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**Kudrina Olga**

Doctor of Economics, Professor,

Professor of the Business Economics and Administration Department

Sumy State Pedagogical University named after A.S. Makarenko

ORCID: <https://orcid.org/0000-0002-7364-1998>

**Kuziv Oleh**

Graduate Student

of the Business Economics and Administration Department,

Sumy State Pedagogical University named after A.S. Makarenko

ORCID: <https://orcid.org/0009-0004-3093-0951>

**Кудріна О.Ю., Кузів О.П.**

Сумський державний педагогічний університет

імені А.С. Макаренка

**ORGANIZATIONAL AND ECONOMIC MECHANISM OF INNOVATIVE  
TRANSFORMATION OF THE REGION TO ENHANCE COMPETITIVENESS**

**ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНИЙ МЕХАНІЗМ ІННОВАЦІЙНОЇ ТРАНСФОРМАЦІЇ  
РЕГІОНУ ДЛЯ ПІДВИЩЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ**

*The widespread adoption of innovations is one of the primary directions for further stabilization and development of Ukraine's economy. For industrial enterprises, effective innovation activities are becoming a decisive factor in their competitiveness. Global experience has demonstrated that the innovative activities of a region, combined with investment activities, become the most significant drivers of societal development. The level and direction of this development determine the content of the transformation of the region's socio-economic structure and lay the foundation for its sustainable development. The region should strive to achieve a balance between economic efficiency, social effectiveness, and environmental constraints imposed on economic activities. The effective and comprehensive development of the region must be grounded in a solid scientific and methodological foundation. The appropriate coordination of actions across all levels of government and local authorities, within the framework of the organizational and economic mechanism for innovation and investment activities, should ensure dynamic growth in economic, social, and environmental effectiveness at the regional level. Addressing the systemic problems of innovative transformation in Ukraine's regions to enhance competitiveness can be pursued in various directions: regulatory and legal support for reforms in the industry; attracting investments; developing the service sector; stimulating domestic demand and increasing the consumption needs of Ukraine's internal market; fostering innovation; involving regional specialized research institutes in the development and implementation of projects aimed at optimizing enterprises on a scientific basis; promoting the practice of reforming the social infrastructure of single-industry towns; and shaping corporate social responsibility in business, including the long-term commitment of companies to contribute to economic development.*

**Key words:** organizational and economic mechanism, transformation of the region, competitiveness.

*Широке впровадження інновацій є одним з головних напрямків подальшої стабілізації та розвитку економіки України. Для підприємств промисловості ефективна інноваційна діяльність стає вирішальним фактором їх конкурентоспроможності. Світовий досвід переконав, що інноваційна діяльність регіону в поєднанні з інвестиційною діяльністю перетворюється в найбільший фактор розвитку суспільства, рівень, напрям розвитку якого визначає зміст трансформації соціально – економічної побудови регіону та створює засади його сталого розвитку. Регіону слід прагнути досягнення рівноваги між економічною ефективністю, соціальною результативністю та екологічними обмеженнями, що висуваються до процесу господарювання. Ефективний комплексний розвиток регіону повинен мати певну науково-методичну основу. Відповідне збалансування дій всіх рівнів органів влади, органів місцевого самоврядування в рамках реалізації організаційно-економічного механізму інноваційно-інвестиційної діяльності повинне забезпечити динамічне зростання її економічної, соціальної та екологічної результативності на регіональному рівні. Вирішення системних проблем інноваційної трансформації регіонів України для підвищення конкурентоспроможності може здійснюватися в різних напрямках: нормативно-правове забезпечення реформ у галузі; залучення інвестицій; розвиток сфери послуг; стимулювання внутрішнього попиту, збільшення потреби у споживанні внутрішньому ринку України; розвиток інновацій, залучення регіональних наукових профільних інститутів до розробки та впровадження проектів, спрямованих*

*на оптимізацію підприємства на наукових засадах; поширення практики реформування соціальної інфраструктури монофункціональних міст; формування корпоративної соціальної відповідальності бізнесу: довгострокове зобов'язання компанії сприяти економічному розвитку.*

