

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**WAYS OF INCREASING THE COMPETITIVENESS  
OF INDUSTRIAL ENTERPRISES PRODUCING BUILDING  
MATERIALS IN AZERBAIJAN**

Speciality: **5312.01 “Field economy”**

Field of science: **Economic sciences**

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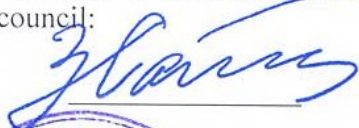
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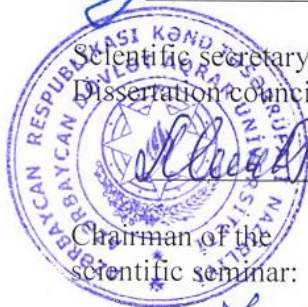


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## **GENERAL CHARACTERISTICS OF THE WORK**

**The actuality of the subject.** Recently, various areas of the non-oil sector have been in the spotlight at the government and private sector levels as the main direction of economic development in Azerbaijan. Competition is the main driving force of development, and the upward trend in development trends directly depends on ensuring competitiveness in priority sectors of the economy. In modern economic conditions, competition has become global. Therefore, the policy of economic diversification is being implemented in our country to ensure sustainable and sustainable development through a competitive economy and competitive economic entities. As part of the diversification policy, it is important to improve the structure of the processing industry, giving priority to industry, especially the processing industry, as a key factor in ensuring economic growth in the country as a whole, as well as improving the quality of production and services at various economic entities. As one of the important sectors of the processing industry, the production of construction materials is considered one of the key links in the national industrial system. Thus, the rich raw material base in the relevant field differs in terms of development, as well as the potential to organize and implement export-oriented production, employment in the country and other important aspects. The production of construction materials plays the role of the material supply base of the construction industry, which is the main leading sector of the economy after the oil and gas industry. Thus, the leading position of the construction industry in the country's economy depends mainly on the production of quality construction materials, taking into account important factors in the production process, such as quality, price, innovation, energy and sustainability. Thus, the directions we have listed are also reflected in the State Program for the Development of Industry in the Republic of Azerbaijan for 2015-2020 and the Strategic Roadmap for the Development of the National Economy. From this point of view, it is necessary to study the issue of increasing the competitive factor in the relevant industry.

The production of construction materials occupies a special place in the processing industry of the Azerbaijani economy. It is also considered one of the most promising areas of the processing industry. The number of enterprises operating in the relevant industry is 254, including more than 90 of them are private enterprises. Relevant enterprises are represented in the processing industry by 11%. There are also more than 2,100 registered individual entrepreneurs engaged in the production of construction materials. The average number of employees is 12,000, and the average monthly salary is more than 600 manat. This is higher than the average monthly salary in the country. At a time when world oil prices were falling, Azerbaijan also saw a decline in revenues, and the production of construction materials declined in those years, but increased last year. The volume of production is 746 million manat. Of course, this figure is below the potential, but the growth trend over the years indicates the prospect. Industrial enterprises producing construction materials are also achieving growth in exports. Thus, Norm LLC, Holcim Azerbaijan OJSC, Matanat A Company, Metak, Gazakh Cement Plant, Gilan Construction Materials Plant, Fakhraddin K LLC and other enterprises have access to foreign markets. It should be noted that despite the export activities, the demand for construction materials in our country is not fully met due to domestic opportunities. This, in turn, is considered one of the factors hindering and hindering economic development. This is because the cost of imported construction materials is high, and their import causes a large inflow of foreign currency from the country. From this point of view, the economic growth of industrial enterprises producing construction materials, carrying out export-oriented production activities in our country, is a necessary condition. The liberation of the occupied territories of Azerbaijan under the resolute policy and leadership of the President of the country will have a direct impact on the growth of industrial production, as well as in various fields. Karabakh, as well as the former Kalbajar-Lachin economic regions, have sufficient efficient sources of raw materials to organize competitive production of construction materials. Therefore, it is important to make proposals

to study the increase in the competitiveness of industrial enterprises producing construction materials in Azerbaijan in terms of production of "smart" and "green" construction materials based on new technologies in the liberated territories.

In general, scientific research on the study of the competitive factor and the competitiveness of the enterprise, as well as the effective organization of production of construction materials was conducted by academicians Samadzade Z.A., Shiraliyev V.M., Farzaliyev M.M., Yusifov E.M., Hasanov I.C., Hasanov H.K., Ahmadov H.M., Huseynova T.A., Jafarli H.A., Abbasov G.A., Shirinov B.H., Bashirov F.H. and others at the international level M. Porter, A. Smith, A. Marshall, J.J. Lamben, D. Ricardo, C. Hayek, C. Keynes, R. Fatxuddinov, İ. Ansoff and others have done so, paying considerable attention to the study of the field, as well as making suggestions and recommendations that have a positive impact. The wide development potential of the construction materials industry, as well as the provision of employment in the country's economy, both in terms of material supply, high wages and increasing export capacity are the basis for research, study, evaluation of competitive factors and innovative proposals. gives.

