UDC 658.15:330.341.1:005.73

DOI https://doi.org/10.26661/2414-0287-2024-4-64-05

# INNOVATIVE CULTURE AND ITS SIGNIFICANCE IN THE INNOVATIVE DEVELOPMENT OF THE ENTERPRISE

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#### Key words:

innovation culture, innovation potential, innovation system, intellectual capital. The article considers the innovative culture of the enterprise as an important internal subsystem and a condition for the effective implementation of the goals of innovative development of the enterprise. The essence and features of the formation of innovation culture are revealed and its importance in the development of innovation activity of the enterprise is confirmed. The role and place of innovation culture in the process of implementing the innovation strategy of enterprise development are determined. The main tasks and principles of formation of an effective innovation culture are allocated. The relationship between innovation culture, intellectual capital and the potential for innovative development of enterprise has been studied. It is noted that innovative culture performs such functions as translational, selective, innovative.

It has been established that the current stage of development of society and economy requires the strengthening of innovative activities, which are aimed at creating and implementing new solutions. This is necessary both to meet the needs of consumers and to optimize internal business processes. Since the level of innovation activity of an enterprise depends on the state of its innovation culture, it is especially important to strengthen this component. This includes the formation and adherence to innovative values, which become the basis for successful development. The fundamental factors and phenomena that directly affect the innovation culture of the enterprise are revealed, their characteristics are provided. The structure of the innovation potential of the enterprise and its relationship with the basic elements and factors of innovation culture have been determined. The main problems of managing the development of innovative culture of domestic enterprises are summarized and ways to overcome them are proposed.

# ІННОВАЦІЙНА КУЛЬТУРА ТА ЇЇ ЗНАЧЕННЯ В ІННОВАЦІЙНОМУ РОЗВИТКУ ПІДПРИЄМСТВА

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#### Ключові слова:

інноваційна культура, інноваційний потенціал, інноваційна система, інтелектуальний капітал. У статті розглянуто інноваційну культуру підприємства як важливу внутрішню підсистему та умову ефективної реалізації цілей інноваційного розвитку підприємства. Розкрито сутність і особливості формування інноваційної культури та підтверджено її значення в розвитку інноваційної діяльності підприємства. Визначено роль і місце інноваційної культури у процесі реалізації інноваційної стратегії розвитку підприємства. Виділено основні завдання і принципи формування ефективної інноваційної культури. Досліджено взаємозв'язок інноваційної культури, інтелектуального капіталу та потенціалу інноваційного розвитку підприємства. Зазначено, що інноваційна культура виконує такі функції як трансляційна, селекційна, інноваційна.

Встановлено, що сучасний етап розвитку суспільства та економіки вимагає посилення інноваційної діяльності, яка спрямована на створення й впровадження нових рішень. Це необхідно як для задоволення потреб споживачів, так і для оптимізації внутрішніх бізнес-процесів. Оскільки рівень інноваційної активності підприємства залежить від стану його інноваційної культури, особливо важливо зміцнювати цю складову. Це включає формування й дотримання інноваційних цінностей, які стають основою для успішного розвитку.

Розкрито фундаментальні чинники та явища, які безпосередньо впливають на інноваційну культуру підприємства, надано їх характеристику. Визначено структуру інноваційного потенціалу підприємства і її взаємозв'язок із базовими елементами та факторами інноваційної культури. Узагальнено основні проблеми управління розвитком інноваційної культури вітчизняних підприємств і запропоновано шляхи їх подолання.

#### **Problem statement**

The transition from an investment, mainly extensive, type of development to a new, effective innovative approach is a key task of the country's modern development strategy. This approach not only expands the sources of financing, but also creates opportunities for achieving a balance between production, accumulation and consumption, and also contributes to radical changes in the development of the state. This direction of development is focused on the rapid reduction of the gap between the export-industrial model and the innovation-post-industrial economy, which are characteristic of different stages of civilizational development.

In the current conditions of entrepreneurship and production development, especially against the background of the crisis, global changes and unpredictable challenges, enterprises cannot exist without the introduction of alternative approaches to their work. In this regard, the use of innovative technologies in various areas of the enterprise's activity is becoming increasingly important, which becomes an important factor in their survival and development [1].

