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# **Impact of Innovation on the Competitiveness of Industrial Enterprises in Uzbekistan**

**BuranovaManzuraAbdukadirovna.KhashimovaNaimaAbitovna**

Associate Professor, Tashkent State Transport University, UZBEKISTAN  
Professor, Tashkent State Transport University, UZBEKISTAN

**ABSTRACT:** In a fiercely competitive environment, the factors that ensure the competitiveness of the enterprise are important. Factors that influence competition in the market and the level of competitiveness of the company, as a rule, have a different degree of prediction. Therefore, the management of the enterprise should be carried out by tools that will allow it to adapt in case of any unexpected changes in the conditions of business. Maintaining a business's competitiveness in the long term can only be achieved by an innovation-based strategy that can meet emerging needs or create new value for the consumer. In fact, we are talking about the effective management of the innovative potential of the company, the most important component of which is the latency of innovation.

**KEYWORDS:** manufacturing, innovation, industry, national economy, industry.

## **I.INTRODUCTION**

In today's environment, competitiveness is the main characteristic of the company that determines the success of its activities in the market. In a fiercely competitive environment, the factors that ensure the competitiveness of the enterprise are important. Factors that influence competition in the market and the level of competitiveness of the company, as a rule, have a different degree of prediction. Therefore, the management of the enterprise should be carried out by tools that will allow it to adapt in case of any unexpected changes in the conditions of business. In fact, we are talking about a management strategy that will allow for the correct formulating of goals, as well as successfully coordinate their capabilities with the tasks set.

## **II.RESEARCH METHODOLOGY**

This article is analytical and research. The study is based on an analysis of key indicators of the development of the economy of the Republic of Uzbekistan. They are collected from various international and national scientific articles, the official website of the President of Uzbekistan, the ministries of foreign relations, investment and trade of the Republic of Uzbekistan, data from the official websites of national journals, etc. Analyzes the economic situation in the Republic of Uzbekistan, measures taken by the state to accelerate the introduction of the digital economy in the country. The work uses statistical and economic analysis methods, peer review method and method of calculating economic efficiency

## **III. DISCUSSIONS**

Maintaining a business's competitiveness in the long term can only be achieved by an innovation-based strategy that can meet emerging needs or create new value for the consumer. In fact, we are talking about the effective management of the innovative potential of the company, the most important component of which is the latency of innovation. The company's competitiveness should be considered from the following positions:

1. Comparative assessment of the company's performance in a competitive environment at a given time. Let's call it the operational competitiveness of the company.

Assessment of the company's performance and market position in the medium term is tactical competitiveness.

3. Assessing the potential ability of the company to maintain its market position in the long term. In this case, we are talking about the strategic competitiveness of enterprises.

4. In general, the situation in which domestic industrial enterprises operate can be described as a market of scarlet ocean, in which the boundaries of the industry have long been defined and well known, the rules of market are established. Such markets are highly competitive and, as a result, high costs. In many of these industries, production volumes far exceed existing demand. Due to the high competition of opportunities and prospects for further quality and financial growth, there are fewer opportunities. Therefore, the main competition in such markets is for demand and the main task that enterprises solve - is to reduce costs. Figure 1 shows the features of the scarlet ocean market. In connection with the above, it is obvious that the majority of domestic industrial enterprises are concerned about maintaining operational and tactical competitiveness.

