

# Improving the Efficiency of Management of Vertical Integrated Industrial Enterprises

**Mullabayev Baxtiyarjon Bulturbayevich**, Namangan Engineering Construction Institute, Doctor of Philosophy in Economics (Phd), Namangan, Republic of Uzbekistan

**Shakirova Gulbahor Sharipdjanovna**, Namangan Engineering Construction Institute Namangan, Republic of Uzbekistan

## Article Info

Volume 83

Page Number: 5429 - 5440

Publication Issue:

March - April 2020

## Abstract:

The article describes the theories, principles and features of vertically integrated industrial enterprises, and their relationships and systems. Author's approaches to analysis of vertical integrated management of light industry enterprises of Uzbekistan, econometric analysis of integration processes of light industry enterprises of Namangan region, forecast of development of innovative activity of enterprises based on vertical integration processes, opportunities of using vertical integrated management strategy developed by the author methods. Experience of introducing vertical integrated management in foreign countries, criteria and benchmarks for evaluating the management of vertically integrated industrial enterprises, and improving the efficiency of innovative management systems based on vertical integration of industrial enterprises has been proposed.

## Article History

Article Received: 24 July 2019

Revised: 12 September 2019

Accepted: 15 February 2020

Publication: 28 March 2020

**Keywords:** vertical integration, light industry, standard, strategy, competitiveness, correlation, regression.

## Introduction

Experience in the effective use of vertical integration in innovative development of the industry is gaining momentum through the introduction of modern management strategies in countries around the world. In particular, "In international practice, more than 90% of the major manufacturing industries, including 65% in the textile industry, are governed by vertically integrated systems." . It is important to accelerate the foreign economic activity of the world countries through the use of the strategies of vertical integration, to gain a foothold in the international markets and to improve the system of effective corporate governance.

The use of modern innovative management strategies to improve the competitiveness of industrial enterprises in the world, radical improvement of organizational and economic mechanisms of production from primary raw

materials to finished products, assessment of the impact of exogenous and endogenous factors on the production process, effective organizational and economic mechanism of innovative activity of industrial enterprises. development is an important research area. The impact of vertical integration of industrial enterprises on the effectiveness of their activities, the introduction of innovative forms of integration processes, the use of opportunities for cooperation and diversification to enhance management efficiency reflect scientific trends.

A favorable economic environment has been created in the Republic of Uzbekistan, and the legal framework is being improved. As a result of measures aimed at increasing the industrial potential, "the increase in total production and the industry's share in GDP will reach 32.9% in 2018, which has a significant impact on its growth rate and increased by 10.6% compared to 2017" . There are opportunities for the introduction of modern

management strategies in the innovative development of industrial enterprises, further improvement of the production system, the use of which requires increasing the efficiency of vertical integration processes in the management of the enterprise. Strategy of actions for further development of the Republic of Uzbekistan for 2017-2021 will allow "modernization of the industry through qualitatively new stage of accelerated development of high-tech processing industries, first of all with high processing of local raw materials. diversification ". Successful implementation of these tasks will require improvement of management system in all sectors and branches of economy on the basis of deep study of the experience of foreign companies and their active implementation, introduction of modern vertical and horizontal integration of production, foreign economic and investment processes.

### Literature Review

A number of foreign economists are working on improving the organizational and economic aspects of management in industrial enterprises, their innovative development, introduction of modern management systems in management and increasing the efficiency of management; Including I. Annsoff, M. Meskon, A. Schlefer, M. Hessel, U. Horneby, B. Gemmi, S. Wall. .

Effectiveness of management strategies aimed at vertical integration in the Commonwealth of Independent States countries, reduction of transaction costs, development of corporate relations A. Bulatov, AVBandurin, R.Entov, A.Radygin, N.Rudnik, EVSemenikova and IArrabrova Scientists like this have done research.

M.Sharifkhodjaev, Sh.Zaynutdinov, B.Yu.Khodiev, B.Berkinov, M.L. Scientific researches of Tursunhodzhaev, K.Abdurahmonov, D.Rakhimova, Sh. Yuldashev, M. Khamidulin, D. Suyunov and others .

Although the results of the above-mentioned economists' research are still used today, their work has focused on the peculiarities of the use of vertical

integration in the management of innovative activities related to various forms of production, the introduction and improvement of innovative development mechanisms in the economy, and the use of vertical integration. insufficient attention was paid to the selection of the topic of this research study par.

