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The Economic Performance and Sustainable Practices: Developing New Management Model of Economic Potential at Industrial Enterprises

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Abstract: Industrial enterprises play one of the main roles in the global economy. In the past, the main factors for a successful company were favorable location, access to natural resources, favorable climate, and low-cost labor. However, at present the focus is on the development of scientific and technological opportunities, enhancing economic potential as well as creating a favorable economic environment for the company's rapid progress. In the era of changing the management paradigm, traditional management methods can no longer ensure effective management of national industrial enterprises. The analysis of the necessary conditions to create a modern management paradigm corresponding to the conditions of the innovative economy showed the feasibility of influencing the change of individual characteristics of the management paradigm. This paper suggests relevant scientific and practical approaches for developing a new management model per the requirements of the innovative economy.

Keywords: economic potential, industrial enterprises, effective management, favorable environment, innovations

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1. Introduction

In condition of global competition, the task of increasing and maintaining its own sustainability comes to the fore for each industrial enterprise. A significant number of enterprises are focused on reaching success in competitive environment as a result of the continuous efforts of effective management and implementing development strategy [1].

Nowadays, the transition to an innovative type of economic development, which requires strong scientific, technical and intellectual potential, is one of the most relevant issues for every country. In this regard, the economics is faced with the need to create a new theory based on these principles. The modern issues concerning socioeconomic development require the process of researching on the adequate methodological and theoretical bases in enhancing the potential of industrial enterprises [2].

Literature Review

The research on identifying issues concerning economic potential of enterprises are broadly covered in a global publication about theory of management. They describe the concept of "potential" as follows: industry, resource, innovations, financial, investment, intellectual, organizational, labor, etc. Importance of managing effectively the economic potential of industrial enterprises in the innovative conditions is reflected in the works of

many scientists who have conducted certain research on theoretical framework dedicated to economic potential in industrial enterprises [3].

Henri Fayol (1841–1925), a French practitioner and management theorist as well as the founder of the "classical" School of management, made enormous contributions to the field of "management". For 30 years, he managed a large mining and metallurgical company in France in significantly unfavorable economic conditions and by 1918, he made the company one of the most prestigious enterprise. Many works of Henri Fayol summarize management principles and create a logically coherent theory, and his concepts have left a reflective mark on management science[4]. Obviously, principles of management theory, management functions and behavior developed by Henri Fayol are still relatively used in practice. He identified 5 functions on which the management structure should be based: planning, organization, team management, coordination, and control.

The famous Austro-American economist, theorist, sociologist, and financier Joseph Alois Schumpeter's works cover various areas of scientific innovation economics, which include economic theory, history of economic thought, economic policy, research methodology etc. The scientist tried to determine driving forces of economic's dynamics [5]. For the first time, it was discovered by N. Kondratev, the wave-like alternation of periodic phases of prosperity and depression - became one of the main approaches to the research of creating the theory of business cycles. According to Schumpeter, the achievement of the market system is not based on the efficiency of a static optimal equilibrium, but it depends on the ability of technology to handle dynamic changes and achieve dynamic growth through this actions [6].

According to B.M. Mochalov, the enterprise requires considering its final results in the form of systematically organized tangible and intangible resources and their transformation processes. He expresses about economic potential as:

1. Real (achieved) potential - the sum of the volumes and main funds created at the organizational level for the development of productive forces as well as the level of production opportunities;
2. Promising economic potential that reveals and anticipates the ability of the maximum volume of product(services) production under ideal production conditions and optimal use of resources [7].

2. Materials and Methods

This research methodology requires to collect data from various sources. The data will be compiled and analyzed to facilitate different approaches for effective performance management. In the process of preparing this scientific article, comparative, monographic analysis, selective research as well as grouping methods of scientific research were used.

3. Results

The term economic potential is defined as the general abilities of the system to optimally use internal functional potentials (production, intellectual, technological, etc.), as well as in the process of connection with the external environment and maximally satisfy the demand for services and goods [8].

Modern scientists associate the progress of economy with innovative potential that establishes fundamentally new combinations of production factors. According to the conducted research, analysis of current trends in the the economic potential development at industrial enterprise shows that innovative economy is application of new ideas, practical knowledge, technologies, and new ideas in various spheres of human activity [9].

Efficiency of industrial enterprise depends on the organizational management and organizational-economic processes on a scientific basis. The organizational and management activity of the industrial enterprise includes the following:

- planning at industrial enterprise, determining the perspective of the enterprise development as a result of changes in the market situation;
- increasing the efficiency of innovative technological and technical means by ensuring the level of production quality;
- improving the professional skills and qualifications of production and administrative staff;
- ensuring intensive development at the expense of increasing labor productivity;
- arming the labor process and production activities with funds;
- cost efficiency assessment and cost estimation in the production process;
- increasing production results.