The main direction of the introduction of the latest technologies remains production, but today it is important to apply innovations also at the managerial level and in all links of the organizational structure. In this context, the importance of innovation culture at the enterprise is growing. Its effective implementation contributes to the comprehensive attraction of innovations and their most profitable use. Support of innovation culture in all areas of the enterprise's activity contributes to the formation of a positive atmosphere in the team and creates favorable conditions for the implementation of innovation policy in the future.

#### Analysis of recent research

Many scientists and researchers devoted their works to the issues of determining the essence of innovation culture, assessing its importance for ensuring competitiveness and increasing the efficiency of economic activity of enterprises, in particular, O.I. Vikarchuk, G.M. Zakharchyn, S.M. Ilyashenko, S. Kazmirchuk, M.O. Kalnitska, N. Kovalenko, T.O. Soboleva, T.S. Nezamedinova, A.E. Spitsyna, Y.S. Shipulina, N. Yuryk and others. However, despite the significance of the results obtained, today there is no sufficiently clear justification of specific directions for assessing the state of innovation culture, the essential concept of the innovation culture of the enterprise, its purpose, functions, impact on the activity of the enterprise, its place in the implementation of the innovation policy.

#### **Formation of goals**

The article is aimed at studying the concept of «innovation culture», determining the role and significance of innovation culture in the process of implementing innovative development of enterprise and its importance for ensuring the development of intellectual potential, revealing the principles of formation of innovation culture and its main tasks, studying the relationship of innovation culture with the innovation system of enterprise.

#### **Presentation of the main material**

We understand the innovation system of an enterprise as a set of interrelated components: innovation potential, innovation process and innovation culture as a functional subsystem [2]. At the same time, we believe that innovation culture in a broad interpretation is present both in the innovation potential and in the innovation process (Fig. 1). Innovative culture is usually considered as a complex system of behavior models formed in the organization and inherent in its members, determining the style and way of its functioning. In this sense, an innovative culture is not something given from the beginning. It is formed in the process of social interaction and is transmitted through training, communication between groups, behavioral patterns, values, norms, work ethics, symbols, leadership style, ceremonies, manners of communication.

Innovation culture, as a functional subsystem of an enterprise, has its own life cycle, the pace and rhythm

of which may differ from the life cycle of the general innovation system of an enterprise. Its development is possible according to two approaches: cascading or spiral life cycle models. The cascade model provides for the gradual development of an innovative culture, its implementation and maintenance throughout the entire period of operation. This approach is well consistent with the command management system, but the strict regulation of processes often does not correspond to the realities of practice. Because of this, the cascade model can limit the development of an innovative culture and shorten its life cycle.

More natural in the conditions of a changing environment is the spiral model of the life cycle, which organically integrates the innovation culture into the innovation system of the enterprise and stimulates their evolutionary development [2]. Innovation culture covers a wide range of aspects: from creating favorable conditions for the effective use of the innovative potential of an individual, enterprise or organization to its transformation and improvement. It forms people's receptivity to new ideas, their readiness and ability to support and implement innovations in various fields of activity, ensuring progressive development and adaptation to changes [4].

According to the Law of Ukraine «On Priority Areas of Innovation Activity in Ukraine», innovative culture is considered as an integral part of the innovation potential, which characterizes the level of educational, general cultural and socio-psychological preparation of a person and society as a whole for the perception and creative implementation of the idea of developing the country's economy on an innovative basis [5]. The innovative culture of the organization is inextricably linked with the development of its intellectual capital, the development. Figure 2 presents a scheme of interrelations between the innovative culture of the organization, its intellectual capital and the potential for innovative development.

Innovative culture performs the following functions [4]:

translational – transfer from the past to the present and from the present to the future of established types of innovative behavior of social subjects that have undergone long-term testing and acquired a certain value color within a given society;

selection – selection of newly created or borrowed innovative behavioral models that meet the needs of society at a certain stage of its development to the greatest extent; innovative at a certain stage of its development;

innovative – disclosure of creative capabilities of the described socio-cultural mechanism, development of new types of innovative behavior based on samples of innovative activity that arose within the culture itself or were instilled from the outside.

