



STRATEGIES FOR INCREASING THE COMPETITIVENESS OF THE VENTURE BIZNES

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The dynamics of demand for innovative products dictates new rules of inter-company relations between business entities. Resource scarcity as a growth factor is giving way to intellectual capital, which provides access to innovative markets at the highest levels. The development and strengthening of cooperative ties erases the boundaries between individual economic entities, turning them into a single macro-object of production of a certain innovative product competing with innovative products of other similar macro-objects. The vector of interaction of economic agents within innovation groups is venture capital, which provides material and non-material support.

The effectiveness of venture innovation companies as a source of regional and national growth, both directly and indirectly achieved through strategy, is due to network competencies and network structure, their impact on the relationship between network actors. To substantiate the performance indicators of a venture company, a conceptual model should be considered within the framework of network theory. The aim will be to analyze the factors affecting the performance of the venture network, such as network competence and entrepreneurial orientation. Social relational connections and structural holes also play a role in the development of venture companies.

Competitiveness indicators for a venture innovation company, as the central link of the network, may vary. If a company is established in a mature market, such traditional performance indicators as profitability and sales growth are



sufficient. However, if an enterprise enters a new market or tries to create one, the above indicators do not provide objective information. In this case, the proper bases for the competitiveness of a venture company are future prospects, legitimacy of relations with partners and successful financing, expressed in achieving profitability, perceived quality of relations with the client, realization of competitive advantages and ensuring the long-term survival of the company [11].

To achieve long-term competitive advantages, a venture company can achieve high returns if it is the first in the market in providing new goods or services that bring monopoly profits until imitations or substitutes appear on the market. This competitive advantage arises when a venture company has the opportunity to capture a large segment of the market and set high prices, which, for example, occurs in the biotechnology and telecommunications industries.

On the other hand, with the maturation of the market and the diffusion of information, there are risks of imitating innovation and capturing part of the market. Thus, monopoly rights, slowness of information diffusion, impossibility of imitation, replacement or acquisition of rare resources increases the duration of innovation. Commercialization of innovations requires the participation and cooperation of such expensive components as marketing, production, research and others, therefore, sometimes the strategy of the follower turns out to be more profitable for long-term revenue growth than the strategy of the innovator.

The well-known marketing concept of competitiveness formation is based on the recognition of potential needs. A strategy where a venture company provides a replacement for existing products that are accepted by existing customers is called a *известными продуктами или услугами*.

The innovativeness of the venture network (technological or product market), as a component of the dynamic development of the economy, reflects the necessary means to track new opportunities and form highly competitive structures. Entrepreneurship is typified by risky and proactive behavior. The entrepreneurial



orientation of venture network actors in assessing opportunities involves risky behavior in making commitments on allocated resources, investing in unexplored technologies, and proactive behavior in predicting future needs and meeting them.

The decisive importance of the success and survival of a venture network in the line of a certain innovative product or service is an aggressive desire to outperform competitors in the market space, using unconventional tactics or targeting the weaknesses of competitors. In addition to the five parameters of entrepreneurial orientation that affect the performance of the venture network, random variables such as organizational structure, strategy, strategy development process, resources, culture and management together with environmental and industry variables can also be attributed.

The requirements for the abilities conducive to the success of innovative companies are noticeably increasing with each technological cycle. Venture network actors are embedded in social and professional networks, and are not considered as individual or self-acting units: aspects of learning critical capabilities and the protection of key competencies for the company come from the development of friendly, respectful and trusting relationships between the interacting parties. Network competence is defined as the ability to develop and use inter-firm relations, taking into account the following aspects: venture coordination of the activities of cooperating companies; relationship-building skills and the ability to interpersonal exchange; partner knowledge - possession of organizational and structured information about cooperating companies and competitors; internal communications that provide organizational training within the partnership.

The result of the network competence will be the management of relationships that go beyond monopolar relations, the construction of a development strategy and competitive advantages, taking into account interaction with other actors. This will allow participating partners to focus on their core



activities and link them to each other's competencies. The network structure consists of many factors, where a certain factor is associated with other certain factors. The relations of the subjects are based on trust and support, and also depend on various kinds of exchange with each other. The competitive advantage in the network structure depends on its internal structure and the arrangement of the actors' connections in the social structure.

