

# THEORETICAL AND METHODOLOGICAL PRINCIPLES OF MANAGEMENT OF ECONOMIC POTENTIAL IN INDUSTRIAL ENTERPRISES IN THE CONDITIONS OF INNOVATIVE DEVELOPMENT OF THE ECONOMY

**Kadirova Shakhnoza Ilhomovna**

1<sup>st</sup> year PhD student of Samarkand State University named after Sharof Rashidov

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***Abstract.** Global economic connections have become one of the important factors in the development of the national economy with a growing competitive environment. The purpose of the research is to identify the theoretical and methodological principles of economic potential that help to manage industrial enterprises in the condition of innovations.*

***Keywords:** economic potential, innovative potential, management of the industrial enterprise, competitiveness, principles of management of economic potential*

## **Introduction**

Full growth of the economy presupposes significant and long-term work of the real sector. To assess the opportunities and prospects for economic growth in a particular region, it is necessary to identify important points in it, in particular, industrial enterprises that have the potential and reserves for rapid progress. The use of the integral category of economic potential makes it possible to identify hidden opportunities and reserves, to predict the maximum possible growth. The use of the category of economic potential in the analysis has a number of significant advantages. First, it gives a chance to make a comprehensive assessment of the current and prospective state of the economy, while the organization is assessed from a more versatile position than in traditional financial analysis. Second, it allows us to correctly compare both enterprises from various industries and the industry as a whole. Third, helps to identify the economic potential of enterprises located in any territory and to draw a conclusion about the economic potential of the entire territory using the same methodology accordingly, compare different areas as well as regions with each other.

## **Literature review**

In the 21st century, the post-industrial socio-economic system occupies a leading position in the world. The modern development of the world community is characterized by the systematic integration of the state economy, the international concentration of capital, the integration of world markets, and the globalization of innovative activities of enterprises. [1]

The Austrian economist J. Schumpeter developed the basic ideas of the theory of cycles by conducting statistical tests and proved the important connection between economic cycles and innovations. Innovation policy has become a mainstay of macroeconomics and geopolitics. The innovative organization of activity, in contrast to spontaneous innovations, has moved the world to a qualitatively new, "post-industrial" stage of development [2].

An innovative economy is based not on static equilibrium, but on internal factors that cause the economic development of the system, in particular, on innovation potential.

Modern economists associate the qualitative growth of the economy with innovative potential that establishes fundamentally new combinations of production factors. Production

activity will not exist without technical and technological changes, without mastering new markets, and without reorganization of market structures. The main purpose of the innovative potential is the source of profit, but it does not exist in the conditions of simple reproduction (economic circulation)

According to the ongoing research, the analysis of the current trends in the development of the economy of the leading Western countries shows that the innovative economy is the practical application of knowledge, innovations, new ideas, re-systems, and technologies in various spheres of human activity.

In order to ensure the efficiency of industrial enterprises, one of its most important tasks is to train personnel in the field of information and communication infrastructure serving the innovative economy, to create appropriate forms and methods of state regulation, and to formulate a national strategy for the development of production.

### **Discussion**

In the modern economic dictionary, economic potential is understood as the total ability of the country's economy, its industries, enterprises, and firms to carry out economic activities to produce goods and services that meet the needs of the population [3]. The economic potential also reflects the ability of the economic system to develop the most efficient use of all available recourses.

The category of potential can be considered at two levels: achieved (existing) and prospective (maximum possible). The achieved level represents the resources and abilities available to the economic entity at the moment. They represent a real component of economic potential. The prospective level is the maximum possible amount of resources that an enterprise can possess if it uses all the possibilities and hidden reserves at its disposal.

There are 4 components of economic potential that have the closest and most direct influence on each other:

1) Production potential- initially the two terms were identified. According to the definition by E. B. Figurnov, the production potential “characterizes the resources of production, their quantitative and qualitative parameters that determine the maximum possibilities of production of goods at any given moment for the society”. In a similar way, this term is interpreted by V. I. Svobodin, defining the production potential as “a set of jointly functioning resources with the ability to produce a certain volume of products for the population”;

2) Labor potential - the possible quantity and quality of labor available at organizations. The labor potential of an organization, being a specific form of materialization of human activity, acts as a personified workforce, taken in the aggregate of its qualitative and quantitative characteristics - as the personnel potential of an organization.