To guarantee the efficiency of industrial enterprises, one of its most important responsibility is to train personnel in the field of IT and communication infrastructure serving innovative economy, to create appropriate methods of regulation, and to form a development strategy of production [10]. This requires implementation changes in the country that can direct the society to the path of innovative development create the required conditions for the formation modern economy as well as use innovative potential and the achievement of the set goals in the most rational way [11].

Achieving those goals requires effective management of the economic potential at industrial enterprise. Management of the economic potential can be defined as using a combination of economic, legal, organizational, and socio-psychological methods within the framework of the existing organizational structure. These methods are focused on the enhancement of the economic potential of the enterprise and performance of management functions of its use. To improve management organization's economic potential of the industrial enterprise can be executed with the using of the mechanism of improvement labor efficiency, financial, information, as well as natural resources involved in formation and implementation current and prospective (strategic) production. The methods of using resources that ensure the realization of the company's goals rely to a large extent on this mechanism [12].

The importance of scientific-theoretical study the category of economic potential in industrial enterprises requires the absolute practical mechanisms for its use in business management.

According to the scientific research, it includes the following structure:

1. Analysis of the conceptual formation of a generalized definition of economic potential as a category. At the same time, various interpretations of this concept are critically analyzed and an attempt is made to systematize the author's approaches, which allows to identify the important aspects of economic potential and to propose quantitative methods of its evaluation.
2. Classification of types and structural elements of economic potential.
3. Systematization and evaluation of methodological approaches as a theoretical basis for the quantitative assessment of economic potential, which is fundamentally necessary for business practice.
4. Structuring economic potential as a comprehensive analytical indicator of strategic business management effectiveness.
5. Analysis of economic potential as a system of interconnected elements (subsystems).
6. Conditions and mechanism of increase and formation of economic potential as the main function of the business [8].

Thus, the main direction of the implementing the proposed concept for the enhancing economic potential in industrial enterprises is to provide clear methodological and

practical support in the form of developing relevant recommendations and guidelines, considering the relationship between the activities of national enterprises, the existing resources and obstacles to effective management, and the guiding characteristics [13]. To expand the methodological tools for the development of effective management, it is proposed to introduce the following management tools into the scientific circulation: a methodology for self-assessment of the current management level (management maturity) similar to well-known models:

- based on the approach to the Malcolm Baldrige model, which determines the level of maturity of the organization's management systems (USA),
- based on the approach to the Japanese quality model;
- a model for assessing the level of development of effective management in enterprises, created based on the matrix of barriers to resources and effective management, and allowing to diagnose the state of each factor (obstacle or resource), and quantitatively assess the actual situation;
- evaluation company's activities with introduction of modern management tools, its dynamics (positive or negative), and position compared to competitors and companies with "perfect" management;
- a management mechanism for the implementation of the strategy of effective management tools directly in enterprises, flexible and allows for measurement and control of the progress of strategic activities in any industrial enterprises based on a system of balanced indicators [9].

In addition, in 1954, at the seminars of industrial enterprises in Japan, the American scientist D. Juran introduced the idea of TQM (Total Quality Management) to management of enterprises. After these workshops, industrial enterprises began to use quality control as a management tool. A gradual transition from statistical control of quality to total quality management began, that is, promotion of the idea of a quality management process involving all departments and employees, in other words, ideas of integrated quality management emerged [14]. Since 1986, the ISO 9000 quality management system standards have appeared, which have attempted to create a quality management standard at the world level. Speaking about the last component of the concept of quality management, it can be noted that the Japanese often use the "kaizen" method - a method of small but daily steps to improve quality. To carry out prospective management activities in industrial enterprises, it is possible to win on a global scale in issues related to new ideas, technical and organizational changes, and innovations using these methods. These methods improve the quality of management the economic potential at enterprises and serve to conduct effective work [15].

The results of activities, and the effectiveness of the development of enterprises directly depend on the quality of management, which establishes an effective management system in the enterprise, that allows the organization to be managed better than competitors. He suggested his idea in interaction of the enterprise with environment, to determine the effective method of achieving the goal in particular specific strategies, logic, analysis, and ideas about the economic potential [16].

