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Financial Recovery of Enterprises in the Conditions of Innovative Economy

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Abstract

The work is devoted to the issue of enterprises financial recovery. The author considers the financial recovery of the economy in the conditions of innovative development as a complex management, which combines skills and abilities from technical, economic, environmental, sociological sciences, combined with the use of theoretical and applied approaches reflected in the strategy and tactical tasks. The practice of managing the enterprise's financial condition in developed countries is consider, in particular, determined by the effective use of a number of economic and financial technologies.

Keywords: financial recovery, bankruptcy, financial technologies, quality management, process management.

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Introduction

The current stage of development of Uzbekistan is characterize by liberalization and modernization of the economy. This determines changes in the main directions in the economic mechanism, the emergence of property polymorphism, and changes in the market volume. In these conditions, there are many problems associated with the financial recovery of enterprises.

Uzbekistan has approved a number of legislative acts regulating bankruptcy. The Law "On Bankruptcy" was first adopted in 1994, in 2003 a new edition of this law was published, and on April 12, 2022, the Law of the Republic of Uzbekistan "On Insolvency" was adopted [1]. The domestic practice of its application has revealed the insufficient elaboration of a number of procedural issues, which makes it impossible to fully protect the rights and legitimate interests of persons participating in the bankruptcy procedure.

The Development Strategy of New Uzbekistan for 2022-2026 [2] provides for innovative recovery of enterprises among the priority areas for economic development, paying attention to competitiveness and its development, and an increase in the volume of the regional economy. Today, the innovative recovery of enterprises should provide for the solution of a multidimensional task: a decisive release from unpromising enterprises must be combined with the revival of enterprises with the restructuring of production, their financial recovery.

Research methodology

In the process of working on the study, the authors based on current trends, legislative and regulatory support, development of the county's education policies, approved by legislative and regulatory acts, used a systematic approach and scientific analyses.

Literature review

It should be note that financial recovery is not a protection against all problems of the enterprise, but only a preventive measure to prevent bankruptcy. If you have an unsatisfactory financial condition, you can prevent bankruptcy proceedings if you take timely measures for financial recovery [3].

Some economists come to the conclusion: up to 70% of cases of bankruptcy of enterprises can be reduced to the "human factor", i.e. to inexperience, incompetence, propensity to speculation or dishonesty of entrepreneurs [4]. In particular, the qualifications and individual qualities of the company's employees are of great importance. In particular, the chief accountant in existing commercial structures is endowed with great powers, the financial stability of the company and its prospects depend to a greater extent on the knowledge and skills of the accountant [5].

In the conditions of unstable development of the economy and doing business in a highly competitive environment, it becomes obvious that enterprises and companies must continuously adjust their activities to maintain financial stability in order to maintain financial stability, taking into account the requirements of a changing environment. New conditions for the implementation of activities imply a constant readiness for change [6]. And in relation to enterprises that neglect this condition, according to Leonov M.V., bankruptcy is an important natural way to increase the efficiency of the economy, contributing to its structural restructuring. Since the system of market competition operates in the modern economy, the least competitive ones are forced out of the market by more profitable and efficiently functioning enterprises [7]. At the same time, in order to restore the activities of an enterprise that is on the verge of bankruptcy, but which, according to the owners (present or future), has the potential for recovery, a financial "recovery" program is applied.

Financial recovery is a voluntary or compulsory procedure carried out at the micro level of an enterprise in order to compensate for the regular lack of funds for the implementation of its current activities, restore the solvency of the enterprise and pay off obligations [8]. The financing of the financial recovery of an enterprise is carried out at the expense of certain sources: for example, for the budgetary mechanism, budget revenues should be considered as a source of resources, and for the state support fund, not only budgetary funds, but also the funds of private investors should be taken into account [9].

In the theory of anti-crisis management, two types of financial recovery are usually distinguished: financial recovery as a stage of the bankruptcy procedure; financial recovery as a preventive procedure aimed at preventing insolvency and preventing the initiation of bankruptcy proceedings [10]. Some researchers believe that they can be further differentiated, namely, "preventive measures include "prevention of insolvency and prevention of initiation of bankruptcy proceedings, and the conduct of bankruptcy procedures is divided according to the purposes of the procedures: either preparatory and rehabilitation, or liquidation" [11].