Thus, the innovation culture is a reflection not only of the level of development of innovation processes at the enterprise, but also of the degree of involvement of people in these processes and their satisfaction from participation in them. It builds a receptivity to new ideas, as well as a willingness and ability to support and innovate in all areas of activity. Innovative culture, considered as a promising method of management, can be defined as a self-sufficient and self-regulating socio-psychological mechanism. It influences the leadership style and forms an innovative model of behavior at each stage of the innovation process. Its role in the development of the enterprise is to organize, optimize, rationalize, control, regulate and stimulate interaction between all elements of the innovation system, ensuring their effective cooperation [7].

The purpose of forming a culture of innovation is to implement effective innovations in a qualitative dimension, to improve the mechanism for activating the necessary potentials in the innovation process. The signs of

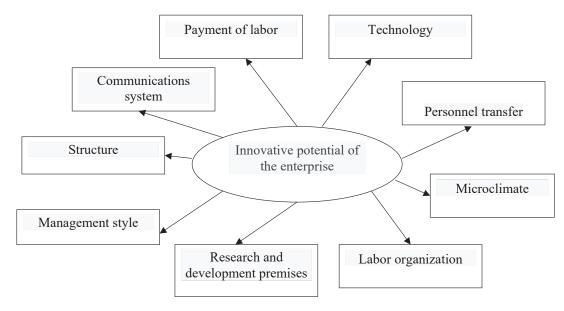


Fig. 1 – Structure of the innovation potential of the enterprise

Source: built on the basis of [3]

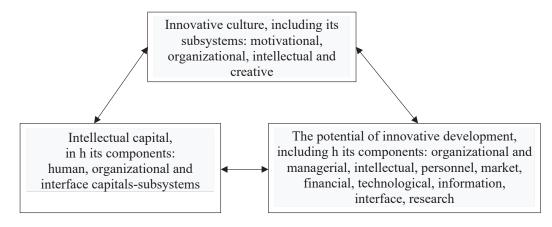


Fig. 2 – Scheme of interrelations of innovation culture, intellectual capital and potential for innovative development of enterprise

Source: built on the basis of [6]

innovation culture are the desire for innovations, the ability to implement them and develop the innovative potential of the enterprise [8].

When analyzing the concept of innovation culture, the following tasks of innovation culture in the system of innovation of enterprise activity are distinguished: identification of creative forces and abilities, talents, development and realization of the creative potential of the enterprise; optimization of personnel, production, financial, scientific and technical potentials for the implementation of the innovation process and the existence of an innovation system; stimulation of intellectual and creative activity to achieve certain goals through the use of innovative ideas; activation and optimization of innovation processes at the enterprise; formation and implementation of innovative strategies for the development of the enterprise; application of a democratic management style; elimination of barriers within the organizational structure of the enterprise for free communication and information transfer; cooperation with all participants in the innovation infrastructure; in combination with corporate culture, the formation of an intensive-intellectual climate within the enterprise, as well as the creation of an innovative image; organizational and managerial support of the innovation process [9].

Generalization of literature sources and practice of innovation activity made it possible to identify the main principles of the formation of innovation culture [6]:

- clear formulation of the goals of innovation activity and their clarity;

- awareness of the priority of goals;

- focus on results;

- cooperation of project team members;

- free exchange of ideas and information between members of the innovation project team;

- tolerant perception by management and team members of ideas expressed by other employees;

- tolerant perception of possible mistakes and failures;

- delegation of authority to team members;

 participation of each team member in the process of achieving the goals of the innovation project, awareness of its significance; - freedom of creativity and expression;

– encouraging initiative and creative search of employees;
– encouraging the development and acquisition of new knowledge and skills;

- inadmissibility of imposing the ideas of the head of an innovative project on team members;

- protection of the rights of each team member to innovative solutions.

The role of innovation culture in the system of innovation activity of an enterprise is that it is an important effective functional subsystem that performs a number of key tasks. Firstly, it stimulates creative thinking. Secondly, innovation culture reflects the relationships that arise at the entire stage of the innovation cycle, giving them organization and structure. It also significantly reduces resistance to innovation, which contributes to more effective implementation of changes. Due to its institutional nature, the innovation culture streamlines the innovation process, optimizing the innovation path of the enterprise and ensuring its sustainability and development.

