

# INVESTMENT AND INNOVATION ACTIVITIES OF ENTERPRISES IN THE MODERN CONDITIONS: THEORETICAL APPROACH

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## Abstract

**Background and Objective:** Enterprises operate under increasing economic uncertainty, which affects the stability of investment processes and limits opportunities for innovation development. The purpose of this article is to conduct an in-depth study of the theoretical, methodological, and applied foundations of investment and innovation activities of enterprises under the current economic challenges, particularly during wartime and the post-crisis recovery of Ukraine's economy.

**Study Design / Materials and Methods:** The research is based on a systemic approach, which enables a comprehensive assessment of the interrelationship between investment processes, innovation mechanisms, and external factors. Dialectical and comparative methods are applied to examine the structure of investment flows, sources of financing, the level of innovation activity, and the influence of macroeconomic conditions.

**Results:** The study identifies the main directions of investment and innovation activities of enterprises under martial law and highlights systemic and emerging threats to investment security. It demonstrates that effective investment and innovation activity during wartime requires the integration of financial support, scientific and technical potential, modern project management methods, and active adaptation to unstable conditions.

**Practical Implications:** The obtained results can be used to optimize enterprise investment policies, improve project management efficiency, develop partnership strategies, and support the creation of a favorable regulatory and institutional environment for innovative business development.

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**Conclusion and Summary:** Comprehensive management of investment and innovation activities enhances enterprise resilience under crisis conditions, strengthens competitiveness, and prepares businesses for the recovery period.

**Keywords:** innovation; investment; strategic management; business risks; financial stability.

**JEL classification:** O31

**Paper type:** *case study, review.*

## 1. Introduction

In the current conditions of dynamic economic transformations and global competition, the investment and innovation activities of enterprises have acquired crucial importance for ensuring sustainable development, enhancing competitiveness, and adapting to market challenges. In an environment of rapidly changing technologies, digitalization of business processes, and the growing role of knowledge as a key production resource, innovation and the effective management of investment flows emerge as the main determinants of economic growth — both at the enterprise level and within the broader macroeconomic framework.

Today, investment and innovation activity is viewed not only as a tool for upgrading production capacities but also as a strategic direction for building competitive advantages that ensure long-term enterprise resilience. At the same time, economic instability, military conflict, changes in the legal framework, and limited access to financial resources create a complex environment for implementing innovative projects. These challenges necessitate the development of new investment management models and partnership formats that foster cooperation between businesses, the state, and research institutions.

Therefore, the study of investment and innovation activities of enterprises under current conditions is extremely relevant. It makes it possible to identify trends in the development of the innovation environment, assess the effectiveness of investment mechanisms, and determine directions for improving state policy in support of innovative entrepreneurship. These issues form the theoretical and practical foundation of this article.

The purpose of this article is to conduct an in-depth study of the theoretical, methodological, and applied foundations of investment and innovation activities of enterprises under the current economic challenges, particularly during wartime and the post-crisis recovery of Ukraine's economy.

## 2. Literature Review

Investment and innovation activities of enterprises represent a complex and multidimensional process that involves not only the attraction of capital for

development but also constant exposure to risks and uncertainty. These activities are directly related to the need to ensure an adequate level of economic security for both investment resources and innovative projects implemented by enterprises in a dynamic market environment. Consequently, investment and innovation activity is often identified with the concept of innovative entrepreneurship, which integrates strategic, financial, and technological dimensions of business development.

The organizational and economic foundations of innovative entrepreneurship have been actively studied in the works of contemporary scholars. For instance, Avkovets (2012) examines the structure and specifics of institutional mechanisms of innovation development; Bohatyriov (2006) emphasizes the role of state regulation in stimulating enterprises' innovation activity; Vasylytsiv et al. (2017) focus their research on the financial and economic management system of innovation processes in the entrepreneurial sector.

The challenges of effectively conducting investment activities, finding financial sources, selecting optimal forms of capital attraction, and evaluating investment efficiency are addressed in the works of Rushchyshyn (2020) and Zubko (2016). These authors stress that forming an effective investment and innovation policy requires a deep understanding of the interconnection between risk, financial stability, and long-term strategic objectives.

Thus, modern academic thought considers investment and innovation activity a key factor in economic development, combining processes of financing, implementing new technologies, managing risks, and ensuring enterprises' competitiveness in a volatile global economy.

Naturally, in the contemporary scientific discourse devoted to investment activity and strategies for enterprise investment development, the focus is increasingly shifting toward research on investments in the innovative sector of the economy. This approach is regarded by experts as the most efficient method of rational capital utilization since the innovation component forms the foundation for long-term economic growth, enhances labor productivity, and ensures enterprises' stable competitive advantages in a constantly changing market environment.

