



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

SOME DEVELOPMENT PERSPECTIVES FOR INDUSTRIAL SECTOR IN UZBEKISTAN

AKTAM BURKHANOV, PH. D.

Tashkent State Technical University, Uzbekistan

JEL Classifications: O14, O53

Key words: Development strategies of industrial enterprises, innovational type of growth, industrial sector of Uzbekistan.

Abstract: This paper discusses theoretical aspects of development strategies for industrial companies of Uzbekistan. The author concludes that support of the applied scientific researches and innovations by the government is the key factor in moving the industrial production of Uzbekistan on higher technological level.

ISSN: 1804-0527 (online) 1804-0519 (print)

PP. 41-42

Hard competitive environment inducing by transnational corporations, globalization of the world economy, and its slow recovery from the recent crisis create serious barriers in maintaining dynamic development of industrial sector of Uzbek economy. This requires deeper analysis of dynamically developing environment when forming development strategies of enterprises.

In this context, the proper accepting of the “development” concept helps to the comprehending on theory of strategic planning of the industrial enterprises. According to the author, development is any qualitative change of a system, in other words, qualitative change in the substance of constituting elements, internal linkages, and overall qualitative improvement in the behavior and functioning of the system (Tabachnikova, 2005). As entities interact with their environment, they tend to utilize internal opportunities. Achieving and obtaining competitive advantage as an objective, means establishing the production of new goods, applying them in innovative forms, exploring new markets, trade canals, new organizational structures of administration etc. (Tokarenko, 2002).

By utilizing own strengths, enterprises can resist or even prevent potential threats. On the other hand, being aware of weaknesses provides minimization and neutralization of negative influence of the environment. Taking into account these details allows companies to generate effective system of strategic planning and flexible management of production and realization processes of goods. In that sense, everything that can be defined behind the term strategic somehow connected with mutual interaction between a firm and its environment. This major remark, from our point of view, poses an important role for an enterprise in two perspectives. On the one hand, in maintaining the stable position in a market, and on the other hand, to possess sufficient prospects for the further development.

In the period of revival of an economic conjuncture, industrial companies can actually design strategies for their progress keeping in mind volatility of external business environment. In the specified period, qualitative changes occur in the environment of a company, and taking the alterations into account provides a chance to establish and strengthen competitive advantage.

Moreover, Schumpeter while investigating the concepts of innovative development noted that the innovations introduced during a business cycle, influence a trajectory of economic circulation and, thereby, violates the equilibrium between demand and supply as independent factors (Schumpeter, 1982). As innovational development is accompanied by structural changes in key fields of the industry, it is vital to provide their economic growth in accordance with the innovative model of development,

which assumes making active transformations in operating companies (Seregin, 2007).

The basic concepts in the considered opinions, which are shared by us as well, suggest that:

- priority should be given to enterprise type of behavior compared to incremental one; therefore, such concepts as “growth” and “development” essentially differ;
- in development the emphasis is placed on abilities of an organization, as system to achieve self-development;
- the evaluation of the crisis related phenomenon in the operation of the business is essential as a precondition for their further development and subsequent adaption to the external business environment;
- increasing dependence of business entities from dynamic business environment necessitates the qualitative changes in the business activity.

Taking into account the above-discussed aspects, in our notion the development of industrial enterprises is objective and continuous process of adaptation to the requirements of business environment. In the process of development, businesses constantly encounter emerging dialectic contradictions between achieving development and external environment.

The key tools in achieving this objective are qualitative transformation within a system or qualitatively new elements and linkages, which influence the essence and the character of functions of the administrative systems, industrial potential of an industrial enterprise. Thus, development appears as condition for achieving long-term competitive advantages and, accordingly, for efficient functioning of the enterprises in long-term perspective.

The role of innovations has considerably increased in modern economy. Without them, it is almost impossible to create a competitive production with high degree of science-intensiveness and novelty. Hence, in the conditions of the market economy innovations represent the effective tool of competitive rivalry, which facilitates exploration of new markets, creation of new goods and services, decrease in production costs.

The economy of Uzbekistan and its key sectors, including the industry, are recently adapting innovative model of growth. Transforming to the innovative type of development requires substantial financial expenses, both fixed and variable ones. The level of expenses for R&D in relation to gross domestic product (GDP) volume makes 0.08%, whereas in industrially developed countries it is equal to 2.5-3.5 %. Under these conditions, theoretical and practical achievements in the field of strategic management should be implemented effectively for further development

of industrial companies, keeping in mind the peculiarities of growth in real sector of the economy.

