

## USE OF CLUSTER SYSTEM IN INCREASE OF EXPORT CAPACITY IN TEXTILE INDUSTRY

(in the case of Uzbekistan)

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### Abstract

In this scientific article, ways to increase the economic efficiency of the use of the cluster system in increasing the export potential of the textile industry in Uzbekistan and the actual problems in the development of the textile industry have been determined, and proposals and recommendations have been developed for their elimination.

**Keywords:** textile industry, export, import, cluster system, production, lean production, localization of production, re-production, management efficiency, competitive market, management mechanism.

### Introduction

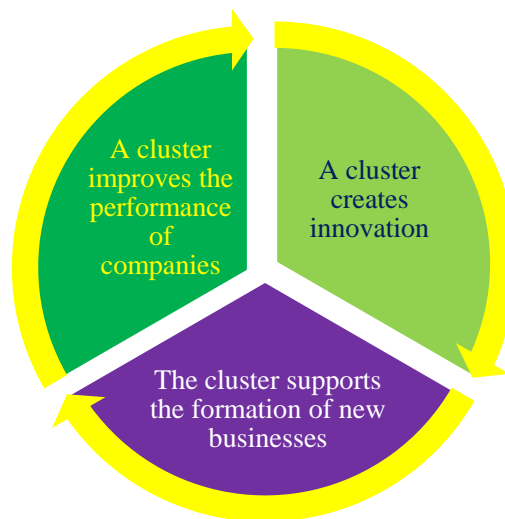
**Access:** In world practice, clusters are used in many countries. Enterprises are united in clusters because this process is beneficial for them in terms of increasing product competitiveness and reducing costs. At the same time, the systematic development of export clusters and their deepening is studied as an important direction of the state economic and production policy. Recently, the problems of forming export clusters have attracted the attention of politicians and scientists. The reasons for the transfer of production capacities from developed countries to developing countries are, in most cases, related to the formation of the appropriate infrastructure of export industries, which are closely related in terms of production technology and services.

Foreign experience shows that the level of innovative potential of a country and region depends on the specific characteristics of economic development that shape their competitive advantages. In world practice, there are many examples confirming the increase in the competitiveness of production complexes, regions and the entire country's economy based on the introduction of effective cluster systems. The purpose of creating clusters is to optimize the organization of business, aiming to show good results by optimizing production, sales and exports in various sectors of the economy. Within the thematic direction of the work, we will study in detail the elements of the conceptual apparatus directly related to the management of the export potential of cluster systems. Today, the word "cluster" is widely used in various fields of science. The word "cluster" comes from the English word "cluster", which means a group, a group of different things or flows. In the economy, a cluster is, first of all, a uniting of territorially close and functionally interrelated subjects organizations, production and service enterprises, scientific research and educational institutions.



**The literature on the topic is similar.** In the formation of the theory of cluster systems, American scientists, first of all: M. Porter, M. Storper, M. Enright, S. Resenfeld, P. Maskell, M. Lorentzen are pioneers. Michael Porter is one of the first authors of the idea of industrial clusters. In the concept presented by him, the cluster was defined as: “a group of geographically adjacent and cooperating companies and organizations operating in a specific field, complementary and distinguished by their common activities”.<sup>[1]</sup>

According to scientists, a cluster affects competition in three ways:



**Figure 1. M. Porter's impact of the cluster on competition**

While studying the competitive advantage of countries that play an important role in world trade, M. Porter showed that the economic growth of the state cannot be inherited from the ancestors, it can only be created at the expense of increasing the competitiveness of local production and increasing labor productivity. The highest labor productivity is associated with a flexible organization and is consistently observed in innovative firms. In this regard, as noted, not only innovation and education, but also network structures - relations between enterprises that provide conditions for the creation of clusters - remain an important factor in increasing competitiveness.

The further development of the theory of industrial clusters was caused by M. Enright, a student of M. Porter, who went down in history as the founder of the theory of regional clusters, and who determined that competitive advantages are created at the regional level and that the historical conditions of the development of regions play a key role in them. According to him, a regional cluster is a geographically mutually beneficial association of companies belonging to similar sectors of the economy.<sup>[2]</sup>

In the economic literature, the study of the concept of “Cluster” has been seen in many works, and it is necessary to distinguish a number of points by summarizing and systematizing. In his work, R.R. Tokhchukov distinguishes 2 important features of clusters: firstly, the structural elements of a clustered structure (firm) are interconnected and communicate both horizontally and vertically, and secondly, companies are grouped into clusters based on the type of activity and geographic proximity. need The formation of a cluster allows solving the problems of territorial localization of interrelated companies of the same industry or region, as well as



uniting various entities, expanding the mechanisms of management and cooperation between cluster participants.<sup>[3]</sup>

