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## THE ROLE OF INNOVATIONS IN FORMING COMPETITIVE ADVANTAGES OF BUSINESS ENTITIES UNDER THE CONDITIONS OF TRANSFORMATION OF THE LATEST ECONOMIC MODEL

### **Abstract**

**Introduction.** Under the current conditions of digital economy development, globalization, and transformation of the latest economic model, innovations act as one of the key factors in the formation and maintenance of competitive advantages of business entities. The rapid spread of digital technologies, automation, and new managerial solutions leads to changes in traditional approaches to enterprise operations and strengthens the role of innovations in ensuring sustainable development.

**Methods.** The research is conducted using methods of analysis and synthesis, systemic and comparative analysis, generalization of scientific approaches, as well as logical modeling. The informational and theoretical basis of the study consists of scientific works of domestic and foreign scholars in the field of innovative development, enterprise competitiveness, and transformation of economic systems.

**Results.** It is substantiated that innovations are a decisive tool for increasing the efficiency of enterprise activities and forming sustainable competitive advantages in modern economic conditions. It is determined that the implementation of digital technologies, automation of business processes, elements of artificial intelligence, and management information systems contributes to cost optimization, improvement of managerial decision-making quality, and increased adaptability of enterprises to market changes. The activities of leading companies that shape technological trends and ensure long-term competitiveness through innovation are analyzed. The main problems, barriers, and risks accompanying the process of innovative development of enterprises are identified.

**Discussion.** The obtained results have both theoretical and practical significance and can be used in the development of strategies for innovative development of business entities. Further research should focus on an in-depth analysis of enterprise adaptation mechanisms to transformational economic processes, particularly under conditions of post-crisis and post-war recovery.

**Keywords:** innovations, competitiveness, the latest economic model, innovative development of the enterprise, competitive advantages, economy, new technologies, enterprise performance efficiency.

### **Introduction.**

The modern world places significant demands on enterprises in terms of competitiveness and quality level; this can be especially observed in developed countries, however, developing countries also

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need to take into account new technological solutions and innovations, since in the modern world innovations not only bring a new product or improve the characteristics of existing products and their ability to satisfy needs, but also provide an opportunity to do more for less money.

Thus, it can be said that in the perspective of the XXI – early XXII centuries, machine-based, automated labor will gradually displace traditional manual labor, since automated production is capable of producing higher-quality products, as well as in greater quantities than humans are able to do. Moreover, new innovative solutions open up opportunities to produce certain types of products that humans are not able to create manually.

At the same time, already today, at the end of the first quarter of the XXI century, innovative development, the involvement of enterprises in the digital economy, and the use of new technologies provide significant competitive advantages to those companies that actively use them. Moreover, all leading companies in the world actively use the achievements of scientific and technological progress, and at the same time it can be noted that modern technologies are what ensure the leadership of these companies.

Thus, taking into account all of the above, it can be said that the level of innovative development of a company and the level of its competitiveness in the market have a fairly close relationship. At the same time, in the modern world it is impossible to create new sustainable competitive advantages without implementing new technologies.

At the same time, for Ukraine the situation looks even more complex, since at the beginning of the XXI century the country entered with a lag behind its European neighbors, including due to being under the occupation of the Soviet Union, which suppressed the technological development of the country and its population, and after its collapse, despite legal independence, leading positions still mostly remained with the Soviet corrupt and outdated nomenklatura, as well as partially with the criminal world, which gained strength and consolidated its positions against the background of the collapse of the Soviet Union and the instability of the 1990s of the XX century. In addition to all this, when the country at the beginning of the 2000s began to develop more rapidly and realize its existing potential, this development was suppressed, first by the crisis of 2008–2010, when the crisis was observed in most countries of the world, and later in 2014 by the attack of the Russian Federation.

However, the country endured and even began to subsequently restore its positions until the full-scale invasion of the Russian Federation occurred in 2022, since which time both the country and Ukrainian business have had to survive in extremely difficult conditions. However, all these challenges, including the challenges posed by the European path, only confirm the thesis that the country, as well as Ukrainian business, need to develop and implement the latest technologies, since without this it will be extremely difficult to survive in the world that will be formed in the post-war period.

