

## OPTIMIZING THE USE OF ENTERPRISE PRODUCTION POTENTIAL IN CONDITIONS OF INSTABILITY

*Jalilov Bahrom Sotiboldievich*

*Senior lecturer, Namangan Institute of Engineering and Technology*

E-mail: [jalilovbs75@mail.ru](mailto:jalilovbs75@mail.ru)

**Abstract:** This article provides feedback on optimizing the use of enterprise production potential in conditions of instability.

**Keywords:** instability, uncertainty, enterprise, financial risk, enterprise activity.

### **Introduction**

A common feature of ensuring the continuity and continuity of enterprises and sustainable economic development is based on risk, which is a constant companion of the economic potential of the enterprise. This, of course, is not the enterprise's propensity to take risks, but the tendency to change market volatility and uncertainty in its favor in the form of a certain reward, the latter being manifested as a decisive factor forcing enterprise management to take risks. Therefore, he believes that the amount of risk he assumes will fully utilize the direct economic potential and increase the return.

It also differs in that the use of economic potential is based on careful calculation and consideration of the possible negative consequences due to the presence of commercial risk. Here, the desire to succeed is always balanced by economic responsibility, the level of which largely determines the level of risk (lack of income, losses, loss of property) that is acceptable to the enterprise.

It should be noted that in modern domestic economic practice, the concepts of "uncertainty", "instability", "risk analysis", "risk management" in the full use of economic potential have emerged recently and to a greater extent in the application of financial markets. Only in the last few years have these concepts been consolidated by combining the accumulated international experience and economic theory base, and have become a mandatory component of any future plan for an investment project.

### **Main part**

Various risks in increasing an enterprise's economic potential cause variability and uncertainty about future events and therefore pose a risk. The main reason for this potential is instability. This implies a transition to an unknown state, the transition to an unknown (emergency) state that affects the stability of the system. The magnitude of the oscillation of the instability is so large that the result can be expected, up to unpredictable changes. Unstable conditions are destabilizing in relation to production activities. It is reasonable to consider that the causes of instability are unusual behavior or changes in certain elements of economic potential.

Instability leads to a loss of stability of the enterprise, accordingly, the quantitative indicators of its characteristics deteriorate, the structure of the enterprise's potential changes; worsens management performance, transforms it into a new economic potential structure in accordance with the principles of self-organization.

Instability for an enterprise's economic potential means both negative trends and dangerous situations, as well as opportunities for new unique events, which in turn can expand the range of possible problem solutions. Recognizing variability helps reduce risks and leads to the emergence of new ideas.

The economic potential of the enterprise is realized in the presence of one or another measure of uncertainty, which depends on the following factors:

the lack of complete information about all the parameters, circumstances, situations to select the optimal solution, as well as the inability to adequately account for all available data, even the available data, and the presence of possible characteristics of environmental behavior;

the presence of a random factor, that is, the implementation of the plan on the basis of unpredictable and unpredictable factors, even in the implementation of the forecast;

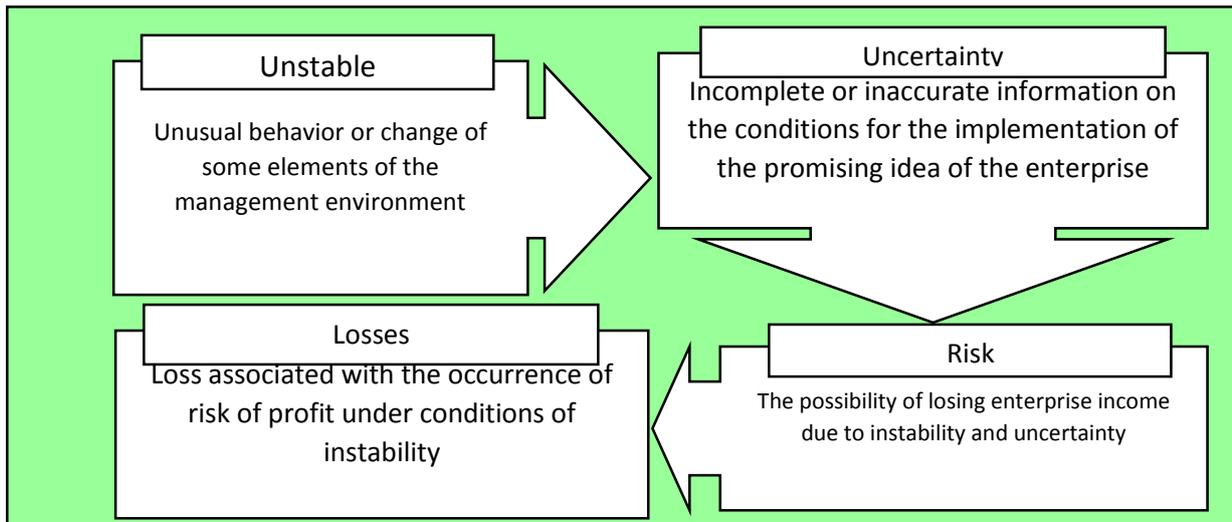
the presence of subjective factors of conflict when decisions are made in the context of a game of partners with conflicting or different interests.