Despite negative consequences of the world financial crisis, the republic managed to prevent decline in industrial production, and continued carrying out economic reforms, which in turn provided rationalization of industrial structure and increase in the share of real sector. While in 2000 industrial manufacture constituted 14% of GDP, in 2009 it reached 24%. In the same year, the industrial output volume compared to 2008 increased by 9%.

At the same time, financial crisis, the recession of the manufacture, which has shocked the world economy, surely harmed the growth of some industrial enterprises of the republic. According to the statistics for the year 2009, 240 enterprises went bankrupt, and vast majority of them, by the start of year 2010, were acquired by new owners, or transferred to the balance of commercial banks, while tens of enterprises managed to re-establish production again.

The conducted analysis has revealed a number of the reasons predetermining necessity to increase the efficiency of the functioning of the industry and companies operating within it.

Firstly, the fact that the economy mainly relies on the production and export of raw materials and agriculture goods, it is vital to complete the progressive structural modernization of industries, associated with transition from the raw material based to innovative, hi-tech intensive model of development.

Secondly, the excess in rates of the increase of investments into a fixed capital over rates of the increase of production of the industry, confirms the exploitation of industrial opportunities below the potential of the enterprises, low return from investments in innovations and technological updating.

Thirdly, the decline in labor productivity in spheres of the industrial production after introduction of market economy, being the result of low engagement of science-intensive technologies, insufficient qualification of the personnel and imperfections in the industrial structure, depreciates the value of the production.

Fourthly, the available resources to develop effectiveness in integration of labor and capital, interaction between large and small enterprises, and in some cases - management of factors of production are utilized below the potential.

Further, low efficiency of industrial production, having considerable resource potential in the regions of the country, requires establishing and taking purposeful measures by the regional authorities to boost performance of the enterprises.

Introduction of modern scientific and technical projects requires considerable resources of the capital and time. Due to that reason, developing enterprises of hi-tech sectors of the industry should allow a situation when prices for their products are determined by the uncontrollable market. By controlling the prices, we consider not only minimizing the risk of losing independence of the enterprise, but also, in the presence of corresponding conditions, ability to promote the growth of these prices.

It is obvious that successful development of the enterprises inseparably linked with extensive employment of achievements of scientific and technical progress (STP),

which involves constant updating the means of production and production processes.

One can perceive close connection between STP and industrial potential of the industrial enterprises. On the one hand, the scientific potential achieved earlier gives economic benefit by increasing volumes of production output, expanding of the diversity of products and improvement of qualitative parameters. On the other hand, the enhancement of the industrial potential strengthens material base of STP. Through this, maintenance of high competitiveness ensures constant involvement of achievements of STP, and transforms it into the internal factor of the expanded reproduction.

Mechanisms of the further development of the industrial enterprises of Uzbekistan should be based on scientific approaches towards management, and ensure adaptation of systems of production and realization of output to constantly changing internal and external environment.

The level of professionalism of corporate and factory managers determines both the intensity of recovery from the global economic and financial crisis and further improvement of the competitiveness of the republic's industrial output. The application of complex and approved mechanism that have been in practice in national and global level facilitates development of companies in medium and long-term perspective. The significant task of rationalization and advancing the effectiveness of usage of intellectual, material and financial resources of industrial companies at the expense of innovative transformations, modernization of technological processes, refinement of methods in organization of production and work process, formation of adequate system of financial management and designing financial, resource-saving and ecologically friendly strategies of development cannot be underestimated.

The investment level into research and development in Uzbekistan still remains very low, which create barriers for intensification of structural modernization, transition of the industrial sphere and operating entities in the industry from the raw material based to innovative, hi-tech intensive model of development.

Support of the applied scientific researches and innovations by the government is the key factor in moving the industrial production of Uzbekistan on higher technological level.

References

- Seregin, S., 2007. "Increase in competitiveness of production - a priority direction of development of an industry", Food-processing industry, No1, pp.21-23.
- Shumpeter, Y., 1982. The theory of economic development. Moscow, Progress.
- Tabachnikova, M., 2005. "Theoretical concepts of evolutionary changes of socio-economic systems", In: Korchagin, J. (Ed.), Problems of regional economy. Bulletin the center of research of regional economy; under the editorship, Vol. 6. Voronezh: CRRE, pp.14-17.
- Tokarenko, G., 2002. The coordination of the purposes of an enterprise: profit, growth, development, Kotrolling, No2, pp.29-32.