційну стратегію бізнесу сільських територій. Доведено, що цей визначений напрям розвитку бізнесу, спрямований на укріплення позицій сільських територій, досягнення намічених цілей, максимально якісне задоволення потреб клієнтів за рахунок використання інноваційних методів і технологій управління. В розрізі інноваційного управління визначено, що розвиток бізнесу сільських територій передбачає постійні зміни та гнучку адаптацію до цих змін, сформовано підхід до виокремлення інноваційних стратегій, що базуються на зміні поточного стану однієї або декількох об'єктів управління: ринку, стану бізнесу галузевий аспект, наявність*

*інноваційних технологій, виокремлено еталонні стратегії, які є вагомими для сільських територій, а саме концентрованого зростання, інтегрованого зростання, диверсифікованого зростання, запланованого скорочення. Обґрунтування обрання інноваційної стратегії бізнесу має враховувати факт відповідності загальній стратегії розвитку сільських територій, а також можливість прийняття ринком нового продукту і відповідні ризики просування цього продукту в подальшому. Ключовим чинником вибору тієї чи іншої інноваційної стратегії є наявний інноваційний потенціал бізнесу.*

***Ключові слова:** інноваційна стратегія; інноваційний потенціал; інноваційні технології; сільські території; розвиток бізнесу сільських територій.*

**Statement of the problem** Under the conditions of the high cost of energy resources, increased competition, taking into account the rapid development of information and communication technologies, the implementation of innovations is practically the only effective option for ensuring the competitiveness of an enterprise when resources are limited, the decisive factor in business development [4]. And before investing huge funds in research and development or purchasing modern production equipment, it is necessary to first develop an effective innovation strategy adequate to the available potential of the company.

At the expense of innovative strategies, managers are looking for promising directions for the company's development, the production of fundamentally new goods or the provision of new services through the implementation of scientific research, the permanent application of advanced innovative technologies.

**Analysis of the latest research and publications** Scientists interpret the concept of innovation strategy (hereafter IS) and its place in the system of strategic management of the enterprise in different ways. Thus, S.M. Ilyashenko says that IS should be built starting from the corporate level and ending with the product level and puts it next to the functional strategies of the enterprise in the management of the company [2]. L.E. Dovgan, Yu.V. Karakai and L.P. Artemenko hold the same opinion regarding the place of innovative strategy in general strategic management [1], saying that IS contributes to the implementation of the company's corporate strategy, deepens and refines it.

We agree with the opinion of T.M. Yankovets that such an approach is somewhat limited, since in the competitive struggle, any strategy applied for the first time by the company, the use of which leads to the growth of competitive advantages and increased profits, can be considered innovative. Therefore, in the strategic management of business development, it is appropriate to place the innovation strategy between competitive and functional strategies. Such placement substantiates the innovativeness of functional strategies, since for the implementation of any IS, measures of a strategic nature are formed according to functional vectors. The scientist defines IS as any new tool for realizing the strategic goals of the enterprise [3].

So, the innovative strategy can be defined as a super-strategy, one of the types of strategies for the development of business in rural areas and ways of achieving the strategic goals of the company, which is distinguished from other methods due to its novelty for a specific company, for consumers, the industry, and the country, and which is focused on the development and implementation of innovations. IS outlines the vectors and opportunities for the enterprise's innovative activity in order to ensure long-term competitive advantages [5]. Such an approach to defining the essence of an innovative strategy comprehensively characterizes it, it should only be added that currently for domestic enterprises this strategy in the strategic set does not yet play the key priority positions as in modern foreign companies [6].

The purpose of the article is to research theoretical approaches regarding the key role of innovation strategy as a factor in business development in rural areas.

Presentation of the main material Strategy, as a rule, is a key element of the vector of business development in rural areas, which has a long-term nature. New or revised strategies may be developed as a result of changes in the business environment. Firms also regularly revise or create new strategies, often annually, by assessing and responding to external and competitive forces and to maximize organizational performance. Determining their resources and capabilities, companies try to use them effectively with the help of strategies that will give them a competitive advantage, so consumers will buy their product or service instead of a competitor's product or service [7].

There are different types of innovation strategies, which are classified according to different characteristics. The modern classification of innovative strategies is summarized in the table 1.

