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## **SOME FEATURES OF COOPERATIVE RELATIONS BETWEEN LARGE INDUSTRIAL ENTERPRISES IN THE PRODUCTION OF AGRICULTURAL MACHINERY AND SMALL BUSINESSES IN THE KHOZERM REGION OF THE REPUBLIC OF UZBEKISTAN**

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*Abstract: This article examines some features of cooperative relations between large industrial enterprises producing agricultural machinery and small businesses in the Khorezm region of the Republic of Uzbekistan.*

*Keywords: big business, small business, competitiveness, cooperation, cooperative links, cooperation effect, conditions for implementing cooperation, algorithm for implementing cooperation.*

An essential component of the development of Uzbekistan's national industry is to increase the competitiveness of industrial enterprises in our republic, which undoubtedly depends directly on the efficiency of production. Old economic management mechanisms are considered ineffective in modern market conditions, and new ones, although copied from Western models, have not taken root in our republic for a number of reasons, i.e., they have not been properly developed.

Therefore, today the need to seek and implement "new" areas of effective and, most importantly, mutually beneficial cooperation with business partners is becoming increasingly relevant not only for large businesses, but also for small businesses. We are talking about cooperation and interaction between large industrial enterprises and small businesses.

It is well known that cooperation, in its simplest sense, means that businesses work together to achieve a common goal.

In conditions where resources are limited and enterprises do not receive external support (e.g., from the state), cooperation should be understood as a condition for improving the efficiency of their activities. Such cooperation involves the mutually beneficial elimination of shortcomings in their activities through the economic advantages of their partners. For example, by leveraging the flexibility of small businesses, large enterprises will be able to improve their production efficiency, establish new sales channels, and master and implement advanced technologies.

The system of cooperative relations between small businesses forms a complex set of integrated relationships. At the same time, this complex is not simply the sum of its individual parts; in other words, properties inherent to the entire system may be absent in its individual parts. Thus, it can be said that some enterprises that are not strong independent market participants can form a system with characteristics that give them an advantage over their competitors through mutual cooperation. Cooperation motivates the search for competitive advantages by attracting resources that are important for the structure of small businesses but are not available within it, through inter-company cooperation.

In contemporary management literature, many authors, including E.G. Pugacheva and K.N. Solovienko, note that instability and changeability "are becoming perhaps the

most enduring feature of modern life." This requires completely new approaches to management. In other words, it creates a need to move from fixed structures to changing structures, from a single organizational method to various forms, from hierarchical relationships to sectoral ones, and from competitive and cooperative relationships to a combination of both. In this context, the philosophy of managing complex business structures is currently becoming the most relevant direction, since such businesses often consist of a group of legally independent partners. The system of cooperative relations between small business entities forms a complex of integrated relations. At the same time, this complex is not simply the sum of its parts; in other words, properties inherent in the entire system may be absent in its individual parts. Thus, it can be said that some enterprises that are not strong independent market participants can form a system with characteristics that give them an advantage over their competitors through mutual cooperation. Cooperation motivates the search for competitive advantages by attracting resources that are important for the structure of small businesses but unavailable within their limits, within the framework of inter-company cooperation.

Today, cooperation between small businesses in the Republic of Uzbekistan differs significantly from the classic cooperation model adopted in developed Western countries. In countries with developed economies, companies usually have a complex organizational structure, their participants process large volumes of information flows within the company, have common funds, share funds, and these funds are formed from contributions. In Uzbekistan, such forms of cooperation are very rare. Cooperation between large and small enterprises or small and medium-sized enterprises that are independent of each other, based on the pooling of resources, is temporary in nature and involves a small number of participants. Simply put, such cooperation is often carried out on the basis of personal initiative of the participants, in a non-financial form and on an irregular basis.

The unfavorable factors of our republic's economic system to a certain extent limit the cooperative ties between small businesses and the development of clusters in various industries. Since clusters are more specific to agriculture, i.e., the agrarian sector, it cannot be said that they have developed, functioned fully, and effectively over the past two years. This is because cotton agroclusters paid low prices for the crops supplied by many farms working with them due to the fall in cotton prices on the world market. As a result, the economic and financial situation of many clusters and farms became difficult. In contrast, in developed countries, small businesses have the opportunity to exchange information on new technologies within clusters or jointly use the results of scientific and technical developments. As of January 1, 2025, 651 agroclusters had been established in Uzbekistan to develop agriculture, covering the production of cotton, grain, fruits and vegetables, livestock, dairy, and meat products. For example, agroclusters for cotton and grain cultivation occupy 100 percent of the cotton-growing areas in the republic, and those for fruit and vegetable cultivation occupy more than 40 percent.