**Object and subject of the research.** The results of the economic activity of industrial enterprises producing construction materials in Azerbaijan are the object of research. The economic and methodological basis of the financial and economic, production and sales activities of industrial enterprises producing construction materials, as well as improving their competitiveness in general, is the subject of research.

**Goals and tasks of the research.** To determine the factors of competitive activity in the field by analyzing, summarizing and comparing the economic activity of industrial enterprises producing construction materials in Azerbaijan, as well as general indicators, as well as individual enterprises. Thus, one of the tasks facing the study is the economic and methodological basis for the financial and economic, production and sales activities of enterprises producing construction materials, as well as improving the overall competitiveness. One of the main goals is to study the results of

relevant research of both local economists and foreign researchers and the application of the requirements of their theories.

**Research methods.** A systematic approach and complex analysis method were used in the research, while economic-mathematical, statistical analysis, as well as scientific generalization were used. Various construction materials operating in the country from normative legal acts regulating competitive relations in the Republic of Azerbaijan, official website of the State Statistics Committee, electronic and other publications, as well as official data of the Ministry of Economy, Ministry of Ecology and Natural Resources, State Committee for Urban Planning and Architecture. Official indicators of industrial enterprises were used. In addition, references from local and international scientific publications, calculations and analysis conducted by the author form the information base of the research.

**The main provisions of the defense are as follows:** The main purpose of the study is to identify ways to increase the competitiveness of industrial enterprises producing construction materials in Azerbaijan, and on this basis, the following important tasks are to be addressed:

- substantiation of the concept of "competition" and the importance of competitiveness for an industrial enterprise producing construction materials;
- determination of methods for assessing the competitiveness of the enterprise;
- Identification of factors shaping competitiveness in the production of construction materials in Azerbaijan;
- Analysis of the current state of production of construction materials in the country;
- Analysis of financial and economic activity of Norm LLC as one of the main representatives in the field of construction materials production;
- Comparative assessment of GZIT analysis of Norm LLC, including Holcim Azerbaijan OJSC;
- development of proposals to increase the competitiveness of enterprises producing construction materials;

- identification of important aspects of the implementation of a competitive innovative development strategy in enterprises;
- Possibility of application of clustering in the field of production of construction materials in Azerbaijan;
- substantiate the advantages of using clustering to increase competitiveness and make proposals in this regard.

**The scientific novelty of the research is as follows:** As a result of the research, the following scientific innovations were obtained:

- Factors shaping the competitiveness of construction materials enterprises in Azerbaijan have been identified;
- competitive innovative development strategy was proposed;
- during the creation of a potential cluster, its strengths and weaknesses, as well as potential threats that need to be addressed, were highlighted;
- It was proposed to create a cluster producing construction materials, taking into account the industrial nature of economic regions, including the liberated territories;
- The issue of construction of social housing in the regions was raised and substantiated;
- Economic substantiation of creation of start-ups in production of construction materials was carried out.

**Theoretical and practical significance of the research.** The research is important in terms of prioritizing the development of the country's non-oil sector. Thus, it examines the importance of enterprises producing construction materials for the country's economy, analyzes the competitiveness of individual enterprises, as well as emphasizes their important environmental and social features. The proposals and recommendations made in the research can be used in the process of determining economic policy at both the macro and micro levels. Because the research covered almost all areas of general indicators in the field of construction materials, as well as statistical data on specific enterprises were analyzed.

**Approbation and application.** The results obtained during the research were presented at 2 national and 2 international scientific conferences, including 6 scientific articles, including one abroad,

published in various scientific journals, a collective monograph and a collection of scientific works. The proposals made in connection with the research and the results of the research are used in the teaching of "Construction Management", "Production Management" and "Innovation Management" taught at the Department of "Business Economics and Management" of the Azerbaijan University of Architecture and Construction.

**Name of the organization where the dissertation work is performed.** Azerbaijan State University of Oil and Industry, Department of Economics and Management of Energy and Petrochemistry.

