

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Science

**MODERNIZATION OF STRATEGIC MANAGEMENT IN
INDUSTRIAL ENTERPRISES**

Speciality: 5311.01 – “Organization and Management of
Enterprises”

Field of science: Economic sciences

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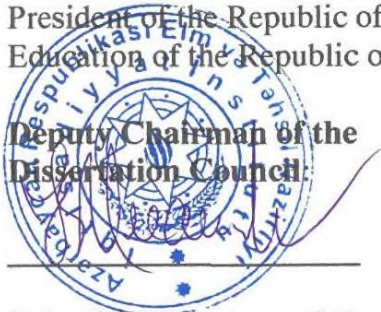
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GENERAL CHARACTERISTICS OF THE RESEARCH

Relevance of the topic and the degree of development. After Azerbaijan regained its independence, the main goal was to develop the economy based on a market model. The successful implementation of the “Contract of the Century” signed in the early 90s of the last century and the Oil Strategy formed in accordance with it created favorable conditions for the development of the non-oil sector of the industry. As a result of the economic reforms taking place, the industrial sector in the country has further developed. In the current period of industrialization, the formation, reorganization and development of industrial enterprises is one of the most important issues of our time. The implementation of such measures requires the formation of a new mechanism for the management of industrial enterprises, the implementation of structural support for management, and the modernization of management processes.

Over the past 20 years, increasing the competitiveness of the country's economy and improving its structure have been priorities for the non-oil sector of industry. Modernization of industry and management, updating the technical and technological situation of the industry, development based on innovations, fundamental improvement of the business environment, development of intellectual property, and improvement of management have been identified as priority areas. The fierce competition that is taking place and prevailing in the industrial sector and increasing the competitiveness of enterprises require the establishment of a perfect strategic management system in the enterprise.

The “Strategic Roadmap for the Prospects of the National Economy of the Republic of Azerbaijan” was approved by the Decree No. 1138 of the President of the Republic of Azerbaijan dated December 6, 2016. Some points attracted our attention in the SWOT analysis conducted on the document. The document calls for the insufficient level of corporate governance in state enterprises and the private sector, the weak dynamics of private entrepreneurship in investments, the fact that exports are mainly oriented towards raw materials, increasing industrial production in the country, and the creation and

development of new industrial sectors. In this document, the main goal of the development of small and medium-sized enterprises is aimed at the development of export-oriented processing enterprises. Ensuring such strategic development requires the formation of more advanced management systems.

Until now, poorly developed functional or linear-functional management structures have been used in enterprises. Industrial districts and industrial parks have already been established in the republic. The clustering process in industry is in its initial stage. There is a need to develop more advanced targeted investment, innovation, staffing and clustering programs among more than 200 program documents adopted in the country in the last 15 years. We consider the strategic coordinated management of resident enterprises of industrial parks and high-tech parks, the formation and implementation of an advanced and modern mechanism as one of the main issues that will ensure the acceleration of economic development in the country.

All these facts show that the systems of management and control of the republic, primarily in the processing industries, should be modernized on the basis of progressive forms and methods of strategic management. The development of theoretical and practical foundations of strategic management is considered one of the main conditions for the effective management of newly created and existing industrial enterprises in a market economy. Firstly, because there is a need to develop the scientific and methodological foundations of socio-economic and administrative management of new industrial enterprises created by the state or by individuals, and to scientifically systematize theoretical and practical issues. Currently, the conditions of sharp competition in our country, resulting in the production of competitive, export-oriented, diverse products on the basis of the creation and operation of new enterprises based on high technologies, make the application of new models of management of industrial enterprises relevant.

Successful implementation of activities and achievement of strategic prospects require correct and perfect strategic planning in enterprises. Strategic plans reflect the future goals of the enterprise, the production of new product lines, the application of innovative

technologies, and the optimal ways of developing economic potential. In this regard, we would like to note that the strategic development, sustainable operation of the enterprise requires the presence of more advanced strategic planning models and a strategic management system.

In the current period when existing or newly established industrial enterprises in Azerbaijan are inclined to enter foreign markets, as well as at a time when competition is increasing in the international arena, there is a need to systematically study the theoretical concept of developing the strategic management of enterprises, their prospective development, and increasing economic efficiency.

The recent global crisis situation has a negative impact on the activities of enterprises, paralyzing their activities. Examples of such crises include the 2008 Global Financial Crisis and the economic crises caused by the pandemic in 2019. Being prepared for problematic situations requires predicting risks, anticipating the impacts they will create, and implementing anti-crisis policies and risk management for enterprises to minimize the negative consequences of such impacts.

