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The methodological approach to the realization of innovative business strategies

Scientific problem. Innovative business is the core of innovative system of food industry that determines the sense of existence of all components of the system with all networks and interaction with other economic sectors. Therefore, for the future development of the food industry and its markets, it is important to define the business model and become aware of the architecture of innovative business strategies.

The strategy usually combines several tactics that differ from each other by fundamental parameters and even can contradict with each other. Due to this, expenses that arise on one strategy level can be compensated by winnings on the other. Strategy is different from the tactics by the fact that it operates within a multi-dimensional space. This gives a rise to interactions, when the effect within one single space provides a result within another.

The strategy identifies the risks, because it is formed for the principally aggressive environment. However, today's innovative business is not only satisfied with the vision of the objective and self-confidence in overcoming risks. A small innovative business in the food industry prefers particular and practical schemes that provide efficiency of the enterprise.

Analysis of recent researches and publications. Currently, the main legislative document which defines the strategic development of all spheres of activity in Ukraine is the Act of the President of Ukraine "On the Strategy for Sustainable Development" Ukraine - 2020 "(docu-

ment №5 from 01.12.2015). The main precondition for the implementation of the Strategy is public agreement between the government, business and civil society, where each party has its own zone of responsibility. In the food industry, this document focuses on the safety and the quality of food.

In scientific researches aspects of the strategic development of the food industry were discussed in the works of the following scientists: P.P. Barshcheuskyi [1], L.V. Dayneko [6], D.F. Krysanov [4], V.Y. Mesel-Veselyak, T.L. Mostenskaya [2], D.C. Sabluk [7] M.P. Sychevskyi [5], A.E. Yuzefovich [4] and many others. Nowadays, this problem is being investigated in many dissertations.

The objective of the article is to define the strategic orientations, to develop the architecture and business model of innovative business in the food industry of Ukraine in the conditions of crisis.

Statement of the main results of the study. Having studied the experience of innovators in the food industry, we have seen how domestic enterprises of different sizes and forms of management (including joint ventures with foreign companies), have implemented innovations, rebuilt the business processes, critically reviewed the relationship with suppliers, customers, changed the system of performance indicators. However, all these innovations were not practical scenarios of previously developed theory. So, it is important to describe and explain the success of innovation, to substantiate a new business concept, which is the basic

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functional element and generates an innovative system of food industry development.

To implement the chosen strategy of management of innovative enterprise requires relevant knowledge about how technologies should be combined with each other within the organizational system of the enterprise. Furthermore, the innovator should understand how he will create and get value in the course of its innovative activities.

All elements of the strategy: mechanisms, levers, values, technologies, scenarios, etc., which make up the innovator's "business portfolio", create the *architecture of innovative business strategy*.

As an example, we consider an innovative business based on the introduction of drying liquid beer pellet technology (brewing waste). For many years liquid beer pellet was accumulated on the adjacent to the breweries areas of Zhytomyr region.

The aim of the innovative technology is the use of solid fuel boilers for burning a large range of different industrial and domestic wastes, with the processing of dehydrated beer pellet by infrared radiation (by micronization) for deep decontamination of obtained forage resources. This invention is patented [3]. The company has been operating for four years. Profitability of production is about 25%, provided transportation of raw materials at a distance of 100 km.

An innovative waste treatment brewing methods allow to get a complex valuable forage resources (dry spent grains), which can be used as high-protein feed ingredient for fattening of cattle, pigs, poultry, fish, rabbits. Using of dry beer pellet by consumer companies is profitable, because it gives them the opportunity to reduce transportation costs and increase period of storage. Now this product is realized on livestock complexes of holding companies. Introduction of innovative line has solved the problems of waste disposal at breweries and the contamination of air, earth and water in Zhytomyr region.

Key factors, such as the experience of innovator and the new products created by him, led

to the opportunity to work in tandem with other enterprises, allowed to establish professional and business communication, and quite successfully promote products on the market. The partners of the business have become private companies, which include cattle-breeding complexes, scientific staff of national universities and research institutions of Ukraine, qualified professionals. Partners of innovative companies have approved the quality of the products and recommended this new business for other business associates. This cooperation has allowed to provide the products promotion, to attract new customers and to focus on specific business needs.