Thus, everything described above once again confirms the relevance of the chosen topic and the need to conduct research on the selected topic. At the same time, in order to carry out such a large-scale transformation in a fairly large number of industries, while building a strong army, and also taking into account the challenges that the post-war reconstruction of the country will bring, a large amount of resources is required. To attract such an amount of resources, stable guarantees for investors are needed, and at the same time the ability to ensure a significant level of profitability for stakeholders, and at the same time it is also necessary to have available resources and experienced personnel who will be able to create a high-quality product with high added value.

However, for Ukraine this is not an impossible task, since despite all the challenges faced by the country, business, and the population, Ukrainians have endured and have a fairly significant potential that only needs to be properly used and realized. However, it will be impossible to realize the existing potential and gain significant competitive advantages without substantial reforms. Taking all this into account, the research conducted in the article clarifies certain points, provides a theoretical basis on which one can rely to ensure a high level of competitiveness, and at the same time opens new paths for further research on the chosen topic.

### **Analysis of recent sources and publications.**

A fairly large number of both domestic scholars and researchers, as well as foreign ones, have been engaged in the study of competitiveness, issues of forming competitive advantages of enterprises, as well as the role of innovations in acquiring new and maintaining existing competitive advantages, among whom, in particular, are Filippova S.V., Chernyshova L.I. [1], who pay significant attention to economic transformation under the conditions of the country's economic transformation, martial law, and instability. At the same time, the authors agree with the view that competitiveness is a dynamic category, and at the same time propose a clear model based on environmental monitoring, potential assessment, strategy formation based on assessment and monitoring, as well as subsequent control and adjustment of the strategy if necessary. In general, the authors consider competitiveness as the result of comprehensive management of all subsystems of the enterprise, rather than individual decisions.

At the same time, Pashchenko Yu.V., Danchenko D.A. [2] focus their attention on innovations as one of the key factors in the formation of competitive advantages of enterprises under conditions of instability and the need for recovery of Ukraine's economy. At the same time, the authors note that enterprises that do not implement innovations risk becoming outsiders.

Along with this, Hirchenko D.S., Kharchenko T.M. [3] complement the views of other authors by studying the role of innovations in the strategic management of enterprises, and at the same time prove that it is precisely the implementation of innovative approaches to management, including in the field of artificial intelligence, that becomes the key to maintaining the competitiveness of modern business. Along with all this, the authors build their research around the thesis that in the future it is innovations that will become the basis for stability in development, and also note that activities should be built precisely around innovative development.

### **Purpose.**

The main purpose of the article is to study the relationship and impact of innovations and innovative development of enterprises on the formation of competitive advantages of business entities in the context of modern economic transformation. At the same time, the task is set to analyze the main directions of innovative development of modern enterprises and to study their relationship with the further adaptation of business models to the latest economic conditions.

In addition, in order to deepen the study of the topic, it is envisaged to identify key factors that contribute to the successful application of innovations in enterprise activities to achieve sustainable competitiveness.

### **Research methodology.**

The methodological basis of the research is a set of general scientific and special methods of cognition of economic processes, which ensure a comprehensive analysis of the role of innovations in the formation of competitive advantages of business entities in the context of the transformation of the latest economic model.

In the course of the research, methods of analysis and synthesis were applied, which made it possible to systematize theoretical approaches to the interpretation of innovations and enterprise competitiveness, as well as to generalize the scientific views of domestic and foreign scholars regarding innovative business development. A systemic approach was used to consider the enterprise as a complex socio-economic system, within which innovations act as an integrated element of strategic development and a source of competitive advantage formation.

In order to study the impact of innovations on enterprise competitiveness, a comparative analysis was applied, which made it possible to compare the activities of leading companies that actively implement innovative technologies with enterprises characterized by a lower level of innovative activity. The method of generalization was used to form conclusions regarding the main trends of innovative development of enterprises in modern economic conditions.

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In addition, logical modeling was used in the study to determine the relationship between innovative development, adaptation of business models, and the formation of sustainable competitive advantages. The information base of the research consists of scientific publications, analytical reports, statistical data, and materials from open sources that characterize modern processes of economic transformation and the development of digital technologies.

The application of these methods ensured the validity of the obtained results and made it possible to form theoretical and practical conclusions regarding the role of innovations in increasing the competitiveness of business entities.

### **Results.**

The study of the impact of innovative development on the competitiveness of enterprises has been and continues to be carried out by numerous scholars, since the importance of innovative development and new technologies in enterprise activity is difficult to overestimate. Innovations and scientific and technological progress are capable of bringing both production and managerial activities to a fundamentally new, higher-quality level, and, provided their proper implementation, ensuring unique competitive advantages for an enterprise.