### Methods and Analysis

Vertical integration (vertical concentration) has been defined as "communities comprising a single production chain, including a single enterprise, infrastructure, business processes, technologies, competencies, and so on." They are often recognized as holding companies. Vertically integrated companies are usually controlled by its owner. Typically, each holding company produces different products or services to meet common needs.

From the results of the research, it is clear that there are a number of rules that allow for greater efficiency from the creation of vertical integration, including:

vertical integration is more effective at the initial and final stages of a network or industry than the intermediate stages;

vertical integration is based on technological interconnection, so that the industry is more efficient when there is continuous production compared to individual and permissible directions;

Vertical integration between intermediate and final product manufacturers corresponds to a market-based system where intermediate products are required for intermediate products, intermediate products are unique, and therefore are less likely to sell in the open market, and technologies are less costly or cost-effective. is effective when unknown.

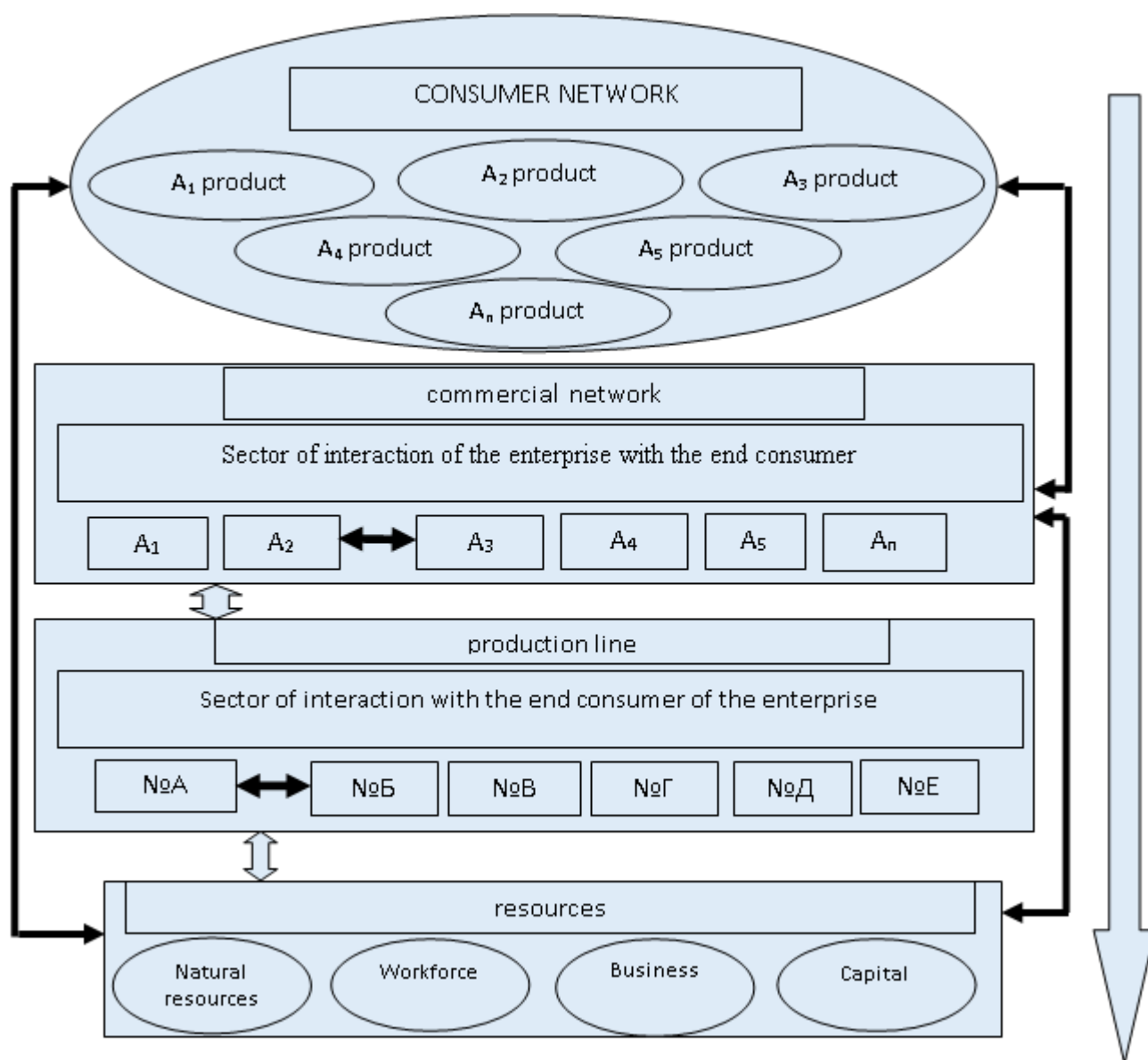
According to the research, outdated equipment and technology in industrial enterprises of Uzbekistan is now about 30%. The final solution to the resource problem is related to the second phase of intensification, which can be characterized as a transition to integrated growth. These circumstances create conditions for the creation and effective management of vertically integrated structures in

industrial enterprises of our country, in turn, the creation of new forms of production processes, job creation and expansion of external contacts.

