Innovation as a Strategic Method for the Sustainable Development of the Company

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Abstract

This article examines innovation as a strategic method necessary to ensure the competitiveness of the company in the modern market. Various types of innovations, including product and service innovations and organizational processes, as well as their impact on the strategic development of the business are analysed in detail. The article describes the principal stages of innovation implementation, from research and development to testing and practical application. Examples of successful innovation strategies from leading companies are also presented, which serves as a clear illustration of their effectiveness. The paper concludes by examining the risks and challenges associated with the innovation process and providing recommendations for companies seeking to adapt to fast-changing market conditions.

Keywords: *innovation, method, strategic management, organization, application, company.*

JEL classification: O31, M10, Q01

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1. Introduction

Today's world is characterized by rapid changes caused by scientific and technological progress and globalization. In such conditions, companies are faced with the need to adapt and find new ways to gain competitive advantages. Innovation is becoming an important strategic method that allows companies not only to survive,

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but also to thrive in the markets. The introduction of innovation into business strategies allows for the creation of unique offers, improving the efficiency of processes and improving interactions with customers. This opens up new horizons for growth and development, making the study of the role of innovation in management strategy particularly relevant. This study is dedicated to the research of innovations as a strategic method and their effect on the sustainability and competitiveness of companies in a dynamic market.

2. Literature review

The study relies on both theoretical and practice-oriented sources on innovation management. The theoretical basis was formed by textbooks edited by V. Anyina and A. Dagaeva (2009), as well as S. Ilyenkova et al. (2007), which contain key concepts and approaches in innovative management. Despite the date of publication, these works remain relevant for building a methodological model.

Current trends in innovative development are revealed in the article by M. Izmailova and M. Veselovsky (2023), which analyzes the role of innovation in the strategy of industrial corporations. The state aspect is presented in the monograph by S. Agarkova et al. (2011), and characteristics of the innovation process are discussed in the article by E. Soboleva (2014). Researchers emphasize the importance of a systemic approach to investment behavior (Filippova, 2018) and a comprehensive innovation assessment risks (Artemenko, 2023; Grineva, 2018). Tepman (2022) considers innovation risks as key ones in the economy. Karzhauv (2015) analyzes venture investment, and Doronin (2016) analyzes the economic security of innovation activities (Si, C., Hassan et al, 2025).

An integrated perspective of literature selection made it possible to consider both basic theoretical principles and modern applied aspects, which ensures a complete analysis of the topic and justification of subsequent stages of research.

3. Research results

Innovation can rightly be considered a key factor in the strategic development of modern businesses. This fact fully applies to Romanian industrial corporations, the solution of which is impossible without an innovative approach to the development of their business model. According to a global study conducted by CB Insights, 85% of executives recognize the important role that innovation plays in business growth, while 41% expressed concern that their companies are exposed to the risk of radical innovation in their industry or related sectors. Experience confirms that the emergence of revolutionary innovations can question the economic viability of entire sectors of the economy (a striking example is the use of Internet technologies in trade). According to global statistics, 78% of companies' budgets for innovation are directed to incremental innovations to improve the products they produce. For Romanian industrial corporations in difficult geo-

economic conditions, innovation activity is another powerful factor in accelerating and expanding innovation activity (Izmailova & Veselovsky 2023).

Speaking of definitions, the term "innovation" was first used in the early 20th century by the famous economist Joseph Schumpeter as changes in the introduction and use of new types of consumer goods, new means of production and transportation, markets, and forms of organization in industry (Anynina & Dagaeva 2009).

Currently, there are many definitions of innovation in scientific literature. The most abstract definition of innovation was given by the English professor W. Spencer: innovation is something completely new in a specific situation that can be used as soon as we learn about it (Pricopoaia, O. et al, 2024). Despite its abstract nature, this definition includes three important components:

- innovation is a new phenomenon for people who are familiar with this phenomenon,
- innovation is a new phenomenon recognized by humanity,
- innovations are such a new phenomenon that they can be exploited directly (Agarkov et al. 2011).

The approach of other researchers in defining innovation is more specific. The term "innovation", as A. Kulagin and V. Loginov believe, has a broader meaning than the term "new technology", innovations are novelties, new developments in industrial, institutional, financial, scientific and technical and other areas (Kulagin & Loginov2021).

It is also important to remember the types of innovations. They can be classified according to various criteria, and understanding these types helps companies choose the appropriate strategies for their implementation.