E.V. Chemodanova to according, another important factor taken into account in the economic clustering system is the involvement of not only companies of the relevant sectors of the economy, but also "state structures and scientific institutions "in the process. In addition, he defines the agroindustrial cluster as "combining organizations of different fields of activity in a single cycle of reproduction, including all stages of production, from the production of agricultural products to the sale of finished products, the result of which should be a synergistic effect".<sup>[4]</sup>

D.P. According to Barsukov, the cluster system is a complex of companies entering into mutually beneficial relations to create a single strategy and coordinate actions to achieve important business and financial goals.<sup>[5]</sup>

A. According to the definitions given by Friedman and his colleagues: "clusters represent geographic concentrations of enterprises in one or more interrelated sectors, but at the same time they represent a single value chain that interacts and benefits from specific local assets".<sup>[6]</sup>

According to Uzbek scientists, the cluster approach to economic development is a new management technology, and this approach allows to increase the competitiveness not only of a particular region or industry, but also of the entire country.<sup>[7]</sup>

The business system approach is mostly used by large enterprises and corporate business structures. According to this concept, it is planned to apply the methods and tools of management of production systems to all processes and structures of the enterprise. The business system approach is used in conjunction with several other concepts, models, and approaches, such as the Lean system. It should be noted that Lean system and TOC, Lean system and 6 Sigma, Lean system, TOC and Kaizen, Lean system, TOC and 6 Sigma combinations are used in the management and organization of production systems. Thus, the company management tries to take into account the advantages of each approach. However, a single approach is deeply mastered before moving to a format that uses a combination of several approaches.<sup>[8]</sup>

Lean Production allows you to get an advantage in cost and price only if the domestic enterprise is on an equal footing with foreign competitors and operates on a relatively identical technological platform. No methods of modern business management will be able to ensure the growth of an enterprise's market share if the supplied products do not satisfy the consumer in terms of their functional characteristics and high technology. On the other hand, having significant investment opportunities for the modernization of an enterprise, you can lose them if the production system, along with the production of products, multiplies losses, which greatly increase costs and cannot compete with foreign counterparts.<sup>[9]</sup>

Russian scientist A.A. According to Migranyan, it represents an enterprising merger of highly competitive firms for the purpose of more effective implementation of joint activities.<sup>[10]</sup>

T.V. According to Uskova, a cluster is a group of closely located companies that are interested in the production of a certain product, which allows for close and effective communication. Such interaction leads to their transformation from a simple network form to more complex forms of structure, taking into account the relations between firms, as well as between



individuals. They also tend to expand and can even be transferred to related sectors of the economy. <sup>[11]</sup>

According to the statistical indicators analyzed on the production of products of the textile industry, Uzbekistan as a weak point in the competition of the textile industry spiritual obsolescence of weaving machines, lack of qualified engineering and technical personnel, low specialization in the production of gauze, fabric products, it was found that the production of domestic fabrics aimed at sewing and knitting did not develop, the level of fiber assimilation in some regions was low, and the number of enterprises that introduced Quality Management in accordance with international standards was low. <sup>[12]</sup>

The experience of introducing cost-effective technologies shows that no matter how much employees improve the process, no matter how “economical” it is, new ways of eliminating losses are emerging. The process of improvement and value creation is accomplished through the efforts of employees. Employees are the main asset of the enterprise and the owners of the cultural value of economical production. <sup>[13]</sup>

E.V. As the main advantage of the Volkodavova cluster, the enterprises included in the cluster are legally independent and provide the opportunity to use production and marketing technologies, information and knowledge, which is the basis of success and allows to achieve synergistic success. <sup>[14]</sup>

T.I. Maksimova believes that a high level of environmental, informational and general economic stability can be achieved by combining the efforts of various - production, organizational and socially oriented infrastructures due to cluster agglomerations. <sup>[15]</sup>

Russian researcher L.I. Pronyaeva and her colleagues O.A. Fedotenkova and A.V. Pavlova highly appreciates the possibilities of introducing cluster associations and emphasizes that their organization and activity will create additional opportunities for the development of production, social, export and general economic potential for the direct participants, as well as for the regions where the cluster is located. They emphasize that cluster initiatives are always related to the introduction of innovations, and should be formed on the basis of mutual cooperation of business structures, the state, with the mandatory involvement of educational and scientific institutions. <sup>[16]</sup>