Agroclusters effectively address important issues such as agricultural modernization, deep processing of products, increasing export potential, employment, and poverty reduction. Agroclusters also make a significant contribution to economic growth by ensuring mutual benefits between farmers and producers. However, in European countries, cooperation between small business structures is not only more developed than in our country, but is also aimed at exchanging information and jointly implementing innovative activities.

As of January 1, 2024, the number of clusters in Uzbekistan reached 437. In 2018-2022, 506 clusters were created in the country, resulting in a 32-fold increase in industrial production to 28.7 trillion soums. As of January 1, 2023, there were 21 special economic zones (SEZs) operating in Uzbekistan, 328 small industrial zones (SIZ) and 23 technology parks, with the number of enterprises in them being: in SEZs - 768, in SIZs - 2,494, in technology parks - 1,694. Clusters are important for the development of key economic sectors, the optimisation of production processes and the increase in export potential.

However, researchers emphasize that in this case, we are often talking about clusters, i.e., groups of companies that are interconnected at the level of goods or resource supply, rather than groups of companies that jointly plan and implement projects.

Most small businesses in Uzbekistan do not demonstrate a readiness for conscious, civilized cooperation between equal partners, as the low assessment of the potential benefits of cooperation remains a problematic issue. Nevertheless, more active cooperation contributes to greater competitiveness, which indicates the emergence of synergistic effects, even if business structures do not have a clear assessment of such effects. In addition, among small enterprises that actively cooperate with the business environment, the share of innovative enterprises is higher than in the group with a low level of cooperation.

Cooperative relations - a form of association of small business structures that jointly resolve production, economic, scientific, technical, social, and other issues. Figure 1 below shows a model of cooperative relationships between large and small businesses. These relationships are established through the pooling and sharing of resources based on voluntary agreements and private contracts, and the resources pooled can be diverse.

These include:

- o financial resources: loans within the cooperative, mutual aid funds, leasing, tax optimization;