Theoretical, methodological, and applied aspects of investing in innovation-driven development have become the subject of increasingly in-depth scientific research in recent years. In particular, Malii (2016) explores the features of forming mechanisms for stimulating innovative investments within production structures; Moroz (2017) analyzes the relationship between the level of innovation activity and the financial performance of enterprises; Rybalko (2009) emphasizes the importance of developing strategies for innovation-oriented investment. Fominykh et al. (2017) focus on risk management issues in the implementation of innovative projects, while Chekh & Korohodova (2020) study the organizational and economic mechanisms ensuring the efficiency of innovation activities in enterprises. Rushchyshyn (2020) highlights the role of financial instruments in supporting innovative initiatives during periods of economic instability.

At the same time, under the conditions of full-scale war in Ukraine, the investment and innovation activity of enterprises has significantly declined. The growth of risks caused by the instability of the economic environment, the destruction of logistics networks, and the uncertainty of financial prospects has considerably complicated the implementation of investment and innovation projects. Businesses have faced critical challenges related to maintaining financial security, preserving solvency, and finding new ways to survive. Under such circumstances, investment in innovation often recedes into the background, giving way to short-term stabilization needs. However, it is precisely during periods of crisis transformation that investment and innovation activity gains particular importance, as it determines the potential for future development and the competitive position of enterprises in the post-war period.

Thus, the current economic conditions create an urgent need to improve theoretical approaches and practical tools for ensuring investment and innovation security in domestic businesses. The development of such approaches should become a key prerequisite for restoring entrepreneurial activity, enhancing capital efficiency, and strengthening the strategic resilience of Ukraine's economy amid uncertainty and global risks.

### 3. Methodology

The methodological foundation of the study of investment and innovation activities of enterprises under current conditions is based on a systemic approach, which ensures a comprehensive understanding of the interrelationship between investment processes, innovation mechanisms, and the external environment. Within this framework, the research relies on the principles of scientific objectivity, complexity, historicism, and causal determination of economic phenomena. The application of these principles allows investment and innovation activity to be viewed as a complex dynamic system that evolves continuously and responds to internal and external environmental changes.

To achieve the stated objective, the study employs a set of general scientific and specialized methods, including dialectical, comparative methods. The dialectical approach made it possible to examine the contradictions inherent in the development of investment and innovation processes, to identify their dynamics and interdependence under current conditions. The method of scientific abstraction was applied to distinguish the essential characteristics of the studied phenomenon from secondary ones and to formulate generalizations about the trends of intensifying innovation and investment activities of enterprises. The comparative method enabled the identification of differences in the levels of investment and innovation activity among enterprises of various industries, ownership forms, and operational scales.

This study contains exclusively a theoretical analysis and does not involve the inclusion of empirical results

## 4. Results

The development of investment and innovation activities of enterprises serves as one of the fundamental factors in ensuring sustainable economic growth and enhancing a country's competitiveness in the global market. It is precisely investments in scientific research, technological innovation, and production modernization that enable enterprises to reach a qualitatively new level of efficiency, promote the creation of added value, and form long-term competitive advantages (Malii, 2016; Moroz, 2017; Rybalko, 2009; Rushchyshyn & Talakh, 2023).

A key aspect of developing investment and innovation activities is ensuring a stable and diversified financial foundation for the implementation of innovative initiatives and technological breakthroughs. Enterprises may attract financial resources from various sources — including the banking sector, venture and private equity funds, direct investment institutions, and government support programs implemented through grants, subsidies, tax incentives, or state guarantees. An effective combination of these instruments forms the basis of a company's financial stability and reduces risks associated with implementing innovation projects.

At the same time, one of the priority tasks of state economic policy is to create a favorable institutional environment for intensifying investment and innovation processes. This includes the development of a transparent and efficient regulatory and legal framework governing procedures for registration, patent protection, financing, and implementation of innovations, as well as the establishment of tax and credit incentives for businesses. An equally important condition is ensuring a sufficient level of information transparency — providing enterprises with access to databases of innovative developments, market trends, and potential cooperation partners.

Thus, enhancing the efficiency of investment and innovation activities requires a comprehensive approach that combines the active role of the state in creating an enabling institutional environment with the initiative of businesses oriented toward long-term growth, technological renewal, and integration into global innovation networks.

In addition to financial resources, the effective implementation of investment and innovation activities requires a well-established investment project management system that ensures coordination at all stages of project execution. Modern approaches to project management include forming specialized teams, clearly defining strategic and tactical goals, developing detailed implementation plans, and establishing control milestones and monitoring mechanisms. The use of such methods not only optimizes the process of implementing innovations but also significantly increases the efficiency of resource utilization, reduces time and financial costs, and minimizes risks associated with investment initiatives.