Analysis and results

For industrialized countries, bankruptcy and liquidation of unprofitable enterprises is a normal phenomenon. They heal the economy, freeing it from outsiders, which contributes to structural modernization and restructuring or renewal of production. The exit of outsiders from the market is not necessarily accompanied by the closure of enterprises, but for some of them by the reorganization of activities into a competitive one. And such a process in most cases is accompanied by the introduction of innovative developments in a variety of enterprises, or even in the activities of individual enterprises. Since, without improving the technology of activity towards more economical consumption, for example, fuel, electricity, sometimes improving the speed of order fulfilment, reducing defects, quality, it is impossible to "survive" in the face of fierce competition. And the introduction of innovative technologies allows not only to achieve the above goals, and keep up with the times, but also to expand the markets for products, both towards different subjects, and in terms of geographical aspect. This approach of the enterprise contributes to the formation of sustainable competitive advantages for the long term and the creation of a basis for future effective development and profit maximization.

The financial recovery of an enterprise in innovative development means its integrated management, which combines skills and abilities from technical, economic, environmental, sociological sciences using theoretical and applied approaches, developing strategies and tactics. Such development becomes possible thanks to the accumulated capital and highly skilled labour.

It should be noted that the enterprise rarely becomes a pre-crisis or crisis financial condition "suddenly". This state is preceded by an insufficiently effective management system, awkward management of financial resources, inability to attract customers and find the right partners.

In the practice of global anti-crisis management of the financial condition of an enterprise in developed countries, a number of economic and financial technologies are effectively used, among which one can name general quality management, process management, lean manufacturing, the Six Sigma method, in the process of implementation of which it is advisable to introduce innovative technologies.

The first approach - total quality management means managing the quality of goods, as well as the quality of the functioning of the organizational structure of enterprise management, which includes both training and adaptation and interaction of employees in a team, creating a favourable environment for the high-quality performance of their duties.

Total Quality Management (TQM) is an enterprise business strategy aimed at improving the quality of all goods, services and processes. TQM is at its core a quality-focused, buyer-driven, evidence-based, driven collaboration technology. The main goal of TQM is the phased implementation of the tasks developed by the management of the enterprise by improving the quality of work. TQM can be used both in production and in educational programs, by government agencies and other organizations.

The origin of this approach is Walter Shewhart, who formed the PDCA cycle (Plan-Do-Check-Act) (see: Fig.1.)

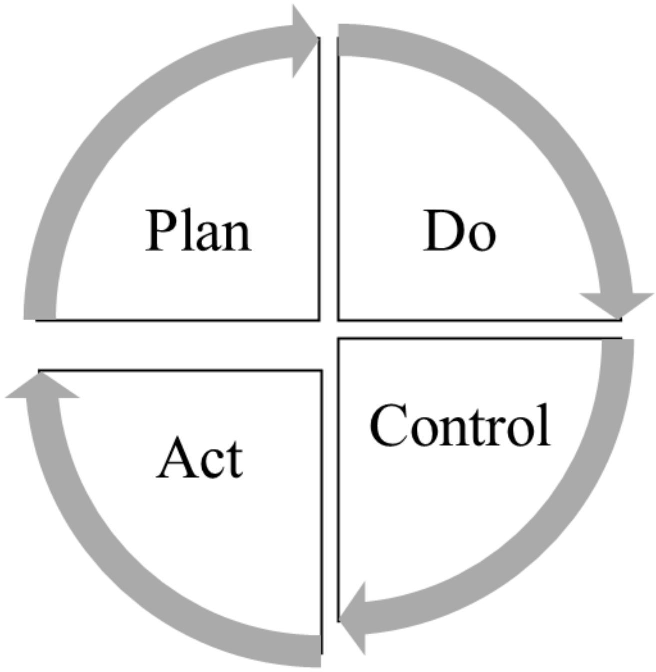

Fig.1. TQM process of enterprise

TQM cannot be considered separately from total quality assurance, covering the entire life cycle of a product: from ongoing research and development, development of the idea of producing a product, to direct production, marketing and subsequent service.

For example, it is obvious that the quality of the finished product depends on the quality of the raw materials and materials from which this product is made. Also, this concept includes the fact that in a continuous mode, the employees of the enterprise are constantly working to increase production efficiency, improve the quality of the product. The work of the company's team on improving the quality of production should be stimulated by the management, creating conditions aimed at providing an opportunity for all participants to express and discuss new ideas, innovations, methods, methods used in the production of products, to establish training aimed not only at adopting existing actions, but and development, improvement.

The use of TQM will definitely affect both the corporate culture and the processes that have developed over decades, as well as directly on the employees of the enterprise.

The process approach involves improving management through organizational innovation. In particular, the elimination of changes in the organizational structure makes it possible to increase its capitalization before the sale.

The concept of the process approach assumes that all the work of the company consists of a set of processes. For the effective operation of the company, effective process management with the organization of horizontal relations among employees is necessary. Such conditions will help the company's employees to independently coordinate the work and solve the problems that have arisen without the dedication of the company's top management, promptly. To do this, it is necessary to create conditions for constant joint work of employees. The effectiveness of the entire project depends on how this condition is met.