Based on the experience of foreign companies, it can be concluded that the introduction of lean production technologies to ensure an increase in the efficiency of the production system will significantly reduce costs, increase labor productivity, improve the production process, achieve high financial performance, increase the competitiveness of the enterprise and achieve many other qualitative and quantitative changes. <sup>[17]</sup>

One of the basic principles of lean manufacturing and the first stage of its implementation is to define the qualities that make the manufactured product value for the consumer. This is where the implementation of lean manufacturing begins. Activities performed in the enterprise that do not create value for the customer are waste. Consequently, even the very initial stage of implementation of lean manufacturing already has an impact on increasing competitiveness. <sup>[18]</sup>

Improving the model of efficient use of production capacity, increasing labor productivity, enhancing corporate spirit and corporate culture in textile enterprises through the use of costeffective means of production (Lean production) - 5S system. Substantiate the



effectiveness of the introduction of the organizational system “5S” (sorting, compliance, cleanliness, standardization, improvement) of the concept of cost-effective production to manage the use of production capacity as an element of improving process quality and production culture in textile enterprises.<sup>[19]</sup>

Analysis and generalization of theoretical approaches to the cluster concept allowed O.A. Fedotenkova and L.I. Pronyaeva to find a certain generality of the conceptual apparatus of this phenomenon. According to them, a cluster is a specific form of integration of various participants (organizations) entering into a mutually beneficial cooperation that contributes to innovative development, which provides an increase in the economic efficiency of cluster participants in the creation of a final product connected on a territorial and geographical basis.<sup>[20]</sup>

According to the scientists of our country, “clusters have successfully solved the task of establishing cooperative relations between textile enterprises and farms organized on the basis of direct contracts for the cultivation of raw cotton by farms and its supply to textile enterprises for further processing, and to develop both regions and the whole country. makes an important contribution to the socioeconomic development of the country”.<sup>[21]</sup>

I.A. Toshpolatov proposed a new organizational structure for the analysis of the cluster system established in the light industry and the improvement of the cluster model, as well as the process of improving the cluster model due to the effective use of the experience of foreign countries in the organization of clusters in the light industry was studied.<sup>[22]</sup>

Thus, clusters are one of the forms of interaction of organizations and social groups within the joint value chain. Clusters should be distinguished from holdings, professional associations, technological parks, industrial parks and regions, regional innovation systems, regional production complexes, industrial agglomerations.

## Research Methodology

In the article, the study of the scientific aspects of the formation of the cluster system in the textile enterprises of our country, comparative speaking, the study of statistical data and comparison and creation from production, logical thinking, scientific abstraction, analysis and synthesis, wide use of induction and deduction methods.

## Analysis and Results

The cluster approach can fundamentally change the content of the state economic policy, aimed not at supporting individual enterprises and industries, but at developing relations between related enterprises and institutions located in geographical proximity. The cluster approach in the management of industries and complexes helps to increase the stability of the economic system based on rapid response to internal and external economic changes, adaptation through innovative policy tools.