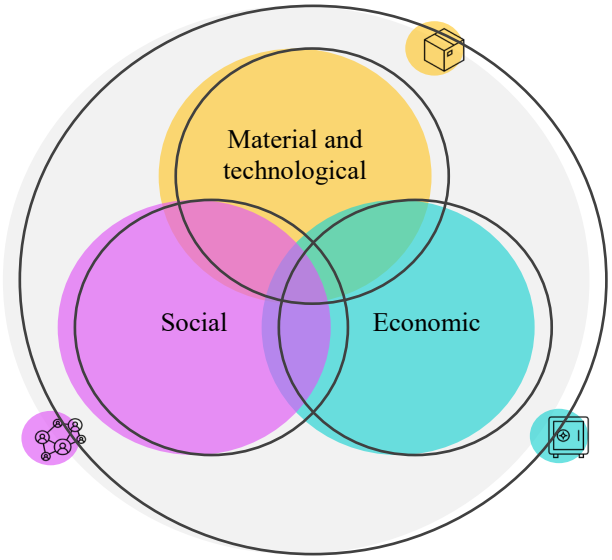

Figure 1. Typology of innovations within companies
Source: drafted by the author

Most often the following types of innovations are distinguished:

1. Material and technical. Material and technical innovations, regarding their impact on achieving the company's economic objectives, include product innovations and process innovations (Cristache, N. et al, 2029).

Technological innovations arise either because of a single innovation process, or as a consequence of a close connection between research and development for the creation of a product and the technology for its production, or as a product of separate special technological research. In the first instance, innovations depend on the design and technical properties of new product and its subsequent modifications. In the second instance, the subject of innovation is not a specific new product, but a basic technology that undergoes evolutionary or revolutionary changes in the technological research process.

2. Social. Social innovations include economic innovations (new methods of assessment, stimulation, motivation of labor, etc.), organizational and managerial (forms of labor organization, methods of decision-making and monitoring of their implementation, etc.), legal and pedagogical innovations, innovations in human activity (changes in intra-collective relations, conflict resolution, etc.).

3. Economic. In economic theory, innovation is considered the driving force of economic growth. In models of economic growth, innovation and innovation activity are linked to technological progress, a factor that explains economic growth. Innovation is a key element in increasing labor and capital productivity, improving the efficiency of processes, and plays a key role in the knowledge economy (innovation economy), as it is the result of the creative activity of workers with higher education. The next stage is the innovative economy, in which scientific and technological progress, the creation of innovations, and the accumulation of human capital play a leading role - an economic formation that has replaced the industrial economy. (Ilyenkova et al. 2007)

The key to implementing innovations is to conform them to the modern socio-economic and cultural needs of society.

An important aspect is also the implementation of innovations. This process is divided into certain stages, each of which is accompanied by certain activities, the competent management of which is extremely necessary.

The composition of the activities carried out in each stage is as follows.

The first stage is preparation for change. The purpose is to create a “warehouse” for the planned transformations. The preparatory stage begins with an analysis of the company’s internal environment. Inner environment analysis is performed with the intention of identifying the difference between the actual and desired state of affairs in the company (Sobolev 2014).

The second stage of implementing innovation is the implementation of changes. The main task here is consistent implementing actions for the direct introduction of innovations. The implementation of changes takes place according to the adopted program.

The last innovation implementation stage is monitoring effects of changes, where an analysis of errors in the effect of the changes is carried out.

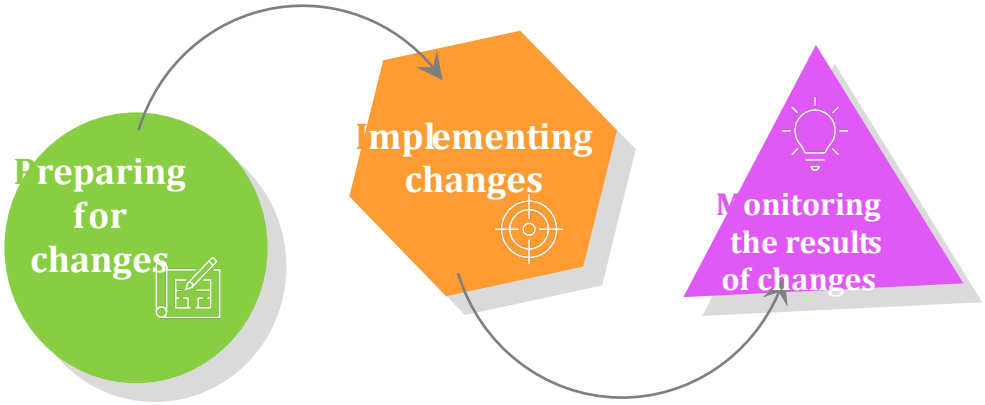

Figure 2. Stages of implementing innovations
Source: drafted by the author

It is essential to note that innovative activities are associated with a high degree of risk. Errors in its implementation can be identified already at the first stage due to the expansion of an ineffective change strategy, poor selection of the management team or insufficient financial resources allocated for implementing innovation process. Also, mistakes can be made when implementing individual measures for the introduction of innovations.

