

## Restructuring as an Important Factor of Economic Development

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**Abstract:** the article examines the practical aspects of restructuring industrial enterprises. The factors and reasons for which the restructuring process is carried out in industrial enterprises of Uzbekistan are analyzed. The features of foreign experience in restructuring industrial sectors of foreign countries are considered.

**Key words:** restructuring, complex changes, enterprises, adaptation, industry, sector, industrial products, external and internal environment.



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### Introduction

Restructuring is a process of complex changes in the functional activities of an enterprise, the purpose of which is to adapt to changes in the external and internal environment, as well as to increase the competitiveness of its business. The key words in this definition are the external and internal environment, which have a significant impact on the activities of any commercial organization. Depending on this, the process of enterprise restructuring is planned, including those changes that have occurred or are expected in the future. Today, it is difficult to determine the answer to the following question: what factors and triggers play the greatest role in influencing the process of restructuring an industrial enterprise? An analysis of the factors will allow us to determine the key triggers and trends that form the very reasons why the management of an industrial enterprise is obliged to take the step of restructuring its organization.

Industrial enterprises of Uzbekistan will not be able to survive under the pressure of competition and new business conditions without significant reorganization and restructuring. The process of restructuring can be defined as ensuring the efficient use of production resources (capital, labor, land, and entrepreneurial abilities), leading to an increase in the value of the business. Restructuring of enterprises in developed countries is widespread, its pace is accelerating, and the methods of implementation are being improved, since constant restructuring of enterprises is a necessary condition for the survival of business in a dynamic external environment. The effectiveness of restructuring largely depends on the methodology used and the consistency in the implementation of the chosen strategy of behavior in relation to customers, suppliers, and the state.

Below are descriptions of approaches used in the restructuring of Western and domestic enterprises. The first classification criterion is the type of restructuring management (restructuring can be based on regulation, formal control, order, or on creativity, education of organizational culture).

The use of a formalized approach is quite justified in the restructuring of crisis enterprises, when bankruptcy legislation defines the framework within which the crisis manager and consulting team must solve the problems of ensuring the viability or liquidation of the enterprise. Restructuring of Western enterprises is carried out on the basis of business units, key competence, resource approach, and minimalist approach.

Currently, owners of foreign enterprises more often use an approach based on the "behavioral" direction of management theory. However, the transition from rigid management methods to liberal ones was carried out by American managers for more than three decades, and by Japanese managers for about two decades. For domestic enterprises, the use of the behavioral direction is difficult due to a significant share of unprofitable enterprises, the preservation of the traditional management mentality, and the inability of personnel to work under liberal management conditions. Restructuring based on the creation of business units is recommended by specialists of the Russian Privatization Center for restructuring at domestic enterprises. The essence of the approach lies in the process of decentralization and the formation of "strategic business units". Undoubtedly, each business unit, being an independent production and commercial unit, allows developing skills and experience for a quick response to changes in internal and external operating conditions.

At the same time, department heads encourage the so-called internal optimization of processes, which does not contribute to the implementation of "hybrid" developments, improving the coordination of actions between departments, and the transfer of talented specialists.

### **Literature review**

The restructuring process is a complex tool that serves to achieve competitiveness, an advantage, and a one-sided understanding of it leads to a limitation of existing opportunities for restructuring.

Leading economists in the field of anti-crisis management, including restructuring, argue that restructuring is more fundamental and long-term. In particular, CIS scientists I.I. Mazur and V.D. Shapiro describes restructuring as "a set of measures to ensure the adaptation of the enterprise to changing market conditions and its development strategy" [2].

G.A.Aleksandrov pays special attention to the fundamental, comprehensive features of restructuring. He recognized that "restructuring is a fundamental complex change based on the transformation of the business structure, which covers all aspects of the enterprise and the main goals of the enterprise; The ultimate goal of restructuring is to overcome the crisis, improve efficiency and competitiveness, and increase income" [3].

L.P. Belykh and M.A. Fedotova outlined the ultimate goals of the enterprise restructuring. In their opinion, "restructuring is a process aimed at creating conditions for the effective use of all factors of production in order to increase financial stability and competitiveness" [4].

Sukharev offered a more complete description of the content of the restructuring process, emphasizing the leading role of state policy in the restructuring process. According to him, "restructuring is applied at the level of enterprises, regions, all sectors of the economy and leads to the formation of state-controlled competitiveness, employment growth, real income and investment in industrial complexes, as well as a set of measures sufficient to ensure the specified competitive pressure of domestic and foreign competitors." [5].

Restructuring is required due to increased competition as a result of the development of productive forces, changes in market conditions. In this context, Yaushev's definition sheds light on the economic nature of restructuring: "Restructuring is a set of measures for choosing an enterprise development strategy and transition from the initial state to the strategy chosen by the enterprise" [6].