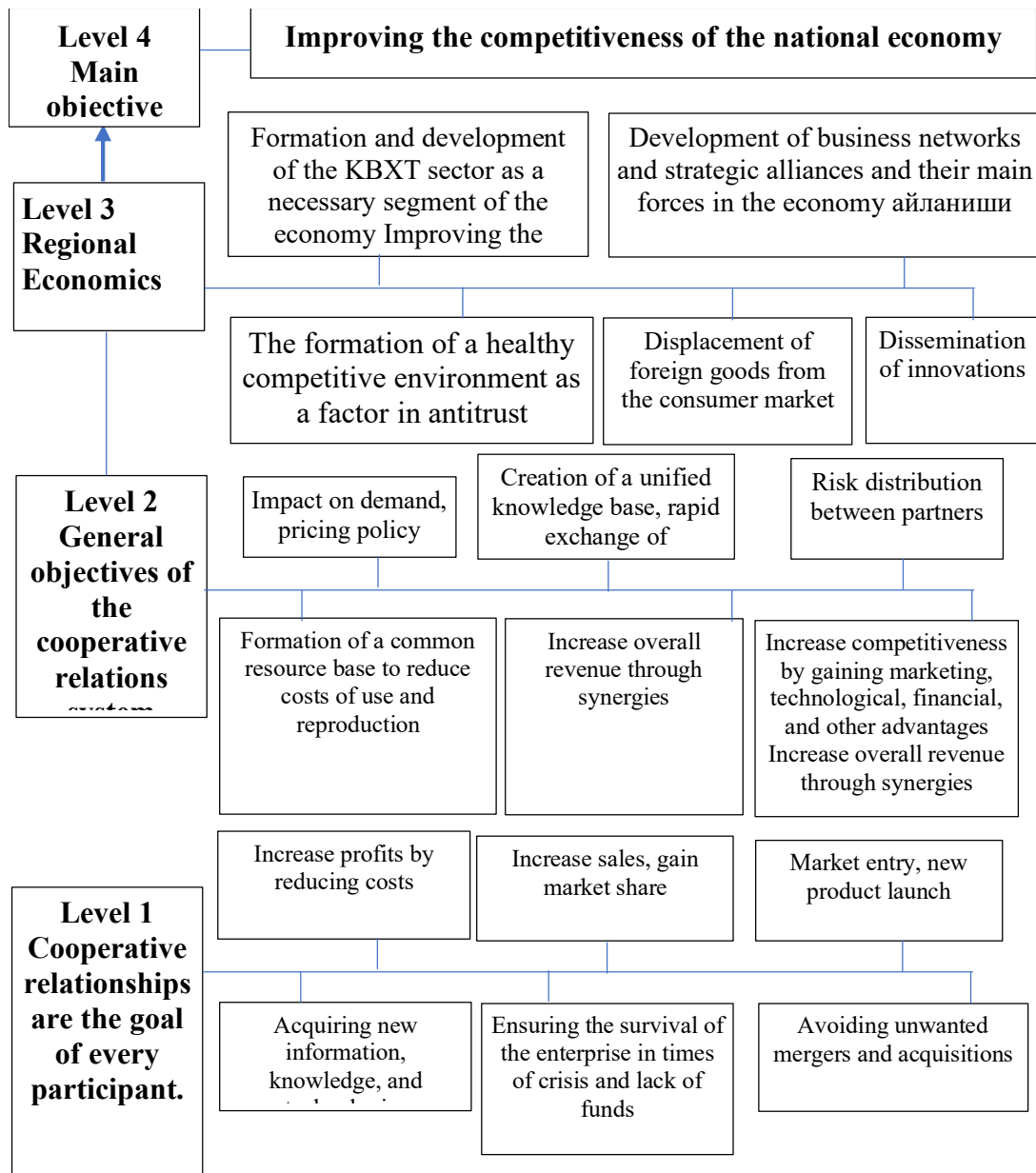
- material and technical resources: warehouse and administrative buildings, raw materials, materials and components, equipment, office equipment, vehicles;

- organizational and managerial resources: accounting, management of individual stages of the production process, marketing, advertising;

- intellectual capital: exchange of information, knowledge, skills, competencies, and experience.

Depending on the results achieved through cooperation, the amount of payment for resources is determined, with the lower limit being the prevailing market price for these resources.

