

# FORMATION OF INNOVATIVE DEVELOPMENT STRATEGY OF HROMADAS IN THE CONTEXT OF REGIONAL SOCIO-ECONOMIC SYSTEMS

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**Abstract.** The article examines the theoretical and practical aspects of developing an innovation-driven strategy for the growth of hromadas within the framework of regional socio-economic systems. The necessity for such a strategy is driven by contemporary challenges, including economic disparities, technological transformation, and institutional constraints, which affect the sustainable development of hromadas. The *purpose of the present study* is to identify the key components and mechanisms for fostering innovation-oriented development at the community level, with a view to ensuring their long-term resilience and competitiveness. The *objectives of the research* are threefold: firstly, to analyse the structural and functional characteristics of regional socio-economic systems; secondly, to explore the role of innovation in enhancing the socio-economic potential of hromadas; and thirdly, to propose a framework for implementing an effective innovation-driven strategy tailored to local conditions. The study further explores the repercussions of digitalisation, public-private partnerships, and regulatory policies on the innovation capacity of hromadas. These entities are of paramount importance for their sustainable development. The *methodological basis of the paper* is a systematic approach, integrating qualitative and quantitative methods, including case studies, expert interviews, and statistical analysis, to comprehensively assess the factors influencing innovation-driven development at the hromada level. The research indicates that the absence of a coordinated innovation policy, inadequate investment in technological infrastructure, and inadequate institutional capacity are significant impediments to the sustainable growth of hromadas. The *study posits* that the adoption of a multi-level governance approach, the fostering of digital transformation, and the leveraging of international best practices in innovation management have the potential to significantly enhance the development potential of hromadas. The proposal of a critical factor in the successful implementation of innovation strategies is the strengthening of collaboration between local governments, businesses, and research institutions. Moreover, the research emphasises the necessity for policy instruments that support financial incentives, knowledge transfer, and the development of smart specialisation strategies. It is concluded that the formulation of a comprehensive innovation strategy, aligned with regional development priorities, is essential for ensuring the economic sustainability and competitiveness of hromadas. The proposed framework encompasses guidelines for assessing innovation readiness, designing adaptive policies, and integrating digital and technological solutions into hromada development strategies. The findings contribute to the theoretical and practical understanding of innovation-driven development and provide actionable recommendations for policymakers, local authorities, and researchers.

**Keywords:** innovation strategy, hromadas, regional socio-economic systems, sustainable development, digital transformation, public-private partnership, institutional capacity, smart specialisation, governance mechanisms, technological infrastructure.

**JEL Classification:** O31, O38, R11, R58

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## 1. Introduction

Dynamic changes in the global economy, intensifying competition and rapid technological advancements mean that a new approach to managing territorial development is necessary. In this context, the innovative development of hromadas is not just desirable, but urgent. By strengthening the role of innovation as the main driver of economic growth at the local level, regions can adapt to external challenges and become more resilient to socio-economic shocks. As fundamental units of regional development, hromadas possess unique resource, institutional, and human potentials that, with a well-crafted innovation strategy, can be transformed into sustainable competitive advantages. It is submitted that such a strategy should not only stimulate technological modernisation and the diffusion of innovations but also foster the formation of innovative ecosystems based on co-operation between local authorities, businesses, research institutions, and the hromada.

In Ukraine, the process of decentralisation has resulted in a substantial augmentation of the powers and responsibilities of hromadas, thereby establishing the foundations for independent development planning and management. Nevertheless, a considerable number of hromadas continue to encounter significant obstacles to innovation-driven growth, including limited access to financial resources, a shortage of skilled personnel, underdeveloped innovation infrastructure, and weak public-private partnership mechanisms. In order to overcome the aforementioned barriers, a systematic approach to strategic planning focused on innovation is required.