It is important for enterprises and organizations to have a correct and future-oriented strategic program in this area. Therefore, the study of strategic issues in the management of enterprises and organizations, the development of scientific proposals and recommendations in this area can insure the activities of economic entities in crisis situations both within the country and in international markets. If we approach the issue from another perspective, we must say that in order to strengthen the competitiveness of industrial enterprises in a competitive environment and the competitiveness of the products they produce, it is extremely important for managers to have knowledge and experience based on the scientific and practical foundations of strategic management.

All this indicates the urgency of modernizing strategic management in industrial enterprises, ensuring its development, and eliminating existing problems in this area under the conditions of new economic relations, and once again demonstrates the need to conduct research in this direction.

Although systematic research has not been conducted in our

country on the solution of socio-economic issues related to the modernization, development and improvement of strategic management in industrial enterprises, some scientific studies have been conducted on individual aspects of this problem. The theoretical, methodological and experimental aspects of this issue have been studied in their research by some Azerbaijani scientists, including Samadzade Z.A., Abbasov I.M., Muzaffarli (Imanov) NM, Huseynov TH, Nuriyev A.Kh., Muradov Sh.M., Aliyev TN, Ibrahimov I.H., Sultanova RP, Guliyev T.A., Samadzade Sh.A., Imanov T.I., Safarov Q.A., Shahbazov KA, Yuzbaşiyeva GZ, Aslanzade I.A., Mammadov F.A., Isgandarov RK, Atakishiyev MC, Abbasov AF, Ismayilov V.I., Aliyev I.H. and other economists. Foreign scientists Goldstein G.Y., Volkogonova OD, Vikhansky OS, Druker P., Yefremova SM, Kovalchik YA, Lapegin YN, Tetyak VP, Tompsok AA, Kleland D, Rybchev SV, Utkin EA, Fatkhuddinov RA, Armstrong H., Kotler F. and others have studied it.

Both Azerbaijani scientists and foreign researchers have prepared valuable monographs on management, agricultural management, strategic management activities and innovations in this field, investments, management culture, and human resources management, and have put forward the theoretical propositions, scientific proposals, and recommendations. Some of them have written monographs and methodological manuals, scientific research on "Fundamentals of Administration", "Fundamentals of Management", "Organization of Production", "Labor Economics and Management". None of the mentioned authors has approached the problems of modernization and development of strategic management in industrial enterprises in a comprehensive manner and has not conducted systematic research in this area. Taking into account the above, we can note that the research is the first to systematically approach the issue of modernization of strategic management in industrial enterprises in Azerbaijan.

The object and subject of the research. The objects of the study were selected as processing industrial enterprises, including the Investment Company of the Ministry of Economy of the Republic of Azerbaijan, Masalli Industrial District, Neftchala Industrial District, Embawood LLC, El-Plastik LLC.

The subject of the study is the formation, modernization and development of strategic management relations. The issues of improving strategic management relationships have covered management relationships between managing and managed systems in industrial enterprises, between executives and subordinates, between shareholders and other corporate leaders and executive bodies, as well as between general and sector managers in the enterprise.

Aims and objectives of the study. The purpose of the research is to study the theoretical and methodological issues of strategic management in the processing industry enterprises of Azerbaijan, to improve strategic management issues at the corporate and functional levels, as well as to develop scientifically substantiated proposals and recommendations in this area. The main purpose of the dissertation is also to determine the development directions of business strategies and their application in the processing industry enterprises, to modernize strategic management by studying international experience. To achieve the goals, we have defined and implemented the following system of tasks:

- to interpret the role of strategic planning in the management system, to examine its theoretical and methodological issues;
- to study the scientific and methodological foundations of strategic management in industrial enterprises, to examine its role in the development of industry;
- to identify directions for the modernization of strategic management in industrial enterprises
- to examine the characteristics of strategic management in industrial enterprises and determine the possibilities of their application;
- to explore the possibilities of organizing and applying modern information systems in the strategic management process;
- analyze social aspects of strategic management, improving competitiveness, and financing projects;
- strategic aspects of strategic management have been identified and analyzed;
- to study the subsystems of a sustainable and development-oriented management strategy and determine the mechanisms for its

implementation;

- to identify directions for the modernization of strategic management in industrial enterprises;
- to prepare scientific proposals and recommendations on the organization of the management apparatus and administrative-structural services in selected industrial enterprises.