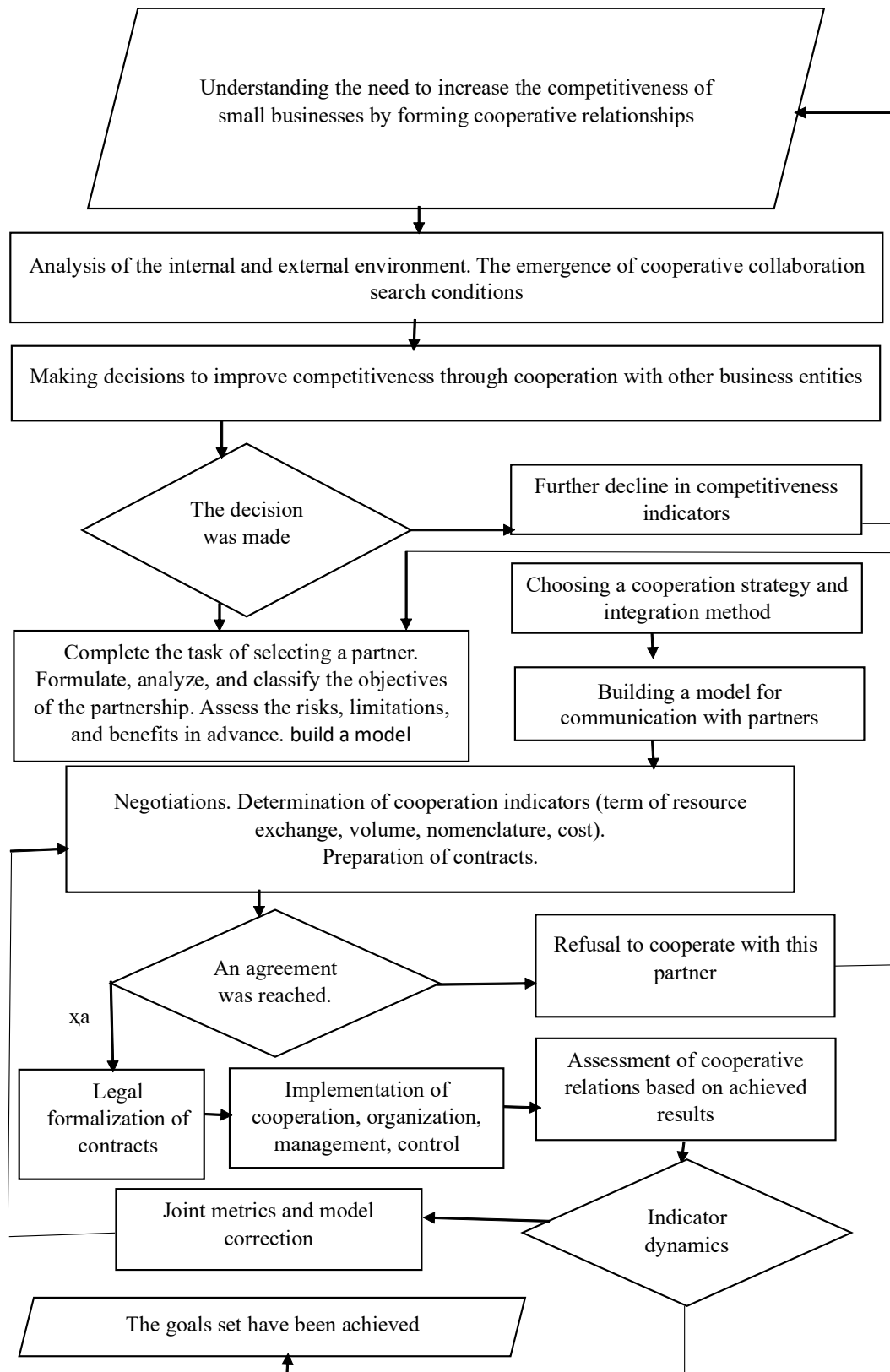
By joining together in cooperative relationships, large and small economic entities form a unified system and, as a single entity, can direct their efforts toward suppliers of raw materials, materials, and services, consumers of products, other systems at the same level, as well as more complex systems at the next hierarchical level to which they belong, using the advantages arising from the merger.



**Figure 2. System of target orientations for cooperative relations between large and small businesses**

For any small or large business entity, establishing effective cooperative relationships and selecting partners is a process that requires certain organizational and managerial efforts. The process of establishing cooperative relationships between small business entities is presented in the form of an algorithm in Figure 3.





**Figure 3 Algorithm for forming the estimated cost base for capital construction**

The most important and complex stage in this algorithm is the stage of selecting partners for cooperation. Let us assume that  $N$  is the finite set of entities that can



participate in this cooperation. The possible number of cooperation options is determined by the value  $V$ .

$$V(N) = \sum_{k=1}^N C_N^k$$

$k$  – Number of participants in the cooperative relationship option

$C_N^k$  – this  $N$  to  $k$  number of possible combinations per element.

Based on the tasks to be solved using the fundamentals of capital construction estimates, options that do not contribute to the achievement of the initial goals are eliminated. After that, a preliminary assessment of the effectiveness of cooperation is carried out for the remaining options. Therefore, after the initial assessment of effectiveness, small businesses that have a negative synergistic effect as a result of cooperation are excluded from the list of potential partners. Then, for cases where the synergistic effect is positive (or zero, but the enterprise receives some small benefit that cannot be immediately assessed mathematically), a set of options is formed in the form of  $\tilde{v} \in V(N)$ . This set represents the number of possible options for forming a system of cooperative relations. The greatest advantage is likely to be gained by those options that are expected to yield the maximum effect from a given set  $\tilde{v}$ .

The formation of an optimal model of cooperative relations is aimed at finding a form of cooperation that is strategically and organizationally complementary and ensures the creation of the greatest aggregate value. To this end, it is advisable to analyze the types of CBCCs, which will identify alternative forms of implementing basic strategies based on vertical, horizontal, or diagonal integration, allowing for the maximum possible efficiency of cooperation (Table 1).