4. Discussion

One of the main scientific hypothesis, the logical basis of the proposed concept of effective management, is the mastery of internal management through control as the three main methods of effective management - strategic management, integrated methodological, and instrumental basis. An organizational learning system depends on the support of the management functions and "growth" from national enterprises to self-learning organizations, based on their close interdependence. According to this hypothesis, the economic potential management model of any modern organization should be defined, first of all, by the priority factors of management efficiency: it is the full

disclosure of attention to the social aspects of the "learning" organization, the intellectual potential of the organization's employees, the processes of self-organizing and creativity in the team. Moreover, motivation is the flexibility of the internal mechanisms of the organization's management systems. and its compliance with the adopted strategy will be related to adaptation to constant challenges in the environment.

The scientific hypothesis put a new step in the research process confirmed in the context of the analysis of existing trends and established laws of modern management development such as 1) strategic management, 2) control and organizational management 3) educational self-study organizations.

The theoretical foundation of the total of these three methods is based on the identification of certain laws of effective management, which include: strengthening the integration of people's joint activities in effective management processes; increasing the role of personnel in ensuring effective management based on self-organization and self-development; to ensure the compatibility (balance) of the overall organizational goal of the enterprise with the economic interests of the "control configuration"; trends such as turning enterprises into self-learning organizations are gaining momentum. Let's say the application of strategic management includes the stage of analyzing the internal and external environment of the enterprise, which cannot be implemented without marketing tools. On the other hand, socio-psychological methods of management are undoubtedly actively used in the "training" of enterprises of self-education organizations.

At the same time, we can agree that the three priority methods of effective management included in the concept are necessary, but still not sufficient. It is the integrative interaction of these methods that provides the appropriate synergistic effect that requires more studies.

Today, to achieve effectively management the economic potential at enterprise by following the innovative conditions, it is necessary to evaluate economic potential first. Even though a lot of concerns in the methodical and scientific literature, fundamental issues such as assessment methodology and the selection of indicators have not yet been studied.

The assessment of economic potential has three directions: the analysis of labor resources; analysis of the use of basic production funds; analysis of the use of labor items. The analysis methodology in these areas includes the following main blocks:

- determination of goals, and objectives of analysis of production potential;
- forming a system of analytical indicators;
- data collection, processing and interpretation;
- drawing up tables, graphs, calculations, including factor analysis;
- evaluation of the obtained results;
- developing suggestions for making management decisions on improving the use of production potential [4]

Furthermore, the professional labor resources as well as their quality can have an impact on the change in the level of production potential of the organization. In many economic literatures, the meaning of "labor potential" is often used as an integral characteristic of the labor resource management system in Industrial enterprise.

Labor potential is a system-forming element of the market. Labor potential is not only a complex of economic functions and roles, but also a general description of the personal production factor, an integral component of a multifaceted human personality - an economic, informational, and creative resource of modern society.

In evaluating the economic potential of Industrial enterprises, along with category labor potential, the term "personnel potential" is used, which is defined as the sum of the capabilities of employees to ensure the effective operation of the organization [6].

As a quantitative characteristic of labor resources, scientists recommend considering the number of employees and the calculated wage fund. Indicators of labor productivity, wages, and labor characterize the efficiency of the enterprise's labor resources.

N.V. Arestova suggests analyzing labor potential using three directions:

- assessment of the state and skills of employees;
- assessment of the technical and scientific potential of the enterprise;
- assessment of personnel qualifications.

Moreover, the use and evaluation of economic potential based on the financial capabilities of industrial enterprise. Transformation into sustainable development and a significantly competitive environment is an objective assessment of financial potential, which presents a general description of its financial capabilities and resources.

The financial potential of enterprise, as one of the components refer to the financial relations of enterprises. They occur in the process of achieving the maximum financial result when there is sufficient capital. The availability of a high level of financial capacity is the key to an effective financial management system as a whole.

Financial capacity is characterized by readiness for sufficient supply of working capital and stable payment, and their effective use with economic feasibility, as well as transparent organization of payments and the existence of a stable financial base [16].

The main components of financial potential, as shown Figure 1, of the enterprise are investment attractiveness and creditworthiness, which are studied in this work.

