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THE ROLE OF INNOVATION AT SMALL AND MEDIUM-SIZED ENTERPRISES

Small and medium-sized enterprises (SMEs) are vital to the global economy, driving employment and growth. However, they face challenges such as competition, technological changes, and shifting consumer demands. Innovation is key to their competitiveness, enabling adaptability and differentiation.

SME innovation includes product innovation (new/improved goods and services), process innovation (enhanced efficiency in operations), marketing innovation (new strategies and channels), and organizational innovation (new management practices and creative cultures). By embracing innovation, SMEs can improve efficiency, engage customers, and strengthen market positions, ensuring long-term success in a rapidly evolving business environment.

In the fields of entrepreneurship, trade, and stock exchange activity, product innovations can manifest in various forms. For instance, developing new mobile applications for online commerce, implementing augmented reality technology for virtual clothing try-ons, creating personalized recommendation systems for shoppers, and developing new financial instruments such as cryptocurrency payment systems. A

crucial aspect of product innovation is considering shifting consumer preferences and market trends.

Implementing innovation offers several benefits for SMEs. Firstly, it allows them to differentiate themselves from competitors, creating unique value propositions and attracting customers. Secondly, innovation can lead to cost reductions through improved processes and resource utilization. Thirdly, it enables SMEs to adapt to changing market conditions and customer demands, ensuring long-term sustainability. Finally, innovation can enhance the reputation and brand image of SMEs, attracting investors, partners, and skilled employees.

Despite the numerous benefits, SMEs face several challenges in implementing innovation. A major constraint is limited access to financial resources, which are often required for research and development, prototyping, and marketing. Furthermore, SMEs may lack the specialized skills and expertise needed for certain types of innovation. Another challenge is the risk aversion that can prevail in smaller organizations, hindering the willingness to experiment and embrace new ideas. Finally, SMEs may face difficulties in protecting their intellectual property, making them vulnerable to imitation by larger competitors. In addition to the challenges mentioned, SMEs also face difficulties adapting to the rapid digitalization of the business environment. This includes the need to invest in new technologies, develop the digital competencies of personnel, ensure cybersecurity and data protection. Not all SMEs possess sufficient resources and knowledge for the effective implementation of digital technologies, which can create additional barriers to their development.

Overcoming these challenges requires a multifaceted approach. Governments can play a crucial role in supporting SME innovation through funding programs, tax incentives, and regulatory frameworks that foster competition and protect intellectual property. Business incubators and accelerators can provide valuable resources, mentorship, and networking opportunities for innovative SMEs. Universities and research institutions can collaborate with SMEs on research and development projects, facilitating technology transfer and knowledge sharing. Finally, SMEs themselves need to foster a culture of innovation, encouraging employee creativity, investing in training and development, and embracing open innovation practices. One example of successful cooperation between business and science is joint projects for the development of new technologies in the field of energy efficiency. Companies specializing in the production of energy-saving equipment actively collaborate with universities and research institutions to develop innovative solutions. This allows them to gain access to advanced technologies and knowledge, as well as attract qualified specialists to implement their projects.

In conclusion, innovation is essential for the competitiveness and survival of SMEs in the modern business environment. By embracing various types of

innovation and addressing the challenges they face, SMEs can differentiate themselves, enhance their efficiency, adapt to market changes, and achieve sustainable growth. A collaborative effort between governments, support organizations, and SMEs themselves is crucial to fostering a thriving innovation ecosystem that empowers SMEs to thrive in the global marketplace.

The development of innovation activities of SMEs in Ukraine has significant potential for stimulating economic growth and increasing the competitiveness of the national economy. However, realizing this potential requires a comprehensive approach that includes creating a favourable investment climate, developing innovation infrastructure, supporting research and development activities, and fostering a culture of innovation in society.