Table 1 Cooperation between large and small businesses: matrix for selecting the type of connection ( $\Pi_{ij}$  – important indicators of the cooperation being compared)

Cooperative strategy	Интеграция усилий		
	Vertical	Horizontal	Diagonal
<i>Co-product</i>	$\Pi_{11}$	$\Pi_{12}$	$\Pi_{13}$
<i>Co-innovation</i>	$\Pi_{21}$	$\Pi_{22}$	$\Pi_{23}$
<i>Co-specialization</i>	$\Pi_{31}$	$\Pi_{32}$	$\Pi_{33}$

The formation of a cooperative strategy model involves identifying the key factors that determine the strategy and abstracting secondary characteristics and elements. Within the framework of this analysis, it is important to consider the conditions necessary for the formation of co-innovation opportunities and co-specialization opportunities, since strategically important results are achieved primarily through innovative effects and unique advantages. Cooperative strategy

The most likely scenario is the establishment of stable and long-term cooperative relations between two large and small business entities. As the number of entities participating in cooperation increases, the coordination of actions and the process of information exchange within the cooperation structure become more complex. Therefore, let us consider in more detail the possibility of improving the efficiency of resource use. This situation is analyzed using the example of the cooperative relations between Urgenchkormmash JSC, a large agricultural machinery manufacturer in the Khorezm region, and JasminLitmash LLC, a manufacturer and supplier of parts and equipment in this field.

The main activity of Urgenchkormmash JSC is the production of trailers of various sizes, plows, seeders (seed drills), and other mowing and feed spreading machines used in agriculture. One of the main partners of this enterprise is Jasmin Litmash LLC, which supplies it with components, parts, rolled metal, and other raw materials. Therefore, the cooperative relationship between these two organizations takes the form of intermediation between producers and consumers of material resources.

Urgenchkormmash JSC manufactures the necessary agricultural equipment and technologies, purchases, assembles, and temporarily stores components for them at the request of its customers. To successfully organize its activities, this enterprise needs to constantly engage in active marketing activities. Urgenchkormmash is a large enterprise that has achieved considerable success in this field during its time in business and has a fairly large network of small business customers with whom it cooperates. Activities such as marketing research and advertising are expensive and inaccessible to small businesses. As a rule, these measures initially lead to a deterioration in the economic performance of SMEs.

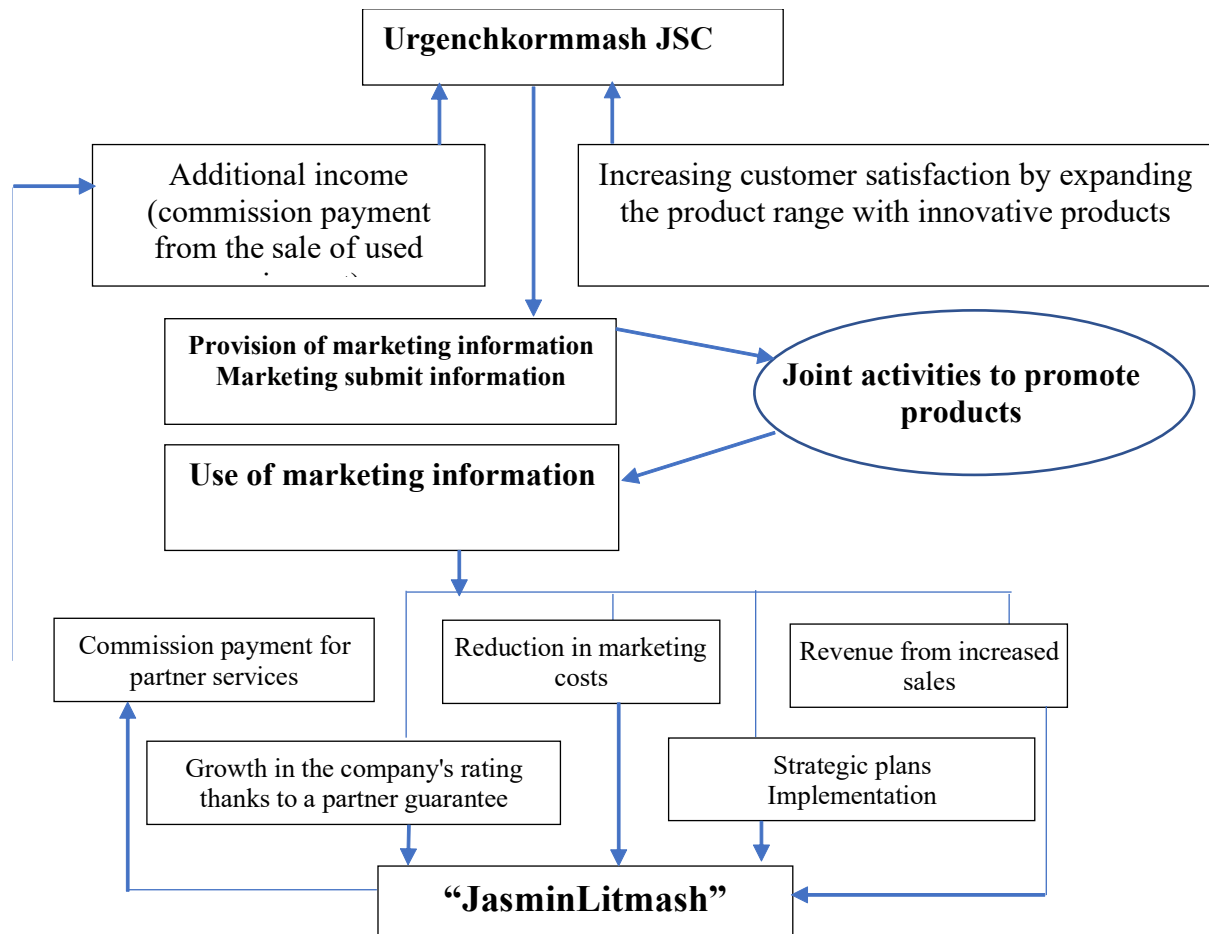
For Urgenchkormmash JSC, this stage has already been completed, and the marketing information gathered can now become a source of additional income or a means of reducing costs. Marketing information is a resource that a company can share with others in the process of implementing cooperative partnerships.