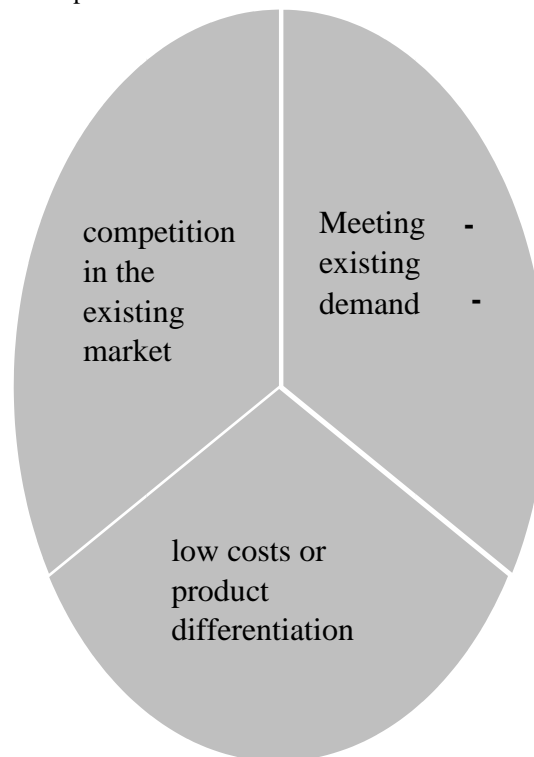


Figure 1 - Features of the scarlet ocean market<sup>1</sup>

- Fierce competition in the existing market. The entire market is divided between numerous participants who are trying to win back as much as possible the share of customers in the market, with all competition built on the basis of meeting the existing demand and around the established market price, raising which there are significant risks to lose the customer, and lowering the price is the risk of going bankrupt eventually. As competition increases, the economic efficiency of enterprises decreases, and the prospects for maintaining competitiveness for a long period of time are also diminished.
- Satisfying existing demand by finding a compromise between the value to the consumer and the costs of the enterprise. Businesses operating on the market meet existing needs. At the same time, the more enterprises are present on the market, the less the value of the products they offer becomes, as consumers make their choice based on price. As a rule, enterprises have one task - with the lowest cost to create a quality product

<sup>1</sup>From the scarlet ocean to the blue "Electronic Resource." Access mode: <http://expert.in.ua/articles/16/0/1761> (date of appeal 5.02.2021)

that will meet the needs of the consumer. The company's activities are aimed at obtaining low costs or differentiating products<sup>2</sup>.

- The expected latency of innovation can be a significant factor in the competitiveness of industrial enterprises in the "scarlet" markets due to the low cost of implementing the identified ideas.

The strategic competitiveness of the company differs from operational and tactical competitiveness. The main hallmark of such competitiveness is the renunciation of competition and the creation of a new market space. Otherwise, the strategic competitiveness of the company is aimed at creating a blue ocean market. Features of the "blue ocean" market are presented in Figure 2.

Forming a new demand and creating a competitively free market. In the blue ocean, demand is not fiercely competitive because it is created, which creates many opportunities for the subsequent development of the enterprise and the economic efficiency of its activities. Refusal to compromise between value for the consumer and the costs of the enterprise. According to this criterion, enterprises either offer consumers better products at a higher price, or products of acceptable quality at a lower price. In the case of the Blue Ocean, the proposed new product should have low costs due to the fact that the new value created will not require capital expenditures, large promotion costs.

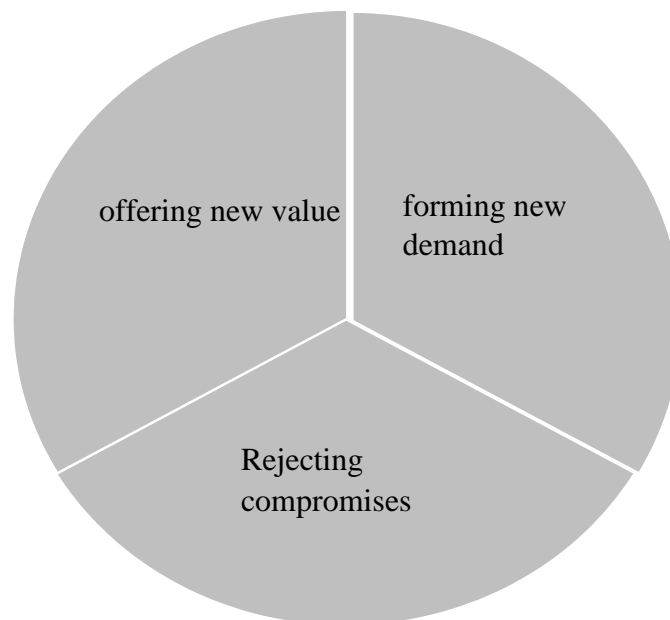


Figure 2. - Features of the Blue Ocean Market <sup>3</sup>

The reduction of different types of costs will be due to the reduction or abandonment of the factors on which competition is carried out in the market<sup>4</sup>.

