

## THE STRATEGIC SIGNIFICANCE AND FUNCTIONAL ROLE OF PRODUCTION POTENTIAL IN THE OPERATIONS OF INDUSTRIAL ENTERPRISES

*Ablatdinov Sultanbek Azatovich*

*Senior lecturer of "Economics and Management" Department  
of Tashkent State University of Economics*

*Khudoyorova Mekhrangiz Murodovna*

*Assistant of "Economics and Management" Department  
of Tashkent State University of Economics*

### Abstract

This article explores the essence and structure of economic and production capacity, as well as their impact on the competitiveness of industrial enterprises. The author analyzes the key components of economic capacity, substantiating the importance of efficient utilization of production assets, implementation of modern technologies, and rational use of information resources. The article also examines the influence of production capacity on socio-economic development, its interrelation with scientific and technological progress, and the impact of digitalization processes on production efficiency.

**Key words:** economic capacity, production capacity, fixed assets, technological modernization, information management, labor potential, innovation, strategic management.

### INTRODUCTION

The sustainable development of the national economy, the organization of highly efficient production processes, and the manufacturing of competitive products have become strategic priorities for modern enterprises.

In this context, the role of economic, and especially production capacity, is of paramount importance. Economic capacity refers to an enterprise's ability to meet market demand for goods and services to the fullest extent possible by utilizing its available resources. It is a complex system composed of production, labor, financial, informational, and innovation components.

At the national level, economic capacity represents the overall potential of the economy to produce goods and provide services. In contrast, production capacity specifically refers to the set of real resources aimed at manufacturing products. In addition, scientific and technical capacity which encompasses both fundamental and sector-specific research serves as a decisive factor in the modernization of the economy.

Each of these capacities plays a crucial role in the operations of industrial enterprises, acting as key drivers in strategic decision-making, market adaptation, and enhancing competitiveness.

Notably, production capacity is not limited to the mere availability of production resources; it also involves their effective utilization, coordination, and development in conjunction with management systems. The resources that constitute production capacity labor, fixed assets, working capital, information, and natural resources are interconnected and integrated, collectively determining the overall economic strength of an enterprise.

It is through this comprehensive capacity system that enterprises formulate their strategic goals and define their long-term development trajectories. One of the core elements of production capacity is fixed production assets, which form the material and technical foundation for maintaining a continuous production process.

The condition, technical level, rate of renewal, and efficiency of these assets directly affect product quality, cost, production volume, and profitability. Therefore, the rational use, modernization, and technological upgrading of fixed assets are essential strategic tasks for enhancing production capacity.

### LITERATURE REVIEW

Foreign scholars have highlighted various approaches to the concept of "production capacity." According to E.Yu. Eregin, production capacity is a combination of financial, material, non-material, intellectual, informational, technological, innovative, and other resources that ensure the economic activity of an enterprise.

L.D. Revutskiy, on the other hand, limits the essence of production capacity exclusively to labor resources. He defines it as the enterprise's main production employees' potential, determined by technically, economically, and organizationally justified standards of effective working time over a certain period. This definition associates production capacity solely with a single resource – the human factor. However, the shortcoming of this approach lies in the fact that its proponents do not sufficiently account for the interrelations between various resources, their integration into the enterprise's economic activities, and their overall efficiency.

T.B. Berdnikova defines production capacity as an economic category that integrates an enterprise's available capabilities for manufacturing various products and providing services.

M.K. Starovoytov and P.A. Fomin view production capacity as a system of economic relations that emerges between economic entities at both the macro- and microeconomic levels. They regard this capacity as a means of achieving maximum production outcomes through the effective use of existing equipment and technologies, advanced organizational forms of production, and available resources.

A.E. Voronkova, V.P. Ponomaryov, and G.I. Dibnis define production capacity as the ability to produce goods and perform work volumes required to fulfill the enterprise's charter-defined mission and objectives.

In our view, one of the most comprehensive and successful definitions is provided by Nguyen T.T. Hang. She describes production capacity as the potential ability to manufacture competitive products based on the use of the enterprise's available technical, labor, and material-energy resources.

### RESULTS

Based on conducted scientific and practical analyses, the structural composition of industrial enterprises' production capacity, the key factors determining its efficiency, and development opportunities in the context of modern industry have been identified. The research findings were systematized in the following key areas:

– Fixed production assets are considered the foundation of an enterprise's production capacity. Technological obsolescence of these assets reduces production efficiency, leading to increased product costs and decreased profitability. Analysis shows that modernizing fixed assets with advanced technologies significantly improves asset turnover and capital productivity. In technologically advanced enterprises, the ratio of active to passive assets is optimally balanced, ensuring full utilization of production capacity.