A key element of successful investment and innovation activity is the presence of a strong scientific and technical potential. Enterprises that seek to remain competitive must create and maintain research and development (R&D) systems that

ensure continuous renewal of their product portfolio, improvement of technological processes, and enhancement of service quality. Such a system allows a company not only to respond flexibly to market changes but also to proactively shape demand for innovative products and services, thereby creating additional value and strengthening consumer trust.

The issue of managing innovation activities under martial law and economic instability requires particular attention. Despite the significant risks that accompany investment during crisis periods, enterprises capable of implementing innovative solutions and developing new technologies gain a strategic advantage. In this context, innovation functions not only as a tool for enhancing productivity and financial performance but also as a means of business survival. It allows companies to adapt production processes to new conditions, reduce dependence on limited resources, diversify income sources, and maintain competitive positions in the market.

Moreover, investment and innovation activity during a crisis contributes to the formation of a long-term strategy for sustainable enterprise development, stimulates the implementation of flexible business models, and encourages the modernization of internal management processes. Even under difficult external conditions, such enterprises are able not only to maintain operational efficiency but also to prepare for post-crisis growth after economic stabilization. This makes innovation and well-considered investment the key factors in ensuring business competitiveness and resilience.

Thus, successful investment and innovation activity requires a comprehensive approach that combines the availability of financial resources, a high level of scientific and technical potential, modern project management methods, and the ability to adapt to crisis conditions. This integrated approach ensures not only the current operational efficiency of the enterprise but also its strategic stability and competitive advantage in the long term.

The development of new technologies and products under wartime conditions enables enterprises to maintain production continuity and generate additional revenue streams by targeting in-demand market niches. Accelerated innovation implementation enhances the efficiency of production processes and shortens the time from idea to product realization, which is particularly critical during crises. Attracting investment remains a key factor for development, as demonstrating prospects and benefits to investors allows securing financing even in an unstable economic environment. Expanding into alternative markets helps offset declines in domestic demand and stabilizes enterprise income through diversification of sales channels, while partnerships and cooperation optimize costs, strengthen business resilience, and ensure efficient use of available resources. Collectively, these measures form a foundation for maintaining enterprise competitiveness and resilience under martial law.

**Table 1.** Main directions of investment and innovation activities of enterprises under martial law

Activity Direction	Description and Practical Recommendations	Expected Effect
Development of New Technologies and Products	Enterprises should explore alternative approaches to producing goods and providing services that remain in demand even under challenging wartime conditions. This may include manufacturing food products, medical equipment, protective gear for the military, or other strategically important goods. Focus should be on solutions that ensure business continuity and generate potential market demand.	Ensuring production continuity and creating new revenue streams
Acceleration of Innovation Implementation	During martial law, it is crucial to optimize the development of new technologies and products so they quickly meet current market and national security needs. It is advisable to implement improved production processes, new designs, adapted materials, and technological solutions that enhance production efficiency and reduce resource costs.	Reduced time to implement innovations and increased productivity
Investment Motivation	In periods of political and economic instability, attracting investment becomes particularly challenging. Enterprises can encourage potential investors by demonstrating long-term prospects and benefits of investing in innovative products and technologies that will gain high relevance in the post-war period.	Attraction of additional financial resources for innovative projects
Expansion to Alternative Markets	Decreased domestic demand due to economic restrictions forces enterprises to seek new sales channels. This includes entering foreign markets, finding export partners, participating in national and international export support programs, and diversifying order sources to stabilize income.	Minimization of losses from reduced domestic demand and increased market presence
Partnership and Cooperation	Enterprises can form strategic alliances with other companies, organizations, or research institutions that possess the necessary resources or expertise. Joint projects allow for cost optimization, knowledge exchange, expansion of production capabilities, and increased overall business resilience during a crisis.	Increased business resilience and more efficient resource utilization

Source: Fominykh & Bezpalova, 2017.

We propose to examine systemic and emerging threats to the investment security of business entities, as reflected in Table 2. It illustrates the key stages of investment and innovation activities, main barriers and threats arising from internal and external factors, as well as current challenges in the contemporary economic

environment, including war-related risks, financial market instability, and constraints on domestic demand. Analyzing these aspects allows for systematizing problems affecting the effectiveness of investment and innovation projects and outlining directions to enhance business resilience under conditions of uncertainty.

