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## FORMATION MECHANISM OF INNOVATION AND INVESTMENT ACTIVITIES OF INDUSTRIAL ENTERPRISE

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In the process of formation the innovative-investment model of the economy, priority should be given to modernization, reconstruction and development of production based on new technologies, enhance innovation to translate the results of scientific and technical developments in production, the creation of new technological processes and restructuring in modern scientific and technical basis of all branches of material production. Just innovative-investment activity allows enterprises to develop and release competitive products, upgrade technology and technical production base, to enter global markets with competitive products, thereby ensuring stable development of the economy [8].

The society and economy of Ukraine are experiencing a necessary turning phase, because a great period ends, which formed its economic and social structures, relations, type of thinking. In recent years, companies and organizations are moving to a new mechanism of functioning, where something remains from the previous stage of development, and something only created new conditions, phenomena, relations, etc.). The process of demolition of old structures and practices that hinder forward movement, if necessary, while preserving the developments that will support the peculiarity and originality of national organizations that can contribute to the strengthening and development of both individual companies and the economy as a whole [7].

In the period of economic system transformation and intensification of globalization processes, the problem of the formation mechanism of innovative-investment activity is of particular importance, both globally and locally. World experience gives us a wide range of tools with which you can manage the industrial enterprise. This study aims to explore the mechanism of management of innovative and investment activity at the micro level. The successful development of any system depends on the control mechanism, which is the basis of its functioning.

### **Analysis of recent researches and publications**

The problem in the scientific literature is being addressed. The study of the problems discussed in this article dedicated their works of Ukrainian and foreign scientists-economists: Gruznov I. I., Goncharuk A.G., Zakharchenko V.I., Zinoviev F.V., Kolokolov V.A., Shershneva Z.E. and others. But the composition of

*Кандеева В.В. Формування механізму управління інноваційно-інвестиційною діяльністю промислового підприємства»*

У статті проаналізовано взаємозв'язок розвитку промислового підприємства та його механізму управління. Розглянуто склад механізму управління інноваційно-інвестиційної діяльності промислових підприємств. Визначено економічну сутність категорії «механізм управління інноваційно-інвестиційною діяльністю».

*Ключові слова:* механізм, управління, підприємство, інновації, інвестиції

*Кандеева В.В. Формирование механизма управления инновационно-инвестиционной деятельностью промышленного предприятия.*

В статье проанализирована взаимосвязь развития промышленного предприятия и его механизма управления. Рассмотрен состав механизма управления инновационно-инвестиционной деятельностью промышленного предприятия. Определена экономическая сущность категории «механизм управления инновационно-инвестиционной деятельностью».

*Ключевые слова:* механизм, управление, предприятие, инновация, инвестиция

*Kandeeva V.V. Formation mechanism of innovation and investment activities of industrial enterprise.*

The article analyzes the relationship of the development of industrial enterprise and its management mechanism. Considered part of the mechanism of management of innovation and investment activities of industrial enterprises. The economic essence of the category "management mechanism innovation and investment activities."

*Keywords:* mechanism, management, enterprise, innovation, investment

the mechanism of management of innovative and investment activity in the current economic conditions remains poorly studied and requires further detailed study.

*The aim of the article* is to analyze the composition and functions of innovative-investment activity of industrial enterprises' mechanism of management in modern economic conditions with a deeper study of the system business (affiliate) links.

### **The main part**

In the process of development of the modern market we can see that the welfare of the enterprise directly depends on the results of innovative-investment activity and scientific and technological development, which is an important factor of enterprise competitiveness. Today the markets are different by dynamics and a high degree of saturation. Innovation and investment are two components of one unite. An important feature of the state of the market today is the continuous increase of the role of innovations and investments for success of an industrial enterprise. As in any business, industrial company meets certain mechanism. For ensuring economic growth and scientific and technological development of the enterprise, it is necessary to create an effective control mechanism. Any activity requires control. One of them is the mechanism of management of innovative and investment activity (as a subsystem) [8].

