

## **FORMING AN INNOVATION PORTFOLIO IN THE ACTIVITIES OF ENTERPRICES**

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**Abstract.** In this article, the need to form a portfolio of innovations in the activities of enterprises, the available opportunities and their specific features are highlighted, and the conclusions aimed at their effective implementation are stated.

**Keywords:** Enterprise, innovation, management, criterion, project, innovation portfolio, strategy, product.

### **Introduction**

It is well known that innovation portfolios in enterprises are used to reflect the innovation projects of business entities, with their specific directions, innovation structures, financing sources, and risk levels. The issue of forming an innovation portfolio is addressed in several regulatory legal documents. Specifically, in the Presidential Order of the Republic of Uzbekistan, PF-165, it is noted that ‘by gradually introducing the experience accumulated in innovation zones into other regions, the penetration of radically innovative innovations from the central part of the country to remote regions should be ensured. This includes forming and gradually implementing a portfolio of 1000 ready innovative projects to establish small innovative production in innovation development zones between 2022-2026’ [1]. Therefore, implementing an innovation portfolio requires the development of innovation projects. In this regard, the formation of an innovation portfolio in enterprises demands the diversification of innovation projects to reduce the risk of losing financial resources involved in various projects. A mechanism for the formation of the enterprise’s innovation portfolio is developed, with particular challenges arising when forecasting demand for innovative products and addressing demand uncertainties.

### **Literature Review**

A number of studies have been conducted on the formation of innovation portfolios in enterprise activities. According to these analyses, innovation management plays a key role in the activities of international enterprises. Modern management approaches have been developed in the field of innovation management. That is, enterprises create innovation structures and management cultures, which are integrated with strategic plans related to the development of promising products and the creation of business directions [2]. In such conditions, innovation management can help save resources, improve the quality of local products, and increase the competitiveness of national enterprises.

Further studies emphasize that the innovation project portfolio is formed at the strategic management level. This involves evaluating planned scientific research and experimental design works in terms of their relevance, alignment with goals, novelty, and the cost of achieving expected results [3].

Other research suggests that the formation of innovation portfolios is directly linked to regional characteristics. Although different regions may be similar economically and culturally, there will be variations in the practical models for developing innovative products, processes, and managing innovation barriers [4]. Accordingly, enterprises in regions implement technological and product innovations to meet the needs of the population and plan to create innovation project portfolios.

Some studies also point to the need to improve the tools for evaluating innovation project portfolios, based on the dynamics of socio-economic relations, project activity success factors, and criteria for evaluating them [5]. In this case, for small and medium-sized local industrial enterprises involved in scientific-technical activities, the selection of promising project initiatives in the technological innovation portfolio is of particular importance.

Another study suggests that in management theory, the process of forming strategy is carried out based on portfolio analysis. Innovation portfolio formation is approached as an inseparable part and form of implementing the overall development strategy of the enterprise [6].

Other studies note that the innovation portfolio should be described in marketing plans with indicators such as the innovation's name, its implementation goals, location, timelines (start and end), implementation costs (both natural and monetary), and expected impacts (measures of natural outcomes and profit). These aspects are critical for the control and successful implementation of innovation projects.

### **Analysis and Results**

An innovation portfolio in enterprises can either be developed independently or represent a comprehensive list of innovations that will need to be purchased for later implementation. In forming an innovation portfolio, financing innovation projects by individual projects plays a significant role. In this context, the share of project and financial risks increases, and specific requirements are set for expert evaluation of innovation projects. These issues must be resolved through methodological, practical, and organizational plans. Independent consultants, who can assess the viability and obsolescence risks of products, help address these issues. The project team is formed by reliable founders, investors, and operators. They can be selected equally at different stages. In practice, project financing comes from the income generated by implementing innovation projects, which serves as the source for repaying debt obligations.

Developing an innovation portfolio requires more than one project; implementing a single project may not be sufficient. Therefore, to diversify risks and implement strategy, it is necessary to develop projects across various areas, which form the basis for investment project portfolios. The number of projects in a portfolio within a given timeframe depends on the project size and the total resources allocated for strategy implementation, including financial, labor, and other resources.