3) Financial potential- characterized by the availability of financial resources and funds that are necessary for the implementation of economic activities: financing current and capital costs, settlements with contractors, employees, government authorities, etc [4].

4) Innovative potential- a socio-economic system that characterizes the admissibility (feasibility) and the maximum possible result of purposeful activity to change the structural and functional properties of this system [5].

The general scheme of the interconnection of components can be presented as follows (Fig.1)

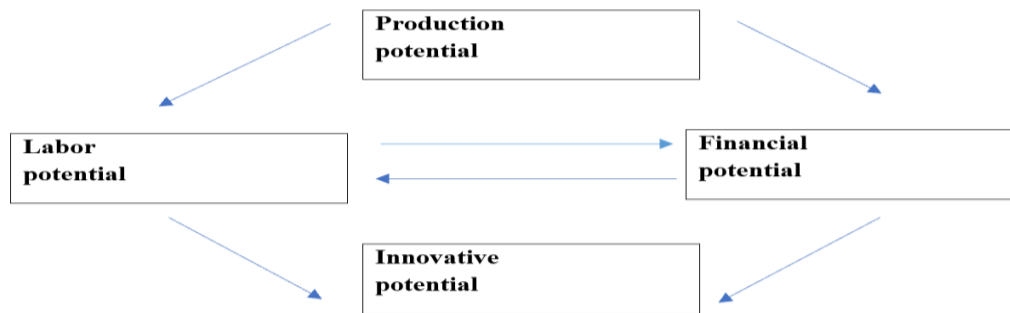


Fig.1. Interconnection components of economic potential

Building a model of economic potential is to determine the functional relationships between its components. Initially, it is necessary to write down the general scheme for building the potential:

$$E_p = f(P_p; L_p; F_p; I_p),$$

where  $P_p$  - is the production potential;  $L_p$  – is the labor potential;  $F_p$  – is the financial potential;  $I_p$  – is the innovative potential.

In the context of economic globalization and tougher competition, the role of innovative (scientific and technical) activities to ensure the competitiveness of enterprises is growing to a large extent. The area of research and development is a real potential that an enterprise can use to retain and create new competitive advantages [6].

The innovative orientation of economic processes has proved the inefficiency of organizational structures and traditional management methods that do not consider the growing importance of intangible forms and non-traditional qualitative factors of economic growth.

Modern management includes certain innovative potential which is an integral part of innovative management and solves the issues of planning and implementing innovative strategies that ensure the sustainable development of the enterprise.

One of the most urgent issues that occur in companies is to analyze the economic potential within the enterprises. A recent study shows us that in the condition of the innovative economy, there were found some problems in the management of the industrial enterprise

- holding the enterprise’s interaction problem in the framework of a single economic mechanism;
- innovative integration problem of the company in the strategy of long-term development;
- different levels of security problems by the parent company and subsidiaries, integrated by the underdevelopment of the domestic stock market;
- issues of attracting long-term investments in the application of organizational innovations;
- innovative development problem of the technological chain links in the production process;
- innovative development problem related to “corporate interests”;
- redistribution of investment resources within the company;
- lack of competency in domestic industrial products;
- lost production technologies and cooperative technological ties;
- the problem qualification of the employees, along with the continued growth of the overall level of equipment and technology;

- optimization of the production and technological infrastructure of the companies;
- interaction of industrial enterprises with financial institutions [7].

The methodology for management economic potential of the enterprise is based on the following:

- the potential is a dynamic characteristic and manifests itself only in the process of its use;
- the use of the potential of the enterprise should be accompanied by its growth;
- the process of using and building capacity is continuous and complementary.

The methodology for managing the economic potential of an enterprise will consist of its identification, evaluation, appropriation, use, and growth by accelerating processes that remove restrictions and increase the possibility of using the potential. The essence of the first stage of potential management is its identification, which consists in searching, defining, and stabilizing the potential for further evaluation. This step is based on information. The search and identification of potential is an important stage in the development of programs for the investment development of enterprises.