The company's activities are aimed at offering new value. The market space created free from competitors provides high economic efficiency over a long period of time. In this case, the new value created for consumers can increase the value of the enterprise itself. "Because the value to the buyer is made up of the merits of the product and its price, and the value for the company is based on the cost-price ratio, the blue ocean strategy is formed only when all the

<sup>2</sup>Self-development, self-improvement, self-knowledge. Access mode: <http://evgeniyafirsova.ru/biznes/strategiya-golubogookeana.html> (call date 5.02.2021).

<sup>3</sup>From the scarlet ocean to the blue "Electronic Resource." Access mode: <http://expert.in.ua/articles/16/0/1761> (date of appeal 5.02.2021).

<sup>4</sup>Notes of the marketer." Access mode: [http://www.marketch.ru/marketing\\_dictionary](http://www.marketch.ru/marketing_dictionary)



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company's actions, which depend on the merits of the product, price and costs, are correctly agreed upon"<sup>5</sup>. Creating new value is done through a variety of innovations, whether it's innovative products or innovative methods of production, sales and service.

The types of latency innovations that can ensure the transition of enterprises to a new qualitative level are progressive and sudden. The result of the implementation of the above types of latency innovations will be the strategic competitiveness of industrial enterprises. It should be taken into account that the company can create a "blue ocean" only for a while. Almost immediately it will begin to become "scarlet" and further competition will again go beyond borders and demand. Therefore, it is necessary to search for new, free niches, which fits into the system of management of the innovative potential of the enterprise, taking into account the latency of innovations - the constant search for hidden ideas and opportunities. Modern reality requires that innovative enterprises understand the logic of both types of their possible competitiveness. At present, the blue ocean strategy seems to be the most important, as in a situation of rapidly changing technical, economic, social conditions, there is no sustainable innovation product that can meet needs for a long time and be perceived as ideal. It is obvious that the blue oceans are the source of further economic growth, as the potential of most markets operating in the red ocean is rapidly diminishing. At the same time, statistics show that the share of domestic industrial enterprises engaged in innovative activities is 3-28% depending on the field of activity. For example, in chemical production, the share of such enterprises is 23.1%, in metallurgical production - 14.7%, and in the production of machinery and equipment - 15.9%. The situation in the production of electronic and optical equipment is better - 28.3%. The bulk of domestic industrial enterprises in the current economic situation is busy with survival, at best - improving (expanding) existing food offerings. One of the significant problems hindering the development of innovation in domestic industrial enterprises is the lack of funds.

#### IV. IMPACT OF INNOVATION ON THE COMPETITIVENESS OF INDUSTRIAL ENTERPRISES IN UZBEKISTAN

The basis of the effectiveness of the national economy of Uzbekistan is, along with natural and labor resources, the country's scientific and technological potential. The transition of the economy to a new qualitative state has increased the importance of innovation, the development of high-tech industries, which is ultimately the most important factor in overcoming the economic crisis and providing conditions for economic growth<sup>6</sup>.

In order to ensure the accelerated innovation development of all sectors of the economy and social sphere on the basis of advanced foreign experience, modern achievements of world science, innovative ideas, developments and technologies, the Ministry of Innovation Development of the Republic of Uzbekistan was created by decree of the President of the Republic of Uzbekistan No.5264 of November 29, 2017. In accordance with this decree, the following was defined as the main areas of innovative development of the Republic of Uzbekistan:

Creating a strategic planning system to shape future models of innovation in priority areas and industries based on long-term scenarios to enhance the country's intellectual and technological capabilities;

The introduction of innovative forms of government that optimize and simplify the delivery of public services, improve the efficiency of public administration;