There is a need to improve the organizational and economic aspects of management in the country enterprises, to substantiate the specifics of the use of vertical integration strategies in managing innovative activities, to develop tools and mechanisms to determine the current state of the activities of industrial

enterprises, strategies for improving their management mechanisms and prospects for management. issues

In modern management practice, the scientific principle is one of the key principles of innovative management of enterprises. At the same time, of course, it is advisable to improve the enterprise's vertical integration strategy, especially the introduction and improvement of effective management mechanisms.



**Figure 1. Model of the relations of economic mutual relations**

Figure 1 shows how the company interacts with both the resource markets and the consumer markets. When each relationship is broken - in the low-quality activities of each of the companies involved in the process or process, the final product may be poor or

inadequate - that is, the resources used to produce the product will be wasted. The control of all the components of this process helps to reduce this risk.

Such an approach will enable consumers to meet the needs and desires of certain customers and to

quickly and qualitatively reorganize existing enterprises producing certain types of high-yielding products, improving productivity through optimizing production costs, economic independence and ultimate goals. to ensure free decision making in the units responsible for achieving it.

Thus, vertical integration will help companies increase their competitive advantage, improve their efficiency and optimize their costs by optimizing costs. The main trend in the management of vertically integrated structures is the introduction of advanced systems, such as traditional, linear-functional management systems, as well as new structures using innovative technologies and restructuring of management systems from the centralization of company management to denationalization. The main features of this process are:

- organization of subdivisions of companies by type of production;

- inclusion of the organization of production-economic processes of the subdivisions or companies in the zone of responsibility of the senior managers;

- subordination to executive units of the parent company.

Decentralization of the organizational structure of management of the company is based on the division of strategic and tactical production and economic levels. Thus, the divisions and companies' governing bodies are given broad authority and include the results of production and economic activities that ensure the competitiveness of the enterprise's products

and other important indicators in their area of responsibility.

As mentioned in the study, high-level management is provided with the conditions for long-term planning, long-term forecasting and long-term external relations development, which allows the company to achieve competitive advantage in the market through high-quality business planning.

In conclusion, increasing the efficiency of using vertical integration in the management of innovative activities of enterprises is part of the business, and the creation of high-tech corporations will create the necessary conditions for the effective functioning of the state. While the market system in the country is strong, it is fully controlled by laws and economic mechanisms adopted by the state, which, in turn, ensures the establishment of corporations.

Ensuring the vertical integration of the economic sectors of the Republic of Uzbekistan on the basis of structural changes is important not only for the development of industries, but also for the management of innovative activities. In this context, the author has practically studied the state of vertical integration of enterprises in order to identify the main directions of improving the efficiency of management as a result of vertical integration of enterprises of the Association of light industry of the Republic of Uzbekistan.

The degree of their correlation can be determined by EXCEL using the correlation coefficient based on the selected factors (Table 1).

**Table 1: Correlation analysis of economic indicators of the enterprises of the Association “Uzkimyo sanoat” of the Republic of Uzbekistan**

	Y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>
Y	1					
X <sub>1</sub>	0,933385	1				
X <sub>2</sub>	0,9836894	0,7681273	1			
X <sub>3</sub>	0,9693652	0,7472270	0,6935444	1		
X <sub>4</sub>	0,9422892	0,780038	0,7812438	0,7762072	1	
X <sub>5</sub>	0,9166932	0,780446	0,6701967	0,5661216	0,7926793	1

The table shows that there is a strong correlation between the causal factor and the factors chosen, and the correlation between the factors is intense and  $|r_{(X_1, X_2)}| < 0,8$ . It is possible to create a regression equation, that the conditions are

fulfilled, there is no multicollinearity between the factors. The regression equation illustrates how a functional link exists between the causal factor and the selected factors. It is now appropriate to use the

easiest Eviews program to create a regression equation.