Uncertainty is the incompleteness or inaccuracy of information on the conditions under which the economic capacity building of an enterprise is carried out, including the relevant costs and results, in the current context of globalization. Uncertainty implies the existence of instability, in which the results of actions are unconditional and the extent to which these factors can influence the outcomes is unknown.

Risk is the loss of economic potential due to instability and uncertainty, ie due to certain elements of the management environment, unfavorable conditions, and adverse events in the form of losses and related economic activities, economic decisions made, unpredictable outcome depending on the action probability measured by the potential number of acquisitions and other consequences.

This, in turn, means that the increase in the production capacity of the enterprise is carried out in conditions of instability, uncertainty of risks, and that these categories are interrelated. Quantitative instability and uncertainty implies the possibility of the result deviating above or below the expected (or average) value. Accordingly, risk in this context means the loss of a portion of an enterprise's resources, loss of revenue or incurring additional costs, and (or) conversely - its inability to make a significant profit (gain) as a result of a specific target activity. Therefore, any business leader needs to analyze and evaluate these three categories together, which affect its implementation in increasing economic potential.

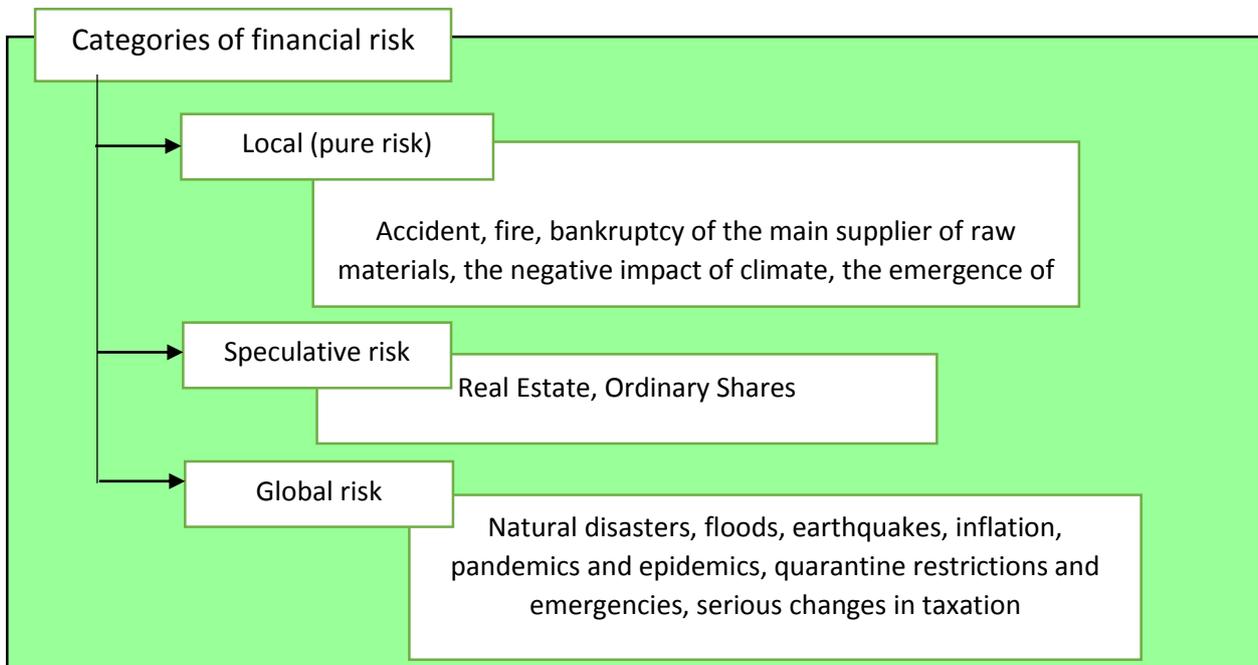
Due to the instability of the external environment and the uncertainty of its impact on economic potential, management risk has an objective basis. From an economic point of view, management risk is a phenomenon that can occur with a certain probability, negative, i.e., loss; positive, i.e., profit and zero (neither harm nor benefit) are manifested in three economic outcomes. The nature of instability, uncertainty, risks and losses in increasing the economic potential of the enterprise is related to the financial losses of the enterprise (Figure 1).