Comprehensive support and encouragement of research and innovation, especially for the creative ideas and developments of the younger generation, and to create an enabling environment for the active participation of talented young people in this activity; Expanding cooperation with advanced foreign (international) organizations in the field of innovation, including by attracting them to the domestic market of no au production, nanotechnology and high-tech goods (works, services) and a number of other similar tasks. The President's announcement of 2018 as the "Year of Support for Active Entrepreneurship, Innovative Ideas and Technology" was an important step towards the innovative development of our country. Innovation has become a measure of the economic feasibility of business, and competitiveness is determined primarily by the science-intensiveness and technology of products and processes. Declaring 2018 in our country the Year of Support for Active Entrepreneurship, Innovative Ideas and Technology, President of the Republic of Uzbekistan S. Mirziyoyev said: "When we say "active entrepreneurs", we mean business people capable of producing competitive products, the most important thing is to create new jobs that benefit not only themselves and their family, but also the whole society. Our first priority should be to provide full support to

<sup>5</sup> Self-development, self-improvement, self-knowledge. Access mode: <http://evgeniyafirsova.ru/biznes/strategiya-golubogookeana.html> (call date 5.02.2021).

<sup>6</sup> NaimaKhashimova, Marina Abdurashidova «Features Of Financing Innovative Projects In The Republic Of Uzbekistan» International Journal of Scientific & Technology Research VOL.9, ISSUE 04, pp. 1196-1198, 2020



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entrepreneurs, in particular, in the formation of favorable conditions for importing and introducing into production high technologies, the latest advances in science. We should also create them wide opportunities for professional development, internships in leading foreign companies and organizations, and mutually beneficial cooperation with them. Today we are moving on the 6th path of innovative development aimed at fundamentally improving all spheres of life of the state and society. And that's natural. Only that state, which relies on a new idea, a new idea, innovation. Innovation means the future. If we are beginning to build our great future today, we must do so primarily on the basis of innovative ideas, innovative approach"<sup>7</sup>.

## V. CONCLUSION

An important condition for the dynamic development of the Republic of Uzbekistan is the accelerated introduction of modern innovative technologies in the economy, social and other areas with a wide application of advances in science and technology. Rapidly developing all spheres of public and public life of the country require close support of the reforms carried out on the basis of modern innovative ideas, developments and technologies that provide a rapid and qualitative breakthrough of the country to the ranks of leaders of world civilization. At the same time, the analysis showed insufficient work on the innovative development of modernization processes, diversification, increase in production volumes and expansion of the product range of competitive products in the domestic and foreign markets. In particular, due to the lack of many indicators and ineffective coordination of work in this direction, our country in recent years does not participate in the ranking of the Global Innovation Index, compiled by influential and authoritative international structures. In particular, Uzbekistan ranked 122nd in the Global Innovation Index in 2015, and Uzbekistan was not included in the ranking in 2016 and 2017, due to the lack of many indicators. The low level of interaction between the sectors of the economy and the social sphere with scientific institutions, the lack of proper coordination of the activities of ministries and departments, as well as local authorities in the field of innovative development do not allow to achieve the priorities and objectives in this direction.

The chart below shows the dynamics of enterprises and organizations producing innovative products, jobs, services on their own in recent years. The number of enterprises and organizations producing innovative goods, works and services increased 7.5 times from 2008 to 2017, from 289 to 2,171 units. The number of enterprises that have mastered the production of innovative products, works and services for the first time has increased by 1007 units. The volume of innovative goods, works and services in 2017 amounted to 18543.2 billion sums. This figure is 1.7 times higher than in 2016, and 14 times higher than in 2008. Innovation costs increased eight-fold compared to 2008, down 1.6 percent from 2016. Currently, the socio-economic potential of entrepreneurship development is not fully realized in the Republic of Uzbekistan, which is especially true in the small business sector.