The Research methods: Several methods were used during the research. Thus, written sources on the development of strategic management systems in industrial enterprises were involved in theoretical analysis. In accordance with the results of the application of the theoretical analysis method, observations were made on strategic management issues in some industrial enterprises. Several shortcomings were revealed in this area and discussions were held with specialists to find ways to eliminate them.

The dissertation used the SWOT, PESTEL methods, and the BCG model of market environment analysis to analyze and evaluate the external and internal environmental factors of the enterprise.

Several classical methods, namely induction, deduction, extrapolation, and analogy, were also used in the research process, and verification and testing operations was also carried out.

At this time, new models of providing appropriate resources, efficient organization, and productive structures were tested in the formation of strategic management on an experimental basis in previously identified separate processing and industrial enterprises.

The main statements of the defense. The subject of the dissertation is the forms and methods of modernization of strategic management in processing industry enterprises, the principles of organization of management and planning systems, the implementation mechanism, the study of the problems surrounding it, and the development of relevant proposals and recommendations. The main provisions put forward for defense in the dissertation are as follows:

1. The international experience of strategic management was studied, the scientific and methodological foundations of management were researched, the modern mechanism of corporate strategic planning was studied, and issues of improving strategic planning in

the management system were presented for discussion.

2. Legislative acts regulating the field of strategic management were studied, gaps in the legislation were examined, and proposals were put forward to make some changes to those provisions.

3. Theoretical and practical concepts of modernization of management in industrial enterprises have been studied, a new block model of modernization of industrial enterprises has been put forward. The application of such models will lead to an increase in the efficiency of strategic management, the formation of a more progressive and flexible management apparatus in the enterprise, the improvement of management relations, and the development of financial and economic activity.

4. The organizational structure of industrial enterprises has a direct impact on the successful implementation of management activities. The organizational structure should be established in such an optimal form that it is possible to achieve the goal set in terms of increasing the efficiency of management. From this point of view, the dissertation studied the content of the corporate organizational structure of existing industrial enterprises, examined the mechanisms for conducting its strategic analysis, and presented the issues of forming an improved management structure in the enterprise.

5. Introducing a new mechanism for analyzing the competitiveness of industrial enterprises, we have applied the extrapolation method of forecasting in order to conduct optimal benchmarking for the planned period. The application of this method allows us to determine the competitive opportunities of our company for the future and increases the likelihood of achieving strategic plan indicators.

6. The functional structure of investment strategy in industrial enterprises, the innovation capacity of investment projects was investigated, and the main aspects of the application of innovation management in the strategic management activities of processing enterprises were studied. In this regard, the directions for improving innovation management were identified, and their main performance indicators were determined in terms of analysis.

7. In order to ensure the economic sustainability of industrial enterprises and keep risk events under control, risk limits have been

determined based on various criteria. By conducting data analytics of these limit indicators in the SPSS statistical analysis model, the average risk norm of risk events has been determined. This norm creates opportunities for the operational registration of risky situations in industrial enterprises and the timely implementation of anti-risk measures.

8. The main directions of modernization of strategic management in processing industry enterprises have been determined, and the legal foundations of corporate management have been investigated. It is known that the main normative-legal act regulating corporate management relations is the Civil Code. The Ministry of Economy of the Republic of Azerbaijan has determined the “Corporate Management Standards” based on the relevant provisions of the Civil Code. However, during the investigation, it was determined that some provisions of these standards contradict the relevant provisions of the Civil Code. These contradictions create controversial issues for corporate management relations in industrial enterprises and cause problems in strategic decision-making.

9. International quality management standards have been examined, and main outlines for new quality management standards have been introduced by us in accordance with the requirements of the current economic conditions.

10. A quality assurance policy has been developed for industrial enterprises, and its implementation issues have been studied.

Scientific novelty of the research. The scientific novelty of the research consists of the following:

- A new corporate functional structure of strategic management has been defined, and new development concepts of management have been explored on the basis of that structure. The presented development concepts can play a key guiding role in determining the strategic aspects of management and defining the strategic contours of activity planning.

- A new (block) model of the organizational structure of the enterprise based on strategic research and design has been put forward and mechanisms for its application in industrial enterprises have been developed. These structural blocks require the research, analysis, and

result-oriented activities of the research structure in determining the directions of the enterprise's activities, selecting product ranges, and solving existing problems, and the implementation of coordinated activities with field structures in this regard.

- The issues of implementing a new mechanism of coordinated management of decentralization in industrial associations and zones were examined and presented. This mechanism can stimulate joint and coordinated activities between processing enterprises and residents operating in existing industrial associations and zones in Azerbaijan, and increase their financial and economic support for each other.