The path from the idea of creating an innovative product to its production in the newly created company, followed by meeting the needs of a niche market is reflected in the architectural scheme of innovative business strategies (Figure 1).

The figure reflects the sequence of construction of a new business in the current crisis conditions, which differs from the classical schemes presented in the scientific literature by changes in order of organizational procedures to speed up the launch of innovative products on the market.

In traditional schemes the protection procedure of intellectual property and formation of the business plan is usually performed as the first step of the business organization. In our case, the conditions of the modern business environment in Ukraine have forced the entrepreneur to adapt its strategy, risking the loss of intellectual property rights, and change the standard procedure for performing the steps of building a business.

An important provision of the entire process of building innovative enterprises is the fact that originally the technology itself has not objective value. The economic value of the technology remains hidden, until it is brought to commercial use, that is, when it gets a return. Furthermore, methods of the techniques implementation may be different and depend on the experience and capabilities of the entrepreneur.

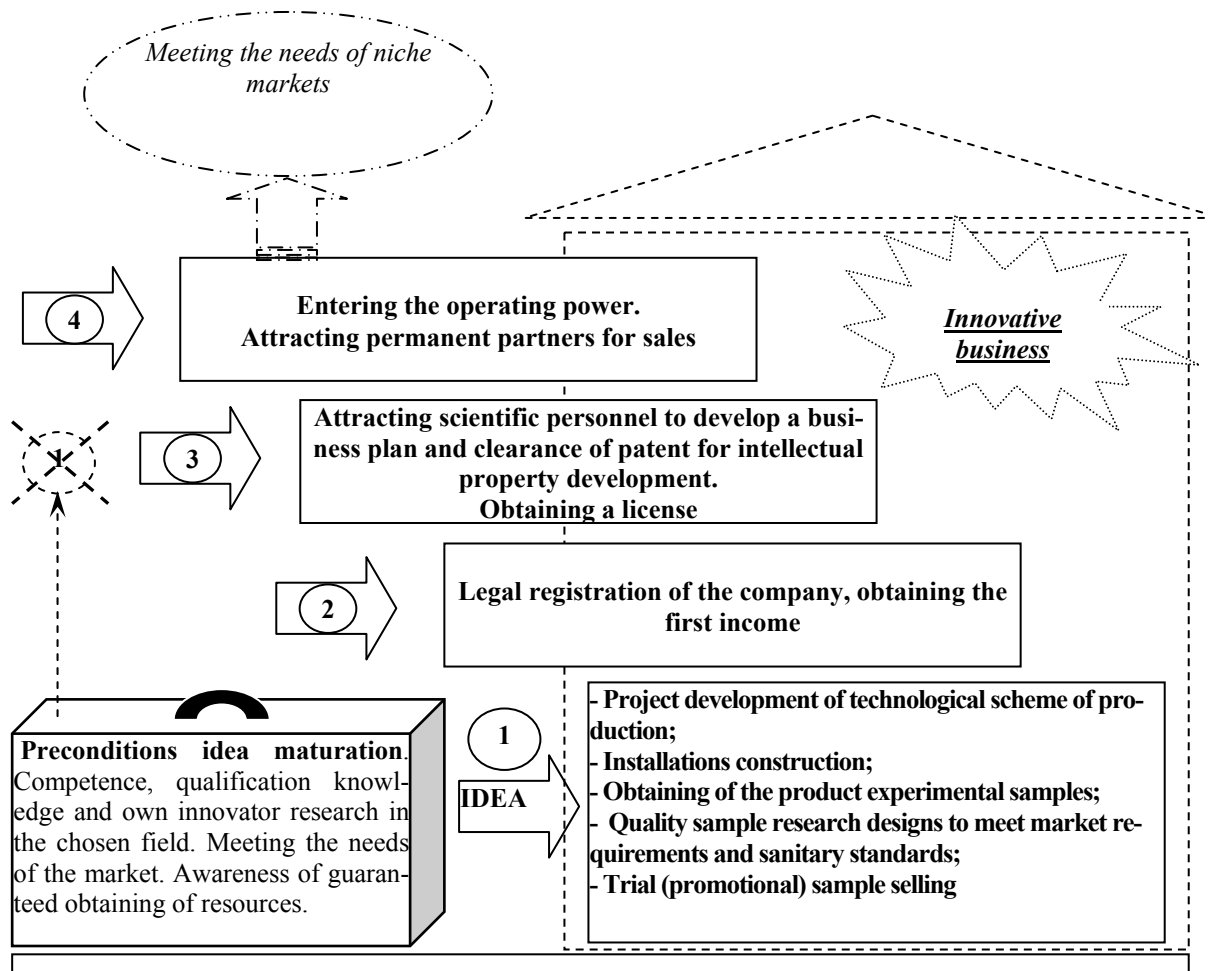


Figure 1. The architecture of strategy of innovative business of beer pellet processing

Source: Designed by the author.