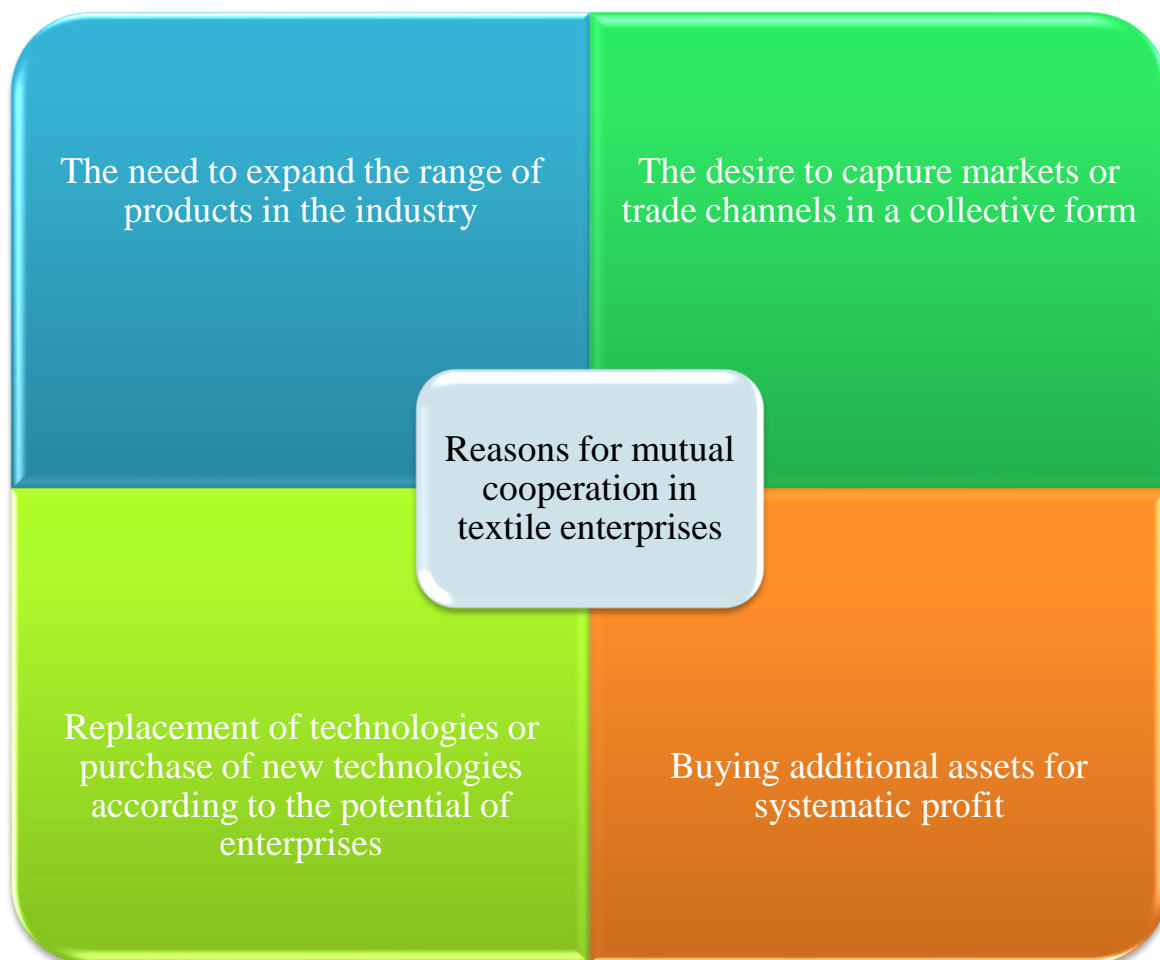
Until now, the important characteristic of a cluster has always been geographical concentration, the presence of networks and connections, but with the development of the Internet, the concept and essence of a cluster changes, because the type and means of communication and networks are changed. In addition, the importance of international strategic alliances of different groups and their role in promoting mobility is increasing. Public



funds are especially important at the stage of creating clusters, and then private funds are becoming more important.

The analysis of the foreign experience in the formation of clusters showed that there are common methods of formation of clusters and the existence of specific characteristics in one country (priority of support for certain sectors, quality of the natural resource potential of the region), which makes it necessary for each country to form its own national cluster model. defines.

The reasons for companies joining clusters may vary according to the goals of each individual firm (Figure 1), but their relationship should be based on the principles of openness, trust and mutual benefit.



**Figure 2. Motives for establishing mutual cooperation in textile enterprises**

According to economists, "export potential is the ability of a country, its industries and enterprises to create and export goods that can compete globally by attracting comparative advantages of a natural, infrastructure, production, innovative and other nature".

The following components of the region's export potential are distinguished:



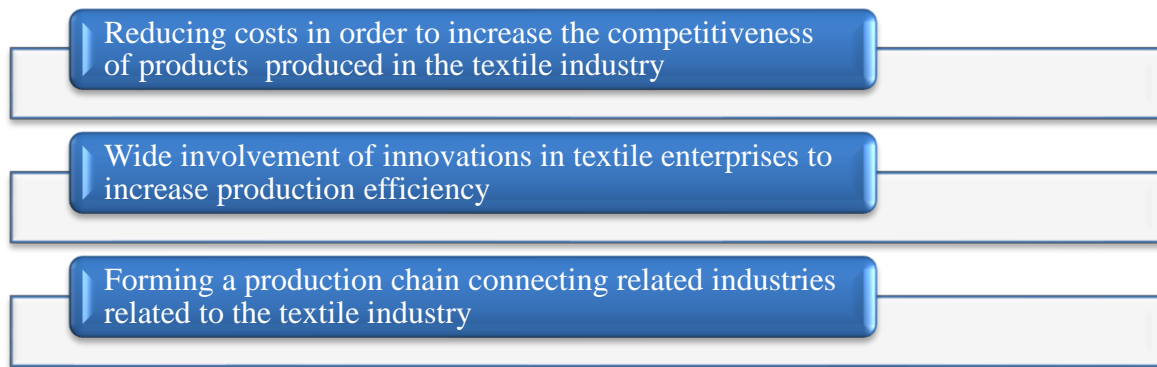
Resource potential	•Providing the region with natural resource reserves at an average level
Production capacity	•General result of economic activity of regional enterprises
Labor potential	•Characteristics of employees of regional enterprises, their qualifications and level of education
Financial potential	•General financial security
Consumption potential	•The volume of domestic and foreign markets, their characteristics
Infrastructure capacity	•Economic-geographic location and quality of production infrastructure
Innovative potential	•The level of development of scientific research activities
Institutional capacity	•Level of development of leading institutions of market economy, forms of ownership, small business