Every industry enterprise faces numerous management problems associated with the implementation of corporate strategies in order to remain competitive, standardization of activities, production efficiency increase, and the need for innovative development. The analysis of organizational resources that provide innovative solutions is important not only to understand the need for innovation but also to develop a government policy to support innovation in companies.

The analysis is a management function that provides the enterprise management system with the necessary information. Such information allows for determining the possibilities of predicting the efficiency of resource use, which allows for making rational management decisions on the effective use of the economic potential of an enterprise [8].

A relevant scientific task of great economic importance to the country is developing economic systems with the basic assets adapted to their production and economic activities in terms of real estate objects. This leads to the modeling resource support of business processes, assessing the possibilities for transforming development objects in accordance with industrial changes in the modern economy.

The management of the economic potential of the organization is based on the basics that consist of:

- innovative management
- efficiency of innovations, including the creation of an atmosphere that stimulates the generation
- research development
- considering the needs of consumers
- coordination of priority directions of innovative activity with the objectives of the economic system;
- minimization of the terms of the process of "research - production - sale" without loss of quality of goods.

Among the principles of the direct management of the economic potential of an organization's systems are:

- integration-reflecting the unification of the market, science, and production

- accepting - the most effective option for using innovative potential in terms of economic efficiency
- specialization - considering that economic potential is accumulated in the units of the enterprise
- proportionality and balance - meaning the need to ensure the equality of innovation opportunities in all units
- rhythmicity and continuity
- parallelism - signifying the advisability to combine independent innovative measures on time [9].

It is proposed to characterize the principles of the economic potential of an enterprise using integral assessments. Thus, knowing the principles of economic potential and being able to assess them allows us to identify the competitiveness of the organization as a whole. Being competitive is one of the strategic goals of any enterprise. Thus, the competitiveness of an enterprise is directly related to an increase in the level of development of its economic potential and its main components, it leads to effective management of the system's capabilities to achieve the set goals through the implementation of innovation methods. Since the enterprise operates in a market macrosystem, it is obvious that the consideration of each principle of the economic potential must be used in conjunction with the market, competitors, and state potential.

Moreover, the external environment makes its own adjustments to the assessment of the economic potential of the industrial enterprise, and when making management decisions on the use of available resources and identified reserves, it is necessary to consider the capabilities of the enterprise as an open socio-economic system.

It should be noted that competitors exert a complex influence on the functioning of the enterprise, in the condition's innovative economy. It influences the goals, the process, and conditions of activity as well as the actual result of the formation of the initial stage of the enterprise's operation, in an innovative, dynamic, and oversaturated market [10].

### **Results**

These methods and principles serve as a mechanism for managing the economic potential of a development organization, and possibilities to ensure the transformation of real estate objects due to the changes in market needs. Efficiency is the criteria for the management of the economic potential of organizations based on the use of systems, resources, and approaches that analysis of modern tendencies of development.

Developing the strategy is important in the processes of management of the economic potential of the organization. The management of the economic potential of industrial enterprise, the company should consider the strategic, operational, and current plans, social and economic feasibility, ranking of planning objects, adequacy of indicators, coherence of management plans for innovative potential with the parameters of the external environment, variability, automation processes, provision of feedback of the system.

Efficient use of the economic potential is an opportunity for the enterprise to simultaneously and rationally use all necessary resources to reach high-end results and meet the customer's needs. Evaluation level of use of the economic potential of the development of the industrial enterprise introduces certainty, shows a trend, and allows us to analyze the management according to the criterion of efficiency.

**Conclusion.** Thus, the article considers different approaches to the interpretation of the category of economic potential and the essence of its main components. The relationship between the components of the economic potential among themselves gives a better understanding of the order and degree of their influence on the resulting indicator. At the same time, the theoretical foundations construct an economic and mathematical model of the economic potential of an industrial enterprise can be effective methods and provisions of a comprehensive economic analysis and management of industrial enterprises.

Effective management of economic potential for the development of an industrial enterprise is possible only with an integrated approach to the process of its formation. To ensure effective management of the economic potential of the organization, it is necessary to conduct a detailed study of the activity of the work process, mechanisms for managing projects, development strategies, and trends of globalization and diversification. As a result of these actions, there will be set important measures for the effective management of the economic potential of an organization in an innovative economy.

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