More detail the concept of the mechanism of management is considered by I. Gruzinov [2, 3]. I. Gruzinov indicates that the economic mechanism of production management is divided into management sub-areas and these subsystems consist of appropriate governance arrangements until the element is not divided [3].

Also we have a dictionary definition engine control, which will be complete – "a set of organizational structures and specific forms of management, management practices and legal norms by which society uses economic laws based on the historical specificity" [1]. Control mechanism is layered structure. Based on the definition proposed by V.A. Kolokolov, innovation management mechanism will be understand as the organizational and economic form of realization of innovative activity and to facilitate its implementation, the search for innovative solutions, as well as the incentives and the regulation of this activity [5].

F. Zinov'ev believes that "the mechanism of management is a broad concept reflecting a certain cut of the production relations of society. In the most general terms it can be described as a system of production with its inherent forms and methods, economic instruments and legal norms" [4]. He further notes that in the market the concept of "economic mechanism" must take into account such important aspects as competition and economic liberalization, that is, the attributes inherent in a market economy. When using the term "control mechanism" provides for the development of such a

system (organizational, economic, scientific, technical), which provides a constant effective management and involves concerted action aimed at achieving certain results (author's point of view).

The implementation of the enterprise management mechanism is considered in the framework of the management system, which allows solving problems which appear in the enterprise. The mechanism of management of innovative and investment activities will be successful only if it will ensure the stable development of the enterprise in an economic environment that is dynamically changing. The control mechanism can be viewed from several sides:

- an organizational point of view – striking the balance between different activities;
- an economic point of view, improvement of the economic environment development of business activity;
- scientific and technical point of view – the choice of priority and perspective directions of development of the enterprise.

The mechanism of management of innovative and investment activity is a purposeful activity system, which gives the opportunity to explore innovative ideas, investment opportunities and the interaction of all participants of innovative-investment activity [8]. For this study mechanism of management of innovative and investment activity in the industrial enterprise was generalized and presented in the fig. 1.

The effectiveness of this mechanism at the enterprise level is the growth net profit, productivity, as well as with increasing levels – organizational, economic, scientific-technical, social, environmental, etc. The mechanism of management of innovative and investment activity of the enterprise is a system consisting of interdependent components (organizational, economic and scientific-technical mechanisms), each of which contributes to the functioning of the one unite.

The organizational mechanism of management of innovative and investment activity is generated within the enterprise and includes a set of elements of the production process (labour, means of labour, objects of labour, information), as well as a set of laws and procedures governing the interaction and stimulating innovation and investment activity of the organizational system.

At this stage, management decisions aimed at implementing innovative investment strategies, but also overall economic growth strategy of the company. Management decisions are the result of analysis, prediction, optimization, economic justification and selection of alternatives. The creation of the organizational mechanism of management of innovative and investment activity (IIA) due to need of encouraging entities to make greater use of innovation and increase the level of investment activity. This mechanism is aimed to development of industrial relations in the enterprise. The driving forces of organizational activity are expressed in the order of implementation of management functions.

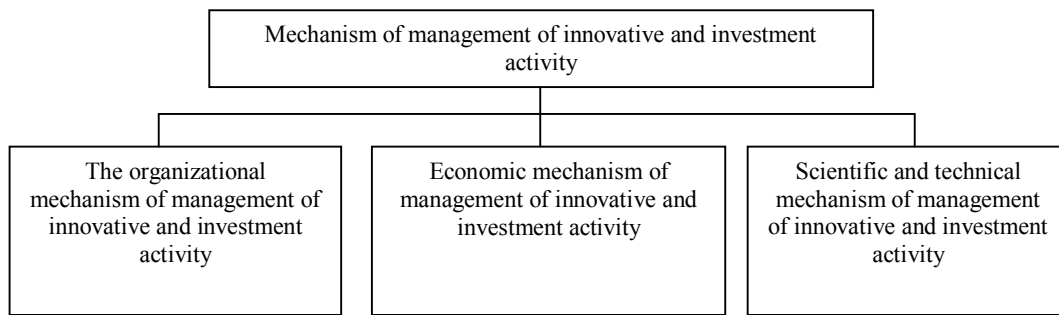


Fig. 1. The components of the mechanism of management of innovative and investment activity (based on [2])