**The total volume of the dissertation with a sign, indicating the volume of the structural units of the dissertation separately.** The dissertation consists of an introduction, three chapters, results and a list of references. There are 20 tables, 13 graphs and 15 schemes. The introduction to the structure of the dissertation consists of 7 pages of 11970 characters, the first chapter is 43 pages, 72084 characters, the second chapter is 38 pages, 63903 characters, the third chapter is 38 pages, 66340 characters, the results are 5 pages, 9340 characters and 136 references are 12 pages. Consists of 19105 characters. The total volume of the dissertation consists of 150 pages of computer writing. The total text of the dissertation (excluding tables, graphs, diagrams and bibliography) is 203065 characters

## **GENERAL CONTENT OF THE WORK**

The introduction explains the relevance and degree of development of the topic, the goals and objectives of the research, the main provisions of the defense, research methods, scientific novelty of the research, the theoretical and practical significance of the research. Chapter I of the dissertation, entitled "Theoretical and methodological aspects of the formation of competitiveness of enterprises producing construction materials" consists of three sub-chapters. The first half of the first chapter, entitled "Characteristics of the competitiveness of industrial enterprises producing construction materials" explores the concept of competition, various economic approaches to the problem of competitiveness, competition policy in the industrial sphere and the features of its implementation. Here,



competition is perceived as a manifestation of complex processes taking place in production, sales and other areas. This is one of the most complex multi-faceted economic concepts that is dynamically evolving and constantly changing. The term competitiveness began to appear in the scientific literature in the early 1980s and as an object of political debate in the late 1990s. Competitiveness is understood as the ability of a country, industry or economic entity to outperform its competitor in order to achieve its goals, as well as to strengthen and gain a position in a competitive market. The competitiveness of the construction materials industry complex has certain advantages in the competitive process, which allows industrial enterprises to produce construction materials at costs that do not exceed the generally accepted norm, to produce goods based on quality requirements based on consumer requirements. The situation is determined by the availability of the opportunity to deliver to a competitive foreign market at the optimal time dictated by the activities of competing enterprises.

The competitiveness of an enterprise is the ability of entrepreneurs to produce goods that are more attractive than foreign or domestic competitors in terms of price and quality in the national and world markets in the current and future period<sup>1</sup>. The competition of entities operating in the field of construction materials can be divided into different characteristics - the level of development, character and methods of struggle. The achievement of effective results by local producers in a modern economic environment depends on the availability of a modern and new strategic vision of competitive activity. Identifying the areas in which the enterprise has a competitive advantage, as well as the level of its provision with resources, guides the competitive activity of the enterprise. It was determined that the competitive advantage of economic entities in both domestic and foreign markets is an important indicator of their competitiveness. The technical and other characteristics of the materials allow manufacturers to outperform their main competitors in the market.

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<sup>1</sup> Abbasov, A.B. Business Administration and Management. Textbook / A.B. Abbasov, R.A. Abbasova, MA Aliyev. - Baku: "University of Economics Publishing House", - 2011. - 464 p

Evaluation allows companies to form a supply of resources in the appropriate form and direction from a competitive point of view. The choice of the optimal location of the enterprise in the industrial sector is based on a systematic analysis of the factors influencing the formation of the conditions that provide production<sup>2</sup>.

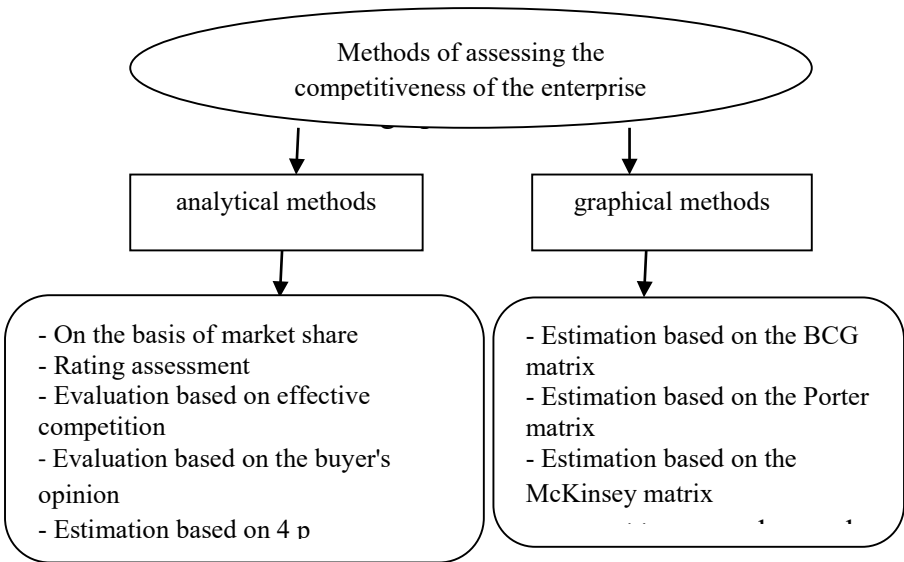
With the development of the competitive strategy of enterprises, the importance and opportunities of strategic analysis have also increased. Therefore, it is necessary to have new scientific approaches that allow to improve competitive strategies. Enterprises that do not show the right approach to the implementation of the relevant activities will not be able to achieve efficiency in terms of financing, as well as in terms of increasing profitability. It should be noted that, as a logical consequence, an innovation-based action strategy covering all activities is a key factor for a competitive enterprise.