A systematic approach to innovative development involves the direct presence of innovation culture throughout the innovation path, which includes the following main stages [2]:

1) the emergence of an idea-idea, i.e., the concept of creating an innovative product;

2) concept analysis – translation of the idea into the preliminary design, preliminary calculations of all parameters of the innovative product, which justify the feasibility of its creation;

3) creation of a working model as a real proof of concept;

4) development of a prototype, i.e., actually a working version of an innovative product, the purpose of which is to assess its operational characteristics and industrial production technology;

5) creation of an industrial prototype, i.e., a fully functional model, on the basis of which the technological conditions of industrial production are laid;

6) creation of an industrial design of an innovative product that is completely ready for mass production;

7) entering the market of an innovative product, i.e. commercialization of an innovative idea-idea.

Each of the listed stages is characterized by the relationship that develops between the initiator of the idea, its actual developer and producer, as well as the investor, user and other participants in the innovation cycle. The task of the innovation culture is precisely to ensure that these relations take the form of equivalent partnerships, in which each participant is interested and motivated by a single goal. The formation of an innovative culture is closely related to the development of creative abilities and the realization of the creative potential of each person who is its subject. Innovative culture reflects the holistic orientation of a person, which is fixed in his motives, knowledge, skills and abilities, as well as in behavioral images and norms. The process of forming an innovative culture is based on the organization's value system, which includes a set of ideas, often unwritten, that determine the goals and meaning of the organization's work, as well as form the basis for its development and innovative activity.

Innovation culture as a whole is considered as an integral part of the innovation potential, which belongs to the resource-intangible block of the enterprise. However, the definition of this concept is ambiguous and varies in different sources. Usually, innovation culture is interpreted as the level of general cultural, educational and psychological preparation of personnel for the perception of innovative development of the enterprise, as well as as the active participation of employees in the process of introduction and development of the latest technologies [10].

It is proposed to assess the state of innovation culture of a particular enterprise by comparing it according to certain criteria with the best enterprises or institutions-innovators in the market or analyzing it in dynamics. The main criteria for assessing the innovation culture of an enterprise are grouped by individual components in Table 1.

Analyzing the process of implementation and formation of an innovative culture, it is advisable to highlight that it is influenced by various factors, both external and internal. The innovative culture of society provides not only the constant creation and implementation of new things, but also includes mechanisms that allow the individual to adapt to changes in various fields of activity. The innovative culture of the enterprise is inextricably linked with the development and realization of the potential of innovative development. To increase the level of innovation culture, it is necessary to carry out systematic management and control over the factors that form the innovation potential of the enterprise [7]:

- human factors (creativity of managers and employees, ability to predict the future and use market opportunities, managerial skills, ability to learn, information openness, ability to manage projects, availability of a staff motivation system, ability to manage risks, composition and competence of personnel, share of personnel employed in the intellectual sphere, level of productivity);

– organizational factors (patents, know-how, licenses, certificates, availability of own research and development, level of development of innovation culture, access to scientific and technical information networks and business information, progressiveness of management methods, attitude of management and personnel to changes and innovations, size and scope of activity of the enterprise, speed of reaction to changes, formed image of the enterprise);

 material factors (available technical means, level of automation of processes, modernity of the technologies used, modernity of research and development, degree of renewal of fixed assets, quality of fuels and lubricants and components);

- financial factors (availability of own financial resources, the possibility of using external sources of financing, R&D costs, capital structure, financial stability of the enterprise, credit reputation);

- relational factors (the role of the enterprise in the supply chain, the favorability of other participants in the supply chain to innovation, logistics partnership, development and implementation of research and development in cooperation with other organizations, customer loyalty, competitive position of the enterprise, the level of cooperation with other enterprises, consumers, suppliers and intermediaries, the availability of external consultants, cooperation with scientific institutions and higher education institutions, the degree of distribution of risks and benefits).

Table 1 – Criteria	a for evaluating	the compon	ents of the	innovation	culture of t	he enterprise

		ellectual-creative component)
experience, etc. Freedom of creativity from political, religious, bureaucratic, etc. restrictions. Demand for innovations and innovators. Legal protection of copyright. High pay for work results.Участь іннова- торів у прибутках. Tolerant attitude of colleagues and society Recognition and gratitude of colleagues and management of vertical and movements of communication. D style. Trying to	n-trivial decisions. Taking e interest of personnel. schedule. Favorable st conditions. Practical he functionality of ibility of organizational ructures. Mobility	o go beyond existing knowledge erience. Striving for self- on and recognition. Focus on Work efficiency. Ability to long- bilization and concentration. t self-learning and self- ment. The ability to forecast under ns of uncertainty. Willingness ty to transmit knowledge, skills, ces, etc.

