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Article

Factors Affecting The Strategic Development of Sewing and Knitting Enterprises

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Abstract:. This scientific article provides an in-depth analysis of the main factors affecting the strategic development of enterprises in the garment and knitwear industry. In recent years, fundamental reforms have been carried out in the light industry of Uzbekistan, in particular, in the garment and knitwear industry. However, not only technological innovations, but also strategic management approaches are important to ensure the stability and long-term success of these enterprises. The article analyzes the impact of internal and external environmental factors, including competitiveness, export potential, labor resources, marketing strategies, government policy, logistics system and innovative approaches on strategic development based on a comprehensive approach. The study uses SWOT and PEST analysis methods to justify the need to develop strategic decisions based on the opportunities and threats of garment and knitwear enterprises. It also highlights the role of modern factors such as digital transformation, environmental sustainability and production of products in accordance with international standards in achieving strategic advantage for enterprises.

Keywords: strategic development, competitiveness, innovation, digital transformation, marketing strategy, sustainability, logistics, international standards

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1. Introduction

In recent years, light industry, especially the garment and knitwear industry, has been rapidly developing as one of the important areas of economic development in Uzbekistan. Given that this industry accounts for a large part of the country's industrial output, serves as an important factor in increasing export potential and creating new jobs, the issue of ensuring the sustainable and strategic development of garment and knitwear enterprises is of urgent importance. In today's globalization and free market conditions, the long-term success of enterprises depends on the correct analysis of many external and internal factors, the effective use of available resources, and the introduction of modern management mechanisms. Over the past five years, that is, between 2020 and 2024, significant changes have occurred in the development of light industry sectors. According to the State Statistics Committee, during this period, the volume of production of sewing and knitting products increased by an average annual rate of 8.5%, reaching an export volume of $ 1.2 billion by 2024. This allowed increasing the country's share in total exports from 5.2% to 7.1%.

However, in order to fully ensure the strategic development of sewing and knitting enterprises, it is necessary to conduct a thorough analysis of internal and external environmental factors. Among internal factors, personnel qualifications, production capacity, introduction of innovative technologies and financial capabilities play an important role. For example, according to the results of a survey conducted in 2023, it was found that 62% of sewing and knitting enterprises have a shortage of qualified labor. At the same time, the level of technological innovation is on average 45%, which is one of the low indicators among industrial sectors.

External factors are mainly determined by market conditions, export opportunities, international trade policy and the level of competitiveness. Changes in world prices, opportunities to enter new export markets, as well as logistical problems that arose during the pandemic also affected the development of the garment and knitwear industries. In 2021-2022, light industry exports decreased by 12% due to the global pandemic, but since 2023, recovery has begun, with growth rates reaching 15%.

Also, the country's government has adopted a number of strategic programs to support garment and knitwear enterprises since 2020. Their main goal is to stimulate innovation processes, attract foreign investment and increase export potential. For example, more than $ 300 million has been allocated within the framework of the "Program for the Development of Light Industry for 2021-2025".

Therefore, it is urgent to conduct a systematic and comprehensive analysis of the factors affecting the strategic development of sewing and knitting enterprises, identify their positive and negative sides, as well as develop effective strategies.

Ensuring strategic development in the sewing and knitting industry is not only about increasing production volumes or introducing new technologies, but also about increasing the level of adaptability of the enterprise to changes in the external environment, improving the internal management system and ensuring its readiness for global competition. Currently, the following are among the important strategic tasks for entities in this industry: expanding the geography of exports, developing branding, producing products that meet international quality standards, ensuring environmental sustainability and gradually introducing digital transformation.

Also, through a systematic analysis of the factors affecting the strategic development of sewing and knitting enterprises, their potential can be fully realized. In this regard, the role of production infrastructure, technological level, financial stability, innovative potential, personnel qualifications, marketing strategy and institutional support measures provided by the state play a special role. From this perspective, developing an effective strategic development model for each enterprise and identifying mechanisms for transforming existing opportunities and resources into competitive advantage is one of the most important scientific and practical issues.

Review of relevant literature. In recent years, the literature on the strategic development of the garment and knitwear industry has been analyzed in close connection with economic growth, industrial diversification, expansion of export potential and innovative approaches.