The principles of the process approach are: the principle of interconnection of processes, the principle of documenting processes, the principle of demand for the process, the principle of process control, the principle of responsibility for the process.

The implementation of these principles means that the company is an algorithm of interconnected processes. Each process differs in duration in time, and the number of employees employed in it, however, they all have a goal and objectives, the results of which must be demanded by future consumers. Each process may involve employees with different qualifications, however, one person should be responsible for a specific process and its results. Each process has a mandatory documentary support: this allows you to track, coordinate and correct it. In addition, each process has a framework for its beginning and end, characterized by specific performance indicators.

The Lean Manufacturing approach involves the elimination of all existing and expected losses of the enterprise, requires both significant financial investments and time for implementation, as well as financial analysis. Following the concept of Lean Manufacturing allows companies to improve their level of competitiveness by producing their products in the shortest possible time and at the lowest cost, taking into account the quality of products that meet customer needs. Due to the implementation of the Lean production concept, the processes implemented in the company are improved, the company's employees quickly adapt to changing conditions.

It allows organizations to increase competitiveness by producing goods or services in the shortest time and at the lowest cost, with an emphasis on customer satisfaction with product quality.

At the same time, the Concept of Lean Production should cover all the processes of the company, and not concentrate only on production moments. Therefore, it is necessary to constantly work on improving the approaches and mechanisms of management, the development of lean production at enterprises, and the study of factors hindering this process.

The difficulty of applying the approach of Lean production lies in the fact that in its implementation, the enterprise is faced with a number of factors that limit the formation and implementation of the innovative component.

These factors include the following:

- financial constraints;
- if innovations are large-scale and require implementation in different areas of production;
- the implementation of the entire complex of works requires time and labour;
- unwillingness to innovate;
- the effect of implementation can be seen only in the long term.

When using the practice of lean production, one should not forget that lean production tools must be applied depending on the specifics of the company's activities.

To analyse the implementation of lean manufacturing practices, indicators such as: the number of planned and actually implemented activities should be used; information about all losses, expressed both in lost time and money in dynamics; the cost of implementing lean manufacturing; performance evaluation based on the results of each type of activity and the implemented process, etc.

The Six Sigma method is a method of managing the quality of a company's products by identifying and eliminating the causes of incorrect actions or errors in the company's business processes, focusing on performance indicators that are especially important for the consumer (see: Fig.2.).

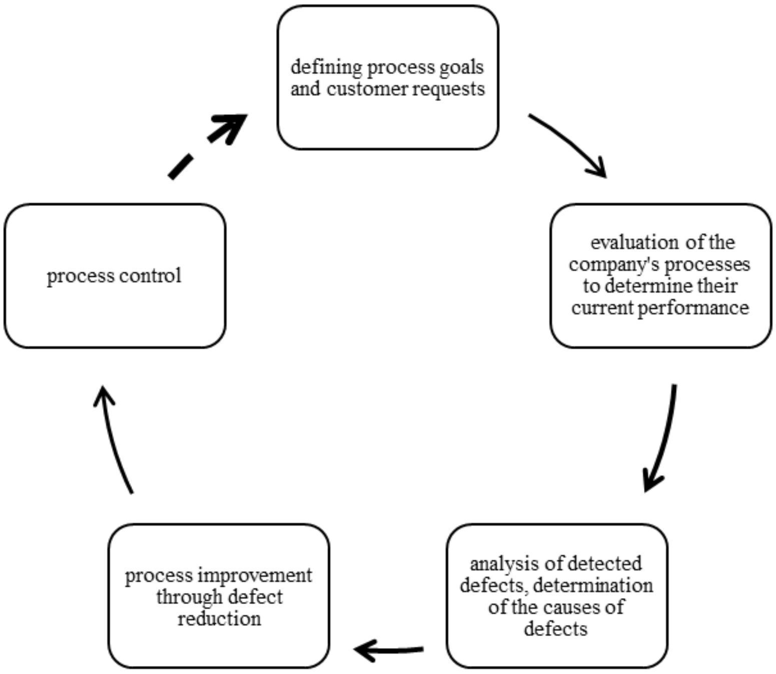

Fig.2. The Six Sigma Method of Enterprise Processes Quality Management

Thus, despite the difficulties in attracting investments to an enterprise in a pre-crisis or crisis state, with the competent use of modern methods of managing the financial recovery of an enterprise, there is a significant return on the introduction of innovations; the use of innovative approaches to managing financial recovery helps to accelerate the turnover of inventories, and stocks of goods and finished products, which will subsequently have a positive effect on debt repayment, as well as increasing financial stability and improving solvency.

In the implementation of a competent approach - business technologies for managing the financial recovery of an enterprise, an invaluable role is played by a highly qualified financial manager, on which the future development of the enterprise depends.

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