Innovative activity, to a greater extent than other fields of business activity, is associated with risk since there is practically no guarantee of a positive outcome in innovative entrepreneurship (Pricopoaia, O. et al, 2025). Innovative risks are part of the complex of economic risks to which any company is exposed. These are losses that arise when launching new goods and services into production, when mastering new technologies that may not find the expected demand in the market and not provide the expected increase in production efficiency.

The object of innovation risk is, first of all, scientific and technical, innovative processes, like the processes of commercialization of the results of scientific and technical activities. Any innovative risk is always associated with a certain object. The totality of events and conditions that cause innovation risks should not be considered abstract but are always interconnected with the investment process.

The risk of innovative work has an objective-subjective nature. The main sources of risk are, firstly, the incompleteness or objective insufficiency of information, and, in addition, the subjectivity of the perception of information and the possibility of making a wrong decision. The first factor leads, accordingly, to the problem of forecasting, and the second to the problem of recognition. The risk of innovative work is characterized by the incomplete and objective presence of

information, the possibility of its inadequate perception and the adoption of an incorrect decision on its management (Filippova 2018).

Innovative risks can arise in the following main situations:

1. when introducing a cheaper method of producing a product or service (compared to the method already used). The company will receive excess profits if it is the sole owner of this technology. In this case, the company is exposed to only one risk – the risk of a possible incorrect assessment of the demand for manufactured products;

2. when creating some new products (services) on outdated equipment. Besides the risk of incorrect assessment of demand for the new products (services), there's a risk of inconsistency in the quality of the product (service) associated with the use of outdated equipment (Cristache, N. et al, 2025);

3. in the production of some new products (services) using new equipment and technologies. In this case, the following may arise: risks that the new product (service) will not be in demand; risks of non-compliance of new equipment and technologies with the requirements necessary for manufacturing of a new product (service); risks of the impossibility of selling new (created) equipment, since it is not suitable for manufacturing of other products (Tepman 2022).

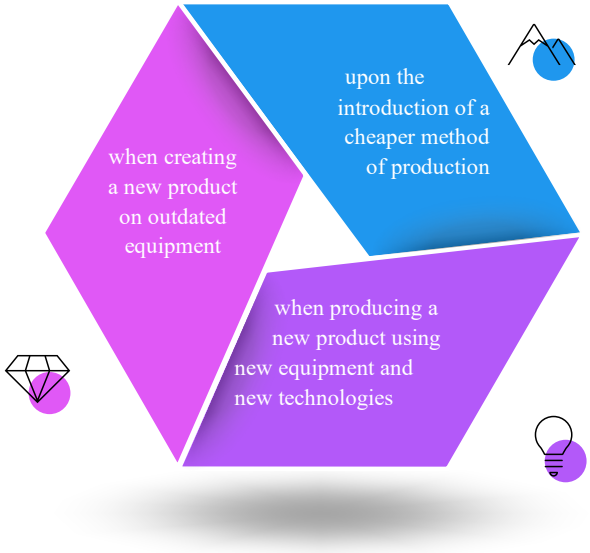

Figure 3. Main situations in which innovative risks may arise
Source: drafted by the author

In innovative activities, uncertainty of various types is the main cause of many risks. At different stages of the scientific and technological and innovation cycles, uncertainty varies and is constantly changing, which requires special dynamism in working with risk assessment and management.

The uncertainty of the innovation activity is understood as the lack of clarity of the environment in which the innovation activity will be carried out, associated with the incompleteness or inaccuracy of information about the entire set of factors, conditions and their dynamics throughout the entire innovation cycle, which determines the partial or total uncertainty of the final socio-economic results of this activity and the costs associated with it (Karzhauv 2015).

Reducing the uncertainty of the results of innovative activities is achieved by creating a database of innovative plans and accumulating information on the degree and quality of their implementation. However, an excess of information about innovation does not reduce uncertainty. To manage risks in innovative activities, it is necessary to ensure sufficiency (relevance) of information for decision-making (Grineva 2018).

In innovative entrepreneurship, it is not possible to completely avoid risk, since it is quite difficult to determine which innovation will be in demand and which will not. What is important is not to avoid risk altogether, but to anticipate and minimize it (Zlati, M. L et al, 2025). The risk management process is implemented with the aid of analytical, organizational, economic and financial measures aimed at identifying, assessing, preventing and controlling events in a timely manner that could cause disruptions or deviations in the implementation of the plan (Doronin 2016).