**Figure 3. Components of regional export potential.<sup>[23]</sup>**

In practice, as a rule, export potential is divided into local and general types. The first of them refers to the production volumes and other opportunities of an economic entity related to a specific product within one foreign market, and the second refers to the opportunities not limited to one market, but to the level of several products and markets. At the same time, the total export potential of the enterprise is made up of individual local potentials.

Three definitions of the cluster concept are most common in the economic literature:





**Figure 3. The essence of the Organization of a cluster system in the textile industry**

A characteristic feature of the European, North American and Japanese models is the existence of competition within the cluster, but in the latter, the position of the leading enterprise means dominance. The third characteristic of the Asian model is the priority of the state and its bodies in the management of clusters.

It has the characteristics of mutual competition, cooperation of cluster participants, formation of unique powers of the region, formation of centralization of enterprises and organizations in a certain area. The introduction of textile clusters is aimed at meeting the domestic needs of the country, reducing dependence on imports and increasing the country's export potential.

The advantages of the introduction of the cluster system in the textile industry allow for the improvement of many processes at the micro and macro level of the national economy.

There are several types of cluster management models:

**Table 1. Management models of the cluster in the textile industry**

Types of management models in the cluster system	An initiative governing body in the textile industry	An initiative governing body in the textile industry
Integration	Integrated agroformation	Creation and operation of horizontal agricultural clusters in the textile industry from the formation of personnel potential and raw materials to the release of the final product of the cluster
Directive	State and local authorities	Development and implementation of national legislation and regulatory documents for the development of the cluster approach in the textile industry, regional development strategy
Private	Processing companies operating in the field	Organization of agroclusters that coordinate the subjects of clustering of various sectors at the initiative of large private investors
Cooperation	Private and public cooperative partnership	Creation of regional innovation and investment councils, committees and other forms of coordination, initiative of cluster entities in the textile industry

The benefits of implementing cluster systems allow to increase the economic potential, including exports, regions and the country as a whole.

There are methods for assessing the potential of clusters, which include:

- ❖ analysis (evaluation) of quantitative dynamics based on statistical data;
- ❖ analysis of quality changes carried out using collective and individual expert evaluation methods through surveys, questionnaires, interviews, etc.;



- ❖ comprehensive assessment, which is conducted taking into account the results of the first two lines of analysis.

The competitive advantages of cluster systems are that they are based on the use of innovative developments, which are aimed at modernizing the economy of the region and the entire country, improving the efficiency of reproductive processes, increasing the volume of gross regional product, increasing the export potential of the region, and contributing to general economic growth.

According to economists, “export potential is the ability of a country, its industry and enterprises to create and export goods that can compete globally by attracting comparative advantages of a natural, infrastructure, production, innovative and other nature.”

The increase in the export potential of the enterprise can be considered in two directions: commodity and territorial (geographic). In the first case, we mean increasing the competitiveness of previously produced or newly established products. The second direction involves entering new markets or increasing the volume of sales in previously acquired markets.

## Summary

The cluster form organized in the textile industry corresponds to the modern principles of economic management, because it allows to reduce the level of social tension based on the creation of jobs and decent wages, to achieve stable regional and national development, which ultimately means improving the living standards of the population.

It is important to assess the effectiveness of the introduction of clusters in the textile industry and their export potential. This allows us to correctly assess the financial and economic situation of some administrative-territorial structures, and on this basis, it allows us to formulate a reasonable state policy, and it allows investors to accurately assess the risk of investing in the region. Methodologically, the analysis of cluster activity efficiency is related to the analysis of the following groups of indicators: production localization indicators, labor productivity, capital income, product profitability, employment level. Increasing the efficiency of management of clusters and increasing their export potential is aimed at having a positive effect on the socio-economic development of the regions and the entire country, and on raising the living standards of the population of the region.

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