The manufacturing company Jasmin Litmash LLC is mainly engaged in the supply of sheet metal and various spare parts required for the production of agricultural machinery, based on the technical and technological requirements of Urgenchkormmash JSC. Since the technical requirements of each customer are unique, serial production of agricultural machinery based on them is impossible, as it is only needed by a specific customer.

Metal products and raw materials, parts, designed drawings, and casting molds supplied to Jasmin Litmash LLC are usually used for a limited time, and sometimes only once. This production process is quite labor-intensive. It is a very tedious, inconvenient, and monotonous process at the large industrial enterprise Urgenchkormmash JSC.

For Jasmin Litmash LLC, conducting marketing activities on the scale necessary to bring a new product to market is impossible due to insufficient financial resources. The conflict between the need for marketing and its practical feasibility is a very acute problem for this small business.

Figure 4 shows a diagram of cooperation on the joint use of marketing information between Urgenchkormmash JSC and JasminLitmash LLC.

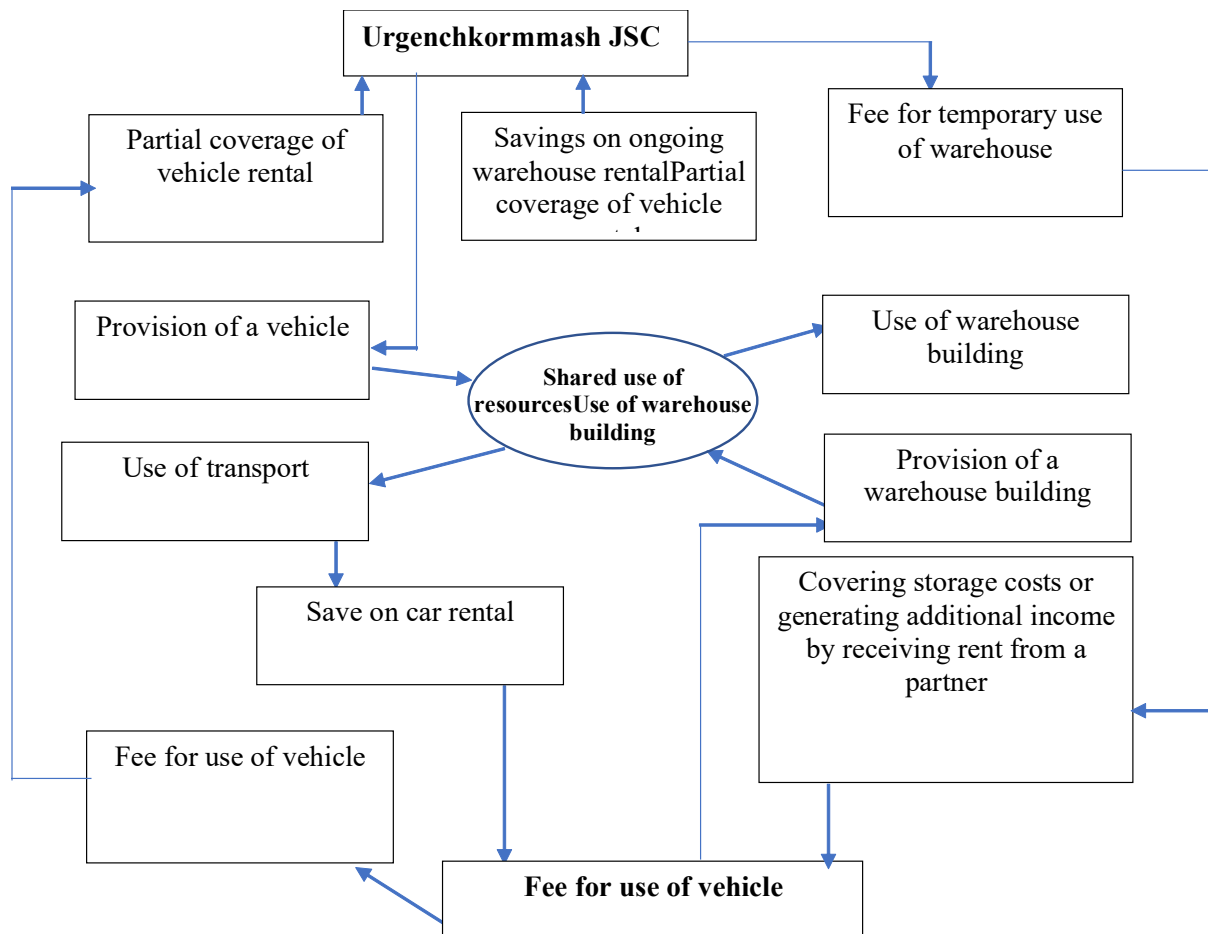


**Figure 4. Marketing cooperation plan between Urgenchkormmash JSC and JasminLitmash LLC  
(product promotion on the market)**

According to this diagram, cooperative partnerships between these enterprises will not only bring financial benefits through cost reductions or additional income, but will also enable them to strengthen their market positions and move closer to their strategic goals.