At the same time, the reliability and adequacy of the regression equations that have been identified must be verified according to certain

criteria. The least-squares (Gauss-Newton / Marquardt steps) methods were used in the model estimation from the data sets Akaike, Schwarz and Hannan-Quinn.

**Table 2: Reliability of the criterion-based regression equation and results of adequacy**

R-squared	0.896353	Mean dependent var	108.6350
Adjusted R-squared	0.879331	S.D. dependent var	56.00613
S.E. of regression	3.682046	Akaike info criterion	9.794668
Sum squared resid	84.91895	Schwarz criterion	9.158121
Log likelihood	-28.76801	Hannan-Quinn criter.	9.724103
F-statistic	27.80241	Durbin-Watson stat	1.852415
Prob(F-statistic)	0.001270		

Table 2 shows the analysis of the obtained model

«Akaike-AIC=9,79», «Schwarz-BIC=9,16» and «Hannan-Quinn-HQ=9,72» and the statistical criteria that allow the test of autocorrelation of the first order of elements and elements – Durbin-Watson-DW=1,85 An adequate regression equation that is defined as

$$Y = 211,99 + 0,96 \cdot X_1 - 0,0087 \cdot X_2 + 0,079 \cdot X_3 + 0,043 \cdot X_4 - 0,064 \cdot X_5 \quad (1)$$

is here: Y – volume of production of enterprises;

X<sub>1</sub> – number of businesses;

X<sub>2</sub> – Cost of sales (goods, works and services);

X<sub>3</sub> – net proceeds from the sale of products (goods, works and services);

X<sub>4</sub> – the initial cost of fixed assets;

X<sub>5</sub> – depreciation of fixed assets;

Based on the equation (1) of the regression, we can say that under the current conditions, the number of enterprises being established in the

Association "Uzteploenergo" or the number of member companies by 10 units will be increased by 9.6 units.

It was found that the initial cost of 0.8 units and fixed assets increased by 0.4 units.

However, due to the reduction of the cost of goods (goods, works and services) and depreciation of fixed assets by 100 units, the volume of products manufactured by enterprises can be adjusted accordingly.

0.9 and 6.4 units provide an additional upgrade.

If the net profit of the enterprises - members of the Association "Uzteploenergo" – Y and investment in enterprises as factors affecting it – X<sub>1</sub>, profits before paying income tax – X<sub>2</sub>, period costs – X<sub>3</sub> and the initial cost of fixed assets – X<sub>4</sub> The analysis of the functional links between them allows us to draw conclusions about the state of the selected networks. For this, the correlation between the selected parameters is determined by EXCEL and the result is shown in Table 3.

**Table 3: Results of correlation link between net profit and the factors influencing it**

	Y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>
Y	1				
X <sub>1</sub>	0,694600779	1			



$X_2$	0,986158078	0,742160898	1		
$X_3$	0,733681506	0,790585557	0,632628038	1	
$X_4$	0,712455227	0,72804432	0,71287124	0,792088743	1

According to the results of Table 3, the net profit of the enterprises of the Association «Uzpotroysanoat» is strong with time costs (0.986158078) and with other factors correspondingly.  $r_{Y,X_1} = 0,695$ ,  $r_{Y,X_3} = 0,734$  and  $r_{Y,X_4} = 0,713$  was found to be more dense than average. We construct a regression equation based on the correlation link between these factors. The regression equation is as follows:

$$Y_{Uz arzo} = 16,8 + 0,211 \cdot X_1 + 0,917 \cdot X_2 - 0,53 \cdot X_3 + 0,022 \cdot X_4, \quad (2)$$

is here:  $Y$  – net profit of businesses;  $X_1$  – the amount of investment in enterprises;  $X_2$  – profit of enterprises before payment of profit tax;  $X_3$  – business time costs;  $X_4$  – the initial cost of fixed assets.

Taking into account the equation (2) of the regression, the volume of investments in the enterprises of the Association "Uzpotroysanoat" increases the profit before the payment of income tax and the initial value of fixed assets by 10%, the net profit of enterprises is 2.1%, 9.2% and 0, respectively. , Leading to an additional 22 percent increase. It is worth noting that during the survey period, the costs of the companies included in the association increased over time.

An increase in cost per 10 units will result in a decrease in net profit by 5.3 units. In this regard, it is advisable to provide enterprises with energy-saving technologies and use alternative energy.