The formation of an innovative development strategy for hromadas must be based on a comprehensive analysis of internal and external factors that exert influence on the socio-economic environment. This includes evaluating the resource potential of the hromada, the level of technological development, the availability of educational and scientific institutions, the business climate, and the needs of the local population. It is imperative to direct particular attention towards the development of mechanisms that are designed to stimulate innovation activity at the local level. Such mechanisms may include the creation of business incubators, technology parks, and innovation clusters. The successful implementation of an innovative development strategy necessitates the establishment of effective coordination mechanisms between different stakeholders. The importance of the synergy between local governments, businesses, civil society organisations, and academic institutions in fostering an innovation-friendly environment cannot be overstated. In this regard, strategic documents should clearly define the roles, responsibilities, and interaction mechanisms of all participants in the innovation process.

Consequently, the innovative development of hromadas in Ukraine should be regarded not solely as a means of enhancing regional competitiveness, but also as a crucial element of the national strategy for sustainable development. It is imperative to establish conditions that enable each hromada to actualise its innovative potential, thereby contributing to the enhancement of the state's economic sovereignty, social cohesion, and integration into global innovation networks.

## 2. Literature Review

The development of regional systems has been a subject of interest for many economists. Contemporary economic science comprises a plethora of alternative theories and models of regional development. Rabe et al. (2023) established that contemporary theories of regional development take into account novel types of activities and determining factors of production, namely innovations, telecommunications, computer networks, environmental restrictions, intangible factors, etc. (Handali, 2023) considers social capital to be a key factor in the development of regions. The authors of the study analysed the directions and schools of regional economic development. They concluded that these were created and applied in a separate country, based on the peculiarities of its economy and the achieved level of socio-economic development. Erfan's (2018) study sought to advance the existing body of knowledge by undertaking a classification of theories of regional development.

The issue of innovative development of subjects at different levels of activity, including regions, has been the subject of study in the works of many scientists and practitioners. Bezama (2022) consider innovative development to be a direction of innovation policy implementation. In the study undertaken by Khellat (2023), innovative development was explored from the perspective of the process approach.

Concurrently, the challenging issues of delineating the components of the innovative development strategy of hromadas in the context of regional socio-economic systems, which are predicated on the coordination of the interests of all interested parties and the combination of various approaches, processes, technologies, and resources in order to achieve the general goals of the state regional policy, remain unresolved.

## 3. Considering the Essence of Economic and Social Development of Regional Economic Systems

In recent decades, economically developed countries have modified their regional policy, relinquishing the obsolete approach of combating interregional

disparities. However, the regional policy adopted in Ukraine does not meet the standards of world practice in terms of stimulating the socio-economic growth of the territory; instead it has led to even greater disparities in territorial development. At present, there is a marked imbalance in the territory with regard to the degree of socio-economic development, owing to the inefficacy of the policy of managing the processes of innovative growth of the territories and the absence of effective instruments for strategic co-operation of the regions of Ukraine.

In light of the extensive development pathways that have been largely explored, the socio-economic advancement of regions is contingent on their scientific, technical and innovative capabilities, and the effective utilisation of these capacities. Furthermore, the economic development prospects of regions and cities according to the innovative model are largely determined by how well they can develop and utilise new technologies (Alhashmi, 2023).

In order to comprehend the fundamental principles of economic and social development in regional economic systems, it is necessary to consider the content of the main forms of its manifestation (Figure 1).

The overarching objective of the innovative development strategy is the enhancement of socio-economic growth in regions. The primary objective of regional development is to effect a progressive change in the quantitative and qualitative parameters of the region's functioning, with the aim of achieving the desired, more favourable state. The state under discussion is characterised by optimal values of target indicators (Wang, 2017).

The economic and social development of regions is defined as a set of qualitative changes in the structural elements of regional socio-economic systems, which occur under the influence of multiple factors. It reflects the conditions for the formation of the region's potential opportunities for the formation and implementation of an innovative development strategy.

The socio-economic development of regions is a criterion for the effectiveness of their functioning and an important source of improving the quality of life of the population. In other words, when the parameters of quantitative indicators of regional development exceed the planned or normative level of indicators of the state of development of similar regional systems, it is possible to conclude about their effective functioning (Pohrishchuk, 2023).

