

# IMPROVING THE METHOD OF ASSESSING THE LEVEL OF MANAGEMENT ON THE COMPETITIVENESS OF FOOD INDUSTRY ENTERPRISES

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## ANNOTATION

Factors that can effect to the competitiveness of food cluster enterprises are taught in this article. At the same time this article gives information about the place in the world market, production specialization for export, goods produced in the domestic market as well as imported products that can replace them and the ratio between sales volume of those products.

**Keywords.** Competitiveness, production, market of imported products, sales volume, agrocluster, food cluster, smart agriculture, competitive environment.

## INTRODUCTION

Evaluating is the most important thing in increasing the productiveness of control over competitiveness of food industry enterprises. Today managers are widely using the practice of comparing the expected results with the obtained results of functioning enterprises in order to provide competitiveness of food industry enterprises. It means that managers on evaluating the competitiveness management efficiency of food industry enterprises are unaware of news in science, and it limits using the opportunities for growth potential of the competitiveness of the enterprises. Therefore, today it is acquired scientific and practical importance in developing ordinary and complex valuation methodology that gives an opportunity to determine the level of management on the competitiveness of the food industry enterprises.

## ANALYSIS AND RESULT

As valuation methodology in determining the level of management on the competitiveness of food industry enterprises is a systemic process, it is composed of structural components. According to the analysis of world practice, valuation methodology in determining the level of management on the competitiveness of food industry enterprises consists of assessment object, subject, scientific basis of valuation methodology and its logic. (Table1) It is very important to choose the assessment object correctly. For example, most authoritative food industry enterprises in world market pay great attention to the quality of their products and they widely use valuation methodology in determining the level of management on the competitiveness. However, companies that are just entering the world market adopt tactical plans and they prioritize making decisions that serve to improve their position and reputation in the market and assessing their efficiency.

**Table 1 Basic components of formation of valuation methodology in determining the level of management on the competitiveness of food industry enterprises**

| Evaluating components                            | Composition of components   |
|--|---|
| <b>Assessment object</b>                         | Functioning food industry enterprise  |
|  | Newly organized food industry enterprise  |
|  | Goods produced by food industry enterprise  |
|  | Food industry enterprises unions as well as clusters and others                                       |
| <b>Assessment subject</b>                        | Stockholders of food industry enterprises   |
|  | State Governing Bodies  |
|  | Food industry enterprise administrator, the person who has authority to make decision(f.ex.:managers) |
|  | Food industry branch and others   |
| <b>Scientific basis of valuation methodology</b> | Intended aim from evaluating and expected desire/result   |
|  | Evaluating peculiarity and its signs  |
|  | Value tendency  |
|  | Reliability of results of evaluation methodology  |
| <b>The logic of assessment practice</b>          | Logical organization of components of valuation methodology   |
|  | Dependence of component organization of valuation methodology   |

In the process of improving the valuation methodology in determining the level of management on the competitiveness of food industry enterprises assessment object is a food industry enterprise including the food industry enterprises unions, local clusters. In this way we can identify how the process of managing the competitiveness of enterprises influences the activities of enterprises, unions and agro-clusters. They include their increase in coverage level in food products market, gaining the consumers' confidence, making a brand name for the enterprise in the market.

When assessing in determining the level of management on the competitiveness of food industry enterprises its subject means the interested party that makes an assessment. According to the practice of developed countries, such kind of assessment is constantly carried out mostly by stockholders of food industry enterprises that are interested partners, shake-holders, suppliers, dealers and such kind of other legal and physical entities in economic activities of the enterprise. According to the world practice, in the practice of industrially developed countries large, strategic important food industry enterprises are clustered and most of them issue their stock to the financial market. And for that reason, stockholders demand to assess determining level of management on the competitiveness of such enterprises. In this way we identify the level of influence of management on the competitiveness on their benefit.

As food industry is the most important branch in every country that is carrying out social-economic policy, we can approach the assessment subject as the benefit of the government or the country. According to the approach we can assess the position of the food production enterprises in the food safety in the country. This gives us the chance to assess the efficiency of the events that are done by the government to supply the food enterprises, and to identify the tendency of the reforms that is being carried out in the next following years.

From the point of view of the enterprises administrators and managers who have power to make decisions we can approach the assessment subject in developing the valuation methodology in determining the level of management on the competitiveness of food industry enterprises. This approach helps us to assess how the decisions made by the authority improve the efficiency of the

business activity, its competitiveness, the position of the enterprise in the food market. So we can identify prior direction in making tactical decisions with the help of that approach.

At the same time, from the point of view of food industry branch as the subject of assessing the level of management on the competitiveness of food industry enterprises we can compare the development indicator with national economical branch of the country. So we can assess the opportunities of the competitiveness of the food industry with the same branch of other countries.