Table 1

**Classification of innovative strategies for business development in rural areas**

Innovative strategies	
Attitude to competition	1. Offensive 2. Defensive
By types of organization strategies	1. Product 2. Functional 3. Resourceful 4. Organizational and managerial
By purpose and positions on the market	1. Traditional 2. Opportunistic ("Niche" strategy) 3. Imitation 4. Protective (Defensive) 5. Dependent 6. Offensive
By the stages of the innovation process	1. Strategies for conducting R&D 2. Strategies for introducing and adapting innovations
By type of competitive market behavior	1. Cost leadership strategy 2. Broad differentiation strategy 3. Strategy of optimal costs 4. Focused strategy based on low costs 5. Focused strategy based on product differentiation
By planning level	1. Corporate 2. Business Strategy 3. Functional 4. Operational
By changes and adaptation in the market	1. Violent 2. Patient 3. Commutative 4. Expletive

Source: made on the basis of [1].

Traditionally, active (offensive, expansive) and passive (defensive, defensive) innovation strategies are distinguished [8]. According to the levels of management, scientists classify IS according to the following types: passive, offensive, stagnant innovative strategies [9]. T.M. Yankovets notes that there are such IS as traditional, opportunistic ("niche" strategy),

imitative, protective (defensive), dependent, offensive [4]. Its classification is shared by V.V. Stadnyk (except for the traditional one) [8].

In general, the identification of basic innovation strategies by different scientists is similar. Since the competitive position and strategic goal are fundamental concepts in the strategic management of the development of the enterprise, we will consider in more detail the types of IS according to the purpose and positions of the company on the market. According to this classification feature, the following innovative strategies are distinguished:

1. Traditional. It is used when there is a unique product or service, it is based on continuous improvement to improve the quality of the product. It provides for such strategic measures as, for example, improving the methods and general level of delivery of goods to customers (timeliness and reduction of deadlines) and the level of customer service, reducing the number of complaints; optimization of packaging; creation of loyalty programs for a permanent audience; improvement of marketing policy and its tools; construction of additional types of goods in the same direction; increasing control over the rational use of material resources, etc. [4].

2. Opportunistic ("niche" strategy). It is also called adaptive strategy. It is characterized by the absence of technological changes in the company, only long-term use of some innovative methods or forms in product production [10]. In essence, the enterprise adapts to marketing or technological innovation developments that are already operating in the market and are aimed at the largest specified niche of this market (or at the significant need of a larger number of buyers). The enterprise can also act as a subcontractor for other leading companies or, for example, partially develop jointly with the contractor enterprise, service together with it its innovative products [11].

3. Imitation. This strategy copies other people's product production technologies of leading companies (pioneers). Most often, it is realized in the form of buying a license for the production of such a product or service [10]. It requires the support of state authorities, the invitation of scientific and technical professionals, the realization of the effect of scale (for example, a reduction in the price of products due to the availability of cheap labor, regional raw materials, and cheap resources [12]).

4. Protective (defensive). It is aimed at protecting innovative developments of the enterprise. The main goal is to remove or minimize risks from competitor attacks [11]. This strategy is used when the company seeks to occupy and maintain leading positions, that is, to enter new markets through the introduction of innovative technologies and means of production. Defense IS requires significant improving innovations (and not their replacement), innovative technologies, flexibility of all company systems, developed scientific and technical base, acquisition of product patents [12]. To implement protective IS, the company can resort to increasing the variety of new products in order to avoid occupation of free market segments by competing firms; imitation of competitors' goods/services or offer of competitors' analogue models at better prices; protection of one's own know-how, patenting of one's technologies and other measures against competitors [11].

5. Dependent. Under this strategy, technological transformations at the enterprise depend on another main enterprise. "Dependents" most often perform subcontracting work, do not change their products due to the dependence of the main company's requirements on it [12].

6. Offensive or aggressive. This IS is the strategy of the pioneer firm. The implementation of an offensive innovation strategy requires the development and introduction of new goods and services, based on global achievements in the development of science and technology. The firm must invest significant funds in its own innovation activity and innovation process (therefore have a good financial potential), quickly adapt to new information and technological opportunities, form special scientific and research structural parts, protect the innovative product as best as possible [12]. The implementation of offensive IS provides significant advantages: rapid growth in sales volumes, an increase in the market share of the relevant industry, and an increase in the number of

satisfied consumers. It can be used not only by leading international companies, but also by small venture firms [11].