- The conceptual foundations of strategic planning, and a complex model of plan development and implementation has been developed. By applying this model, industrial enterprises can create an optimal strategic plan, analyze and evaluate the plan based on strategic indicators.

- A new model of potential analysis of the strategic competitiveness of an industrial enterprise has been studied. The presented model specifically identifies the factors affecting competition and proposes a new mechanism for their study. By applying this model, industrial enterprises can more accurately study their competitive opportunities and systematically assess their competitiveness.

- The KPI systems for motivating and stimulating the collective in their labor have been investigated, new motivation mechanisms have been created, and greater priority has been given to increasing the specific weight of research-oriented activities within that mechanism.

- A new mathematical-economic method for determining and analyzing the efficiency of an enterprise's management system, as well as the productivity of collective labor in the human resources management system, has been presented.

- A block model of corporate control in the activities of an enterprise in a modern competitive and partnership environment has been introduced. This model is an optimal control mechanism for a company to achieve its strategic goals, meet consumer needs at the appropriate level, conduct healthy competition with competitors, and

ensure close cooperation with partners and stakeholders.

- A new quality assurance policy for management has been studied, and a strategic system for ensuring quality in the internal and external environment of the enterprise, in all aspects of its financial and economic activities, has been defined.

- A new model of quality standards has been defined, characterizing the complexity and systematicity of management. By implementing a new model of quality standards in industrial enterprises, they can evaluate the management structure and the quality of its operations in a more comprehensive and related form.

Theoretical and practical significance of the research. The theoretical significance of the scientific research is that the proposals, scientific provisions put forward regarding strategic management are very useful in the renewal, modernization, and development of strategic management activities of industrial enterprises, as well as in solving problems related to social, economic, and technical issues in this area. This is explained by the fact that new projects prepared for the effective organization and implementation of strategic management in industrial enterprises are important in creating the basis for increasing productivity in the production sector and increasing economic efficiency.

- The development of existing enterprises in the market economy of the Republic of Azerbaijan is formed by decrees and orders of the President of the Republic of Azerbaijan on the creation of new industrial enterprises, the effective organization and implementation of strategic management in enterprises, normative and directive documents of the state, as well as laws, decisions adopted by the Milli Majlis of the Republic of Azerbaijan and executive bodies on this issue, collections of the State Statistical Committee, normative documents of the Ministry of Finance, the Ministry of Economy, the “Strategic Road Map for the Prospects of the National Economy of the Republic of Azerbaijan”, as well as several scientific provisions and ideas of foreign and local scientists on this problem. Research of the production and service enterprises, scientific and research institutes operating in the industrial sector, some published materials of international and local organizations, reports on the improvement of management, production,

economic efficiency indicators and their achievement in the Investment Company of the Ministry of Economy of the Republic of Azerbaijan, Masalli Industrial District, Neftchala Industrial District, Embawood LLC, El-Plastik LLC, where we carried out experiment, and other materials formed the theoretical and practical basis of the research.

- The practical significance of the research is based on more advanced results. That is, the results obtained from the research, the new management mechanisms and models studied can be used by managers of both newly created and existing enterprises, leading personnel, and individuals engaged in entrepreneurial activity. In addition, teachers who lecture and conduct courses on strategic management in universities can also use the scientific ideas put forward in the dissertation.

- The new scientific ideas, theoretical propositions, and practical examples put forward in the dissertation were used in the preparation of program materials, textbooks, monographs, articles, as well as some of regulatory documents for higher education institutions.

Approval and application. The topic of the dissertation was approved in accordance with the general direction of the scientific and research of the Institute of Economics and by the Coordination Council on Economics under the Presidium of ANAS. The main content of the scientific research was reflected in a total of 57 scientific literatures published by the author, including 2 textbooks, 3 monographs, 3 methodological recommendations, 13 conference materials, and 36 journal articles (10 articles abroad).

The proposals and recommendations put forward in the research regarding the formation of strategic management systems in industrial enterprises, the effective organization of their activities, and scientifically substantiated proposals were tested and applied in the Investment Company of the Ministry of Economy of the Republic of Azerbaijan, Masalli Industrial District, Neftchala Industrial District, Embawood LLC, El-Plastik LLC. The main ideas as topical problems were reported by the author at international scientific and practical conferences held in some countries.