In forming an innovation portfolio, various indicators are used to improve the efficiency of managing research, development, and design activities. These indicators ensure that the project portfolio aligns with strategic goals and objectives [8]. Enterprises' innovation portfolios may include various project groups. These groups may differ by size, duration, objectives, and implementation principles. This approach allows for the wide introduction of innovations and ensures the successful

implementation of the enterprise’s innovation strategy. Based on this, the portfolio composition must be periodically reviewed and updated.

Large innovation portfolios may include high-risk priority projects, but constraints should ensure that the overall risk of the portfolio does not exceed acceptable limits. Such portfolios might include highly innovative projects with low profitability, yet portfolios composed solely of large projects would be risky due to the decreased probability of successful implementation. Diversifying risks by including smaller projects is critical. As such, the use of resources, technology, and human capital will increase, while demand for production capabilities also grows.

In our view, forming innovation portfolios is a strategic task for enterprises. Solving these issues determines the success of the enterprise’s activities and its long-term competitiveness. Consequently, forming innovation portfolios in enterprises will be necessary and will follow established rules. The portfolio will be evaluated based on the following criteria:

- Product quality improvement (PQ).
- Price reduction strategies (PR).
- Introduction of new technologies and labor management (NTLM).
- Product manufacturing and sales (PMS).
- Market development for products (MDP).

The following criteria are considered essential for forming an innovation portfolio in the activities of enterprises (Table 1).

**Table 1. Criteria for forming an innovation portfolio in the activities of enterprises**

Innovation Types	Enterprise Strategy				
	PQ	PR	NTLM	PMS	MDP
Creating a new product based on inventions	+		+		+
Improving products	+			+	+

based on 'know-how'					
Implementing new technology based on inventions		+	+	+	
Improving technology based on 'know-how'	+		+		+
Improving production organization based on 'know-how'			+	+	+
Improving labor organization based on 'know-how'	+		+		+
Developing and improving management systems	+		+	+	+
Improving supply of raw materials, components, etc.	+		+	+	
Improving relationships with the external environment	+	+			+
Improving tactical marketing functions		+		+	+
Improving service			+	+	+

quality for consumer goods					
Expanding the existing product market		+	+		+
Developing new markets	+			+	+

Based on this table, the alignment indicated by each ‘+’ symbol determines the need for implementing innovations to carry out the enterprise’s strategy. A strategy based on these criteria enables cost savings and is also applicable for implementing relevant innovations. The corresponding strategy allows the enterprise to firmly establish itself in a market segment and further expand its boundaries. However, in some cases, the selected strategy may lead to a decrease in the company’s profits. Achieving this requires developing various areas that demand innovations. Therefore, the strategy brings profit through economies of scale and increases revenue.

Developing a solution aimed at forming an innovation portfolio in the activities of enterprises does not follow a single stage. In this case, attention is given to each group of criteria, which may sometimes take precedence. To this end, the system for analyzing innovative projects used in forming an innovation portfolio is distinguished by a variety of methods. Accordingly, the mechanism for forming the enterprise’s innovation portfolio is implemented as a final element. This is then logically allocated to innovations developed for sale. However, the risks associated with these projects are based on identifying the causes of risk emergence, potential risks during the project implementation process, and the consequences of the risks that arise.

### **Conclusion**

Innovation portfolios are considered one of the most important directions for enterprises. In this regard, innovations are developed independently by the enterprise. These directions reflect a comprehensive list of innovative production. In forming the enterprise’s innovation portfolio, elements for assessing innovation potential are selected. Through this, the innovation development strategy of the enterprise is

determined. Based on these considerations, the formation of an innovation portfolio in the activities of enterprises depends on the effectiveness of the innovative decisions to be made in the future. This, in turn, reduces the uncertainty in the enterprise's operations. It is ensured through the formation of a balanced portfolio of newly emerging, developed, and implemented innovations. This approach helps solve the problem of forming innovation portfolios. It enables the formalization of innovation characteristics and the creation of a model that matches these characteristics. Based on this, it becomes possible to develop directions for forming innovation portfolios in the activities of enterprises.

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