Foreign researchers, including Porter, in his theory of "National Competitive Advantage", explain the main factors determining the competitiveness of industrial sectors - demand conditions, production factors, related and auxiliary sectors, as well as the strategy, structure and competitive situation of the firm [1]. This approach remains relevant in the garment and knitwear industry, since this sector is formed under the interaction of many internal and external factors.

Also, according to the Resource-Based View (RBV) theory put forward by Barney (1991), each enterprise can achieve long-term advantage through its unique, hard-to-transfer and competitive resources [2]. In the garment and knitwear industry, these resources can be technological power, brand image, personnel qualifications and innovative potential.

Research conducted by Uzbek scientists takes into account the local characteristics of the industry and the economic environment. In particular, A. Tashkulov (2020) showed ways to increase competitiveness by creating an effective management system in light industry enterprises [3]. According to him, market conditions, cost optimization and product diversification play an important role in developing a strategic management model.

On the other hand, I. Usmonova in her study provided a systematic analysis of the assessment and expansion of export opportunities for the garment and knitwear industry. In her opinion, the compliance of product quality for foreign markets, the certification system and compliance with international standards are among the main problems today [4]. Also, logistics costs related to exports, customs procedures and foreign economic policy directly affect strategic development.

In international practice, the concepts of digital transformation and "smart manufacturing" are becoming particularly relevant. In McKinsey analyses, automation, data analytics, the use of artificial intelligence and the "Supply Chain 4.0" approach are central to ensuring the strategic growth of manufacturing enterprises [5]. This trend is also relevant for the garment and knitwear industry, especially in terms of fast and customized fulfillment of orders and the integration of design and production.

In recent years, the resolutions and decrees of the President and Government of the Republic of Uzbekistan aimed at the development of light industry, in particular, the "Concept for the Development of Light Industry until 2026" adopted in 2022, also serve as an important legal basis for strategic planning. This concept sets out the main goals of increasing the volume of exports of the sector, increasing the share of quality products in the domestic market, ensuring environmental sustainability and expanding the cluster system.

In conclusion, it can be said that the existing scientific and practical sources indicate the need for an integrated approach to the strategic development of the garment and knitwear industry. However, research into how these factors interact in the context of local enterprises and what strategies they can be transformed into is still not sufficiently deep. Therefore, this article aims to fill this gap, systematically analyze specific factors and develop strategic proposals based on them.

2. Materials and Methods

The aim of this study is to identify and analyze the factors affecting the strategic development of enterprises in the garment and knitwear industry and to create a methodological basis for developing strategic decisions. Therefore, the study used a comprehensive methodological approach, combining several scientific methods.