For Ukraine and the national producer, innovations and innovative development are not only a source of forming new competitive advantages, ensuring stable positions in global markets and sustainable economic growth, but also a path to survival. The conditions in which the country and its people are forced to fight for their existence are characterized by confrontation with an adversary that surpasses them in population size, resource potential, budget, and a number of other indicators. That is why the state and national business need to pay special attention to the development of innovations and the latest technologies both at the country level as a whole and at the level of individual markets and sectors of the economy. In a situation where advantages cannot be gained through quantitative indicators, the quality factor becomes of key importance.

At the same time, while recovering from numerous shocks that have affected the country and business, it is extremely important to lay a high-quality foundation for future development. The formation of a well-thought-out economic model that will allow a transition from a raw-material economy, typical of developing countries, to a more technological and innovation-oriented economy capable of producing goods with high added value, creates opportunities for the state and the national producer not only to ensure the stability of their competitive positions but also to outline clear trajectories for further development.

At the same time, it should be noted that the formation of competitive advantages through the implementation of innovations and new technologies is a complex process that requires a high level of qualification of the internal management of the enterprise, and in some cases the involvement of specialists from external consulting and outsourcing. For the effective implementation of innovations, a necessary condition is the presence of a well-thought-out and structured development strategy, without which the full realization of potential competitive advantages is unlikely. In some cases, the absence of such a strategy may even lead to negative consequences, since resources spent on mastering new technologies may be used inefficiently [1].

The leading role of innovations in the formation of an enterprise's competitive advantages can be explained by the following main aspects:

1. Creation of a unique market offer. Innovations and innovative development ensure the creation of new products and services or the expansion of their functional characteristics, improvement of quality, and the ability to satisfy consumer needs as fully as possible. This, in turn, allows an enterprise to form a unique offer in the goods and services market and gain sustainable competitive advantages.

2. Expansion of market presence. The implementation of innovative technical and technological solutions, as well as new management approaches, contributes to more effective penetration into existing markets, an increase in market share, and, provided that advanced technologies are used, the creation of

fundamentally new market niches.

3. Cost optimization and productivity improvement. Innovations make it possible to reduce costs through more rational use of resources and increased labor productivity, which means the ability to produce a larger volume of products with lower time and resource costs per unit of output. In addition, the digitalization of enterprise activities contributes to improving the quality of management, enhancing planning processes, and forming development strategies that take into account a wider range of risks and influencing factors.

4. Improvement of qualitative characteristics of products. Innovations ensure an increase in the quality of products and services, the provision of new properties, improvement of design with unchanged or even reduced production costs, and also open access to the use of new, higher-quality materials and the creation of fundamentally new types of products [4; 5].

At the same time, innovations and innovative development should be divided into two main types: incremental innovations and radical innovations. Their characteristics and impact on the formation of competitive advantages are presented in detail in Table 1 «The Impact of Innovations on the Process of Competitive Advantage Formation» which demonstrates the influence of different types of innovations on key areas of entrepreneurial activity.

**Table 1. The Impact of Innovations on the Process of Competitive Advantage Formation\***

Types of innovations	Areas of influence of innovations		
	Economic sectors	Entrepreneurial activity and business processes	Enterprise products and business processes
Incremental	Improved and more efficient relationships between enterprises, improvement of supply, sales, and related processes	Improved organizational management processes, activity planning, and new ways of gaining competitive advantages in the market (reengineering, TQM)	Improved processes, products, and services that are able to satisfy customer needs to a greater extent
Radical	The latest and innovative structures of the economy and its individual sectors. New types of relationships	Creation of new business concepts, implementation of new approaches to business management, obtaining new ways of conducting activities, product sales, and promotion	New products and significant changes in the configuration of existing products and services, including the acquisition of new properties

\*Source: compiled by the author based on [2].

Among the main challenges that arise during the implementation of innovations in enterprise activities and directly affect its competitiveness and development, the following can be distinguished, in particular:

– Economic instability. Any instability in the economy during the implementation of complex and capital-intensive projects, such as the development of new technologies, the implementation of innovative management and planning methods, the use of innovations in the current activities of the enterprise, etc., has a rather negative impact both on the process of innovation implementation itself and on the overall stability of the enterprise and its level of competitiveness. This is explained by the fact that innovative development is a resource-intensive process and in most cases requires significant financial, capital, and labor investments, which under conditions of economic instability or crisis phenomena may have destructive consequences both for the stability of enterprise operations and for its position in the competitive environment.