Economic mechanism of management of the IIA is a set of methods, leverage, and methods of management of economic processes and economic objects based on the system of economic laws, principles and management methods that will allow you to create real opportunities and investment environment and stimulate investment market, which lead to positive economic results. This could include financial resources, a certain potential, investor resources, material resources – objects, performing movements and accumulation of investments, infrastructure – the set of non-financial corporations, financial institutions, and the relationship between them, the credit, financial and monetary mechanisms, the mechanism of formation and use of resources (capital), the cost control mechanism, the mechanism of interaction with the market. Economic mechanism of management of IIA companies has to ensure external communication of the company and to create an enabling environment for income-generation. Drivers of economic activity are economic interests. Economic activity of the company is subject to the economic laws that operate independently from the will and consciousness of people. Organizational and economic relations do not develop in parallel, between them there is a link at the level of the production process and management [8].

Technical and scientific management mechanism IIA is a process, which integrates science, technology and production, determines the content, the order of development and implementation of any kind of works in the sphere of human activity. The link of this process is the scientific and technical knowledge, manufacturing expertise and manpower. Only accumulating scientific and technical knowledge, manufacturing expertise and manpower, we can get innovation. Driving forces of scientific and technological activities are knowledge. With the development of knowledge and the growing possibility of a society that stimulates, in turn, further development of knowledge. The relationship between the needs of society and the development of knowledge is the main source of scientific and technical development. As the development of entrepreneurship and market innovation will form the scientific and technical mechanism of management of innovative and investment activities, the effectiveness of which depends on scientific, technical and

industrial potential of the enterprise. Especially can be successfully implemented innovative projects attractive to investors. Modern markets have a high degree of saturation and dynamics, so to market changes production should be sensitive, and therefore flexible. Only flexible production will be able to respond quickly to events, and to take the necessary action. Any governance arrangements should allow at minimum cost of resources and time to meet the demands of scientific, technical, economic, organizational, social policy, market demand and market suggestions and also tendencies of development of science, technology, technologies, organizations, the economy and other aspects of the development production [2]. All components of the economic mechanism should be aimed at achieving better outcomes and improving the efficiency of production.

The beginning of the formation mechanism of innovative-investment activity is concrete objects and subjects of governance. Management entities (organizers of production) can be public bodies, enterprises, individuals and legal entities that have the ability to implement innovative-investment activity, take appropriate decisions and participate in the process of production. The control objects are the relations arising in the process of innovation and investment activities, which become economic actors.

The control objects may be management decisions, planning, forecasting and economic incentives, created and modernized fixed assets and current assets, results of intellectual activities, projects and programs, etc.

The mechanism of management of innovative and investment activity performs the following functions:

- 1) organization of production;
- 2) creation of conditions for scientific and technological development;
- 3) the formation of an innovative portfolio;
- 4) analysis and control of cash flows associated with the implementation of innovative projects;
- 5) formation of the investment portfolio;
- 6) analysis and monitoring of indicators of investment projects;
- 7) the interconnection of all structural elements of the production as a whole system.

Let's consider each function more detail.

1) Organization of production. In modern market conditions the company is fully responsible for the results of its work. Enterprises engaged in innovation activity, include the presence of a certain unit composition. The main task of the organization of production is a rational unification of the labour force, tools and objects of labor. Each enterprise production organization justifies the economic feasibility of the system resources to achieve a high quality final result, i.e. the lowest cost to get the most productive results. The efficiency of production testifies to the quality of economic growth and reflects the level of organizational and management activities.

2) Creation of conditions for scientific and technological development. The basis for the formation of the economic system today is a scientific and technological development. Companies with the flexibility and ability to adapt to the external environment that is constantly changing in terms of scientific and technological progress are dominant in the market. Investment priorities are devoted to high technology. Research and technological development will enable the company to overcome the low efficiency, create new jobs and increase the flow of investments. It is the scientific-technical development of the enterprise will help to increase competitiveness in domestic and foreign markets, to enhance the contribution of innovation to economic growth and thereby increase economic efficiency of enterprises.