The second part of the first chapter of the dissertation "Methods of assessing the competitiveness of industrial enterprises producing construction materials" explores the basic conditions for the effective organization and management of competitive activities of enterprises producing construction materials, as well as the development of its correct analysis and measurement methods. . Because it allows maintaining an effective level of competition and conducting a comparative analysis of the competitiveness of market participants. The measurement of the competitiveness of enterprises producing construction materials takes place in three directions, regardless of the level of their development indicators. The mentioned directions are measurement of indicators at the level of national economy, sphere of production of construction materials and separate production complexes. The first aspect is the assessment of competitiveness of industrial enterprises according to the indicators of production and sales activities.

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<sup>2</sup> Mahmudov, M.M. Regulation of socio-economic development of the regions. Textbook / M.M. Mahmudov. İ.M. Mahmudov. - Baku: "University of Economics" publishing house, - 2011, - 370 p

The methods that can be used effectively in assessing the competitiveness of industrial enterprises representing the production of construction materials are reflected in Scheme 1, based on a number of scientific and economic sources. The basis of appropriate valuation methods is, in particular, the production capacity of industrial enterprises, as well as production capacity. That is, in the assessment of competitiveness, the frequency of acquisition of building materials by consumers, as well as their specific characteristics are important. The organization of the production process for the "acquisition" of construction materials by the consumer must be based on competitive opportunities and meet quality standards. It should be noted that despite the importance of the competitiveness of production, in some cases it is covered by a number of shortcomings in terms of providing an absolute advantage to industrial enterprises from different directions.



**Scheme 1. Analytical and graphical evaluation methods**

Note: Compiled by the author

The main purpose of the BCG method reflected in the scheme is to make the priorities for future investments the main direction for the development of the range of products produced by the

enterprise<sup>3</sup>. Another important method, GZIT, is used to assess competitiveness in the areas of organizational management, production, finance, marketing, human resources, and technology<sup>4</sup>. In addition to the above, one of the methods that experts include in the category of effective tools to assess competitiveness is the competitive polygon. The appropriate method allows you to compare the main features of the enterprise or product, as well as visually present the differences between the indicators. The formation of a competitive polygon is one of the graphical methods used to assess the characteristics of an industrial enterprise in relation to its competitors or other economic entities in the market.

It is expressed by vectors that are visually directed from the single center to different directions, as well as reflecting the main features of the enterprise or product under study. The assessment takes into account the range and value of products, production capacity, technical aspects of the enterprise, human resources in the production enterprise and other important aspects involved. In particular, as a result of the assessment, industrial enterprises producing construction materials can gain leadership by sensitive segmentation, as well as ensure profitability through the proper implementation of investment policy. All this allows you to achieve the goal of increasing profits. Chapter I, Chapter III, entitled "Factors Determining the Competitiveness of Enterprises in the Construction Materials Industry", states that for economic purposes, the products of the construction materials industry are related to the production of factors of production and increase the volume of construction and effective materials and Provides technical development based on the application of structures. The industry is important for the industrialization of construction, reducing costs, saving on metal and wood materials, and increasing the efficiency of capital investment in the national economy.

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<sup>3</sup> Borisova, A.V. The use of the BCG matrix in portfolio analysis on the example of the company OJSC "Lukoil" // Theoretical and applied aspects of modern science. - 2014, - No. 3-5. - S. 32-36

<sup>4</sup> Neil Ritson, Strategic Management, Neil Ritson & Ventus Publishing ApS, -2008, ISBN 978-87-7611-417-5. - p 56

Along with the economic basis of the competitive activity of enterprises in the country, there are also legal aspects and responsibilities<sup>5</sup>. It is not enough for enterprises to meet the requirements of consumers in order to make production and sales activities competitive, as well as to have a marketing strategy along with other factors. It is implemented by providing a logistics strategy in order to deliver construction materials from manufacturers to consumers at a reasonable price and quality. The main importance in the process of competitive activity of the subjects of construction materials production is the issue of technical support of the industrial sector, as well as the study of the possibilities of modernization of production facilities and application of progressive means.