– Political instability. Political instability, along with economic instability, is capable of significantly influencing the process of innovative development of enterprises. During periods of political uncertainty, foreign capital, as a rule, is reluctant to invest in national projects, and even more so in new or innovative ones, since in most cases the ratio of expected benefits to risks is not in favor of benefits. At the same time, national capital is also prone to «flight» to more stable jurisdictions, in particular abroad or to offshore zones.

– Technological and technical level of development. In some cases, even in the presence of

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financial opportunities and interest on the part of management, the overall technical and technological gap of the enterprise may be quite significant. Under such conditions, the implementation of innovations is significantly complicated or restrained, since the existing infrastructure and production capacities are not always ready for the integration of new technological solutions.

– Environmental challenges. In the modern world, increasing attention is paid to issues of ecology and environmental protection, in connection with which the implementation of certain technologies requires additional consideration of environmental standards and regulations. This, in turn, complicates the process of innovation implementation at the enterprise and may require additional financial and organizational resources.

– Transnational corporations. Today, transnational corporations are becoming increasingly widespread, similar to how monopolies were formed during the period of industrialization. A significant concentration of financial, technological, and human resources within mega-corporations makes it difficult for small and medium-sized enterprises to compete with such entities. Under these conditions, the implementation of new technologies may be perceived as excessively risky, which, in turn, reduces the willingness of top management to invest in innovative development.

– Corruption-related challenges. For Ukraine, as well as for many other countries in the world, the corruption component remains a significant risk, since it is capable of leading to an increase in the cost of implementing new technologies, as well as to an increase in the overall duration of innovative projects. As a result, this negatively affects both the competitiveness of the enterprise and the overall motivation to invest in technological development.

– Human resource and demographic factors. The human resource and demographic component is also a significant challenge for enterprises, since the implementation and effective use of new technologies require a sufficiently educated and qualified workforce capable not only of using already mastered tools but also of directly participating in the process of their implementation. In addition, in regions with an aging population, innovative development is complicated, since with age employees are more often inclined toward stability, whereas innovative development involves constant turbulence, change, and the need for adaptation.

– Availability of credit resources. The availability of financial resources, along with the investment component, is one of the key sources of financing innovative development of an enterprise. Under conditions of high interest rates on loans, the implementation of innovations becomes almost impossible, since the failure of one or several innovative projects may not only significantly worsen the overall level of competitiveness of the enterprise but also lead to its bankruptcy [2; 6].

At the same time, numerous surveys and analytical reviews conducted by both international and national organizations serve as practical confirmation of the importance of innovations. One of the most illustrative examples of such practical analysis is the survey conducted by Boston Consulting Group (2023) based on the results of 2023. According to the research results, 79% of respondents noted that the implementation of innovations in enterprise activities, innovative development, and the adoption of new technologies are among the top three most important priorities of a company, which clearly demonstrates how critically important for modern business the ability to work with innovations is.

At the same time, it should be noted that this indicator increased compared to 2022, when it amounted to 75%, which, in particular, indicates a growing awareness of the benefits of implementing technologies not only as a tool for maintaining competitiveness but also as one of the ways to counter potential future crises. At the same time, more than 40% of companies reported intentions to significantly increase expenditures on innovative development and new technologies in 2024, which is 16% more compared to 2009. Such dynamics indicate that innovative development will continue to remain one of the key trends of the modern economy [6; 7].

At the same time, according to a survey conducted by Boston Consulting Group (2023), it can be seen that, despite the fact that the vast majority of companies are ready to invest in innovations in order to obtain advanced competitive advantages, there exists a separate group of companies that place the

implementation of innovations and innovative development first in their activities (Table 1). Such companies plan to build their business strategy based on technical and technological progress and innovative achievements, while actively creating and promoting new innovative solutions for business.

Although this group of companies constitutes a relatively small share among all enterprises that are ready to invest significantly in innovations, the volumes of their investments are indeed substantial and in some cases amount to one third, and sometimes even more, of the total expenditures of the company. At the same time, one of the characteristic features of such companies is more aggressive use of M&A tools (Mergers and Acquisitions), with particular attention paid to innovative technologies, as well as to attracting personnel – leaders and specialists – with proven ability for innovative activity.