**Figure 1. Instability - uncertainty - risk - interdependence of loss categories**

As can be seen from Figure 1, each event creates unforeseen circumstances for a number of reasons, such as instability in an enterprise due to abnormal behavior or changes in certain elements of the management environment. or manifested in inaccuracy. The occurrence of uncertainty, in turn, raises the possibility that the entity will lose revenue due to instability and uncertainty, i.e., the risk, and the entity is expected to lose revenue in connection with the occurrence of the risk. It turns out that the company will eventually suffer financial losses. It is usually necessary to know information about financial risks to prevent it. Financial risks can be divided into three main categories: local (pure), speculative and global

(Figure 2).



**Figure 2. Categories of financial risk**

Local (pure) risk, which leads to losses and no chance of winning. Local risks arise at the level of increasing economic potential. Under such conditions, the enterprise cannot escape local (pure) danger. For example, an enterprise with any production must take into account the risk of accidents and emergencies, as well as the risk of fire.

Speculative risk. With local (pure) risk, the enterprise may suffer losses or become unprofitable. In speculative risk, the enterprise wins or loses. For example, an enterprise decides to invest in increasing its economic potential, but under the influence of the external environment, the demand for the product decreases and the value of the product decreases. Such investments can be classified as speculative because it is the enterprise that is at risk of losing it. Similarly, investing in the purchase of common stock can be both profitable and unprofitable.

Global risk differs from both pure and speculative in its impersonal nature. In other words, there is no forecast of a global threat (e.g., a pandemic spreading from China). Fate does not discriminate against any state, region, or even enterprise, and does not exclude the indifferent in particular. On the contrary, global risk affects all participants in economic and social activities equally. Typically, it is associated with economic, political, social, and natural forces that affect human society.

The risks are many and varied in nature, so there are many classifications. Clearly, this requires any economist to be aware of the risks involved, especially the risks that directly affect their business performance, and to draw the right conclusions. It therefore encourages a comprehensive analysis of any expected losses in increasing an enterprise's economic potential. Only with the help of such analysis can an enterprise protect its activities from losses associated with local (pure) risk. Although this goal - to protect oneself from possible losses - is not difficult to achieve and put forward, it is very difficult to achieve. The main reason for this is that risk-based business management, increasing economic potential is an art, not a science.

Identifying and studying the issues of increasing the economic potential of the enterprise is a key point in the process of optimizing the level of management activity of the business entity. Post-risk solutions to increase the economic potential of the enterprise are related to diagnosing problems, identifying sources of risk, analyzing the causes and consequences. The ability to identify and formulate existing problem issues depends on the size, accuracy, objectivity, timeliness of the data, as well as how skillfully this information is analyzed and interpreted. The search for and development of possible solutions to emerging problems is a very arduous process to form criteria and create alternatives for unresolved problematic issues. The next stage of the process of optimizing the level of economic potential of the enterprise is closely related to the previous one and includes the existing options for solving problems.

in our view, risk and uncertainty conditions can be used to increase the economic potential of an enterprise. The proposed system of absolute and relative quantitative assessment of economic risk can be used to assess the level of risk in the management of economic potential.

Making a clear decision to reduce the economic potential of the enterprise is an important step in the management system of the enterprise in the face of uncertainty, which is based on the calculations and research of the previous stage. At the same time, the quality of management decisions depends on the objectivity and timeliness of implementation, and consists in solving a problematic situation, such as minimizing the level of risk in the economic activity of existing production. When an enterprise operates in an environment of instability, uncertainty and risk, great care must be taken to study the factors that contribute to the occurrence of this situation, which will reduce their negative impact and prevent the emergence of a dangerous situation as a result.

In the process of studying the factors affecting the level of production potential of the enterprise in conditions of uncertainty and risk can be divided into two main groups: external entities, which are not related to the activities of the enterprise and internal factors directly related to the enterprise. It should be noted that the system of internal and external factors is an important component in the process of optimizing the level of utilization of production capacity of the enterprise.

External factors affecting production potential are analyzed in the following areas: changes in product demand; uncertainty of market segments; innovation and investment; inflationary processes; exchange rate fluctuations; lack of information; instability of tax legislation; instability of the general legal provision; natural and climatic conditions.

Internal factors related to the level of instability, uncertainty and overall risk in the optimization process are divided according to the types of activities related to the production and sale of products and services, financial operations, scientific and technical projects, etc. (Figure 3).