In addition to cooperation in the field of sales, economic entities can also cooperate through the joint use of material and technical resources, namely warehouses and motor transport. Figure 5 shows a diagram of the cooperative relationship between Urgenchkormmash JSC and JasminLitmash LLC based on the joint use of warehouse facilities and motor vehicles.

JasminLitmash LLC has warehouse facilities, but they are not always fully utilized. However, sometimes the warehouse is fully occupied, and it is impossible to lease a certain part of it to other parties. Within the framework of cooperative relations, this surplus space is sometimes transferred to Urgenchkormmash JSC for temporary use. This company needs a warehouse for the temporary storage of construction materials ordered by customers until a complete batch is formed, but it does not have its own warehouse.



**Figure 5. Scheme of cooperation between Urgenchkormmash JSC and JasminLitmash LLC on the joint use of a warehouse building and motor transport**

This cooperation is beneficial for Urgenchkormmash JSC, as temporary storage is an occasional process, and sharing a warehouse with JasminLitmash LLC is more cost-effective than permanent rental. After all, if a warehouse is rented from third parties, it can often stand empty. In addition, both companies, Urgenchkormmash JSC and JasminLitmash LLC, need to deliver their products to the southern, eastern, and central regions by rail or road. Joint rental of vehicles can significantly reduce these costs. In conclusion, it should be noted that the integration of large and small enterprises, such as Urgenchkormmash JSC and JasminLitmash LLC, into a single system based on cooperative ties will enable them to use their existing production resources more efficiently.

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