**Ключові слова:** організаційно-економічний механізм, трансформація регіону, конкурентоспроможність.

**Formulation of the problem.** The innovative development of the economy is a strategic direction of Ukraine's economic policy, with the scientific and technological advancement of industrial enterprises being considered one of its most critical issues. With Ukraine's accession to the World Trade Organization, a significant acceleration of innovation processes is anticipated, aimed at increasing the production and sales of new, competitive products, expanding industrial activities, and entering global markets. The experience of developed foreign countries confirms that sustainable socio-economic growth is achieved only on an innovative basis, with the active utilization of modern scientific developments. Only under such conditions can plans for producing high-quality products, enhancing resource conservation, improving production efficiency, and ensuring product competitiveness in both domestic and global markets be realized.

One of the key factors in accelerating economic growth is the activation of innovative activities within enterprises and Ukraine's transition to an innovation-driven economic development model. This model is directly based on the acquisition of new scientific results and their technological implementation in production, which contributes to GDP growth primarily through the production and sale of high-tech products and services. The main goal of the innovative model of national economic development is to increase its competitiveness by leveraging both domestic and global scientific, technological, and educational potential. Innovation is currently regarded as one of the most important factors in enhancing industrial production efficiency. The activation of innovative activities requires a new organization of relations between all participants in the innovation process, and the assignment of certain functions to the relevant governing bodies.

**Highlighting previously unresolved parts of the overall problem.** The theoretical foundations of innovation management have been explored in the works of foreign scholars such as I. Ansoff, P. Drucker, J. Evans, T. Gerpott, F. Kotler, F. Nixon, M. Porter, B. Santo, B. Twiss, H.K. Wahren, R. Forster, and others. The management of innovation processes has also been the focus of Ukrainian researchers, including Yu.M. Bazhal, D.M. Chervanyov, L.I. Fedulova, A.S. Galchinsky, V.M. Heyets, V.M. Hrynova, M.I. Kyzym, O.O. Lapko, P.A. Orlov, P.H. Pereverza, V.S. Ponomarenko, A.I. Yakovlev, and others.

In both foreign and domestic economic literature, the concept of "organizational and economic mechanism

for managing the innovative development of industrial production" has not been equivalently reflected. It is therefore appropriate to consider the components of this concept, which have theoretical justifications in the economic literature. These components include the "organizational and economic mechanism", the "mechanism for managing innovative development", and "sectoral specifics". However, the issues of forming a management mechanism for innovation activities, as well as the organizational and economic mechanism for implementing innovation policy, require more in-depth analysis.

**The aim of the article:** to characterize the organizational and economic mechanism of innovative transformation of the region to enhance competitiveness.

**Presentation of the main research material.** The dynamics of innovation processes in Ukraine indicate a slowdown and reduction in the volume of innovation activities among domestic enterprises. The primary obstacle to the activation of innovation processes and the transition of the national economy to an innovation-driven development model is the absence of an effective organizational and economic mechanism for the innovative transformation of regions to enhance competitiveness.

The innovation activity of industrial enterprises is a process of acquiring and reproducing new scientific and scientific-technical knowledge and implementing it in the material sphere of society, with a mandatory economic or other beneficial effect from the innovation. The methodology for systematically describing innovations in a market economy is based on international standards, according to which an innovation is defined as the final result of innovation activity, realized in the form of a new or improved product introduced to the market, an improved technological process used in practice, or a new approach to social services, organizational or structural transformations, etc.

The experience of innovative development shows that despite the acute shortage of funds for scientific advancement, research and design institutes, in collaboration with academic institutions, have developed and implemented proposals for the modernization and creation of new equipment, work technologies, and methods to improve equipment operation. These efforts have a direct impact on the efficient operation and lifecycle of enterprises. Positive steps towards the systematization of state actions include the Economic Reform Program "Prosperous

Society, Competitive Economy, Effective State", which clearly defines the mechanisms for further restructuring processes. This program also plans to allocate funds for retraining displaced workers and enhancing their mobility in the labor market, updating the legislative framework, and adopting regulatory documents that establish the organizational and economic mechanism for the innovative transformation of regions to enhance competitiveness.