The analysis shows that the development of a strategy for the development of innovative processes in vertical integrated management of enterprises will create a competitive environment for the national economy. As a result, the content of structural transformations in the economy will not only be enriched, but will also lay the groundwork for a wider socio-economic activity, broad and comprehensive development of industries and

sectors. For this purpose, of course, it is expedient to determine the perspectives of the activity of enterprises and non-members of the Association of the Republic of Uzbekistan, based on the current requirements. Because the prediction of the activities of both types of business separately allows to draw a clear and reliable conclusion about vertically integrated enterprises.

The net profit of the enterprises - members of the Association «Uzpotroysanoat» - is determined by the model (2) above:

$$Y_{Uz arzo} = 16,8 + 0,211 \cdot X_1 + 0,917 \cdot X_2 - 0,53 \cdot X_3 + 0,022 \cdot X_4, \quad (2)$$

is here:  $Y$  – net profit of businesses;  $X_1$  – the amount of investment in enterprises;  $X_2$  – profit of enterprises before payment of profit tax;  $X_3$  – business time costs;  $X_4$  – the initial cost of fixed assets.

The regression equations for the time-dependent change of each selected factor are determined:

Volume of investments in enterprises:

$$X_1 = 56,1 + 11,2 \cdot t;$$

Profit before tax payment:

$$X_2 = -11,2 + 35,3 \cdot t;$$

Period costs:

$$X_3 = -57,9 + 32,7 \cdot t;$$

Initial value of fixed assets:

$$X_4 = -451,1 + 406,7 \cdot t;$$

By placing (2) the modules calculated for each factor,

The forecast of net income changes for the years 2019-2025 in the activity of the enterprises of the Association "Uzteplyo-Industrial" in the Republic of Uzbekistan is calculated.

Table 4 shows that by 2025, net profit of enterprises of the Association "Uzpromstroybank"

will grow by 36.4%, investment by 29.9% and period expenditures by 45.3% compared to 2019, reaching \$ 592.5 billion. sum, 291.3 bln. and 628.8 billion soums. It is reflected in the table below.

It should be noted that modernization of production and reduction of management costs are expected to increase the cost of the period costs by 1.45% by 2025 compared to 2019.

**Table 4: Forecast of activity of the enterprises - members of the Association "Uzbuilding industry" in the Republic of Uzbekistan**

Years	Net profit, billion soum	Fixed capital investments, bln. soum	Profit (loss) before income tax payment, bln. soum	Period Expenses, bln. som	Initial cost of fixed assets, bln. soum
2019	434,4	224,1	518,3	432,6	5649,4
2020	460,7	235,3	553,6	465,3	6056,1
2021	487,1	246,5	588,9	498,0	6462,8
2022	513,4	257,7	624,2	530,7	6869,5
2023	539,8	268,9	659,5	563,4	7276,2
2024	566,1	280,1	694,8	596,1	7682,9
2025	592,5	291,3	730,1	628,8	8089,6

Enhancing the efficiency of vertical integration management in enterprises depends on the effective functioning of the existing system of antimonopoly and competitive environment of firms, enterprises, organizations and corporations. At the same time, the competitiveness of the national economy is determined by the development of private property, the system of state guarantees and the high level of innovation policy and strong institutional environment in the country.

According to foreign researchers, the conditions for the creation of vertically integrated businesses are: emergence of dangerous and unstable markets in the economy; high market power of companies operating in adjacent segments of the production chain; uneven prices in the market; insolvency of the consumer and market insufficiency (limited buyers and sellers, insecurity).

As stated in the thesis, the implementation of the Vertical Integration Strategy Model for the development of innovative activities of the enterprises of the Association "Uzteploemprom" first of all must seriously consider its possibilities and influencing factors and economic relations. The association should focus on information flow

management. In this case, it is advisable to provide vertical integration of enterprises in economic systems. Based on the results of the research, a model of vertical integration in the management development of light industry enterprises has been proposed.

The main problem in the integration of light industry enterprises is the lack of accurate data on orders from enterprises in the system, the lack of systematization of information management information between textile manufacturers and sewing enterprises.

The main directions of increasing the efficiency of management on the basis of vertical integration of production processes at about 1300 enterprises of UzUsUpublish Association are ensuring the harmonization of each branch or system of production.

In analyzing the advantages or disadvantages of vertical integration, it is important to evaluate the behavior of sellers and buyers. Thus, this method of analysis of supply and demand helps to see the full range of possible actions, but it is important to note that the result cannot be used to determine the forecast.

The results of regular studies conducted by the Association "Uzlokhsanoat", analysis of the financial condition of clusters with vertical integration have not been planned in 2018, and according to the final financial results, the total income is lower than the expenditures by 9 468.6 million.

