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The Role of Municipal Governance in the Innovative Revitalization of Regional Business Processes and the Development of Intellectual Capital

Iryna Kramarenko ^{1*} • Iryna Nadtochii ² • Nataliya Hryshyna ³ •
Dariia Archybisova ⁴ • Oleksandr Irtyshev ⁵

¹ Admiral Makarov National University of Shipbuilding (Ukraine). Professor at the Management Department, Doctor of Science in Economics, Professor.

² Admiral Makarov National University of Shipbuilding (Ukraine). Professor at the Economics Department, Doctor of Science in Economics, Professor.

³ Admiral Makarov National University of Shipbuilding (Ukraine). Assistant Professor at the Management Department, Candidate of Economic Sciences, Associate Professor.

⁴ Admiral Makarov National University of Shipbuilding (Ukraine). Lecturer at the Department of Management, PhD.

⁵ International University of Business and Law (Ukraine). Lecturer, PhD.

* **Corresponding Author**, e-mail: irinamk86@gmail.com

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ABSTRACT

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This article examines the role of municipal governance in the innovative revitalization of regional business processes and the development of intellectual potential. The dynamics of the renewal and development of regional business structures are analyzed. The main factors hindering the renewal of regional business structures are identified, including: a lack of funding and investment support; nearly 84% of business entities in Ukraine are individual entrepreneurs who lack sufficient resources to join business associations; the largest share of scientific personnel works for the government, while the business sector has more resources but fewer highly qualified personnel; the lack of transparent mechanisms to protect the rights of investors in large integrated structures deters partners from establishing joint ventures. Research has shown that the content of regional strategies and their implementation plans differ significantly from one another, yet they are all aimed at strengthening and developing the regions. It has been determined that the role of municipal government in shaping development strategies is crucial and should be focused on ensuring the well-being of the local population through programs that promote sustainable socioeconomic growth. It has been demonstrated that a significant portion of regions possess intellectual potential which, with the support of local municipalities and international funding, can develop development programs and tools. The analysis revealed that a significant portion of the intellectual potential of the scientific workforce is concentrated in the regions but is not being fully utilized, as evidenced by statistical disparities. It was emphasized that at the regional level, it is necessary to develop appropriate strategies, programs, and plans for development and recovery with the involvement of scientific personnel, the expert community, and business representatives, which will contribute to the formation of well-founded management decisions and the improvement of the effectiveness of regional policy.

KEYWORDS

organizational and managerial mechanisms, municipal governance, innovative revitalization, regional business processes, innovation-driven digital model, support system, challenges and threats.



Роль муніципального управління в інноваційному відновленні регіональних бізнес-процесів та розвитку інтелектуального потенціалу

Ірина С. Крамаренко ^{1*} • Ірина І. Надточій ² • Наталія В. Гришина ³ • Дарія С. Арчибісова ⁴ • Олександр С. Іртищев ⁵

¹ Національний університет кораблебудування імені адмірала Макарова (Україна). Професор кафедри менеджменту, д-р екон. наук, професор.

² Національний університет кораблебудування імені адмірала Макарова (Україна). Професор кафедри економіки, д-р екон. наук, професор.

³ Національний університет кораблебудування імені адмірала Макарова (Україна). Доцент кафедри менеджменту, канд. екон. наук, доцент.

⁴ Національний університет кораблебудування імені адмірала Макарова (Україна). Викладач кафедри менеджменту, доктор філософії.

⁵ Міжнародний університет бізнесу і права (Україна). Викладач, доктор філософії.