The main elements of risk management are:

1. identifying and classifying risks, creating a register of potentially undesirable final options;
2. analysis of the course of events and quantitative assessment of risks, selection of indicators and a mathematical model of the overall innovative risk of the plan;
3. developing an innovative risk management strategy;
4. monitoring the process of innovation and making decisions regarding risk management, preventing and eliminating (if possible) the negative impact of risks.

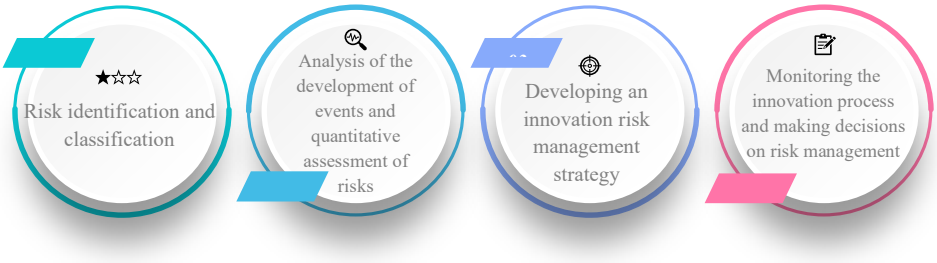

Figure 4. The main elements of risk management
Source: drafted by the author

Risk identification is a significant step in risk management, which consists in developing a list of possible risk situations, anticipating the causes and

consequences of their occurrence, classifying risks and determining risk criteria. The possibility of proactive risk management (as one of the measures to reduce them) depends on how complete and exhaustive the compiled list of risk situations is and how adequate the proposed risk criteria are. At this stage, the risk classification of an innovative project is carried out in order to analyze the completeness of the list of risk situations (by comparing it with the general risk classification system).

The main methodological principle of risk analysis is to ensure comparability of the assessment of the effectiveness of an innovative work and the measurement of its risk. Both investment risk analysis and innovation risk analysis use quantitative and qualitative evaluation.

A quantitative evaluation of innovation risk is, in essence, a quantitative assessment of the probable consequences of the occurrence of a risk event using the apparatus of mathematical statistics and probability theory. Qualitative analysis makes it possible to determine the risk of ineffective innovation activities caused by the internal characteristics of the company and the impact on the environment. The evaluation is based on an element-by-element assessment of the influence of internal and external factors on the activity of a given company. The study is carried out using the expert assessment method. It is proposed to collect and study assessments that are based on all factors influencing the risk, as well as on statistical data (Artemenko 2023).

In an innovation-oriented economy, the successful development of a company is achievable without the creation and application of innovations. The strategic direction for the growth of the company should be the use of innovations, advanced production or information technologies. For innovative companies, effective management of both investment risks and innovation risks is equally important (Năstase, M. (2010). Moreover, accounting, analysis and management of risks of both groups, separately from each other, seems irrational. Under these circumstances, the most effective is the integration of investment and innovation activities and, consequently, investment and innovation risks in the practice of innovative companies.

Speaking of positive aspects, it is worth noting examples of successful innovations in strategic management. Most often, they are used in various companies. For example:

1. Agile methodologies.

Many companies, such as Spotify and ING, have implemented Agile methodologies in their business processes. This has allowed them to quickly adapt to market changes, improve communication between teams, and accelerate the product development process.

2. Open innovation strategy.

Companies such as Procter & Gamble use an open innovation strategy by working with external partners and start-ups to generate new ideas and technologies. This allows them to expand their horizons and find new solutions for their products.

3. Digital transformation.

Large corporations such as General Electric and Siemens are actively implementing digital technologies into their business models. The use of IoT (Internet of Things) and big data helps them optimize processes, increase efficiency and offer new services to customers.

4. Customer-oriented strategies.

Amazon is a shining example of a company that successfully uses a customer-centric approach. By continuously analyzing consumer data and reviews, Amazon is able to adapt its services and provide personalized recommendations.

These examples demonstrate how innovations in strategic management can contribute to the growth and development of companies in a fast-changing market. Successful companies continuously adapt their strategies to remain competitive and meet customer needs.

4. Conclusions

In conclusion, we would like to emphasize the correspondence of this topic. Innovation as a strategic method is an important factor for success in modern business. The relevance is due to the need to adapt to rapidly changing market conditions, increase competitiveness, create new opportunities and sustainable development. Companies that actively invest in innovation have greater chances of long-term success and sustainable growth. Innovation is not just a fashion trend, but a necessary condition for survival and development in the modern market. Companies that can effectively integrate innovation into their strategy have the opportunity to shape the future of their industry and achieve outstanding results. However, innovation management is a complex process that requires a systematic approach and the use of special methods.

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