3) The formation of the innovation portfolio. Innovation is necessary for optimal portfolio innovation and produce high financial and economic results from this activity. Innovative portfolio includes projects of varying scope, implementation period and implementation principles. In this regard, the content of the portfolio should quite often be subject to audit and update. Innovative portfolio, the company is able to generate innovations of its own design or purchased innovation, to develop innovations to implement or implement them yourself in their production. An important role in innovation is played by human resources, namely, their educational level, level of innovation culture, acceptance and implementation of innovative ideas.

4) Analysis and control of implementation of innovative projects. Innovation requires significant investment, particularly in research and development work. The process of implementation of innovative projects requires constant analysis and control. This procedure allows identifying weaknesses and shortcomings in the implementation process. Detected error can play a crucial role in project performance since the initial investment in innovation before the innovation takes quite a long time. As a result of such deviations it should be analyzed the causes of the variances. The indicators should be reviewed and adjusted in accordance with the changed conditions of the activities to achieve the objectives of the innovation project. The analysis of innovative activity of the enterprise includes a comparison of the costs of innovation and the results of its implementation.

Control improves accountability and ensures the implementation of the innovative project.

5) The formation of the investment portfolio. The formation of the investment portfolio is an important step in developing an investment strategy. It depends on the possibility of achieving the required level of income and ensuring the implementation of the investment strategy? If the investment company's strategy is focused on expansion, major investments will be directed to investment projects associated with the improvement of production. The investment portfolio represents a collection of projects that are managed as a single unit. Investment projects can be standalone, or may interact with each other and be interdependent.

6) Analysis and control of investment projects. Investment activity in varying degrees should exist on any enterprise. Innovative activity of the enterprise requires a large investment. The main purpose of the analysis and control of investment projects is the estimation of deviations of planned targets of the project during its implementation and evaluation of possible alternatives to eliminate unwanted deviations. Investment projects are implemented in long term, therefore, the control system must be flexible, able to adapt to the changing conditions of the external and internal environment during the entire life of the investment project.

7) The interconnection of all structural elements of the production as a unique system. In order to manufacture fully functioned and developed, it is necessary to ensure the interaction of all its elements (manpower, tools and objects of labor, communications and relations arise in the production process). The work of production as an integrated system, namely coordinated consistency of the actions of all elements of the system leads to successful implementation of the goals [8].

Each function has a definite place and value in the management process; they are interconnected and complement each other in forming and decision-making.

During the formation mechanism of innovative-investment activity of the enterprise must take into account various factors: organizational, economic, technological, social, legal and political. The company is influenced by many internal and external factors, the condition of which depends on the result of activity of the enterprise. The company is engaged in innovative and investment activities, should seek to bring external and internal factors to mutual compliance. Each control mechanism must be regarded as an element management system that provides impact factors [8].

The next stage of activity of the mechanism of management of innovative and investment activity is presented in fig. 2. The proposed scheme determines system business (affiliate) links, which is determined by a set of participants and relationships between them. Business connections are a universal key that helps them to overcome difficulties and to solve complex strategic and tactical objectives.