The justification for choosing an innovative business strategy in rural areas should take into account the fact of compliance with the company's general development strategy, as well as the possibility of market acceptance of a new product and the corresponding risks of promoting this product in the future. A typical mechanism for forming and implementing an innovative strategy (Fig. 1) includes the following components (stages):

1. Strategic analysis. It includes the study of the situation at the preliminary stage of the formation of the company's strategy and state, research and assessment of the external and internal environment, identification of strategic zones, analysis of the environment, assessment of innovation potential and innovation climate, taking into account external threats and opportunities;

2. Formulation of innovative strategic alternatives. It includes the stages of identifying key development strategies, innovative components of these strategies; creation and evaluation of alternative IS options, an innovative strategy is chosen that is most suitable for a specific enterprise, taking into account its development opportunities [13].

3. Formation of an innovative strategy. This stage is characterized by the generation of the company's innovation goals and the direct implementation of the innovation strategy, which includes: the development and implementation plan of a strategic project (strategic changes, measures to implement strategic changes) taking into account the innovativeness of product transformations;

4. Control of the implementation and evaluation of the innovation strategy. This includes: outline of planned innovative competitive advantages, assessment effectiveness of IS implementation, strategic control of the project implementation process itself; if necessary, appropriate adjustments are made to both the project and the goals or the strategy itself [14].

Bright examples of successful implementation of innovative business development management strategies are such enterprises as Google, Amazon, Tesla, Samsung, Apple, etc.

In Ukraine, an example of successful implementation of an innovative strategy is, for example, Nova Poshta LLC, Kernel, Glovo, Delta Medical and others.

Many factors affect the process of choosing one or another innovative strategy. Among them are the conditions and state of development of the surrounding environment (socio-cultural factors, market size, growth rates, the company's competitive field, legislation and market entry barriers, geographical factors, etc.); industry where the enterprise plans to operate or is already operating; production and organizational capabilities for the release of an innovative product; the company's ability to monitor and evaluate scientific and technical information related to innovative processes and innovations; resource and scientific and technical potential of the enterprise and other influencing factors.

The main factor in the choice of one or another innovation strategy in the conditions of a tough competitive environment is the available and hidden opportunities for the implementation of innovations – innovation potential.

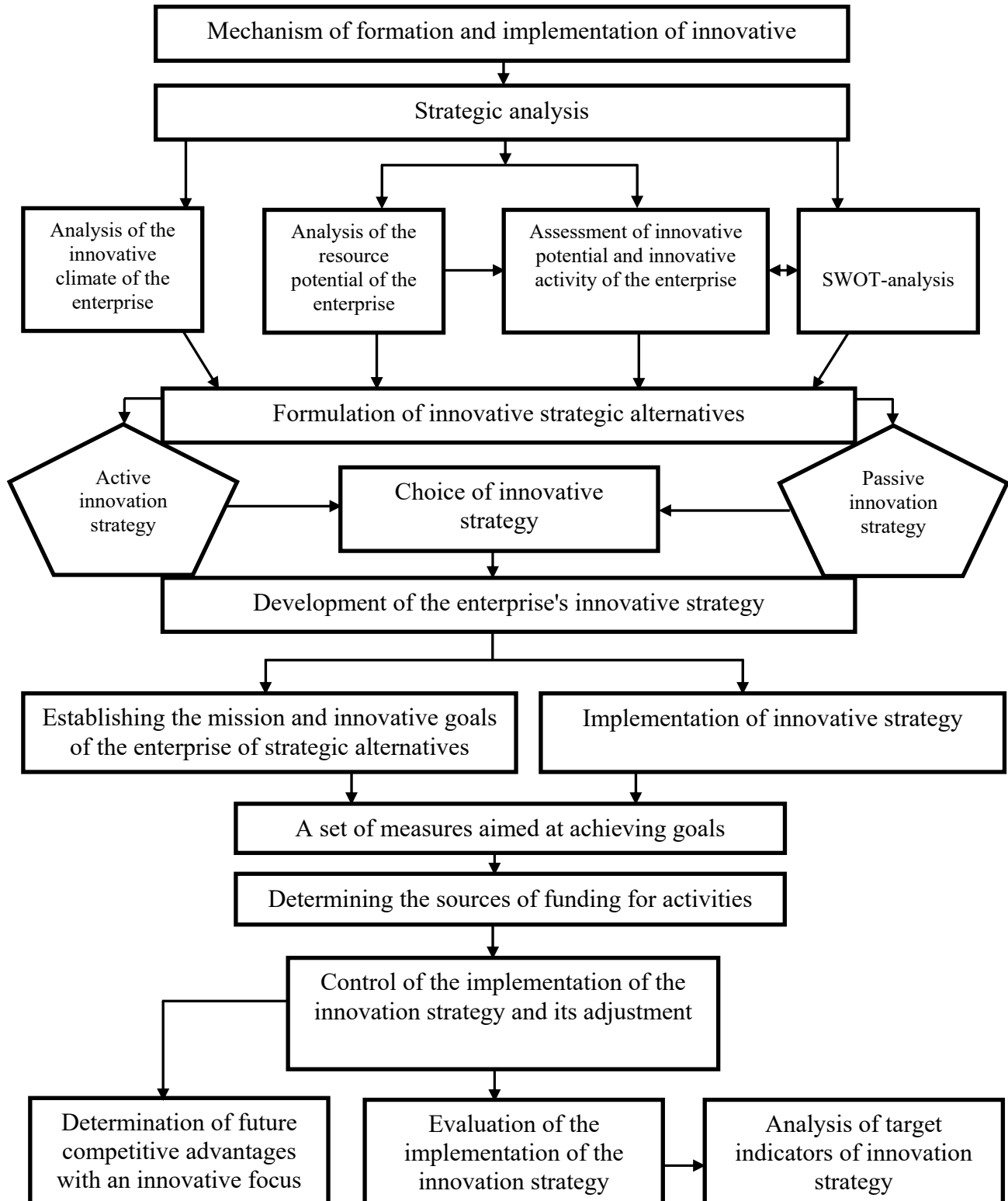
Innovation potential (IP) can generally be defined as a synergy of personnel, information, material, organizational, and technical resources (obvious and hidden), which enable the enterprise to solve the tasks of scientific and technical development [15].