Of course, the basic document of the new business is a business plan. This attribute is important for businesses and investors, so very often consulting firms elaborate business plans and provide multi-page document, which, unfortunately, does not give a clear answer to two key questions: what is the company going to deal with and where is it going to make profit from? It is understandable that neither investor nor the entrepreneur is satisfied with such result. Thus, for the innovator it is important to explain in a few sentences (primarily to him), what competitive advantages his project has and how it is going to get a commercial effect. Business plans usually do not provide such comprehensive information, although their structure is well known and extensive.

The level of the innovator understanding of the economic value, received from its technologies, depends on the choice of the business model, but not on the internal characteristics of

the technology itself. The business model is the key content-structural element of the system, around which architecture of innovative business is built. The business model integrates internal and external communications activities. Variants of construction of business models in the major industrial and trading corporations of economically developed countries are represented in the works of Henry Chesbrough [10], Clayton Christensen [11–13], Richard Foster and Sarah Kaplan [14], Anthony Ulwick [9] and others. However, in the period of economy crisis of Ukraine, expanding the knowledge of a small innovative business building in the food industry requires a deepening of the existing methodological approaches.

The business model defines the procedure of making a business plan. In order to develop a coherent and convincing business model, innovator needs to consider all elements of the plan as an integral, logically constructed system, but

not as a set of isolated segments, he will work with separately.

The logic of the business model is based on a vast and operatively used knowledge, which transforms the business process in the added value. Business model is the binding chain between innovation, business plan and enterprise strategy. In fact, it is an action program for the innovator for future, which gives answers to

key questions, and for the investor it is the key information that characterizes the attractiveness of the business. It includes only those elements that have the most significant impact on the business: a detailed and reasoned description of all expected sources of income; the cost structure of the company; the main suppliers and buyers (Table 1).

1. Business model of innovative business strategy

*(for example, processing of brewing waste)**

Business model attributes	Content-constructive questions	The imperatives of implementing of innovative business strategies
1	2	3
The main resources	What are the main resources to create specific innovative product? Are the suppliers of raw materials reliable?	1. Raw materials: food industries waste; wood waste and other solid waste for solid fuel boilers. 2. Suppliers interested in liberating the surrounding areas of waste, improving the state of the environment, receiving additional income from the sale of waste. 3. Staff - a partnership of like-minded. 3. Information about the market and sales channels for products.
Value Proposition	What are consumer wants? What will a new product be important for the consumer in his work?	Ensuring of livestock farms is highly protein component for the production of feed; conformity the price and quality; lowering transportation costs, increasing shelf life of food.
The target market segment	What consumers will the market be targeted to? What are the priorities of the consumers?	Focusing on other businesses or individuals knowledgeable enough in production of feedstuffs and interested in buying high-quality, safe and therefore not cheap component protein feeds for fattening agricultural animals.
Elements of the valuables chain	What should the structure of the value chain, embedded an innovative company be? What part of your own business is in this circuit and how to get it?	Price waste (10%) → the price of waste transportation (up to 10%) → sales price of innovative production (includes independent installation settings, search for suppliers and consumers, direct marketing) (up to 35%) → delivery price (up to 10%) → the price of the consumer products (up to 35%) = 100%
Cost structure and profit	What price do you need to assign? How will a consumer pay? How will the new value be distributed among companies, consumers and suppliers?	Understanding that at first the profit from each sold party will be moderate, and the first batch of products will be small (<i>these indicators should be listed in the business plan in detail</i>). Increase or maintenance of profits at a decent level will be achieved through the wise use of the competitive advantages of innovative business process and pricing structure.
Positioning in the value net	Is there the possibility of third parties (e.g. dealers) for the commercial use of innovative products?	At the initial stage the attracting of the third party is not provided.
Formation of competitive strategy	Which strategy option on the basis of outlined above attributes will ensure innovative business viability for a long perspective?	The hope to get niche market, thanks to competitive advantages through technological solutions, product quality and safety, long product shelf life, saving on transportation. Taking care of the environment as the environment of its own existence.