In modern economic conditions, in order to increase the performance of the processing industry and develop infrastructure in Azerbaijan, as in many areas, administrative incentives are implemented in the production of construction materials. The presence of competitive energy prices in Azerbaijan among the countries of the region offers ample opportunities to increase the production capacity of the heavy industry and engineering sector. Despite the existence of unequivocally competitive factors, foreign experience should be studied and used in a specific way to stimulate the production process of industrial enterprises. In general, the global rating organization S&P pays special attention to a number of factors in determining the competitive position of construction materials companies<sup>6</sup>. These factors have been explored in the relevant subsections. As a result of the study, it was determined that compared to industrialized countries, production in the field of construction materials in Azerbaijan is more material-intensive and energy-intensive.

The material cost of the products produced in the relevant industry complicates the process of using price competition. It should be noted that energy saving in the production of building materials

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<sup>5</sup> Sarkarli, AS, The main directions of innovative activity of enterprises producing construction materials // Baku: Agrarian science, Scientific-theoretical journal of Azerbaijan, -2018. № 1. - pp. 183-186

<sup>6</sup> S&P Global Ratings, Criteria, Corporates, Industrials: Key Credit Factors For The Building Materials Industry, - 2013. - pp 15.

should be considered as one of the most important factors to ensure a competitive advantage.

Chapter II of the dissertation entitled "Analysis and assessment of the level of competitiveness of industrial enterprises producing construction materials in Azerbaijan" consists of three sub-chapters. Chapter II, entitled "Current state of development of construction materials industry in Azerbaijan", as a logical continuation of various steps in the processing industry, including the development of construction materials, along with the successful implementation of projects in the raw materials industry in the reform phase of economic development in Azerbaijan. - The implementation of state programs and various measures in various fields is noted. Thus, the diversification of the economy and increasing the sustainability of the processing industry create great opportunities for achieving socio-economic development in the country, as well as increasing the competitiveness of the economy. The construction materials industry is represented as one of the leading sectors of the processing industry in 2019, with a total of 254, 244 private and 10 public enterprises. The average number of employees in this industry is more than 12,000. The volume of construction materials produced in 2018 amounted to 731.5 million manat and in 2019 - 746.5 million manat. The share of the industry in the total value of industrial products produced in the country was 1.5 percent in 2018 and 1.6 percent in 2019. The number of registered individual entrepreneurs engaged in the production of construction materials was 1900 in 2017, 1972 in 2018 and 2114 in 2019<sup>7</sup>. Industrial enterprises producing construction materials in the country play an important role in the policy of diversification of economic activity. The processing industry is a priority area that leads to development at the macro level. The organization and maintenance of dynamic economic growth is possible only as a result of sustainable economic activity.

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<sup>7</sup><https://www.stat.gov.az/source/industry/> - Official website of the State Statistics Committee

The construction materials industry is also one of the main conditions for the development of economic infrastructure. One of the main tasks of economic policy in the relevant industry should be the existence of high-quality, innovative enterprises, including those engaged in the production of energy-saving materials, to increase their efficiency and thus increase competitiveness. In the second half of the second chapter of the dissertation, entitled "Analysis of the financial and economic activities of enterprises producing construction materials", based on the results obtained by analyzing the data of enterprises in the field, to formulate a certain direction for the future and make decisions in the industry.

In the second half of Chapter II, the economic activity of Norm LLC and Holcim OJSC was analyzed on the basis of financial statements, as well as the following important tasks were identified in the analysis of financial results:

- assessment of balance indicators, including the dynamics of net profit;
- study of the structure and components of the balance sheet profit;
- identification of factors affecting the balance sheet profit and profit from the sale of the product and their quantitative calculation; - calculation of profitability indicators.

The analysis includes indicators on Norm LLC's financial condition and profit and loss statements for 2016-2019. Analysis of the efficiency of fixed assets, efficiency of working capital, efficiency of the use of equity of Norm LLC in 2016 and 2019, grouping of its assets and liabilities in the relevant period, the study of solvency, as well as the financial stability of Norm LLC in Table 1 has been shown.

According to the analysis of the data presented in Table 1, the turnover ratio of current assets was 1.64 in 2016, increased to 2.57 in 2017 and 2.6 in 2018, and in 2019 Decreased to 1.3. The higher the turnover, the less money the enterprise needs to carry out its activities. The encumbrance ratio of current assets decreased in 2018 and increased in 2019.

**Table 1. Effective use of working capital**

<b>Indicators</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Sales, thousand man	85,992	126,27	149,447	149,210
Average annual value of current assets, thousand manats	52,358	49,038	57,326	115,436
Cost of sale, thousand manats	62,551	75,693	86,973	89,944
Profit, thousand manats	0,302	34,689	34,806	30,087
Current asset turnover ratio (1/2)	1,64	2,57	2,6	1,3
Load ratio of current assets (2/3)	0,84	0,65	0,66	1,3
Return on current assets,% (4/2),	0,01	0,71	0,61	0,3

Note: Compiled by the author

This means that the share of current assets in the value of products sold in 2019 was high. Return on current assets decreased to 0.3%. This indicator means that the efficiency of the use of current assets decreased compared to 2018 and increased compared to 2016. It should also be noted that the increase in production and price increases have an impact on increasing the efficiency and profitability of short-term assets. Table 2 emphasizes the importance of the sources of assets of the enterprise in terms of the effectiveness of the results of operations.