Restructuring based on core competence was proposed by G. Hamer. Key competence is a unique technology, a well-established high-quality production process and highly qualified personnel. The main principle of the method is the search, development, and use of technological potential. A type of key competence model is the outsourcing model. The use of core competency and outsourcing models in the restructuring of enterprises in our country is complicated by the fact that many of them are financially unstable, low-tech, and most do not have R&D departments. The resource approach is proposed by S. Deju, P. Baldi, J. Morei. It is based on the strategic concept of management, strengthening the competitive position of the enterprise. The resource technology assumes, first of all, identifying organizational competence, identifying strategic growth points at the enterprise and then strengthening in promising areas based on the accumulated "portfolio of strategic competencies". I think that this management approach can be used both in the restructuring of successful enterprises and in the restructuring of enterprises with financial problems, and in combination with other approaches (based on the creation of business units, minimalism) - and in crisis enterprises.

At Harvard Business School and the consulting firm "ARTUR D.LITTL" the concept of minimalism was developed for the restructuring procedure, the key idea of which is to free the production process from everything superfluous: unnecessary costs, time losses, defects, bottlenecks, excess stocks. The most important principle of the approach is the economic and financial assessment of intra-production parameters. The use of the "minimalism" approach in the conditions of Uzbekistan has prospects. Open price competition is possible only until the moment when the enterprise has exhausted the reserves for reducing the cost of goods. It leads to a decrease in the profit rate, deterioration of the financial condition of firms and, as a result, to ruin.

Restructuring methods developed by foreign scientists and widely tested in Western countries are also used in Uzbekistan. However, the specifics of the domestic economy create original restructuring schemes.

## **Results and discussion**

Such a scheme of enterprise restructuring as bankruptcy has become widespread, and usually fictitious. The main causes of illegal bankruptcy include criminal intentional actions aimed at writing off debts, changing the owner of the enterprise, concealing income and evading taxes, withdrawing the most liquid assets at a price below the residual book value. In this regard, the legal aspect of the implementation of the restructuring process of domestic enterprises requires serious revision.

As a method of restructuring in the Uzbek market, the creation of new subsidiaries on the basis of production units, to which the highest quality and liquid assets are transferred, is actively used. Such a procedure partly stimulates internal production reserves and does not require permission from creditors. However, the transfer of high-quality assets without analyzing the reasons that led to insolvency will inevitably lead to a new liquidity crisis after some time, and the subsidiary will be forced to create new firms.

One of the reasons for the current situation is the lack of theoretical and applied methods of restructuring. In domestic practice, a mechanism for determining the need for an enterprise in restructuring has not been developed, on the basis of which managers could promptly begin reengineering of activities. Existing methodologies do not reflect the sequence of actions during restructuring and do not provide an idea of the existing possibilities and mechanism for selecting

the type and strategy of restructuring depending on the state of the enterprise; a system of indicators for assessing the effectiveness of restructuring depending on the chosen strategy has not been developed; there is no systematization of methods and means of restructuring depending on restructuring strategies, insufficient attention is paid to restructuring methods for financial recovery of enterprises; the structure of the program and algorithm for restructuring the enterprise have not been developed. It is necessary to develop a universal methodology for conducting enterprise restructuring, containing a mechanism for determining the feasibility of restructuring, justifying the choice of method and strategy of restructuring.

The concept will allow coordinating the actions of all participants in the restructuring: managers, creditors, investors, and providing real support to enterprises from banks and shareholders. Otherwise, the enterprise after prompt restructuring is unlikely to be able to successfully develop in the future and strengthen its competitive position in the market.

An important role is played by the state of the external economic market conditions and the interaction of the industrial enterprise with various stakeholders, including business owners, managers, personnel, creditors, consumers and others. At the same time, not all factors of the external environment are subject to the influence of even large industrial corporations, which means that the only way out in such a situation is adaptation to new conditions, which is mainly why the company's restructuring process occurs. If we talk about managing changes in the internal environment, the level of influence of management decisions is high. The management of an industrial enterprise has numerous tools and models for managing changes in the internal environment, the result of which is an improvement in the functionality of its activities, which leads to the achievement of goals during restructuring. However, the domestic practice of managing the restructuring of enterprises in the industrial sector of Uzbekistan is not always successful and it is advisable to pay attention to the experience of countries with developed industrial economies. In this regard, let us consider the main examples of foreign experience in restructuring industrial enterprises. In countries with developed market economies, restructuring is considered and used as a tool in the course of a natural and permanently emerging market process. Western models of restructuring are a reflection of changes in the market environment and competition. Under these conditions, the restructuring of an industrial enterprise is usually equivalent to diversification, which the company carries out in the context of established legal and legal norms and rules of economic behavior. In most developed countries, the restructuring of industrial companies is regulated by the legislative and regulatory framework adopted at the state level [1]. Foreign experience in restructuring industrial enterprises includes government programs and policies that are aimed at structural changes within the industry and stimulating the growth of production activity. For Uzbekistan, the most valuable is the experience of restructuring the industrial sector of China, which occupies a leading place in the structure of the world economy. Thus, within the framework of the state program, the following stages of restructuring of industrial enterprises were observed [7]:

- pre-reform stage, during which the Chinese government purchased foreign technologies and scientific developments for local industrial enterprises;
- experimental stage, during which local industrial enterprises began to independently purchase the necessary scientific developments, patents, licenses, technologies and innovations;
- stage of structural reforms, during which the Chinese government forms budget expenditures for the system of financing scientific and technological developments, technology parks, business incubators, etc.;
- stage of growth of science intensity of products, during which privatization of industrial enterprises takes place and foreign financing is attracted for the formation of R & D;

- stage of strengthening innovation activity, during which the state finances the sphere of education and science and creates conditions for the external environment with the aim of forming world scientific developments and leading positions of industrial enterprises of China.

If we turn to the progressive experience of other foreign countries, it is necessary to note examples of successful restructuring of industrial enterprises in the USA and Germany, since in the process of privatization they were able to attract financing from large foreign investors. The main factors for the effective implementation of restructuring in the industrial sectors of Western countries include a well-developed stock market and powerful financial support from the state for individual sectors of the economy [8]. Analyzing the experience of German industry, it is worth noting that the privatization process took place before the reorganization, modernization and restructuring of enterprises. The successful restructuring of the US industry was carried out by placing shares of enterprises on the stock market. After attracting funds, illiquid and unprofitable production assets were sold, and those that functioned successfully attracted additional financial, labor and, of course, intellectual resources. Thus, foreign experience in restructuring industrial enterprises demonstrates a successful model within which mutually beneficial cooperation is formed between the state and the corporate sector. The state is the subject of stimulating the scientific activity of enterprises, forms an education system, technology parks, business incubators, accelerators, etc. The corporate sector is able to attract large-scale financing of industrial projects, bringing to action the restructuring of industrial enterprises in order to modernize assets, apply new technologies and produce innovative products.

The practical implementation of the restructuring concept should cause sustainable positive short-term and long-term changes in the enterprise's activities, resulting in an increase in the market value of the enterprise's equity capital and the market value of its ordinary shares. The content of the restructuring process is determined depending on whether operational restructuring is carried out, aimed at solving the most acute economic and financial problems in the short term, or a more complex stage of strategic restructuring is carried out.

The goal of operational restructuring is to improve the results of the enterprise's activities in the short term and create prerequisites for strategic restructuring. Operational restructuring involves, first of all, the restructuring of tangible assets and debt obligations. The result of operational restructuring is an increase in the liquidity indicators of the enterprise's assets due to a decrease in inventories, a reduction in accounts receivable, and the sale of excess assets. Operational restructuring involves a change in the structure of attracted capital. Under conditions of high-quality management, this contributes to an increase in the rate of return on equity and, as a result, the restoration of solvency with an increase in the profitability of the enterprise. The strategic restructuring program should contain clearly formulated goals and directions, the order and criteria for decision-making. This includes the analysis of the enterprise's areas of activity, the creation of the necessary information system, marketing research, the development of a marketing and sales strategy, the development of a raw materials procurement strategy, and the development of possible options for further development. The result of successful strategic restructuring is an increased flow of net present value of future income, increased competitiveness of the enterprise in the long term and an increase in the market value of the enterprise's equity, which makes the enterprise attractive from an investment point of view.

### **Research methodology**

This article examines the management of restructuring processes in industrial enterprises, such as verbal interpretation of scientific and theoretical foundations, statistical observation, induction and deduction, and scientific abstraction were used.

## Conclusion

It is advisable to consider enterprise restructuring strategies from options that provide for minimal capital investments and external financing to investment projects for the complete re-equipment of production. However, for many domestic enterprises, the main goal of restructuring is to satisfy creditors' demands, which is not always compatible with solving the traditional task of restructuring – increasing the value of the company.

During a structural crisis, the selection of a restructuring concept may be limited to options with a minimum risk level when reaching zero or close to zero business value. It may be effective to use a cluster model of enterprise restructuring. The cluster model is a defensive form of restructuring aimed at the survival of the organization in crisis conditions. In the West, a model similar to the cluster model is part of the anti-crisis program of "compression" of the company. The approach is based on the idea of concentrating raw material suppliers in close proximity to the main production. Restructuring is carried out by minimizing the main production.

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