The results show that in order to form clusters it is necessary first of all to create an environment,

structural structure and fundamental methodological basis for the implementation of cluster initiatives.

The study has developed a method for assessing the productivity of vertically integrated businesses and identifies the impact of labor productivity through increased productivity. The effect of changing production volumes in a vertically integrated enterprise is calculated using the following formulas:

$$Q_{ij} = \frac{\sum q_1 U_b}{Q_{i_1}} \div \frac{\sum q_0 U_b}{Q_{i_0}} = 1 + \frac{I_u - I_{qi}}{I_{qi}} = 1 + \frac{\sum q_0 (x_0 + f_0 + m_0^m) I_u - \sum q_1 (x_0 + f_0 + m_0^m) I_{qi}}{Q_{i_1}}, \quad (3)$$

is here:  $q_0$  and  $q_1$  – quantity of products expressed in physical terms during reporting and base periods;

$U_b$  – full labor costs (wages) spent on the production of the unit during the base period;

$Q_{i_1}, Q_{i_0}$  – production volume in reporting and base periods, UZS;

$I_u, I_{qi}$  – Production Index;

$x_0$  – material costs for the production of the unit during the base period;

$f_0$  – profit per unit of product in the base period, soum;

$m_0^m$  – management costs in soum.

The following formula is used for deep analysis of structural changes in vertically integrated production, to know the interrelationship of different volumes of production:

$$Q_{v.ch} = 1 + \frac{\sum q_0 (x_0 + m_0^0 + m_0^b + m_0^a + m_0^m) I_u - \sum q_1 (x_0 + m_0^0 + m_0^b + m_0^a + m_0^m) I_{qi}}{Q_{i_1}}, \quad (4)$$

here:  $m_0^0$  – expenses on the main materials for the production of the unit during the base period;

$m_0^b$  – costs of auxiliary materials;

$m_0^a$  – expenses on depreciation deductions.

Based on the efficiency of each vertically integrated enterprise identified by these formulas, the overall synergetic efficiency is calculated by adding each of them:

$$Q_{v.s} = \sum_{i=1}^n \sum_{j=1}^m Q_{ij}, \quad (5)$$

here:  $Q_{v.s}$  – synergistic efficiency of vertically integrated businesses;  $Q_{ij}$  – i-турдаги j- efficiency of vertically integrated manufacturing companies.

Clearly, this account of structural changes in production in vertically integrated enterprises not only influences the assessment of the overall level and dynamics of labor productivity, but also identifies factors associated with the production

activities of the enterprise. Probably, the current process involves a lot of analytical work, which takes a long time, but the overall analysis of the proposed phases illuminates key issues and enables the development of hypotheses and data collection for a more in-depth analysis of activities.

Systematic analysis of the features of modern clusters and vertical integration by cluster method shows that the most important means of managing the interactions between economic entities - cluster participants. Effective vertical integration management has the advantage of simplifying technology use, risk sharing in various forms of joint economic activities, joint research and sharing of knowledge and fixed assets.

Vertical integration is one of the last methods of business strategy that surpasses all intuition and tradition, and it is not easy to offer a universal solution to this problem, so it is important to study



the activities of other related companies. Of course, improving the efficiency and future performance of vertically integrated businesses depends, first and foremost, on the proper establishment and use of management systems.

Management efficiency of vertically integrated businesses is determined by comparing the final product production status of the integrated and non-integrated enterprises and their competitiveness in the market. The main purpose of vertical integration is to provide a competitive advantage over cost.

The results of research on the study of some scientific and practical aspects of the problems of vertical integration in the development of innovation activity in light industry enterprises and their solutions have yielded several results.

In particular, the UZTEX Uchkurgan JV has been chosen as the main mechanism for efficient management of vertically integrated activities. As a result of the use of this system, the management system of the integrated enterprises is estimated at 38.6 mln. Soums.

With the aim of innovative development of Namimpex-Textile LLC, the introduction of community-based human resources management methods of vertically integrated management will cost management costs \$ 35.2 million. soums, and increased labor productivity.

Proposed integrated strategic management model for the use of vertical integration strategies and development scenarios for 2020-2025 to ensure high and stable growth rates in the textile and clothing industry, attracting and attracting foreign direct investment, production and export of competitive products. The "Concept of accelerated development of the textile and clothing industry", developed by the Association "Uzvcanoat" qsadlariga the opportunity to achieve.

The study of vertical integration processes and the implementation of scientific and practical recommendations will contribute to the development of not only the industry, but the economy of the country as a whole.