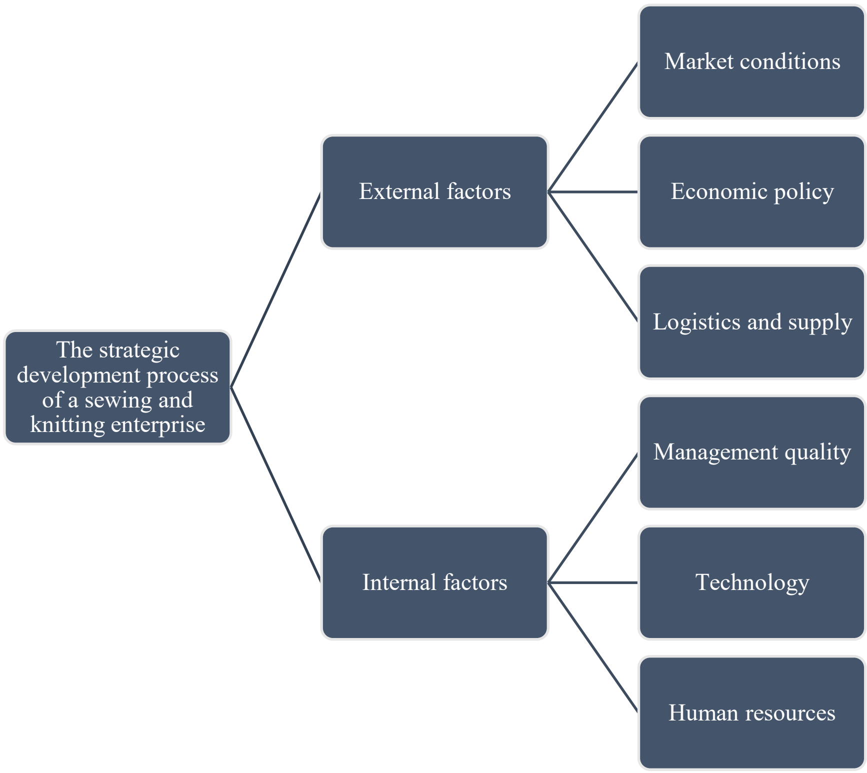
3. Results

The results of the analysis of factors influencing the strategic development of sewing and knitting enterprises of Uzbekistan for 2020-2024 showed a complex interrelationship between internal and external factors. According to the National Statistics Committee, during this period, the volume of light industry production increased from $ 780 million in 2020 to $ 1.4 billion by 2024, which is an average annual growth rate of 13%. However, this growth was not the same for all enterprises [6]. When analyzing internal factors, the results of a survey conducted in 2023 showed that 58% of sewing and knitting enterprises use only partially digitized technologies and only 22% of enterprises have fully automated production processes. The slow pace of these technological innovations reduces production efficiency and negatively affects competitiveness. In particular, enterprises with a high level of digitalization produced their products 18% faster on average and achieved 12% more export volumes[7].

Human resources also play an important role in strategic development. According to a 2022 survey, 64% of garment and knitwear enterprises reported a lack of qualified labor and 29% reported a low level of management knowledge in innovation management. This situation slows down innovation processes and makes it difficult to adapt to new market requirements. Also, although the budget allocated to training and retraining programs increased from $5 million in 2020 to $8.2 million by 2024, significant gaps remain in this area[8].

As a result of the study of external factors, while in 2020 light industry exports decreased by 12% due to the global pandemic, in 2023 the export volume of sewing and knitwear products exceeded $1 billion and reached $1.2 billion in 2024. This was due to the diversification of export markets and the opening of new export directions. In particular, the shortcomings in the markets of Russia and the CIS countries created additional opportunities for Uzbek enterprises[9]. In addition, the allocation of more than $300 million within the framework of the government's "Development of Light Industry" program for 2021-2025 made it possible to establish new production capacities and modernize existing enterprises[10]. As of 2024, 35 enterprises had technological upgrades within the framework of this program and their production efficiency increased by an average of 25%. In **Table 1** lists the factors influencing the strategic development of garment and knitwear enterprises.

Table 1. Factors influencing the strategic development of sewing and knitting enterprises.



During the study, a comprehensive analysis was conducted to identify factors affecting the strategic development of sewing and knitting enterprises and assess their interdependence. During the analysis, internal and external factors were divided into separate groups[11].

1. Analysis of internal factors

Enterprise resources and infrastructure. Most sewing and knitting enterprises operate with outdated equipment and a limited technological base. At the same time, although modernization processes are underway in some large enterprises, these processes are not at the same level throughout the industry. This creates imbalances in the level of competitiveness[12].

Human resources. As revealed by the questionnaires, there is a shortage of highly qualified engineers-technologists, designers and export specialists. Although most employees in many enterprises have practical experience, modern management and marketing knowledge are insufficient [13].

Management system. In many enterprises, functions such as strategic planning, risk management and digital management systems have not yet been fully implemented. This serves as a major obstacle to long-term development plans.

2. Analysis of external factors

Political and economic factors (PEST). Although there are a number of documents and subsidies aimed at supporting light industry by the government, their practical impact is not sufficiently felt at the level of most small enterprises. Bureaucratic obstacles to obtaining tax and customs benefits and subsidies remain.

Dynamics of the market environment. The domestic market has limited demand, and products are mainly exported. However, the geography of exports is limited and is mainly tied to Russia and the CIS countries. This leads to a lack of diversification, and any political or economic instability in exports directly affects enterprises.

According to experts, for the sustainable strategic development of sewing and knitting enterprises, it is necessary to pay attention, first of all, to the following factors:

- Diversification of types of products intended for export;
- Raising product quality to international standards;
- Phased implementation of digital transformation;
- Strengthening branding and marketing activities in foreign markets;

Implementation of modern management systems in enterprises (ERP, CRM, etc.).