* Автор-кореспондент, e-mail: irinamk86@gmail.com

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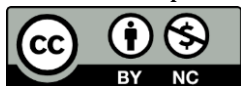
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В статті розкрито роль муніципального управління в інноваційному відновленні регіональних бізнес-процесів і розвитку інтелектуального потенціалу. Проаналізовано динаміку відновлення та розвитку регіональних бізнес-структур. Визначено основні чинники, що стримують відновлення регіональних бізнес-структур, серед них: відсутність фінансування та інвестиційного забезпечення; майже 84% суб'єктів господарювання в Україні це фізичні-особи підприємці, які не мають достатнього ресурсу входу до інтеграційних об'єднань; найбільша частка наукових кадрів працює на державу, при цьому бізнес-сектор має більше ресурсів однак менше висококваліфікованих кадрів; відсутність прозорих механізмів захисту прав інвесторів у великих інтегрованих структурах відлякує партнерів від створення спільних підприємств. Досліджено, що зміст регіональних стратегій та план їх реалізації суттєво відрізняються між собою, однак направлені на зміцнення та розбудову територій. Визначено, що роль муніципального управління у формуванні стратегій розвитку ключова та повинна бути спрямована на забезпечення добробуту місцевого населення через програми, що забезпечать стійке соціально-економічне зростання. Доведено, що значна частина регіонів має інтелектуальний потенціал, який, за підтримки місцевого муніципалітету та міжнародного фінансування, може розробляти програми й інструменти розвитку. Проведений аналіз показав значну частку інтелектуального потенціалу наукових кадрів, зосередженого в регіонах, який при цьому не використовується в достатній мірі, що підтверджується статистичними розривами. Наголошено, що на регіональному рівні необхідно розробляти відповідні стратегії, програми та плани розвитку й відновлення із залученням наукових кадрів, експертного середовища та представників бізнесу, що сприятиме формуванню обґрунтованих управлінських рішень і підвищенню ефективності регіональної політики.

КЛЮЧОВІ СЛОВА

організаційно-управлінські механізми, муніципальне управління, інноваційне відновлення, регіональні бізнес-процеси, інноваційно-цифрова модель, система забезпечення, виклики та загрози.

1. Introduction

The restoration and development of regional business processes today play an important role in the strategic vision of the state in modern conditions. It is important to involve stakeholders in the development of regions as much as possible through innovative restoration of business processes, taking into account the available resources and intellectual potential. Despite the significant migration of labor resources abroad and mobilization, the overwhelming majority of regions have a resource potential that is not sufficiently used. Municipalities should become an “institutional bridge” in this, as intermediaries in this process and the main motivators. That is why the role of municipal management in the innovative restoration of regional business processes and the development of intellectual potential is decisive and requires additional research.

2. Literature Review

Studies devoted to the restoration and development of regional business processes and organizational and managerial mechanisms are presented in the works of such scientists as Rybiak V. [1], Knyazevich A. O. [2], Oleksiuk G. V., Popadynets N. M., Pityulych M. M. [3], Pakki A. [4] and others. At the same time, a significant part of scientific research is focused on the study of the restoration and development of regional business processes of enterprises, while the role of municipal management remains insufficiently researched. Substantiation of the role of municipal management in the innovative restoration of regional business processes and the development of intellectual potential is a priority scientific and practical task.

3. Problem Statement

The purpose of writing the article is to study the role of municipal management in the innovative recovery of regional business processes and the development of intellectual potential.

4. Methods and Materials

The methodological basis of the study was made up of methods of statistical and comparative analysis of official data of the State Statistics Service of Ukraine for 2020-2024. A systematic approach was used to assess the relationship between financial investments in innovations and qualitative indicators of human capital in the regional context, which made it possible to substantiate the role of municipal administration in the restoration of regional business processes on the basis of intellectual capital.

5. Results and Discussion

We agree with the opinion of V. V. Rybiak: “In the context of globalization of economic processes and increasing the competitiveness of the national economy, integrated business structures play an important role. Ukraine faces challenges related to the need to adapt to international standards and increase the efficiency of internal corporate mechanisms.” [1]. In addition to global processes and integration into the EU, it is important to focus on internal challenges and threats that affect the creation of integrated business structures and the activities of business entities. Today, the creation of integrated business structures (corporations, holdings, clusters) in Ukraine faces a number of serious problems, including the lack of financial resources. The shortage of external capital (loans and investments) makes integration risky. Small and medium-sized enterprises do not have enough resources to enter an integrated structure that requires capital expenditures on technological re-equipment, according to the State Statistics Service of Ukraine. In 2023, almost 84% individual entrepreneurs were among the existing business entities.