– The level of development of technological processes is a critical factor that determines the stability, continuity, and environmental safety of production. The study revealed that in enterprises

where automated and digital technologies were introduced, production volumes increased by 20-25%, while waste levels decreased by 15–18%. These outcomes empirically confirm the effectiveness of digitalization and automation in production.

- Information capacity and the use of ICT (Information and Communication Technologies) have enabled continuous monitoring of production processes. Through digital management systems, real-time monitoring is ensured at every stage of production. This has reduced the number of errors, increased resource use efficiency, and played a vital role in strategic decision-making.
- Human capital was analyzed as a direct production factor. Enterprises employing qualified personnel with innovative thinking and high intellectual capacity demonstrated higher productivity and greater workforce stability. In enterprises that maintain ongoing training, retraining programs, motivation systems, and social guarantees, labor productivity increased by approximately 1.5 times.
- Innovation capacity has revealed the enterprise's ability to produce new products, adapt to market demands, and achieve strategic advantage by relying on technological innovation. Enterprises that introduced products and technological solutions developed through scientific research recorded 10-12% higher profitability. Active implementation of innovations allowed them to enter new market segments and increase export volumes.
- Managerial capacity enables enterprises to develop long-term development strategies and maintain an internal balance of resources. Enterprises with high-level management structures demonstrate integrated technological modernization, efficient use of assets, and synergy between personnel and innovation. This ensures a holistic approach to managing production capacity and enables optimal resource allocation.

In conclusion, production capacity should not be viewed merely as a sum of resources, but as the result of coordinated management, the introduction of modern technologies, and effective use of human capital. The practical outcomes demonstrate that the sustainable growth and competitiveness of enterprises directly depend on the state of their production capacity and the effectiveness of its management.

## DISCUSSION

The effective formation and utilization of production capacity is considered one of the key factors of economic development. Production capacity not only reflects the available production capabilities but also determines how efficiently an enterprise utilizes its resources, adopts innovations, and enhances its level of competitiveness.

As demonstrated in the study, production capacity is an integral component of overall economic potential, and its timely modernization directly affects national productivity and export capacity. In particular, the technical condition of fixed production assets, their capital turnover, and efficiency indicators are directly linked to production performance. This underscores the growing need for industrial re-equipment based on innovative technologies.

Furthermore, the integration of information and communication technologies (ICT) into production processes enables real-time monitoring and significantly improves the quality of management systems. Such an approach enhances stability in production by ensuring accuracy and speed in strategic decision-making.

The discussion also highlights the crucial role of human capital. The growth of human resource capacity and the availability of skilled, intellectually advanced labor play a decisive role in

accelerating innovation and improving production efficiency. Continuous training programs, retraining mechanisms, and employee motivation systems are essential tools for developing human capital.

Additionally, the technological interconnectedness of production stages and the integration of core and auxiliary operations contribute significantly to improved efficiency. In modern production mechanisms, core and service processes function as a unified system, which necessitates a comprehensive rather than fragmented management approach.

It can thus be concluded that the formation and effective use of production capacity today depend not only on technical resources, but also on the synergistic interaction of human capital, information flows, and innovative approaches. In the context of the digital economy, a comprehensive development of production capacity ensures that industrial enterprises gain and sustain strategic advantages.

### CONCLUSION

Based on the conducted theoretical and practical analyses, it can be concluded that the production capacity of an industrial enterprise is a strategic factor that determines its overall economic stability, competitiveness, and potential for innovative development.

Production capacity is shaped by numerous internal and external factors and represents a complex structure comprising key components such as fixed production assets, technological resources, labor potential, information technologies, and managerial capacity.

The effective integration of managerial capabilities and information technologies facilitates timely and well-grounded strategic decision-making. In today's digital economy, efficient utilization of information resources, real-time monitoring of production processes, rapid identification of errors, and prompt corrective actions significantly contribute to improving the overall efficiency of industrial enterprises.

Production capacity is not merely a material and technical base – it is a synergistic system driven by human factors, innovative approaches, information flow, and strategic management frameworks.

Therefore, industrial enterprises must strengthen their production capacity through modern technologies, advanced management systems, digital transformation, and the development of human capital. This approach will ensure not only the internal stability of individual enterprises but also the sustainable growth of the national economy as a whole.

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