## Conclusion/Recommendations

Based on the results of the research, the following conclusions and recommendations were made in the scientific description:

1. It is advisable to increase the effectiveness of using vertical integration in the management of innovative activity of industrial enterprises as part of corporate governance and considered as one of the most effective methods of enterprise management based on high management technologies.

2. Scientific research of economic relations related to innovative activities in industrial enterprises is one of the pressing issues in the society. Creation of vertically integrated structures, studying their scientific aspects, and development of innovative activities on this basis is of vital importance. World experience shows that the creation of industrial production on the basis of vertically integrated structures increases the economic potential of each country, promotes innovative activity and strengthens diversification policy.

3. Development and implementation of the principles of vertical integration management in the context of globalization of the world economy is the main condition of the present. It is well known that in Uzbekistan, the economic problems related to vertical integration have not been studied yet. In particular, no production structures related to vertical integration have been created. Financial and industrial groups, transnational corporations, clusters and logistics structures are still underdeveloped in our country. In particular, the financial and industrial groups do not exist and their capacity has not been used. Therefore, the creation of vertical integrated structures based on vertical innovation and the development of the scientific aspects of their management are essential for the Uzbek economy.

4. Examining the formation and improvement of vertically integrated structures in the textile and garment industry, such as the desire of enterprises to ensure efficient operation in the consumer goods market and the creation of effectively managed complex enterprises and companies. The need for optimal management of natural, technological and

economic factors arises from the expansion of the market activity of the enterprise. This will be achieved through the effective use of the resource potential by establishing effective management at vertically integrated enterprises with the advantage of price competition.

5. Enhancing the efficiency of vertical integration management in enterprises will increase the competitiveness of existing firms, enterprises, organizations and corporations. This will give an impetus to the effective functioning of the country's antitrust and improving the competitive environment. At the same time, the competitiveness of the national economy is determined by the level of development of private property, the system of state guarantees and the high level of innovation policy and strong institutional environment in the country.

6. The results of the econometric analysis were focused on identifying the nature and principles of the vertical integration process in enterprise management. According to the results, 3277 billion soums were received by non-union businesses in Namangan region. It has been established that the volume of products can reach the sum of 330 enterprises (447 in fact). According to the survey, the lower and upper limit of the number of businesses is in the range of  $330 < 447 < 841$ , which is explained by the low profitability of many operating enterprises (7.0% for the base period).

7. Companies in developing countries do not have high-level conditions but operate in other settings. These are economic conditions, volatility, low infrastructure and three factors that should be taken into consideration: most developing countries are underdeveloped, lacking qualified scientists and researchers; Consumers' purchasing power in local markets in developing countries is low, and companies' profit margins and financial opportunities are low. Developing countries, therefore, must first of all focus on enhancing the skills and innovation of employees in companies to address these challenges.

8. In developed countries, vertically integrated management practices have been introduced in almost all joint stock companies. In Japan and other countries, vertically integrated management models have been developed and used in several European and Asian countries. There are peculiarities, principles and objectives in managing joint stock companies and companies on the basis of vertically integrated management. Taking into account the fact that this experience can be used in the context of Uzbekistan, it is necessary to pay special attention to adapting the structure, methods and methods of management of joint stock companies operating in the country to the requirements of modern management.

9. Improving the management of an industrial enterprise is an activity aimed at improving its efficiency, which is an important issue for this study. Evaluation of the effectiveness of enterprise management using current economic indicators does not represent its long-term prospects. Examples include investment in technical base development, product improvement, development of the company and its employees, and so on. Based on the area of research, we can say that the reasoned system of quantitative indicators is not acceptable for evaluating the effectiveness of vertically integrated enterprise management. This is because there are also qualitative indicators in the evaluation of management effectiveness, and their full expression enables accurate evaluation of the process.

10. Research shows that in the development of management activities of light industry enterprises, the vertical integration model is important as a key area for improving governance by ensuring coherence between each sector or system.

## REFERENCES

1. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 № P-4947 "On the strategy of further development of the Republic of Uzbekistan". // [www.lex.uz](http://www.lex.uz).