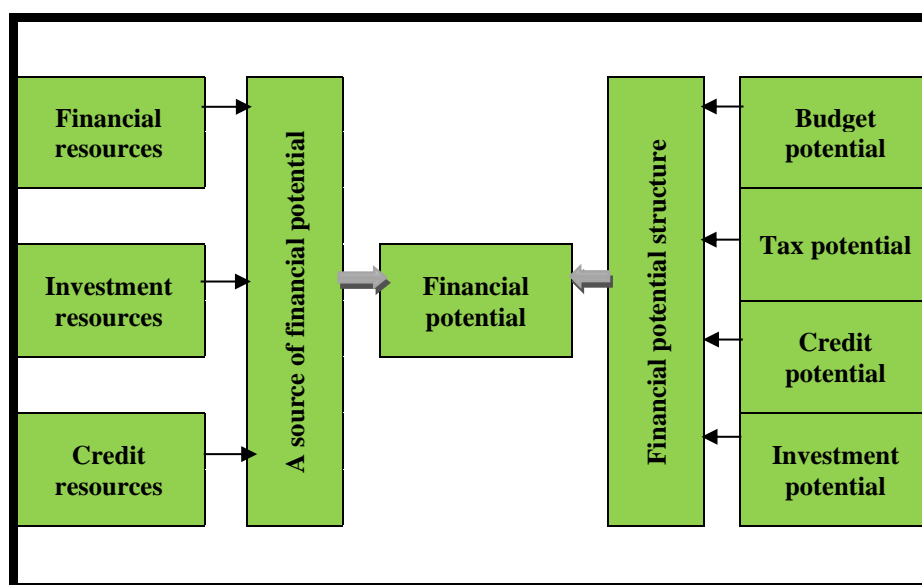


Figure 1. Elements of the enterprise's financial potential

Financial potential includes financial resources, i.e., cash, income and receipts at the disposal of enterprises, these can be determined as follows:

- fulfilling financial liabilities to the state, suppliers, credit system, insurance bodies as well as employees of enterprises;
- including costs development of economic activities and non-production facilities, consumption, savings, special reserve funds, etc.

Thus, different approaches to determining financial potential emphasize the multifaceted nature of this feature of enterprises.

Financial quality is quantitatively characterized by liquidity, solvency, financial stability, efficiency within the enterprise as well as profitability, and investment indicators.

Professors T.N. Tolstoy and E.M. Ulanova suggest evaluating the financial potential of the enterprise based on the following groups of indicators:

1. turnover - reflects the effective use of material and financial resources, represents indicators of the enterprise's business activity;
2. intensity of use of production resources - describes production efficiency, including capital productivity, capital-labor ratio, material productivity and indicators of their growth during the analyzed period;

3. liquidity - plays an important role in assessing financial resources, including liquidity indicators, the amount of own working capital and its security;
4. profitability - describes the final result of resources that directly affects economic potential of the enterprise;
5. financial stability - reflects the solvency of the enterprise based on the assessment of the capability to pay obligations on time .

While studying literary sources, evidence showed that the analysis of financial potential includes, first of all, the evaluation of the financial state of the enterprise. As can be seen from the above, the financial potential of enterprises is evaluated based on the analysis of the dynamics of capital value, its structure, and indicators. Evaluation of the financial potential is executed by studying system of financial relations of the enterprise, the effectiveness of financial contracts concluded with creditors, the reasonableness of dividend, tax, and investment policies as well as the rationality of the financial system of enterprise management.

5. Conclusion

The peculiarity of the activity of economic entities in industrial enterprises is reflected in their management system. This, in turn, depends on the adoption of various decisions in the organization and on the scientific basis of drawing up plan indicators. Therefore, any decisions taken on the management of the enterprise are focused on the efficient organization of production processes:

- creating favorable conditions for increasing entrepreneurial activity in production sectors, in particular, creating and implementing promising programs based on the development characteristics of regions in this direction;
- increasing their volume and improving their quality depends on the diversification of economic structure in the area of production;
- improvement of preferential lending system for the development of activities of small business enterprises that do not require a large amount of capital;
- development of traditional services in the republic, restoration of some forgotten national crafts;
- creation of suitable infrastructure conditions for achieving high-speed and sustainable development of production;
- to ensure the increase in the quantity of services in the world market of the enterprises of this sector to increase the production export of the republic;
- encouraging foreign investments to improve the production sector and create favorable conditions for their implementation;
- formation and support of orders to educational institutions for the training of specialists-personnel working in the field of production, their orientation to the profession, retraining and upgrading of qualifications;
- determining the factors affecting labor productivity and calculating the growth dynamics.

The development of economic potential in an innovative environment requires market competitiveness based on the wide diversification of business, the introduction of modern technological production, processing, as well as sales of goods. It should be noted that improved development, delivery of products, production of resources, introduction of high technologies and creation of modern management systems are becoming the main factors of growth and capitalization of the economic potential of industrial enterprises. This requires effective organization management system processes of industrial enterprises at an appropriate level. The economic potential management can be noticed in the implementation and development of the current existing potential, and its close connection with the innovative processes appearing in different aspects of industrial enterprise's activity.

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