The socio-economic system of the region consists of two subsystems: The social and the economic. The economic subsystem drives the growth of the social subsystem, as it comprises enterprises, institutions and organisations that are self-financing. These are divided by type of economic activity: industrial (mining, processing, production and distribution of electricity, gas, and water); agriculture; hunting and forestry; fishing; construction; wholesale and retail trade; repair services; hotels and restaurants; transport and communications; financial activities; and real estate transactions. The main activity of these is aimed at satisfying consumer demand regardless of the region (Klebanova, 2020).

In the analytical note "Innovative approaches to regional development in Ukraine", the team of authors considered in detail the issue of ensuring the

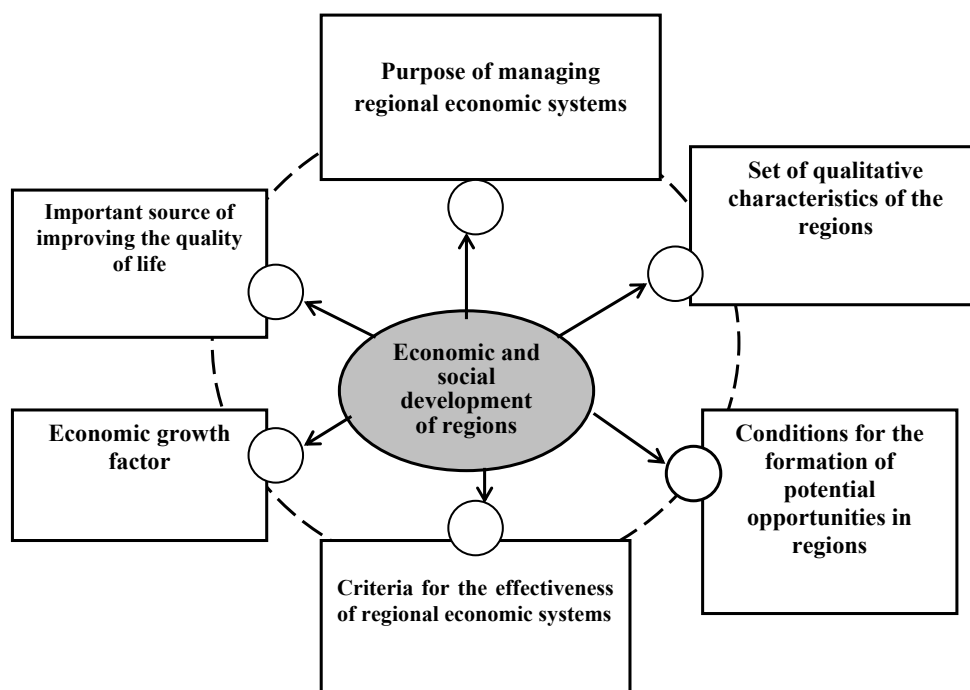


Figure 1. Forms of economic and social development of hromadas in regional systems

sustainable growth of territories (Ekinci, 2022). The importance of interregional co-operation in the implementation of innovations that contribute to the activation of regional development processes has been established. Leveraging the potential and advantages of such co-operation contributes to developing the internal market and fostering economic and social unity within the country. Such co-operation significantly increases the competitiveness of regions, contributing to stable, balanced socio-economic development at the national level. This is because implementing joint projects in various sectors strengthens the economic interaction between problem areas and leading regions, equalises disparities in regional development and creates opportunities for new growth.

The world experience of innovative development makes it possible to distinguish several models of provision of new knowledge and the choice of an appropriate innovation strategy (Sujarwoto, 2018):

1) The diffusion of innovations from external sources and their improvement in the conditions of a certain country (the model is predominant if the "transfer" strategy is implemented).

2) The influx of new knowledge through international expansion and interaction with transnational structures; the development of branches outside the country; the consolidation of foreign markets; and the globalisation and transnationalisation of activities. The model is actively used when implementing the "borrowing" strategy.