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<sup>7</sup><https://uza.uz/ru/posts/poslanie-prezidenta-respubliki-uzbekistan-shavkata-mirziyeev-23-12-2017>

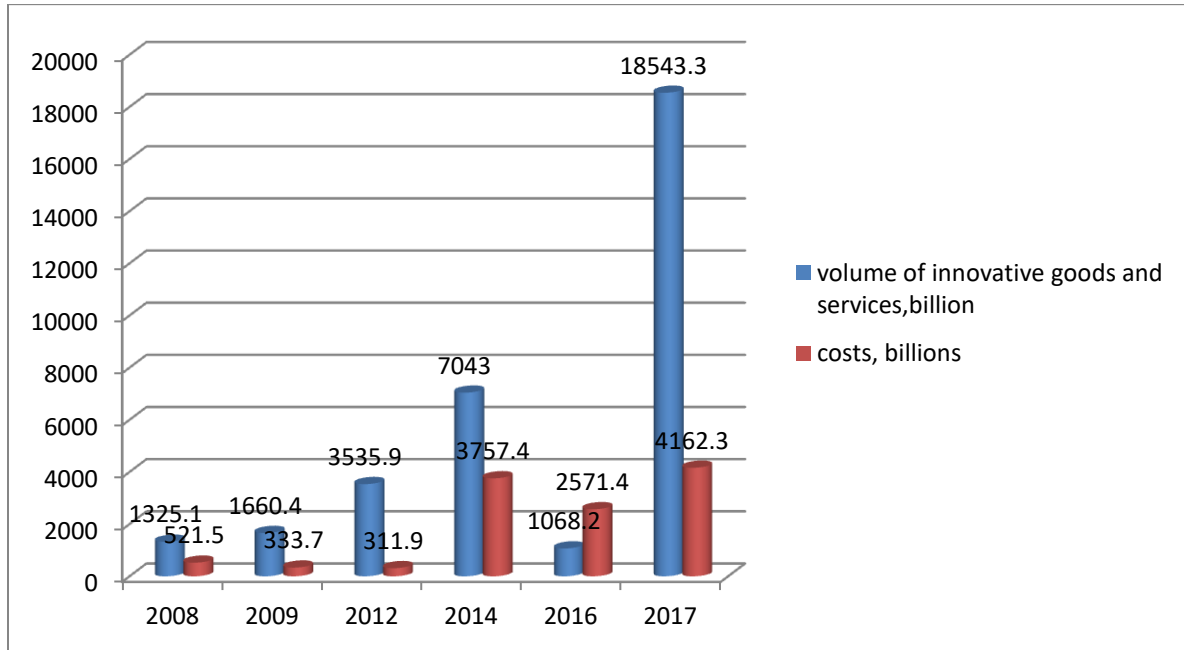


Figure 3. Production dynamics and costs for innovative goods, works, services (2008-2017)<sup>8</sup>

In terms of territories, in 2017 the share of innovative products, works and services was 48 percent in Tashkent, the Republic of Karakalpakstan - 18.3 percent, Tashkent region - 9.3 percent and Andijan region - 8.3 percent, the remaining 16.1 percent accounted for other regions of the republic. In 2017, the costs of technological, marketing and organizational innovation were financed at their own expense, 71.0 per cent (2956.0 billion sums), 19.2 per cent (799.1 billion sums) from foreign capital, 2.1 per cent (88.4 billion sums) from commercial bank loans and 7.7 per cent (318.8 billion sums) from other funds. In 2017, 975 enterprises and organizations introduced 1946 types of technological innovations. Of the technological innovations introduced, 61.6 per cent (1198) are owned by small businesses and micro-firms. In 2017, each innovative organization has implemented an average of 2 innovations.

At the same time as the competitive environment in Uzbekistan develops, measures are needed to encourage the innovation of the majority of market participants. Such an active impulse can be carried out by establishing strict standards, technical regulations, environmental and other norms. Thus, in order to put the country's economy on an innovative path of development, it is necessary in the coming years to create a powerful and comprehensive national innovation system, which should ensure the continuous integrated development of innovation, and on this basis to achieve sustainable growth of the country's economy and increase its competitiveness and efficiency.

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