The number of interactions between the guides of innovative resource flows and venture resources, as well as variations of such interactions, are becoming crucial. The importance of the network structure for entrepreneurial competitive advantages is determined by two areas of research. According to the first direction, a social structure is an interconnected network consisting of either weak or strong ties, where weak ties, among other things, are a means of achieving competitive advantages of innovative enterprises [3]. The second idea is to optimize structural holes, which are prerequisites for information advantages and, therefore, are more favorable for achieving competitive advantages [2]. Networks need to develop principles of activity, referring to their effectiveness and productivity.

The first principle establishes the number of redundant connections in the network to maximize relationships with various actors outside the network, which gives certain advantages in diversifying diverse contacts to provide a variety of sources of information, resources and competencies. The second principle establishes connections as a port of access to diverse and isolated clusters, the enterprises of which contribute to the expansion of their own network. At the same time, the central actor gets the opportunity to coordinate the activities of cooperating companies, which is an important factor of network competence.

According to Granovetter, institutions or organizations can be analyzed through their current social relationships, where networks are of great importance in obtaining information [3]. Burt talks about the importance of structural holes



[2], while Granovetter states the strong influence of weak bonds [4]. It is assumed that the channels of access to knowledge, resources and information that provide opportunities for venture actors and their integration into the business community consist of fragile inter-organizational ties. In addition, the strength of the connection is determined by a combination of available time, emotional involvement, proper awareness and reciprocity of the services provided between the components of the network.

Consequently, networks consisting of weak connections have access to clusters of information, whereas connections within a cluster simply consist of strong connections. Access channels that provide an informational advantage, namely connections with redundant connections outside the cluster, will be weak rather than strong. This means that information, knowledge and resources obtained through weak connections can reach a larger number of actors at a greater inter-organizational distance. The structure of the venture network consists of both entrepreneurs and a number of other stakeholders who ensure the strength of network relationships with the diversity and quality of inter-organizational relationships.

These connections and channels of access to the required information or competencies influence the strategy of the venture network. The strategy is also influenced by the network competencies of companies: the ability to inter-firm coordination, skills of establishing relationships between entrepreneurs, knowledge of partners or competitors, internal communications and the driving force or energy of the competencies of the venture network itself. The type of venture company can affect its competitiveness indicators: acquired competitive advantages over existing companies and its further growth and survival. Companies created on the basis of university scientific developments (academic spin-offs) transfer key technologies from a scientific institute to a new company, as well as other high-tech technologies [8].



Non-academic venture capital companies do not have a scientific background. Consequently, the complexity or common origin of the two types of venture companies may affect their competitiveness and further growth. The earned profit of a venture company is largely attributed to the resources held by it [9]. Venture companies with valuable, rare and unique resources have the potential to achieve great competitive advantages [1]. These resources may consist of internal capabilities, such as entrepreneurial orientation, technological capabilities and financial resources [7]. Another important asset, as well as a competitive advantage, is knowledge [12]. An important competitive resource of companies is human capital [5]. Young or new technology-based venture companies that lack these resources can achieve competitive advantages by attracting unique opportunities from inter-organizational relationships with external organizations, customers, suppliers, investors, government agencies [13]. Therefore, strategic options such as push or pull technology are prerequisites for how a venture company will configure resources to enter target markets. Development and commercialization according to push technology will also require a combination of different types of expertise, during the launch of the product development process and strategic planning.

The business concept of academic spin-offs assumes greater resource security than that of non-academic venture companies, therefore it depends more on participation in network formations and alliances for successful entry into the market. The effects of influencing variables (such as network structure, market introduction strategy and network competence) on the competitiveness of a venture company depend on the venture complexity, assuming that the degree of complexity of a venture company reflects the influence of variables on its production performance.

The more a venture network has network competence in building and maintaining its life, the more strong network contacts will be: a more developed



network structure in terms of size and strength; the broader and more effective the entrepreneurial orientation will be: proactive entrepreneurial behavior in terms of innovation and risk-taking; and also better production performance. Competent networking around a venture innovation company will attract additional investments and improve its competitiveness (see figure). Network contact is a source of entrepreneurial activity, and the more contacts there are, the more opportunities there are for entrepreneurship and the development of entrepreneurial orientation.

The higher the venture complexity, the stronger the relationship with competitive indicators from network competence and network structure. Conversely, the higher the venture complexity, the weaker the relationship between entrepreneurial orientation and competitive indicators [10]. Innovation is a priority area of entrepreneurship, the creation of new products and/or services, and then their commercialization is an important process of increasing added value.

Innovations, as well as emerging difficulties for business entities to imitate them, are crucial in effective competition in local and global markets. The considered conceptual model will help to develop and implement a successful strategy for the development of network innovative industrial groups with the participation of venture capital in accordance with the modern realities of investment processes.

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