In the next step it is necessary to justify scientifically the valuation methodology in determining the level of management on the competitiveness of food industry enterprises. Taking into consideration the object and the subject of the valuation methodology we identify its goal and function and develop the signs and the peculiarities of the expected results. It shows that structural components of valuation methodology in determining the level of management on the general competitiveness of food industry enterprises are logically interdependent.

Table 2 Principles of valuation methodology in determining the level of management on the competitiveness of food industry enterprises and their grouping

| <b>Principles of valuation methodology in determining the level of management on the competitiveness of food industry enterprises</b> |   |
|---|---|
| <b>General principles characteristic for management on the competitiveness of industry enterprises</b>                                | <b>Special principles characteristic for food industry branch</b> |
| - systematicity   | - individualism   |
| - sequence  |   |
| - generalization of chosen approaches   |   |
| - continuousness  | - flexibility   |
| - indicativeness  |   |
| - dispersion/ multiple choice   |   |

We think that scientific justification and logical aspect of valuation methodology in determining the level of management on the competitiveness of food industry enterprises must be formed in the basis of the following general principles (3. Table.2):

- The principle of systematicity – it means that internal and external factors which influences to the practice of the level of management on the competitiveness of the food industry enterprises, contrasts in the process of management are taken into account in a complex way;
- The principle of sequence – descriptive indicators of the level of the competitiveness of food industry enterprises as well as superiority and weak points in the competition are expressed in the system of indicators;
- Generalization of chosen approaches – this principle implies assurance of interdependence and wholeness of chosen approaches in assessing the valuation in determining the level of management on the competitiveness of food industry enterprises;
- Principle of continuousness – gives the chance to the subjects which carry out valuation in determining the level of management on the competitiveness of food industry enterprises to identify the changes of the level of the competitiveness of the enterprise and to make an effective decisive decision;
- Principle of indicativeness – practical recommendation made by the experts of the branch according to the results of assessing the level of the competitiveness of food industry enterprises is advisory in nature. The purpose of applying this approach shows that it is essential to make a management decision

based on practice taking into consideration that not only food industry but also other branches of industry making business activity in our country don't have a connection with science;

- Principle of dispersion /multiple choice it means that it is possible to draw a conclusion on the possibilities of using different options of the results in assessing the level of competitiveness of the enterprise and the alternative scenarios of improving it;

- Principle of development – the calculations in assessing the level of management on the competitiveness of food industry enterprises must be carried out taking into account the expected changes in market condition in future, improvements of the quality of the products, developing indicators of the competitors.

At the same time, we believe that the methodological aspects of assessing the level of management of the competitiveness of food industry enterprises should also be consistent with the special principles(table 3.2) that are considered typical for the following sector:

- Principle of individualism – it is taken into account the characteristics specific to these components, together with the general trends characteristic of various functional structural components characterizing the competitiveness of the food industry enterprises;

- Principle of flexibility – this principle means that it is necessary to take into account the sensitivity of the competitiveness index owned by the food industry enterprise to various processes, flexibility to changes in the market conditions.

In order to supply the complexity of the structural components of the management level of competitiveness of the above mentioned enterprises and assessment practice of established principles in relation to assessment methodology we invite to separate into three groups:

- The first group: principles describing assessment features determining the level of management on the competitiveness of food industry enterprises;

-The second group: principles describing the benefits of the assessment subject of the level of the management on the competitiveness;

- The third group: principles describing internal and external environment that influences the level of management on competitiveness of food industry enterprises.

According to the invited grouping matrix structure of the principles of valuation methodology in determining the level of management on the competitiveness of food industry enterprises is given in the third table.

Table 3 Matrix structure of the principles of valuation methodology in determining the level of management on the competitiveness of food industry enterprises

| Principles   | Forming the valuation methodology   | Essence of valuation                                       |
|--|---|--|
| Features of valuation                              | - principle of sequence;<br>- principle of consistence;<br>- principle of generalization of chosen approaches | - principle of continuity;<br>- principle of individuality |
| Concerns of assessment subject                     | - principle of indicativeness   | - principle of dispersion /multiple choice                 |
| The influence of internal and external environment | - principle of development  | - principle of flexibility                                 |

We consider that the results of the valuation methodology in determining the level of management on the competitiveness of the invited food industry enterprises must meet the following requirements to supply its reliability:

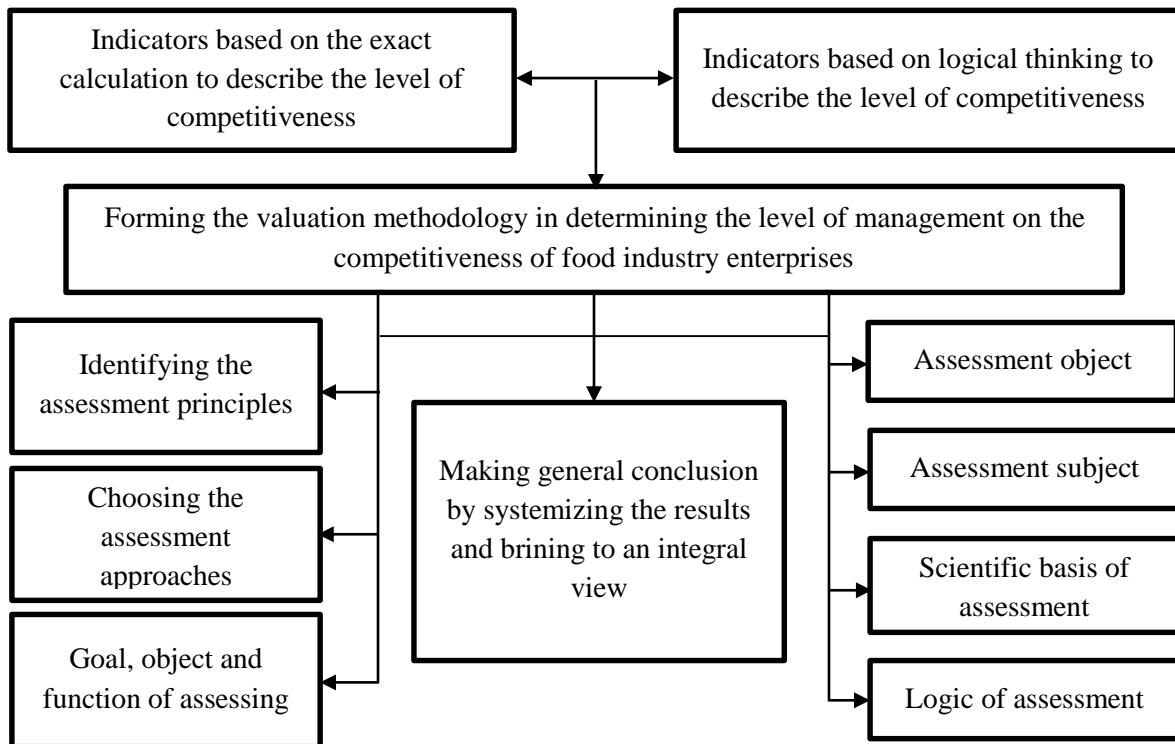
- Forming the evaluation methodology based on the needs of economic entities directly and indirectly related to the activity of the food industry enterprise and economic activity of the enterprise being evaluated;
- Assessment methodology must be consistent with the scientific theory and concept of the sustainable development and competitiveness;
- Being based on the scientific method of managing the competitiveness of the food industry enterprise;
- Taking into consideration that the non-monetary indicators characteristic to the financial activity in assessing the level of management on competitiveness are proportional to each other;
- Developing the unique integral indicators that include the indicators expressing the competitiveness of the enterprise as a whole.

According to analysis, valuation methodology in determining the level of management on the competitiveness of food industry enterprises should create a basis for the development of an alternative scenario regarding medium and long term trends based on the current situation of the enterprise. This situation demands that such kind of valuation methodology must be comprehensive and include different styles.

Taking into account the sharp changes in social and economic conditions in today's world market, trade wars between different countries, restrictions on import and export operations, the assessment of the level of management of the competitiveness of food industry enterprises listed in Appendix 2 is based on accounting books and heuristics we suggest using the methods in parallel at the same time. By using invited styles at the same time we can achieve a comprehensive assessment of the level of management of the competitiveness of food industry enterprise.

As different styles are used in the valuation methodology in determining the level of management on the competitiveness of food industry enterprises at the same time naming it as "extensive" fits for the purpose. Implementation of this assessment methodology must be as a systematic process, and the working mechanism is shown in the first picture.

It is vital that indicators based on the exact calculation and logical thinking to describe the level of competitiveness to be compatible with each other. In this way the reliability and accuracy of the results obtained by performing the evaluation increase. Based on the obtained results, the effectiveness of managing the competitiveness of the food industry enterprise increases, determination of the priorities of strategic programs for increasing the competitiveness of the enterprise for the medium and long-term perspective is achieved.



Picture 1. Mechanism of “extensive” valuation methodology in determining the level of management on the competitiveness of food industry enterprises

Specific methods being used in “extensive” valuation methodology in determining the level of management on the competitiveness of food industry enterprises serve to objectively focus on the relative absolute competitive advantages of the enterprise, to widen the possibilities of commenting the assessment results, to improve the quality of the decision in order to increase the competitiveness of the enterprise and to increase efficiency.