* Source: Designed by the author.

So, the business model is an intermediate chain that brings together all the components of a business plan (technical, social and economic), ensures the implementation of the core

content of the business - the set of relations between the members of the team of associates for profit, the development of the business, the satisfaction of social consumer needs.

Of course, no one is able to understand quickly and fully all the tasks that an enterprise needs to solve. Therefore, the essential role of business model is to simplify heuristic cognitive map that starts with focusing on technical resources and ends with the realization of social results, as presented in the table. Each individual attribute of created business model needs to be commented.

The logic of starting a business requires *key resources*. It is well known that the disadvantage of many industrial processes is the remains of food industry waste that currently not all companies are able to recycle. Waste disposal is a problem for them, because their processing does not meet requirements for the finished product purity and the possibility of its provision in the process of the main production. Therefore, enterprises, able to fill this gap, can arise near such plants and, in fact, the wastes are raw materials for the organization of a small innovative business and the prospect of forming a niche market of new products. The advantages of the organization of such enterprises are obvious: firstly, meeting the needs of the population in the region where the company operates, ensuring ecological norms of the environment (air, land and water cleanliness); secondly, industrial processing wastes are transformed into valuable products for special purposes; thirdly, the owner of the innovative enterprise receives income, pays taxes, provides jobs for other workers.

The value offering is always hidden in the new technologies. Its successful formulation is the beginning of innovative business. A very useful way of analyzing of the value offering is to look at it through the eyes of a particular consumer.

The target market segment is a clearly defined group of consumers, i.e. the market segment for which the offer will be attractive and provides an income. In this technology, different potential consumers can find their hidden attributes, such as cost reducing or obtaining alternative solutions to the problems of their own business.

The value chain helps the enterprise to solve two problems: to find its own place in the chain of value and justify its participation in it.

The cost and purpose profit structure shows what price needs to be charged, and how cre-

ated value will be distributed among the consumer, the enterprise and its suppliers. In addition, there are many other related issues, in particular, the organization of selling, renting, advertising, servicing, licensing, patenting, and even free advertising campaigns and so on. The enterprise may also use more than one payment mechanism, for example, can charge one price for individuals and another one for large corporations.

Having clarified the contours of the value chain, we can determine the probable cost structure and size of the purpose profit. Income and assets in the aggregate set limit indicators of financial technology, by which a business can become a viable business. For future business growth it is necessary to attract enough capital. These indicators are important for investors from the perspectives of reliable profitability.

The value network. The value of technology can be improved by forming strong contacts within the overall network of values, which is formed by a complex of external participants (three parties). These participants do not directly participate in the chain of value, but can increase the demand significantly. The lack of a network may reduce the potential value of the technology, especially if the technology competes with others which have such network.

The competitive strategy. There are different variants of strategy selection, for example, on the basis of costs reduction, differentiation or selection niche. At the same time, the key factors which enable the enterprise save position in the market and have a stable income are: differential access to key resources; creation of internal organizational and economic processes, aimed on customer value satisfaction, but difficult to use by competitors; past experience of the enterprise in the market and its focus on the future.

Following the ideally developed business model and the introduction of innovation in the market can make this innovation "subversive" for the niche markets of similar products

Conclusions. Business starts with an idea, from which in fact the enterprises are formed. At the beginning an innovator has no precise purposes for the future, he does not have a business plan for several years ahead. However,

all actions of the innovator are focused on two issues: producing and selling products. Debts are usually accumulated faster than expected, and the search of consumers is more slowly than planned. Only the hard work within one or two years, tough economy, cash regulation and control can strengthen the new business and move to the next stage of development.

Analytical observation at the process of formation of innovative business gives us the op-

portunity to understand its internal logic, understand the principles of development strategy, develop a scientific platform for it and formulate methodological approaches (in particular, the construction of business architecture and business model), which may be useful to scientists and people who want to build their own innovative business.

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