**Table 2.** Summarizes systemic and Emerging Threats to the Investment Security of Enterprises

<b>Stages of Investment and Innovation Activities</b>	<b>Main Threats and Barriers</b>	<b>Challenges of the Contemporary Economic Environment</b>
Motivation formation for innovation and investment	Dominance of monopolistic structures, low level of incentives for innovative initiatives	Difficulties in supporting innovation due to economic instability, high war-related risks, and uncertainty in strategic development
Planning of investment and innovation projects	Inability to engage in long-term planning due to economic fluctuations	Need for adaptive strategic planning under conditions of war, widespread destruction, and unpredictable reparations processes
Obtaining permits and approvals	Bureaucratic obstacles and manifestations of corruption in the approval process	Lack of simplified procedures and institutional reforms, slowing project and innovation implementation
Organization and institutional support of investment-innovation projects	Underdeveloped innovation infrastructure and weak venture financing	Limited financial resources, outflow of foreign investment, and insufficient support from state institutions
State regulation of investment and innovation activities	Excessive regulation, high costs of resource mobilization	Dependence on external factors, logistical complications, and disruptions in energy supply
Attraction and utilization of investments	Currency fluctuations, limited access to capital	Deterioration of credit conditions, reduced domestic demand, and decreased financial inflows to enterprises
Implementation of investments, development, and innovation deployment	Objective limitations of the domestic market, low consumer demand	Delays in project implementation, increased payback periods, and reduced profitability
Ensuring payback and increasing innovation efficiency	High level of security risks, lack of insurance mechanisms	Significant uncertainty regarding war duration and consequences, affecting investment decisions
Monitoring and control of investment project implementation	Insufficient control over contractual obligations and weak investor protection	Limited transparency and lack of information for global investors, reducing trust in the Ukrainian market

*Source:* developed by the authors on the basis of Fominykh & Bezpalova, 2017.

The analysis of systemic and emerging threats to the investment security of enterprises highlights the complexity of challenges faced by business entities in the current environment. The main barriers include market monopolization, low levels of incentives for innovation, economic instability, bureaucracy and corruption, underdeveloped innovation infrastructure, high costs of attracting investment, as well as increasing security and war-related risks. At the same time, the contemporary economic situation is characterized by limitations of the domestic market, lack of financial resources, and difficulties in long-term planning, which significantly complicate the implementation of investment and innovation projects.

Under such conditions, enterprises need to adopt a comprehensive approach to managing investment and innovation activities, including optimizing the processes of planning, attracting, and utilizing investments, strengthening project implementation control systems, and ensuring effective protection of investor rights. Simultaneously, state regulation should facilitate the creation of a transparent, stable, and stimulating environment for the innovative development of business. A systemic approach to addressing the identified threats not only enhances the efficiency of investment and innovation processes but also strengthens the competitive positions of enterprises, ensuring their resilience and adaptability during periods of uncertainty and crisis.

## 5. Conclusions

The analysis of investment and innovation activities of enterprises under contemporary economic challenges indicates that the effectiveness of such development directly depends on a comprehensive approach that integrates financial support, modern project management methods, and the scientific and technical potential of enterprises. Investments in the development of new technologies, production modernization, and research and development are key factors in enhancing competitiveness and creating long-term advantages in both domestic and international markets.

The implementation of investment and innovation projects requires not only financial resources but also a well-established management system that ensures the planning, coordination, and control of all stages of implementation. Modern project management methods allow for the formation of dedicated teams, clear definition of objectives and deadlines, and optimization of resource utilization, which helps reduce time and costs for innovation implementation while minimizing risks.

A particularly important role in ensuring the effectiveness of investment and innovation activities is played by the availability of scientific and technical potential. Enterprises that actively develop research and development systems are able to continuously update their products, improve technological processes, and enhance the quality of services, generating demand for innovative solutions and strengthening consumer trust.

Under conditions of martial law, investment and innovation activities gain particular significance, as innovations become a means not only of improving productivity and financial performance but also of ensuring enterprise survival. They allow for adaptation of production to limited resources, diversification of income sources, maintenance of competitive positions, and the formulation of long-term development strategies. Active partnerships and cooperation with other companies and research institutions optimize costs, expand production capabilities, and enhance overall business resilience.

The key directions for enterprise development in crisis conditions include the development of new technologies and products, accelerated innovation implementation, attraction of investments, market expansion, and strategic partnerships. At the same time, systemic threats remain, such as market monopolization, insufficient incentives for innovation, economic instability, bureaucratic and corruption-related obstacles, limited access to financial resources, currency fluctuations, and high security risks.

Effective management of investment and innovation activities requires a comprehensive approach that combines an active role of the state in creating a favorable regulatory and institutional environment with the initiative of businesses in technological modernization and strategic planning. Such an approach allows enterprises not only to maintain operational efficiency and financial stability in crisis conditions but also to prepare for recovery and growth after economic stabilization, ensuring their competitiveness and long-term viability.

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