The primary task of modern industrial enterprises is to transform themselves into efficient participants in market relations, capable of self-preservation and self-development under a qualitatively new strategic management. This management involves flexible and adequate responses to market signals, facilitates the timely elimination of internal and external threats, protects the vital interests of the enterprise, and enhances its capacity for development. This new quality is achieved through effective change management within the enterprise, which are of strategic importance and are directed toward the innovative development of the enterprise [6].

The nature of innovation development measures and their programmatic support largely depends on the technical and economic condition of individual enterprises within higher-level structures or the industry as a whole. Therefore, in order to develop programs at any level, it is necessary to have the technical and economic characteristics of the entities under initial conditions (preferably with retrospective consideration), as well as potential development paths and target objectives, along with forecast studies.

One of the most important tasks of managing Ukrainian enterprises is to build up their resource potential at a level that should ensure the continuity of their operations. The solution to this task depends on the effective functioning of the organizational and economic mechanism for managing resource potential, which serves as the key process link in achieving the economic outcomes of the enterprise.

Addressing the systemic challenges of innovative transformation in Ukraine's regions to enhance competitiveness can be pursued in several directions:

1) regulatory and legal support of reforms in the industry;

2) attracting investments;

3) development of the service sector;

4) stimulating domestic demand, increasing the need for consumption in the domestic market of Ukraine;

5) development of innovations, involvement of regional scientific specialized institutes in the development and implementation of projects aimed at optimizing the enterprise on a scientific basis;

6) spreading the practice of reforming the social infrastructure of mono-functional cities;

7) fostering corporate social responsibility in business: long-term commitments of companies to contribute to economic development.

Given the trends of innovation development in Ukraine, the article focuses on the motives and search for incentives for the development of innovation activities with the involvement of domestic specialists working on solving economic and legal problems of innovation development. It is the combination of theoretical, statistical and sociological generalizations and analysis that makes it possible to carry out a comprehensive scientific assessment of the problems and opportunities for intensifying innovation activity and its development.

Additionally, an important element in the mechanism for promoting innovation is insurance, which involves the formation, allocation, and utilization of a special insurance fund to mitigate various types of losses and damages during the implementation of innovative activities – through the payment of insurance compensation. In this case, insurance premiums are contributed to a special fund managed by insurance organizations, which then pay out the insured amount to the enterprise in the event of risk situations related to the execution of innovative projects. The elements of entrepreneurial risk insurance include mandatory state comprehensive insurance for enterprises and corporations in industries, sectors, and regions that are constantly exposed to elevated risks due to unfavorable and unforeseen circumstances, as well as voluntary insurance through both state and commercial insurance systems.

The problems of stimulating innovation are of great theoretical and practical importance for solving modern problems in the field of investment, reconstruction and modernization of production. The development of innovation activity in Ukraine is constrained by a number of factors such as the lack of a clear state concept, imperfection of the regulatory framework, and contradictions in the relevant management decisions. Effective methods and approaches to stimulating innovation have been identified, with tax regulation and mixed forms of innovation incentives being particularly relevant, among the priority measures are: the differentiation of tax rates and modification of benefits and exemptions; the implementation of an effective depreciation policy alongside tax incentives; the combination of various financing and taxation options for high-risk projects and contract research with external funding sources; and the creation of tax-free zones for a specified period.

Among the forms of incentivizing innovative activity, the following are highlighted:

– combining various financing and taxation options for high-risk projects, contract research with external

funding sources, as well as capital investments in the renewal of production assets;

- use of an effective depreciation policy alongside tax benefits, based on assessments of fixed assets and depreciation rates, with timely consideration of inflation factors in existing depreciation methods;

- establishing tax-free zones for a specified period and under specific conditions to support the development of scientific technoparks, technopolises, and similar initiatives;

- other approaches, such as (enhancing the engagement of existing intellectual potential within the industry and elevating the level of managerial culture in the commercialization and organization of the innovation process).