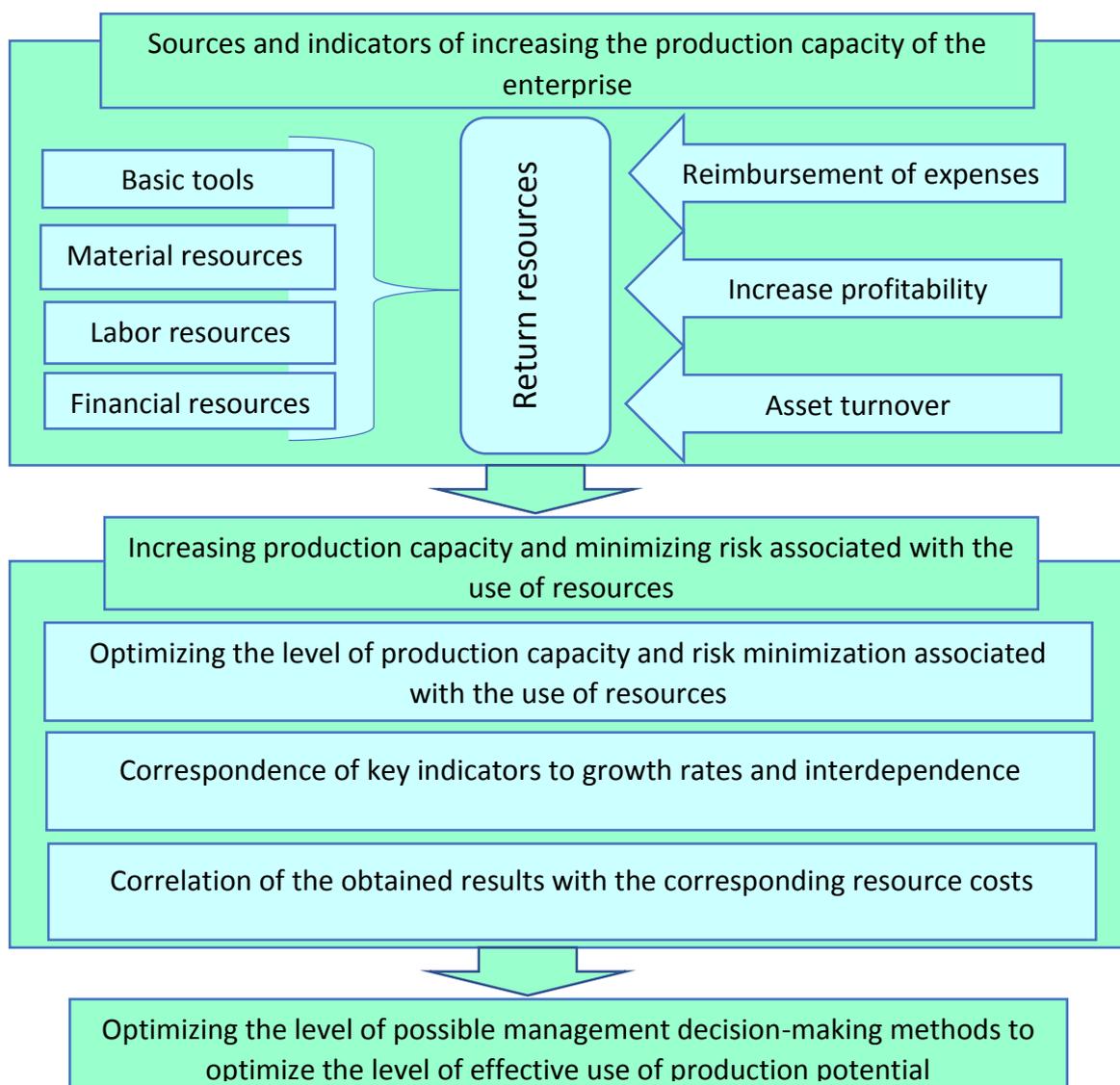


Figure 3. Optimization model for the use of enterprise production potential

In the optimization model of the use of production capacity of the enterprise shown in Figure 3, it is necessary to pay attention to its main sources and indicators of increasing production capacity, first of all to study the condition of fixed assets, service life, obsolescence and technical passport, availability of material resources, raw materials. Particular attention should be paid to the volume, quality, value of inventories, experience, education, age and skills of labor resources. It is also important to have sufficient financial resources to increase the production capacity of the enterprise.

They also depend on the use of fixed assets, material, labor, financial, information resources, that is, the state of risk affects the complete or partial loss of production and financial resources. Internal factors are usually divided into subgroups with the financial resources and the risk subject associated with the production resources, which affect production and financial performance.

Of course, it is advisable for any enterprise that thinks about the future to at least recoup these resources, or increase revenue (to avoid losses) and constantly monitor the turnover of assets while the enterprise has its own customer.

If the company is planning to increase its production capacity, it should be prepared for any expected and unexpected emergencies, accidents and various risks, and most importantly, to minimize its negative impact. to optimize the level of risk minimization, to achieve the growth rate and correlation of key indicators, and to study the correlation of the obtained results with the corresponding resource costs.

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