3) The development of an innovative environment, integrated with high-tech companies, at the expense of one's own economic potential, creates the prerequisites for the intensification of the nationwide NTP (this model is predominant in the implementation of the "build-up" strategy).

The primary objective of the implementation of the regional science and technology and innovation policy in Ukraine is to leverage innovation potential to enhance the competitiveness of individual enterprises and the economic complex of the region as a whole (Mahmut, 2023).

#### **4. Model for Forming a Strategy for Innovative Development of Regional Socio-Economic Systems**

The regional innovation development strategy is intended to ensure that the activities of enterprises are aligned with the broader regional goals, particularly those related to innovation. The specific nature of a regional strategy is contingent upon the characteristics of the region in question and its stated objectives. The state, in its capacity as the primary stakeholder, is represented by central executive bodies and their territorial subdivisions. The role of the state is to

determine the strategic priorities and goals of regional policy, develop and implement national programmes and regional development projects, coordinate the activities of other subjects of regional policy, and provide financial and organisational support to regions (Rudachenko, 2024).

The innovative development of a region is driven by two primary objectives: the acceleration of the modernisation and stability of its technological production base. Moreover, it is the provision of competitive advantages for the region's economy in the long term due to active involvement in the practice and introduction to the market of promising results of innovative and scientific and technical activities.

The main goals of the innovative hromada development strategy in the context of regional socio-economic systems are:

- Ensuring significant growth in the gross regional product;
- utilising potential opportunities to secure a favourable position in the ranking of the country's most investment-attractive regions;
- the development of the knowledge economy will provide an opportunity to use knowledge to increase the region's competitiveness and investment attractiveness (Zavalniy, 2024).

The strategy of innovative development of the regional socio-economic system should have five priority areas:

- Stimulation of existing regional enterprises to use innovations
- stimulation of creation of small innovative enterprises
- attraction of external investments into innovation activities of regional economic entities
- creation of an effective infrastructure to support innovation;
- raising the level of innovation culture in regional systems.

The study of the market situation encompasses all the most significant aspects of the activity of economic entities in the region for the implementation of the strategy of innovative development. It is imperative to understand this strategy in order to make conscious management decisions that are effective. The prevailing market conditions serve as a pivotal factor in determining the commercial viability and competitiveness of products, the viability and economic feasibility of purchasing and selling, the selection of potential and actual suppliers and counterparties, the strategic timing of market entry, and the forms and methods of exit (Svitlichna, 2024).

The basis for the innovative development of regional socio-economic systems is generally understood to be their potential, derived from natural, economic, climatic and demographic conditions. According to this theoretical framework, each region specialises in the production of a particular type of innovative product, the cost of which is hypothesised to be

lower than the national average. In the contemporary context, characterised by its intricacy and multi-faceted nature, there is an imperative for enhancement of the economic environment of regional systems. This enhancement is intended to facilitate comprehensive development, rational utilisation of innovative potential, and effective interaction within the economic complex of Ukraine. Consequently, when devising a strategy for the innovative development of hromadas within regional socio-economic systems, it is imperative to identify key growth points and define the roles that various stakeholder groups can play in fostering their development (Blackman, 2021).

The contemporary strategy of innovative development of regional socio-economic systems incorporates specific components that determine the extent of utilisation of the innovative potential of business entities, thereby enhancing the level of competitiveness of enterprises and the social sphere, and concomitantly improving the quality of life of the population (see Table 1).

The establishment of infrastructure conducive to innovation necessitates the creation and development of technological parks, innovation centres and business incubators, with the aim of fostering collaboration between regional economic entities, research institutions and higher education institutions. This process entails the implementation of a range of coordination measures to ensure effective co-operation between government institutions, business, research and educational sectors, and society at large. The current issues regarding the regulatory and legal support of their co-operation and co-operation at the interregional level, as well as the proper training of project group

participants regarding their creation and development, remain unresolved. It is imperative to allocate sufficient attention to the resolution of issues pertaining to the conceptualisation and methodological underpinnings for the effective collaboration of representatives from diverse global regions in the context of establishing and advancing industrial parks. This encompasses the establishment of mechanisms for their development and the provision of support for sustained growth, as well as the creation of instruments for the execution of projects in the domain of managing the innovative development of regional socio-economic systems.