During the analysis, it was determined that there was a positive trend as a result of the company's correct response to the recent evasion of economic and other processes.

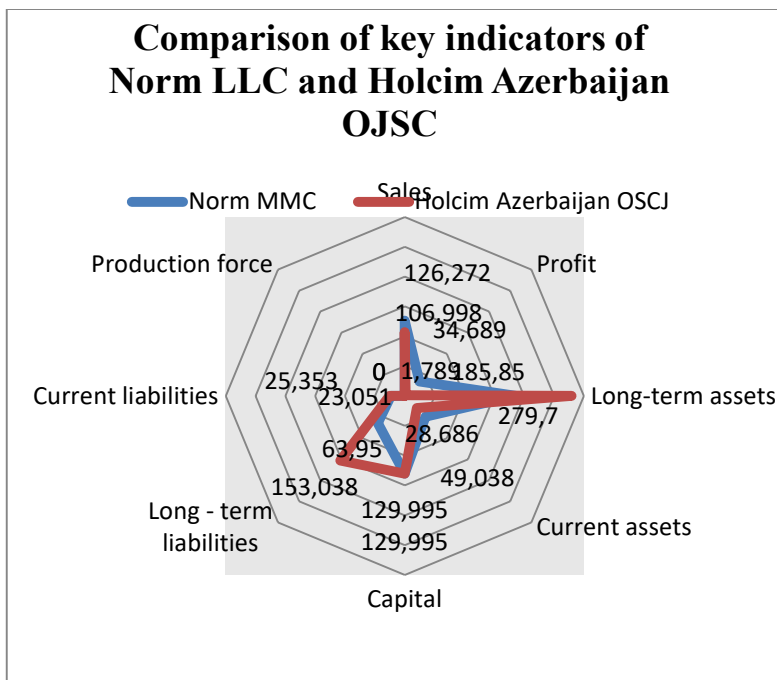
**Table 2. Indicator of efficiency of use of own capital of Norm LLC for 2016-2019**

<b>Indicators</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Dynamics for the base year in%</b>
Authorized capital, thousand man	161,962	161,962	161,963	161,963	0,1
Currency, min manat	239,934	234,888	228,341	288,696	20
Long-term liabilities, thousand man	68,771	63,950	28,850	19,408	-72
Profit, thousand man	0,302	34,389	34,806	30,087	922
Autonomy coefficient, (1/2)	0,67	0,69	0,7	0,6	-10,4
Financial sustainability ratio ((1 + 3) / 2)	0,96	0,96	0,84	0,6	-37,5
Return on authorized capital,%(4/1),	0,01	0,21	0,21	0,2	192

Note: Compiled by the author



Chapter II of the dissertation, entitled "Assessment of the competitiveness of industrial enterprises producing construction materials", provides a comparative assessment of the competitiveness of the two enterprises through the establishment of a competitive polygon in a number of areas based on the official financial statements of Norm LLC and Holcim.



**Graph 1. Polygonal model for assessing the competitiveness of enterprises**

Note: Compiled by the author

The established polygonal competition revealed that Norm LLC had a certain advantage due to the high number of indicators: - sales volume; - amount of profit; - current assets; - can be assessed as a more competitive enterprise in terms of capital. Graph 1 shows graphically that the profit of Holcim Azerbaijan OJSC in 2018 will be 7,067,000 manat, and the profit of Norm LLC will be 34,806,000 manat. The difference between them is 27,739,000 manat. In the coming years, Holcim OJSC has the opportunity to increase the

efficiency of the production process in order to achieve a competitive position. In general, it should pursue a more sustainable economic policy in terms of access to foreign markets by assessing export opportunities. Any industrial enterprise facing external competition in the domestic market is indirectly exposed to currency risk<sup>8</sup>.