Note: Built on the basis of [7]

Problems	Ways to overcome			
Unclear understanding of the essence of innovation culture by enterprise management	Management's understanding of the role of the innovation culture of enterprises as one of the main factors in the activation of their innovation activity is an effective motivator for purposeful management of its development, the use of modern theoretical and methodological developments for this. To strengthen motivation, an active state policy of supporting innovative business is needed.			
Слабкі уявлення про структуру інноваційної куль- тури і склад елементів її складових підсистем				
Lack of practice-oriented effective methods for diagnosing the state of innovation culture of enterprise	Development of methods for diagnosing the state of innovation culture of enterprise, its components and their elements			
Limited tools and methods for managing the development of innovation culture	Development of a theoretical and methodological approach to the management of the development of the innovative culture of the enterprise based on the results of its diagnostics			

Table 2 – Problems of management of the development of innovative culture of domestic enterprises and ways to overcome them

Note: Built on the basis of [9]

Innovative culture can develop effectively only in conditions of legal, political and economic stability. Abrupt changes in these areas can interfere with the consolidation of positive innovative achievements, as well as prevent the abandonment of negative traditions. This can lead to disorientation, spontaneous self-regulation and deepening of the departure from the evolutionary paths of the development of society. Sustainable development of innovative culture requires a certain orderliness and predictability of external conditions. In addition, it is necessary to take into account many different factors in order to effectively contribute to innovative development, activities and activity of personnel, maintaining a favorable climate in the organization.

In Table 2 summarizes the main problems of managing the development of innovation culture of domestic enterprises and proposes ways to overcome them.

For the successful implementation of programs for the transition to innovative development, it is important to form an innovative culture, which becomes the basis for creating an innovative and favorable environment at the national level. The innovation culture of an individual enterprise is formed under the influence of the general innovative culture of society. Although there are examples of successful innovation activities of individual domestic enterprises that have a high level of innovation culture, these achievements are often limited to certain industries, such as aerospace engineering or certain types of military equipment, which takes place against the background of a general low level of ran integrated approach to the development of innovations at the state level.

#### Conclusions

Innovation culture helps enterprises in choosing clear and achievable goals, as well as develops the desire of personnel for innovative development. It reflects the holistic orientation of a person, which is fixed in his motives, knowledge, skills and abilities, as well as in styles and norms of behavior. In addition, innovation culture demonstrates the level of activity of social institutions and the degree of satisfaction of people from participation in these processes and results. Its important function is the role of a filter on the way to introducing innovations, since not all innovations can lead to positive results. Therefore, an innovative culture helps to weed out less effective ideas, ensuring their implementation only after a thorough assessment.

The role of innovation culture in the innovative development of an enterprise is to organize, optimize, control, regulate and stimulate the interaction of all elements of the innovation system of an enterprise. It ensures the effective functioning of innovation processes, supports coordinated work between different departments and contributes to the maximum use of innovation potential. Innovative culture is the sensitivity of the socio-economic system (or its components) to information of a creative nature. It is aimed at accumulating, processing, generating and using this information in processes related to innovation activities. Such a culture provides a constant flow of new ideas and solutions that are necessary to support innovative development at all stages of the life cycle of an enterprise.

The innovative culture of the enterprise plays an important role in the formation of a positive image among external partners and consumers, as it demonstrates the enterprise as an active developer and implementer of innovative ideas, ready for further innovations. Such an image increases trust in the company and contributes to the establishment of successful business connections. The role of innovation culture in the development of innovation activity of an enterprise lies in its function as a stimulator of creative thought. It helps to optimize all components of the innovation potential of the enterprise, creates a favorable atmosphere for the generation of new ideas. Innovation culture also reflects the relationships that develop throughout the innovation cycle, identifying weak links, and forms in employees the desire to work proactively, adequately perceive modern challenges of the time and quickly adapt to changes.

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