**Discussion.** Our research aligns with the works [1; 2; 3], where innovations are examined in dynamics as innovative processes (the production of a new product, the implementation of a new method, the penetration of a new market, the acquisition of a new source of raw materials, the execution of a reorganization). This approach focuses on innovative activity and its ultimate outcome. Indeed, the process of introducing an innovation to the market is considered complete only when the consumer highly values what has been produced and perceives the product or service as valuable in relation to their needs. In work [4], the complexity and dynamism of the innovation system are emphasized, where innovation must be viewed in the context of innovative activity – the activity of bringing scientific and technical ideas, inventions, and developments to a result suitable for practical application.

The complexity of the innovation system arises from the understanding that innovation integrates science, technology, economics, entrepreneurship, and management, requiring contributions from scientists, designers, technologists, engineers, economists, marketers, and others.

We agree with O. Lapko's view that "innovation is a complex process that includes the creation, development, commercialization, and dissemination of a new technical or other solution (innovation) that meets a specific need" [7].

The formation of the organizational and economic mechanism of the innovation process is viewed in [8] as "a set of forms (links) and methods of innovative activity that function interrelatedly and coherently to ensure scientific and technological progress in the industry". We also assert that the organizational and economic mechanism should be characterized by a comprehensive structure, encompassing the organization of innovative activity within the enterprise, the development of the scientific and technical sphere, the implementation of innovations in production, the planning of innovative

activities, financing and crediting scientific and technical activities at all stages (creation, dissemination, and production adoption of innovations), taxation and insurance of organizations involved in the creation and adoption of innovations, stimulation of the innovation process development, planning of innovation-related expenses, and pricing (for scientific and technical products, completed R&D, innovations, and innovative projects). Effective implementation of a development strategy, including innovation, is impossible without the operation of a robust organizational and economic management mechanism.

The problems of forming the organizational and economic mechanism, the essence, and the investment nature of implementing innovation policy are discussed in the work of H.O. Kholodnyi [9], where the author asserts that product innovation policy is one of the most essential and complex areas of innovative activity, requiring deep knowledge and thorough development during its formation and subsequent adaptation to the current conditions of the domestic economy. We agree that the development of innovative activity must consider the cyclical and wave-like nature of innovation processes, as well as global transformational processes.

The widespread implementation of innovations is one of the main directions for further stabilizing and developing Ukraine's economy. For industrial enterprises, effective innovation activity becomes a decisive factor in their competitiveness. Global experience has demonstrated that the innovation activity of a region, when combined with investment activity, becomes a major driver of societal development. The level and direction of this development determine the nature of the transformation of the region's socio-economic structure and lay the foundation for its sustainable development [5].

The effective and comprehensive development of a region should be based on a sound scientific and methodological foundation. The appropriate balancing of actions across all levels of government and local self-government bodies, within the framework of implementing the organizational and economic mechanism of innovation and investment activity, should ensure the dynamic growth of its economic, social, and environmental effectiveness at the regional level.

**Conclusions.** The organizational and economic mechanism for the innovative transformation of a region to enhance competitiveness should be focused on the financing, material, and labor support of novelty in production, labor organization, and marketing services. In an innovation strategy based on the development of novelty in production technology, it is crucial to align the organizational and economic mechanism with reducing production costs and outpacing competitors

in the dynamics of this cost reduction. A key element of the internal organizational and economic mechanism should be an effective system for incentivizing enterprise innovation, which should include systems for employee and team incentives: wage systems, bonuses, and social benefits.

Undoubtedly, in the development and implementation of the organizational and economic mechanism for the innovative transformation of a region to enhance competitiveness, there are numerous theoretical and practical challenges that need to be addressed, requiring ongoing scientific research.

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