During the comparison, it is determined that Norm LLC surpasses its competitor in the production of both clinker and cement. This means that Holcim Azerbaijan has less production capacity. The comparison also uses the earnings of both companies for the year in their 2018 profit and loss statement. It should be noted that despite the small number of employees in Norm LLC, in terms of competitiveness, the achievement of more profits with fewer employees can be considered as a high level of innovation in the enterprise. Chapter III of the dissertation entitled "Ways to improve the competitiveness of enterprises producing construction materials in Azerbaijan" consists of three sub-chapters. Chapter I of the third chapter, entitled "The main directions of improving the activities of enterprises producing construction materials", states that increasing the competitiveness of construction materials depends on improving the individual characteristics of economic entities that form and represent this industry. Further improvement of the activity of enterprises producing construction materials, the implementation of which can be achieved through modernization, can lead to higher results. In addition, it is noted that the proper organization of accounting policies, ensuring the full involvement of major industrial production assets in production, as well as improving the ability of staff to use innovative technologies. Improvement should be seen as one of the most important ways to achieve competitiveness. In the current situation, the main factor for the effectiveness of the application of innovations in industrial enterprises producing construction materials is the ability to coordinate cross-sectoral strategies.

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<sup>8</sup> Kazimli, X. Assessment and management of economic risks. Textbook / X. Kazimli, I. Quliyev. - Baku: "University of Economics" Publishing House, - 2011. - 187 p.

First of all, when formulating the production plan of industrial entities, the organization of the production process based on innovative technologies and equipment in the current conditions should be a priority in order to ensure the productive and efficient operation of the relevant entity for a certain period.

Appropriately, the harmonization of the results of technological development with economic activity, the application of scientific, as well as innovative achievements in the production of materials can increase the competitiveness of locally produced materials by stimulating the production of new types of construction materials accepted as "green" construction materials. The low cost of implementing innovations in the cost structure should also be considered as one of the factors hindering the development of the sector. This difference can be eliminated only with innovative and highly competitive production with the correct organization of cost policy. The application of innovation management in order to increase competitiveness is mainly based on product research and development (MCT) <sup>9</sup>.

Using high technology, enterprises can achieve the expected result in the competition by producing high-quality and modern materials. The development of construction materials, the production of "green" energy and cost-saving materials can have a positive impact on the competitiveness of the enterprise if the industrial enterprise focuses on a highly qualified personnel factor based on the combination of scientific and technological potential. let him use. Also, clusters should be created based on the experience and capabilities of enterprises that have achieved competitiveness. One of the most important points in determining the direction of innovative activities in order to improve the activities of enterprises operating in the relevant field in Chapter II of the relevant chapter of the dissertation "Competitive innovative development strategy of enterprises producing construction materials" is the creation of new, innovative products section or department importance is determined.

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<sup>9</sup> Alakbarov, A.H. Management. Textbook / A.H. Alakbarov, MA Valiyev, S.H. Punhani.- Chashioglu, - 2013, - 600 p.

It also emphasizes the importance of building research and development of existing structures in industrial enterprises in accordance with the requirements and the developed competitive strategy. The effective organization of innovative activities also depends on the effective application of innovation.

It should be noted that there are certain difficulties in the organization of innovative production, which need to be addressed. The factors that cause these difficulties can be summarized as follows:

- lack of financial resources of industrial enterprises;
- underutilization of innovation potential in enterprises;
- application of modern equipment and production methods requires financial resources;
- professional staffing problem in the relevant field;
- Lack of deep contacts with construction companies and research centers related to innovation;
- lack of state financial support for the implementation of innovative activities;
- limited information on new technologies used in innovative production of construction materials;
- consumer protection against new generation products;
- lack of legal framework governing the production of innovative construction materials;
- high risk;
- long-term return on innovation costs;
- high-tech production in Azerbaijan is in the formation stage.

The following have been suggested as factors influencing the improvement of development strategies implemented in the construction materials industry:

- organizational and management processes (development of new and more advanced types of products and services, development of strategy and tactics and development of the enterprise in general, information support to decision-making processes);
- economic factors (financial planning of the enterprise, analysis and search of profit growth, internal resources, economic incentives for production, tax planning);

- creation of innovative products and services, provision of competitive advantage of different products in terms of scientific, technical, technological, design in comparison with the products in the market;

- Improving the structure and composition of human resources;
- assessment of production capacity and development dynamics of the enterprise;

- identification and elimination of destructive tendencies and processes of production process and potential;

- identification of the causes, sources, characteristics and intensity of the impact of factors that may endanger production and product quality;

- forecasting the impact of factors that may adversely affect production, including the provision of production resources and production services;

- systematic-analytical study and research of the current situation;

- study of development trends in the industry, as well as the development of targeted measures for the enterprise against threats posed by competitors and other entities.