Despite the challenges and threats that began in 2014 related to the invasion of the Russian Federation into the territory of Ukraine, the dynamics of the number of business entities of individual entrepreneurs have a positive tendency to increase in most regions.

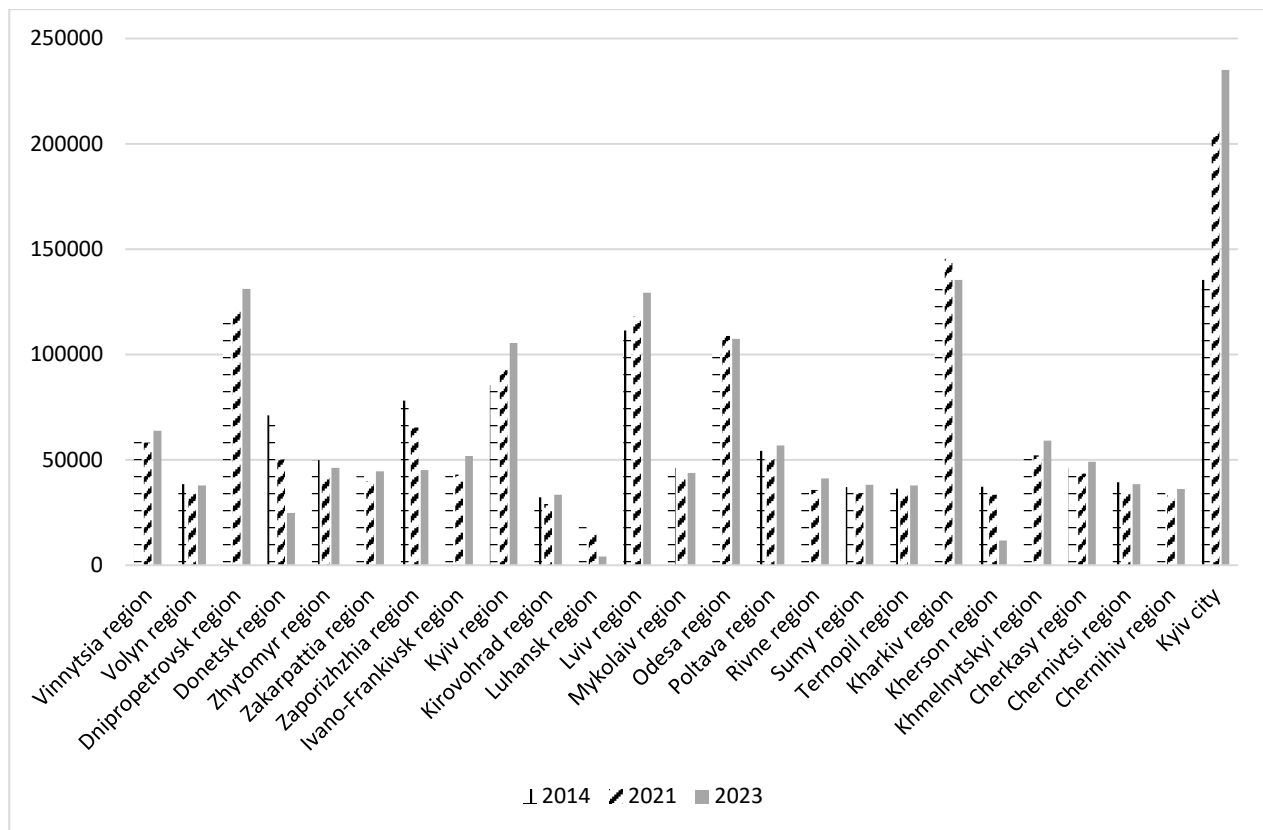


Figure 1. Dynamics of the number of business entities of individual entrepreneurs by regions, units

Source: Compiled by the authors on basic data [5].