2. Ansoff I. New corporate strategy. - St. Petersburg: Publishing House "Peter", 1999. -416 p. ;
3. Mescon M, Albert M., Hedouri F. Fundamentals of management. - M.: Business, 2000. -564 p. ;
4. La Porta R., Lopez de Silanes F., Shleifer A. Corporate property in various countries of the world // Russian Journal of Management, 2005, - No. 3, -148; Hessel M. Corporate Governance. Owners, directors and employees of a joint stock company. - M.: Partner, 2004. -49 p. ;
5. Hessel M. Corporate governance. Owners, directors and employees of a joint stock company. - M.: Partner, 2004. -49 s;
6. Hornby W., Gemmy B., Wall S. Economics for managers: textbook for universities / Per. From English.; Ed. Nikitina A.M. - M.: UNITY, 1999. -535 p.
7. Bulatov A.N. Methodological tools for a comprehensive assessment of the economic efficiency of corporate governance at industrial enterprises of the Russian Federation. Diss. Cand. econ. Science. - K.: 2001. -183 p. ;
8. Bandurin A.V. Corporate activities. - M.: LETTER, 1999. -560 p. ;
9. Radygin A.D., Entov R.M. Corporate governance and protection of property rights: an empirical analysis and current reform directions. - M.: IET, scientific papers No. 36P, 2001. -186 p. ;
10. Rudnik N.B., Semenikova E.V. Corporate control market: mergers, tight acquisitions and repurchases by debt financing. - M.: Finance and Statistics, 2004. -21 s;
11. Khrabrova I.A. Corporate governance: integration issues. -M.: 2000. -198 p. ;
12. Gulyamov S.S. Development of the legislation on joint-stock companies in the system of corporate relations and the problems of its improvement: Abstract. Dis. For the degree of Doctor of Law. - T.: TGUI. 2005. -43 p.
13. Zainutdinov ShN, Shermukhamedov AT The theory of management. Lesson. - T.: Economist, 2014 270 pages;
14. Khodiev B.Yu. and Vessels Corporate emancipation. - T.: TSUEU, 2010, page 220;
15. Berkinov B.B. Corporate structures (Fundamentals of creation and management). - T.: Publishing House of the National. b-ki of Uzbekistan, 2005.132 s. ;
16. Tursunkhodzhaev M.L., Zainutdinov Sh.N. Production management. Tutorial. - T.: Itisod-Molia, 2006, 224 p. ;
17. D. Rakhimova, KHAbdurahmanov and others. Modern Management: Theory and Practice.-T.: Gafur Gulam, 2009. 792 p. ;
18. Sh.G.Yuldashev, MB Hamidulin, D.Suyunov. Corporate Governance in Joint Stock Companies. Tutorial. - T.: Academy, 2005. - 138 p. ;
19. Suyunov D.H. Improving the implementation of corporate governance mechanisms for the development of the business environment: Doctor of Economics diss. autoref. - T., 2008. -45 p.
20. Mullabaev B.B. Improving the strategy of vertical integration in manufacturing enterprises // Business Expert Scientific and Practical Monthly Economic Journal. - T., 2015. No. 8. Pp. 46-49. (08.00.00. No. 3).
21. Mullabaev B.B. Analysis of scientific aspects of managing innovation activity of enterprises in the context of structural changes in the economy // Electronic scientific journal of economics and innovative technologies. - T., 2015. No. 6. Pages 1-8 (08.00.00 №10)
22. Mullabaev B.B. Analysis of innovative activities in the context of structural changes in the economy of the Republic of Uzbekistan // Business Expert Scientific and Practical Monthly Economic Journal. - T., 2016. No. 5. Pp. 30-32. (08.00.00. No. 3).
23. Mullabaev B.B. Introduction of vertical

- integration processes in the development of innovative activities in the production sectors // Electronic scientific journal of economics and innovative technologies. - T., 2016. No. 5. Pages 1-6 (08.00.00 No. 10).
24. Mullabaev B.B. Development of light industry branches in uzbekistan based on vertical integration // Бюллетень науки и практики Научный журнал. №10 (23) 2017. <http://www.bulletennauki.com>. 178-184 стр. (GIF 0,454; DIIF 1,08; Infobase index 1,4;)
25. Rasulov N.M., Mullabaev B.B., Advantages of Vertical Integrated Enterprises (Under Light Industry Enterprises) // The journal Test Engineering And Management has been located in the database Scopus. November December 2019 ISSN(S) 0193-4120 for the location.  
<http://www.testmagzine.biz/index.php/testmagzine/article/view/222/194>
26. Mullabaev B. B. Econometric analysis of the vertical integration of light industry enterprises in the Namangan region (case study of the Republic of Uzbekistan) // Scientific Review: Theory and Practice - 8/2018.22-36 p. Economics (08.00.00) Impact factor RSCI (five-year) - 1,230