Chapter III of the dissertation "Application of clustering to increase the competitiveness of enterprises producing construction materials" states that the formation of clustering of enterprises engaged in production is a complex process that occurs under the influence of their internal potential, as well as state regulation. In this sub-chapter, M. Porter's concept of clustering includes enterprises, specialized suppliers, firms and support institutions in related industries, universities, vocational schools, trade unions, etc. based on the idea of geographical concentration. Formation of sectoral clusters in Azerbaijan to increase employment in the production of construction materials, increase the production of construction materials related to the processing industry, increase the level of services related to the industry, support the production process of small and medium enterprises, construction materials It was concluded that this would result in the reconstruction of infrastructure in the industry. It also reflects the importance of

creating clusters for the socio-economic development of the regions. Thus, we can note three economic regions that differ in terms of production. These are Nakhchivan economic region, Aran economic region and Ganja-Gazakh economic region. These economic regions are located both on the economic-geographical position, on the supply of raw materials suitable for the production of construction materials and on important transport hubs. The most important factor stimulating development in the field of construction materials is the level of development of logistics, the above-mentioned economic regions have a more efficient location in terms of road infrastructure, relief and proximity to all regions of the country and export destinations. The introduction of a clustering mechanism can increase the competitiveness of these regions by boosting their socio-economic development, including the country as a whole.

As a result of the analysis of the economic activity of the enterprises, it was revealed that they have various shortcomings, and in order to increase the competitiveness of the enterprise by eliminating them, the following is proposed: - support ways to increase product sales with modern opportunities; - continuous improvement of product quality; - cost reduction; - regular professional development of staff; - application of innovative development policy. In addition to the above, the acquisition of cheap raw materials, as well as the reduction of transport and logistics costs is one of the main factors ensuring a competitive advantage. Taking into account the role of the construction materials industry in the development of the Azerbaijani economy, it is important for the country to ensure the development of this sector and meet domestic demand through products that meet high standards. Achieving the goal that can be achieved by ensuring competition, especially in the field, depends on the effective organization of work. A fertile competitive environment will allow the national building materials industry to expand and find its way abroad.

## CONCLUSION

In order to increase the competitiveness and efficiency of the construction materials industry both in the domestic market and in the field of export-oriented activities, and to ensure that their products meet international standards, it would be expedient to do the following:

- The use of a number of wastes as useful raw materials in the production of cement and lime and road construction should be given ample space;

- Enlightenment propaganda work should be carried out in the direction of wide production and use of "green" construction materials, tax, customs and other benefits should be applied to such production areas;

- Attracting investments in the development of potential raw material fields in the production of construction materials located in different areas of the country and providing employment to the local population in these areas should be kept in focus;

- To fully meet the needs of the country's construction sector, as well as to create and maintain an economic environment that will stimulate competition, to create production facilities with modern standards, industrial parks with the involvement of foreign investment;

- To continue work in the field of creating favorable conditions for the implementation of "start-up" projects in the relevant field;

In order to increase the efficiency of management in enterprises and attract investors, it is necessary to ensure the transparency of financial reporting and its preparation in accordance with international standards.

**The main content of the dissertation is reflected in the following scientific works:**

1.The main factors of increasing the competitiveness of the Azerbaijani economy in modern times: a theoretical and methodological approach // Baku: Tax Journal of Azerbaijan, - 2017. № 2 (134), - p. 137-146.

2.Methods of assessing the competitiveness of industrial enterprises producing construction materials // Baku: Scientific-Pedagogical News of Odlar Yurdu University-2017.№46-p.99-104

3.The role of the construction materials industry in ensuring economic development // APA under the President of the Republic, Materials of the Republican scientific-practical conference "Main directions of sustainable development in modern times" - Baku: 2017. - p. 451-459.

4.Innovation-oriented development directions of production of construction materials in modern period // Materials of the Republican scientific-practical conference on “Prospects for development of transport-road complex of AR” — Baku - 2017. pp. 101-104.

5.The main features of the development of construction materials industry in Azerbaijan // Economics and Entrepreneurship, № 12 (h2) (89-2) Moscow: - 2017, pp. 333-338.

6. The main directions of innovative activity of enterprises producing construction materials // Baku: Agrarian scientific, Scientific-theoretical journal of Azerbaijan, -2018. № 1, s 206

7.Application of clustering in increasing the competitiveness of enterprises producing construction materials // Baku: Journal of Construction Economics and Management, №1-2018.p.119-130

8.The main directions of improving the activities of enterprises producing construction materials // Baku: Journal of Construction Economics and Management, № 2 - 2018. p. 181-188

9.The role of joint venture in the development of Azerbaijan industry // Building Innovations 2019 II Ukraine - Collection of scientific materials of the Azerbaijan conference - Poltava: 23-24 May 2019. p. 619-623



10. Construction materials industry in Azerbaijan: current situation and prospects for development // Building Innovations 2020 III Ukraine - Collection of scientific materials of the Azerbaijan conference - Poltava: 1-2 June 2020. - p. 398-401

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