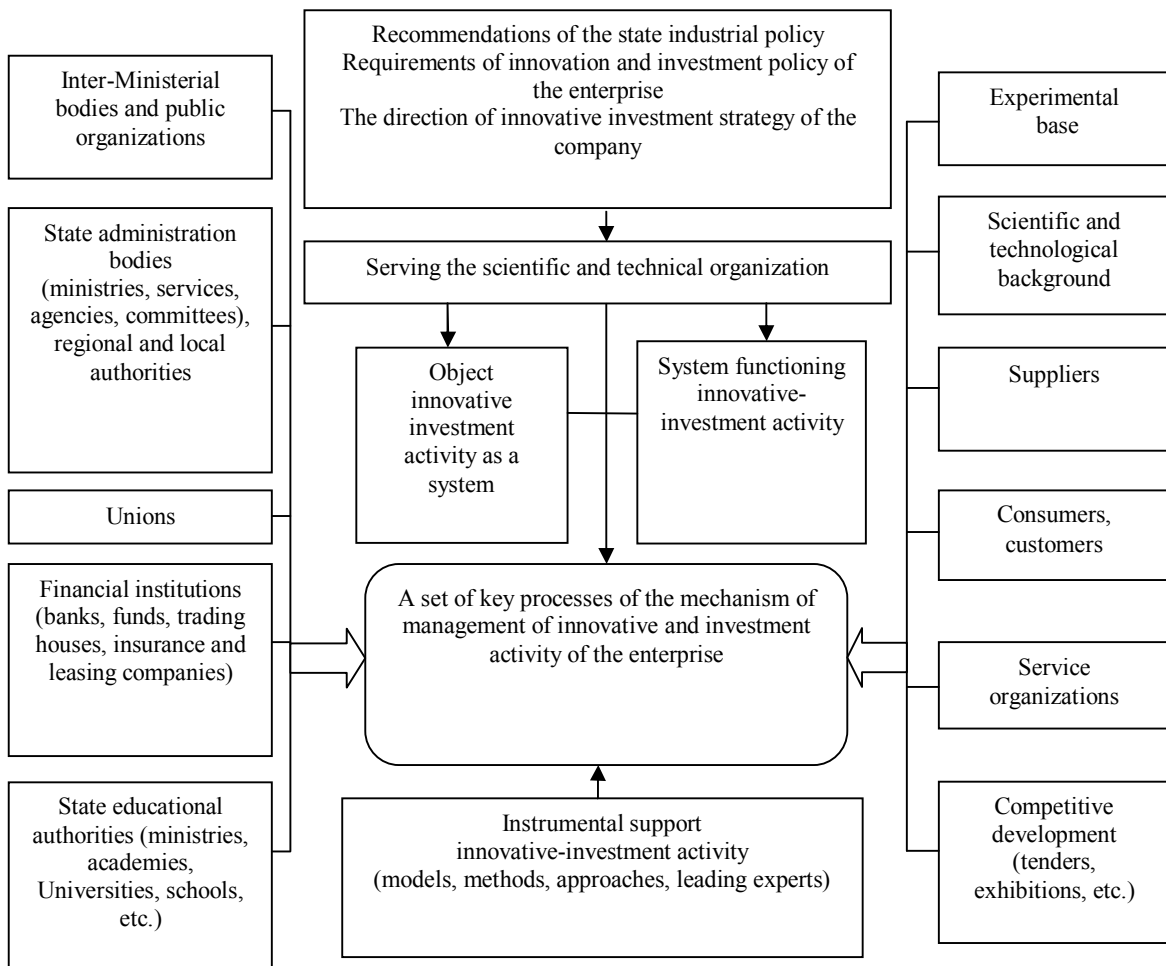


Fig. 2. Structural and logical model of the mechanism of management of innovative and investment activity of the enterprise

As can be seen from fig. 2, participants in the patterns of business relationships are the developers, producers, suppliers, consumers and competitors. It also includes inter-Ministerial bodies and public organizations, public administration bodies (ministries, services, agencies and committees), regional and local authorities, financial institutions (banks, funds, trading houses, insurance and leasing companies) and the trade unions. In the modern world of high technology it is necessary to consider everyone who is in the area of cooperation as a strategic resource and potential.

Business communication can be defined as a form of business activity aimed at productive interaction with other actors in the implementation process of the business interests of participants in the framework of their joint economic activities [6]. We need business connections to facilitate access to information, financial, commodity, material and human resources, allowing you to expand into new markets. In order for the partnership to succeed, the need for effective management and mutual Supplement the resources of the participants the knowledge, skills, reputation, communication, information, help in solving problems. There is an opportunity to gain competitive advantage through access to the resources of the

partner, including markets, technologies, capital and workers.