Among the areas of support for innovative activity at the level of hromadas of Ukraine, the following can be distinguished: the implementation of targeted regional programs aimed at supporting the innovative activity of small and medium-sized business entities; implementation of targeted allocations by regional authorities for the development of innovatively active business entities; provision of tax benefits aimed at stimulating regional innovative development; promotion of business partnerships and support for the combination of interests between representatives of science, education and business structures at the regional level; creation of special platforms for exchange of experience and transfer of innovative technologies to small and medium-sized businesses; expansion of regional innovation infrastructure; organisation and support of management consulting for representatives of innovative enterprises; provision of information and consulting support for innovative projects within the framework of regional development programs; promotion of small business involvement in innovative projects of leading high-tech enterprises.

Table 1

**Components of innovative development strategies of hromadas in the context of regional socio-economic systems**

Component	Characteristics
Creating infrastructure for innovation	Creation and development of technology parks, innovation centers and business incubators to support co-operation between regional business entities, research institutions and higher education institutions.
	Facilitating access to databases, advanced technologies, and infrastructure for small and medium-sized enterprises (SMEs).
Developing innovative industries	Defining priority areas for the development of innovations and creating regional cluster formations to attract new investments and technologies.
Developing human capital	Supporting training and education programs aimed at developing competencies and skills for an innovative environment.
	Attracting and retaining highly qualified specialists at regional enterprises.
Creating a favorable business environment	Reducing bureaucratic barriers and simplifying procedures for small and medium-sized businesses.
	Developing tax incentives and other instruments to support innovatively active business entities.
Financial support for innovation	Creation of regional funds to support innovation and venture capital.
	Investing through co-operation with the private sector and international financial institutions.
Stimulating innovation in public services	Application of information and communication technologies to improve the quality and efficiency of public services.
	Involving citizens in innovative processes of regional development management.
	Developing partnerships with business, regional authorities, scientific institutions, public organisations and other stakeholders to jointly solve problems of innovative development.

Source: summarised by the authors

It is evident that the formation and implementation of the strategy of innovative development of hromadas in the context of regional socio-economic systems is a complex and multi-level network of various groups of stakeholders. Each of these groups has its own importance and role, level of competences and resources. The central bodies of executive power, under the leadership of the Government, are responsible for determining the state regional policy and providing general regulatory and resource support for the innovative development of Ukraine's regions. Local executive bodies are responsible for the implementation of state and regional programmes, as well as innovative development projects, within the respective territories. Local self-government bodies are responsible for the implementation of plans for the innovative development of communities, the provision of high-quality public services to the population, and the comprehensive stimulation of innovative entrepreneurship and its investment support.

## 5. Conclusions

Accordingly, the findings of the research indicate that a comprehensive understanding of the components involved in the formulation and execution of the strategy for innovative development of hromadas within the framework of regional socio-economic systems necessitates a cognisance of the manifestations

of economic and social development in regions, with due consideration for the interests of all relevant stakeholders. The overarching objectives of this strategy are threefold: firstly, to ensure the effective utilisation of economic resources, which are pivotal to the advancement of production systems; secondly, to mitigate the environmental impact of production; and thirdly, to enhance the efficacy of the management system. The state authorities must constantly interact with representatives of science, education and business to improve existing regional development strategies in Ukraine. They should focus their efforts on solving regional development problems and forming and implementing effective decisions regarding special economic zones and priority development territories. They must also ensure the fair distribution of subventions and other interbudgetary transfers from the state budget to local budgets to develop progressive regional socio-economic systems.

In the context of future scientific research, the focus should be on the analysis of methodological approaches to the assessment of innovative development strategies of regional socio-economic systems. This analysis should determine the structural and functional components of the interaction of all groups of stakeholders. The objective is to build an economic-mathematical model for assessing the level of impact of innovations on regional development.

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