In 2014, Ivano-Frankivsk, Kyiv, Lviv, Odesa, Rivne, and Cherkasy regions had a tendency to increase the number of individual entrepreneurs; all other regions showed a decrease. This is due to migration processes from Donetsk and Luhansk regions, the Autonomous Republic of Crimea: the population was evacuated along with businesses. The full-scale invasion in 2022 intensified these processes, covering a significant part of the regions that have become frontline areas and where active hostilities are taking place. These are Luhansk, Donetsk, Zaporizhzhia, Kherson, Kharkiv and Mykolaiv regions. At the same time, a negative trend in reducing the number of individuals is observed in the Odesa region, which is associated with the specifics of tourism, health and port activities in the region, which has had a significant impact in the context of economic instability and security challenges. All other regions in 2024 tend to increase the number of business entities of individual entrepreneurs, which is associated with the relocation of business, state and international financial support for the creation.

The figure of 942 thousand. UAH per researcher in the Dnipropetrovsk region is the highest among large scientific centres and is explained by the fact that science in the region is closely integrated into the real industrial sector (space industry, metallurgy), where the cost of experimental developments and equipment is very high. Kyiv region is ahead of the capital in terms of specific costs (UAH 839 thousand against UAH 708 thousand), which indicates the concentration of powerful research and production clusters and laboratories in the region, which require significant capital investments, while in Kyiv a large share of researchers work in the theoretical field. Despite the significant number of personnel in the Kharkiv region (more than 5.4 thousand), the specific costs per scientist are lower than the national average (UAH 571 thousand). This indicates that the scientific base of the region operates under austerity conditions or is focused on industries that do not require expensive re-equipment during the war (Table 1).

Table 1. Innovation and Scientific Potential of Regions

Region	Innovation expenditures (SMEs+), UAH million	R&D (science) expenditures, UAH million	Number of researchers, persons	Costs per 1 researcher, thousand rubles UAH/year	Key specialization (by cost)
Ukraine (total)	35660,8	28328,2	42670	663,9	Technological modernization
Kyiv	15363,2	16631,3	23474	708,5	Science and Innovation Hub
Dnipropetrovsk	2214,1	2751,3	2920	942,2	Industrial Development (R&D)
Lviv	2360,5	1323,3	2404	550,5	Engineering and IT Innovation
Vinnitsia	1932,1	120,4	321	375,1	Food and agro-technologies
Kyiv	1829,4	868,7	1035	839,3	Applied research
Kharkiv	665,9	3111,1	5444	571,5	Basic Science
Poltava	1127,1	185,5	453	409,5	Energy and mining
Zaporizhzhia	730,2	682,7	1169	584,0	Mechanical engineering
Odesa	358,4	741,4	1658	447,2	Marine and Medical Sciences
Cherkasy	842,5	124,7	349	367,3	Chemical and agro-industry

Source: Compiled by the authors on basic data [5].

The creation of integrated structures is hampered by the complexity of transferring intellectual property from state institutions to private business. Businesses often do not see market-ready products from scientists, which does not take into account the need for such innovations. That is why in most studies the decisive role in stimulating innovation is assigned to the state, while municipal government bodies act as intermediaries between state policy, business and local communities in the process of implementing innovative changes. These approaches are implemented through regional development strategies that determine the priorities of economic growth, innovation and increasing the competitiveness of territories.

It should be noted that according to the Law of Ukraine “On the Principles of State Regional Policy” [6], local state administrations develop development strategies until 2027. Without an approved strategy, the region cannot receive funding from the State Regional Development Fund (SFRD) and is the basis for creating a favourable investment environment for attracting investment in innovation and science. For example, according to the action plan for the implementation of the Development Strategy of the Kharkiv region for 2021–2027 [7], strategic goal 4 provides for ensuring an investment-attractive climate in the region and creating an innovation and investment environment infrastructure through the institutional and transport environment. The operational goal of the Action Plan for 2025–2027 for the implementation of the Kyiv City Development Strategy until 2027 [8] also provides for increasing investment attractiveness, promoting investment potential, attracting investments in the development of urban infrastructure through the involvement of resources of international financial organizations in the development of urban infrastructure and positioning of the city of Kyiv.