**Table 2. The Most Innovative Companies According to Boston Consulting Group**

Company position in the ranking	Top 20 (positions 1 – 10)	Top 20 (positions 11 – 20)	Top 20 (positions 21 – 30)	Top 40 (31 – 40 positions)	Top 50 (41 – 50 positions)
	1. Apple	11. Pfizer (7)	21. Roche	31. Sony (-22)	41. Saudi Aramco (new entrant)
	2. Tesla (3)	12. J&J (15)	22. Oracle (-3)	32. Sinopec (new entrant)	42. Coca-Cola (-6)
	3. Amazon	13. SpaceX (return)	23. BioNTech (new entrant)	33. Hitachi (6)	43. Mercedes-Benz Group (return)
	4. Alphabet	14. Nvidia (1)	24. Shell (return)	34. McDonald's (return)	44. Alibaba (-22)
	5. Microsoft (-3)	15. ExxonMobil (return)	25. Schneider Electric (new entrant)	35. Merck (return)	45. Walmart (-32)
	6. Moderna (1)	16. Meta (-5)	26. P&G (8)	36. ByteDance	46. PetroChina (new entrant)
	7. Samsung (-1)	17. Nike (-5)	27. Nestlé (22)	37. Bosch (-11)	47. NTT (new entrant)
	8. Huawei	18. IBM (-8)	28. General Electric (1)	38. Dell (-24)	48. Lenovo (-24)
	9. BYD Company	19. 3M (18)	29. Xiaomi (2)	39. Glencore (new entrant)	49. BMW (new entrant)
	10. Siemens (10)	20. Tata Group (new entrant)	30. Honeywell (new entrant)	40. Stripe (new entrant)	50. Unilever

*\*Source: compiled based on [8].*

Another characteristic feature of these companies is their active participation in external ecosystems, the involvement of external partners and investors, and in some cases even cooperation with competitors on issues of implementation and application of innovative development. Among the main tools used by such companies, in particular, are digital technologies, artificial intelligence, internet marketing, the organization of flexible teamwork, as well as the use of the latest technological solutions in the process of product manufacturing or service provision.

Thus, it can be concluded that one of the key modern trends is the active use of digital technologies, effective management of the investment portfolio, improvement of the enterprise management system based on the latest technologies, as well as transparent and comprehensive coverage of enterprise activities for managerial personnel. This, in turn, contributes to higher-quality planning and management, makes it possible to make more balanced and well-founded decisions, which has a positive effect both on the level of enterprise competitiveness and on the overall stability of its operations and profitability [8; 9].

Thus, according to the assessments of Boston Consulting Group (2023), the most innovative companies are primarily those with global recognition, which, in order to maintain their positions, are forced to invest significant resources in innovative development. This once again further confirms the thesis that in order to ensure stable positions in the modern globalized world, enterprises need to pay increased attention to innovative development.

### Conclusions and prospects.

Summarizing the conducted research, it can be noted that in the modern world, toward which humanity is moving at a high speed, it is innovative development and the ability to implement new technologies that are becoming the key factors determining the competitive position of an enterprise in the market. At the same time, this process is significantly facilitated by globalization processes, which constantly expand the scope of activity and influence of enterprises, intensify competition, and increase the need to form new competitive advantages.

It should also be noted that innovative development and globalization currently form a unified system of interconnections that contributes to the dissemination of new technologies, the formation of global markets, and the determination of key economic trends. Under these conditions, the ability of enterprises to create new products with unique value for consumers, as well as the ability to analyze and identify technologies with high potential for further development, becomes particularly important.

The faster an enterprise is able to master promising technologies, the higher the level of its competitiveness in the future will be, and the more stable its market position will become. At the same time, no less important for business is the ability to promptly respond to external and internal challenges, as well as the ability of management to find effective solutions to overcome problems that arise in the course of economic activity.

Thus, under the condition of competent management of the innovative development of an organization and well-thought-out, phased planning of the processes of mastering and implementing new technologies in enterprise activities, it becomes possible to form unique competitive advantages. Such advantages allow an enterprise not only to maintain stable positions in domestic markets but also create prerequisites for entering foreign markets and conquering and maintaining positions in the global market.

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