

THE IMPACT OF THE COMPETITIVE ENVIRONMENT ON LIGHT INDUSTRY ENTERPRISES

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Abstract

This article presents the current problems encountered in the activities of enterprises and organizations in our country, the competitive environment of production in domestic and foreign markets, the five-component model of competition for industry structure and its analysis, internal competition in one industry, conducting strong competitive struggle, and high barriers to entry into the market.

Keywords: Competition, marketing, competitive environment, internal and external competition, export potential, five component model of competition.

Introduction

At the current stage of world economic development, developing countries are paying special attention to organizing the production of high-quality products in light industry enterprises in accordance with international standards and increasing their competitiveness. This, in turn, leads to the formation of a strong competitive environment between countries, with nations striving to surpass each other in terms of product quality and price.

To ensure the competitiveness of light industry enterprises in our country, numerous decrees and resolutions have been adopted by the Head of State. One of these is the Decree of the President of the Republic of Uzbekistan No. PF-2 dated January 10, 2023, "On measures to support the activities of cotton-textile clusters, fundamentally reform the textile and sewing-knitting industry, and further increase the export potential of the sector" [1].

In Uzbekistan, the cluster system is being implemented based on the rational use of foreign countries' experience, and roadmaps are developed and gradually implemented to ensure the development of the industry.

Currently, addressing the problems faced by enterprises and organizations in our country through the effective organization of a modern marketing system remains an urgent task.

At present, interest in marketing systems, which are an important part of enterprise practical activity in the competitive market conditions of Uzbekistan, has sharply increased.

Local entrepreneurs often lack sufficient knowledge and experience in the field of marketing, and therefore use narrow approaches in solving economic, commercial, and managerial tasks. This reduces the efficiency of enterprise operations.

Literature Review

Creating a favorable environment for enterprises is closely linked to the economic policies implemented by the state. Numerous scientific studies exist on effectively developing enterprises operating in different regions and ensuring a favorable competitive environment for them. It should be noted that the experience of developed countries shows that enterprise development strategies under competitive conditions remain a widely discussed topic and attract the attention of many practitioners and researchers.

Classical economist Smith (2011) considered competition as a fair struggle among market participants to create favorable conditions for selling and purchasing products. Another classical economist, Ricardo (2002), developed the idea that competition regulates market prices, and in combination with the decentralized control of natural prices, ensures long-term market equilibrium and ultimately contributes to economic development.

Schumpeter (2013) criticized the then-popular concept of formal, unreal competition, arguing that perfect competition never truly existed and, if it did, it could be harmful to the economy. He considered monopolistic practices beneficial, as they support research, development, and large investments.

Barney (1986), in his comprehensive analysis of competition theories in industry organization, discussed the characteristics of competitive forces that may influence firms and the outcomes of normative strategy theories. The objects of

research in the studies by Chamberlin and Schumpeter (2013) are industry, industry/firm, and industry/economy, respectively, with the focus on industry structure, behavior, and performance; monopolistic competition among various firms; and creative reconstruction.

Hayek (1998) criticized the neoclassical theory of perfect competition as impossible, concluding that competition is inherently a dynamic process, and its unique characteristics cannot be fully explained by static assumptions. It can also be assumed that competition helps reduce costs. When we imagine a single market, competition contributes to the formation of economic system integrity and coherence through information dissemination.

Local economists Astanakulov and Asatullaev (2018) emphasized the important role of investments in creating a favorable environment for enterprises and supporting strategic decision-making.

When discussing competition, it is impossible to ignore Porter's (1980) competitive diamond. According to him, understanding the essence of competition requires deep knowledge of the structure of any network and the processes of its change. He divides the forces shaping the competitive environment into five groups:

1. The threat of new entrants;
2. The threat of substitute products;
3. The bargaining power of suppliers;
4. The bargaining power of buyers;
5. Rivalry among existing competitors.

Modern economists McConnell and Brue (2014) define competition as the presence of numerous independent sellers and buyers in the market, with free entry and exit opportunities. Fatkhutdinov (2000) defines competitiveness as the ability of an object to withstand competition relative to similar objects in the market; products or services may or may not be able to compete in a given market. Thus, the literature analysis shows that the ability of an enterprise to compete in a specific market segment depends on the competitiveness of its products and the organizational-economic mechanisms of its operations.

Research Methodology

In the course of the study, economic analysis, statistical analysis, comparative analysis, chronological observation, and mathematical methods were used. In addition, data from statistical/official channels were also utilized.

Analysis and Results

Nowadays, one of the most discussed topics is the issue of competition. The competitive environment in domestic and foreign markets is strengthening day by day, and the scope of competition has expanded from inter-enterprise rivalry to networks, countries, and regions.

The five-component model of competition for industry structure was developed by Harvard University business professor Michael Porter in 1982 [2]. According to him, the five-component model of competition can be useful in determining the usefulness of a network.

These components are as follows:

1. The nature of internal competition;
2. Barriers to entry;
3. The influence of consumers;
4. The influence of suppliers;
5. The influence of substitute products.

Understanding the network structure and the five components of competition allows an enterprise to better protect itself from their influence and also use them correctly in the interest of its own benefit. It should be noted that the main forces shaping the competitive environment may differ across markets.

Thus, analyzing the five components of competition helps the enterprise to:

- a) Identify strengths and weaknesses;
- b) Identify key trends and problems in the network;
- c) Determine priority directions for resource utilization.

Internal competition within a single network can be strong under the following conditions:

1. A large number of competitors or competitors of equal strength. There is no centralization of obvious actions, and enterprises have equal opportunities in terms of resources and production scale.
2. Available idle production capacities, while the growth rate of production is negative.

Enterprises expand the product range and try to fully utilize production capacities, engaging in strong competition by setting prices below the total production cost. This is especially characteristic of networks where:

1. Fixed costs are high, and the cost of storing product inventory is high.
2. High fixed costs in areas with underutilized production capacities lead to a tendency for product price decline.
3. The product range is not expanded, or the costs of switching to new products are high. As mentioned, trademarks and product creation act as price competition protection, and switching costs to new products also serve as a protective measure. Examples include costs associated with adopting entirely new technologies.
4. Various competitors. Previous competitors in a network often know how to respond to each other's actions and have already established "rules of the game." Different forms of ownership complicate competition within the network.

For example, an enterprise that is part of a financial-industrial group has access to different resources compared to an independent operator (mutual subsidies are implemented within the financial-industrial group, with higher opportunities to access cheap capital). Until now, an enterprise that received official state subsidies is considered a competitor whose actions are difficult to predict compared to a fully privatized enterprise.

5. High barriers to market entry are a strong factor influencing network competition. High barriers to entry may reduce the overall efficiency of the network. These may include:

- State and public restrictions: government support for enterprises with special economic importance to the region or minor staff reductions;
- Emotional restrictions: management preserves economically unjustified directions (or types of products) due to personal pride, loyalty to employees, or career considerations;
- Specialized assets: low residual value or high costs of new specialization;
- High level of fixed costs: labor agreements, social sector expenses, etc. [2].

If the above-mentioned barriers are serious, excess production capacities in the network will not be eliminated, and weak competitors will not exit the competition. Their continued presence and sometimes irrational tactics can lead to a decrease in the efficiency level across the entire network.

Conclusion

A good understanding of the network structure helps to act correctly in competitive struggles, and enterprises that adapt best to the surrounding situation become the most efficient. A clear understanding of the network and market structure should assist in selecting the most attractive opportunities.

The five-component model of competition can be applied at the entire network level, as well as at the level of individual markets and even their segments.

References

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