According to the Action Plan for 2025–2027 for the implementation of the Regional Development Strategy of the Dnipropetrovsk region for the period up to 2027 [9], UAH 2,600.0 thousand. is envisaged to stimulate entrepreneurial activity by promoting employment and establishing their own businesses of internally displaced persons of working age, war veterans and their family members, and the unemployed.

Thus, the content of regional strategies and the plan for their implementation differ significantly from each other, but are aimed at strengthening and developing territories. The role of municipal administration in the formation of development strategies is key and should be aimed at ensuring the well-being of the local population through programs that will ensure sustainable socio-economic growth. can develop development programs and tools. Thus, in regions with a low indicator (Vinnitsia, Odesa regions), the role of the municipality as a “motivator” is critical. A small amount per researcher means that intelligence works “on paper” without the resources for prototyping. Communities in these regions should stimulate the creation of public laboratories or grant programs. It should be emphasized

that the share of local budgets in financing innovations remains negligible (less than 1%), which creates a problem of the lack of “cheap” start-up capital for regional clusters.

The team of authors emphasizes that “A significant number of business entities are not directly interested in finding and applying the latest technologies for the production process or in using as raw materials, materials, components, etc., products that are created using the latest technologies and are more expensive. Such disinterest, first of all, is explained by the lack of free funds, unprofitability, and the desire to ensure a low cost of products as an indicator of effective activity” [3].

The development of appropriate organizational and management mechanisms will ensure the innovative recovery of regional business structures using the intellectual potential of the regions. Transparent mechanisms for protecting investors’ rights in large integrated structures will attract partners to create joint ventures. A. O. Knyazevich also considers [2] management of innovative development through the mechanism of formation and implementation of the relevant infrastructure of the country. Therefore, the development of an organizational and managerial mechanism for the restoration of regional business structures, taking into account the intellectual potential, will allow to determine the tools, principles and priority areas of effective functioning of business entities.

Also, A. Pakki emphasizes that “The formation of a system of business processes in modern conditions of economic development involves their adaptation to dynamic market changes, technological progress and digital transformation, so the introduction of automation, the use of artificial intelligence and big data analytics contributes to increasing the efficiency of processes, reducing costs and improving management decisions” [4].

Thus, the role of municipal management in the restoration and development of regional business structures is to form a favourable institutional environment, coordinate interaction between the authorities, business and the community, develop organizational and management mechanisms, attract investments, support entrepreneurial initiatives and create conditions for sustainable socio-economic growth of territories.

6. Conclusions

The analysis of the dynamics of recovery and development of regional business structures is carried out. The main hindering the recovery of regional business structures have been identified, including: lack of financing and investment support; almost 84% of business entities in Ukraine are individual entrepreneurs who do not have sufficient resources to enter integration associations; the largest share of scientific personnel works for the state, while the business sector has more resources, but fewer highly qualified personnel; The lack of transparent mechanisms for protecting investors’ rights in large integrated structures scares partners away from creating joint ventures.

The analysis showed a significant share of the intellectual potential of scientific personnel, concentrated in the regions, which is not used to a sufficient extent, as confirmed by statistical gaps. This makes it possible to conclude that at the regional level it is necessary to develop appropriate strategies, programs and plans for development and recovery with the involvement of scientific personnel, experts and business representatives, which will contribute to the formation of sound management decisions and increase the effectiveness of regional policy.

The prospect of further research is the development of an organizational and managerial mechanism for the restoration of regional business structures, taking into account the intellectual potential, which will determine the tools, principles and priority areas of effective functioning of business entities.

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