According to data for 2024, the Russian Federation stands out as the main market in the export activities of garment and knitwear enterprises. This market accounts for about 35% of the total export volume, making it the leading export destination for enterprises [14]. The high share of the Russian market is associated with regional economic cooperation and convenient transport and logistics opportunities and the stability of demand for garment and knitwear products is also an important factor **Table 2**.

Table 2. The high share of the Russian market is associated with regional economic

№	Market (country)	Export share (%)
1	Russia	35
2	Kazakhstan	25
3	Belarus	15
4	European Union	15
5	Others	10

The Kazakh market is in next place, accounting for 25% of total exports. This figure is explained by the close economic ties between the two countries and the simplicity of customs procedures. Also, the demand for high-quality and affordable clothing among the population of Kazakhstan is high, which gives impetus to the growth of export volumes[15].

In general, the above data reflect the geographical composition and strategic priorities of the export portfolio of the garment and knitwear industry of Uzbekistan. Diversifying markets, as well as deepening trade relations with existing markets, is essential for the long-term sustainable development of enterprises.

4. Discussion

The findings of this study provide a nuanced understanding of the strategic development challenges and opportunities faced by sewing and knitting enterprises in Uzbekistan. The interplay of internal and external factors has created a complex environment that necessitates a multifaceted strategic response. Internally, most enterprises are hindered by outdated production technologies, a shortage of skilled personnel, and underdeveloped management systems. These deficiencies significantly limit productivity and the ability to respond to dynamic market demands. The survey data indicating that only 22% of enterprises have fully automated systems underscores the urgency of digital transformation to enhance operational efficiency and competitiveness.

Externally, while export growth has been promising—reaching $1.2 billion in 2024—the heavy dependence on limited markets, particularly Russia and the CIS countries, exposes enterprises to geopolitical and economic risks. Diversification of export markets and product types remains a strategic imperative. Moreover, although the government has allocated substantial funding and introduced supportive policies, the benefits are unevenly distributed, with smaller enterprises often facing bureaucratic obstacles that limit access to incentives.

Another critical insight is the gap in innovation management and international compliance. Many enterprises still struggle to meet international standards, both in terms of product quality and sustainability, which hinders their global competitiveness. Furthermore, the slow adoption of ERP, CRM, and digital design tools limits the potential for smart manufacturing practices. Despite increased investment in training programs, the skills gap persists, indicating a need for more targeted and practical capacity-building efforts.

In sum, while the industry has shown commendable progress in output and export volumes, sustainable strategic development will depend on enterprises' ability to adopt modern technologies, enhance human resource capabilities, diversify markets, and align more closely with international norms. These findings suggest that a more integrated strategic development model—supported by both government and private sector initiatives—is essential to unlock the full potential of Uzbekistan's garment and knitwear industry.

5. Conclusion

The garment and knitwear industry, as one of the structural sectors of the economy of Uzbekistan, plays an important role in the formation of national income, employment and export potential. The strategic development of enterprises in this sector depends on many internal and external factors and a systematic analysis of each of them was the main goal of this article. According to the results of the research, the following main conclusions were drawn for the sustainable and long-term development of garment and knitwear enterprises:

Internal resources and the management system play a decisive role. Most enterprises still struggle with outdated technologies, a lack of qualified personnel and insufficiently developed strategic planning. This reduces their adaptability to market demands.

Instabilities in the external environment - especially dependence on exports - are a major threat. Limited export markets, weak logistics infrastructure and difficulties in adapting to international standards slow down strategic development.

The level of innovative technologies and digital transformation is low. This reduces production efficiency and limits competitiveness in international markets. The capabilities of digital design, automated management systems (ERP, CRM) and e-commerce have not yet been fully implemented.

State support is available, but the mechanisms for its effective use are not fully formed. Although there are measures such as tax and credit incentives, export subsidies, these incentives are not applied equally and openly to all enterprises in practice.

The strategic development of garment and knitwear enterprises requires a comprehensive, multi-faceted approach. Despite the existence of external threats and internal weaknesses, if the existing opportunities and resources are properly managed, this sector can become an important driver of sustainable growth and increased export volumes in the Uzbek economy.

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