Business (affiliate) links can be created at different levels – from local to transnational. They are united by common principles and management processes of interaction that applies to all forms of partnerships.

There are numerous situations where a business relationship in business – and those business relations between competitors is beneficial to both parties. Partners and competitors located in the community. The partnership does not constitute a waiver of competition, as being the competitors can be partners. Both in partnership and in competition there is one positive thing – an opportunity to learn. Open dialogue, exchange of practical experience, compile data gives you the opportunity to search for innovative and promising investment projects. In today's world widespread these forms of business relations, as the creation of financial-industrial groups, corporations, associations, unions and secret societies whose purpose is to retain and expand its position in the markets and with the help of networking and business connections of the parties to achieve a common goal. The establishment of such alliances enables more intensive development and

continuous improvement. It is difficult to imagine a successful business without effective and lasting business relationships. It is very important to be able to build a system of relations.

The concept of "business communication" implies a mutually beneficial collaboration with several parties, whose goal is the achievement of certain commercial or non-commercial results. This assistance is based on the following principles: interest, equality, responsibility of the parties and compliance with law, moral and material incentives. It should be noted that business relationships lead to mutual support and contribute to the development of entrepreneurship, stimulating innovation and investment processes [8]. Enterprises that are engaged in innovative and investment activities are directly dependent on the formation of the legislative base, stimulating the development of cooperation between the public and private sectors.

During process of material production, when material goods are created, generated financial resources of enterprises and the state, between the partners (developers, producers, suppliers, customers) any financial relationships that are executed through banks. For participants of business relationships, it is important the presence of such partners, which summed up the relevant material, financial and resource base [3].

The mechanism of management of innovative and investment activities aimed to improving the economic, organizational, technical and scientific processes. The result of the activities of a managed object is dependent on the accuracy and consistency of these processes. Any process, any activities you want to manage. Continuity of management is provided at the junction of the processes that, in turn, gives the opportunity to achieve the planned results.

The result of innovative-investment activity of the enterprise is to develop a mechanism for the management of this business. Entrepreneurial activity requires funds – investment. Investment opportunities for companies define innovation. Innovation today brings together scientific and technical development, management and economics. Enterprises that innovate, gain competitive advantage, thereby displace competitors from the market and win the competition. When the enterprise reaches a certain level of development, there is a need for meaningful and purposeful use of laws (economic, social, political, etc.). This is especially true of companies in the engineering industry, since the development of mechanical engineering is a new level of development

of the enterprises of other industries, and consequently the production [8].

### Conclusions

The mechanism of management of innovative and investment activity aimed at maximizing the profit of the enterprise, which is a precondition for entrepreneurship. It helps to perform certain tasks and ensures the achievement of goals. The control mechanism begins at the moment of formation of managerial decisions. Basic elements for the formation mechanism are certain objects of management or specific activity of this object. The constituent elements of the control mechanism are a complex category, with its own internal structure and individual properties, but which are complementary to each other, work as a unit. The mechanism of management of innovative and investment activity of the enterprise is indivisible complex system that includes several different categories, the complexity of which is manifested through the relationship between them. The control mechanism is a system of economic, organizational and scientific-technical relations, which operates through economic, market, technological, legal and social norms of those laws [8].

Thus:

1) Innovative-investment activity of industrial enterprises is the key element in the development, management mechanism as a whole and its structural elements.

2) The mechanism of management of innovative-investment activity is (we mean) the targeted system of actions, which gives the opportunity to explore innovative ideas, investment opportunities, and the interaction of all participants of innovative-investment activity (business (affiliate links)).

3) The mechanism of management of innovative and investment activity performs certain functions, each function has its place and importance in the process of governance, they are interconnected and complement each other in forming and decision-making.

As the development of innovative-investment activity of industrial enterprise management mechanism becomes the instrument of realization of this activity. The results of this study can be used to further clarify the relationship of the elements of the mechanism of management of innovative-investment activity of industrial enterprises and the improvement of its tools in the new environment.

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