According to V.M. Golovii, the essence of IP is determined by three components:

1) resource level (resource potential) – an ordered system of the enterprise's resources, both in kind and in value terms, which are used to create an innovative product and to form the appropriate material and technical base for this;

2) effective level – the IP is the final result of the implementation of existing capabilities;

3) internal level – the company's ability to use one or another resource, or to turn their interdependent and synergistic combination into innovative products [16].



Source: compiled by the author on the basis of [14].

Fig. 1. The mechanism of formation and implementation of the innovative strategy of the enterprise

The company's focus on the development of IP, in fact, allows it to develop all other business processes. The level of innovation potential outlines the firm's real ability to choose and implement one or another innovation strategy, therefore innovation potential is also subject to mandatory assessment in the process of developing an innovation development strategy [1].

Like any strategy, IS has its own characteristics, which include:

1. The company's IS is affected by changes in the business environment of rural areas. Businesses can drive these changes on their own or just react to current or future changes.
2. The strategy of innovative development makes it possible to evaluate and take into account the company's strengths and weaknesses (those that already exist and those that may arise later) and to implement innovative potential in practice as effectively and adequately as possible.
3. The innovation strategy is based on scientific and economic forecasting and the level of scientific and technical progress, should take into account the life cycles of products, technology, the market and their relationship, since these factors have an impact on the life cycle of the enterprise itself.
4. IS is cyclical in nature. This is explained by the fact that in each specific period of time, a competitive company must immediately pay attention to the 3rd generation of its product (service): unpromising, key and new. The sustainable overall profit of the company is determined by the correct distribution of efforts, methods and methods of developing and manufacturing innovative products of these three generations. An effective innovation strategy requires extensive and in-depth knowledge of the technical and technological capabilities of each of the product generations.
5. Competitive IS requires investment in the development and development of new products much earlier than competitors do. Funds must be attracted even before the innovation will have a real effect due to the company obtaining a good solid state in the relevant market [11].

**Conclusions** So, the innovative business strategy of rural areas is currently one of the decisive factors of development. The development, implementation and implementation of innovative strategies by domestic companies contributes to the acceleration of their development under modern business conditions, obtaining long-term competitive advantages due to the enterprises taking leading positions, the step-by-step rational application of the latest technologies, gives the opportunity to be a monopoly of specific innovative technological developments for some time (even a very long time), while receiving huge profits (of course, if the innovation turns out to be successful in a commercial sense), improving the image of the company in society.

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