In addition to all this, the main scientific ideas and provisions of the dissertation were used in the compilation of the textbook

"Management", the textbook "Management" published in English in Portugal, the monograph "Strategic Management" published in Spain, as well as in the compilation of the programs of these subjects, as well as in the compilation of the subject programs and lecture materials of the courses "Strategic management", "Anti-crisis management", "Business organization and management", "Modern problems of management". Also, the scientific provisions and ideas put forward in the dissertation are used as literature material for scientific research conducted in this field and as reference materials for the problems under study. The doctorant conducted research related to his dissertation in Portugal, Spain, and Lithuania at relevant scientific research institutes and universities in 2014-2016.

Name of the organization where the dissertation is carried out: Institute of Economics of the Ministry of Education of the Republic of Azerbaijan

The total volume of the dissertation with a sign indicating the volume of the structural units of the dissertation separately. T

The dissertation consists of an introduction (22,725 symbols), 5 chapters (Chapter I - 71,353 symbols; Chapter II - 54,532 symbols; Chapter III - 87,629 symbols; Chapter IV - 81,918 symbols; Chapter V - 107,113 symbols), 16 paragraphs, a conclusion (8,176 symbols) and a list of literature (21,744 symbols). The total volume of the dissertation is 455,190 symbols, excluding the bibliography - 433,446 symbols.

Main content of the Dissertation.

The "introduction" section of the dissertation justifies the relevance of the topic, characterizes the goals and objectives of the research, and describes the main provisions put forward for defense, and reflects the scientific innovations, theoretical and practical significance, and approbation of the work.

Chapter I is entitled "The theoretical and methodological foundations of the strategic management system in the economy". This chapter is devoted to the scientific and methodological foundations of strategic management. Based on the research conducted in this subchapter, we can say that the changes in the structure of the industrial sphere of individual countries directly

depend on many factors, including the level of assimilation of scientific and technical innovations, the capacity of the domestic market, and the availability of a quality labor force. In the 70s-80s of the last century, a large amount of funds were invested in the development of Azerbaijani industry, new industrial sectors were created, and as a result, the diversification of industry accelerated.

Strategic planning is an economic policy formulated by an enterprise for its short and long-term prospects, which carries strategic goals and serves their realization in the context of achieving socio-economic development, and constitutes the basis of strategic management, being the primary function of it.

Strategic plans have been studied in a wide perspective and presented as theoretical and practical foundations for the preparation of new and progressive products and the application of innovations. Strategic plans reflect strategic goals and envisage the implementation of the following concepts:

1. Increasing the competitiveness of the enterprise.
2. Strengthening the financial potential of the enterprise.
3. Improvement of production technology.
4. Improving product policy.
5. Ensuring continuous and sustainable activity.
6. Ensuring customer satisfaction.
7. Strengthening market positions.
8. Expansion of markets.
9. Targeting international markets.
10. Ensuring the longevity of the enterprise, etc.

In industrial enterprises, strategic planning, as a substructure of strategic management, covers all systems and ensures the comprehensive development of financial and economic activities. Strategic planning is designed in a way that is related to other types of plans, and combines and coordinates them in its structure.

In the dissertation, international experience in strategic management was studied and management models in the field of strategic management were investigated. In world practice, several models of strategic management have been tested, and there are specific features of the application of management functions and

principles. These models are used in the strategic management activities of companies based on several management principles. This subchapter discusses the world experience of planning and examines international models of planning. The relevant models are described separately, their similarities and differences are analyzed, and their application features are studied.

The strategic management models available in practice, their characteristics and different aspects were examined; based strategic management model, structural management model, project management model, joint action model, strategic planning model.

Models of strategic management are a set of alternative mechanisms for managing an organization and achieving its strategic goals. This half-chapter, along with functional models of management, is based on the international experience of various countries. The American-English model, the German model, and the Japanese model were analyzed separately and their contributions to the improvement of strategic management in the industrial sector in our Republic were assessed.

The successful implementation of all strategic management models should be coordinated with the formation of a strategic management mechanism. The structure of this mechanism includes: strategic analysis, strategic planning, organization of strategy implementation and control over strategic planning, and clarification of orders if necessary. Such a management mechanism is a tool in the hands of the management team for the strategic period. The principles of application of this mechanism depend on the form of the organization's management system, the level of management skills of personnel, and the form of governance relations between the corporate level and the management system.

Chapter II of the dissertation entitled “The methodological foundations of organizing strategic management in industrial enterprises”. In this chapter the features of strategic management in industrial enterprises, the scientific and theoretical foundations of management systems and their operating technology are studied. Management is viewed as an administrative system, but strategic management is approached as the leading activity process of that

system. It is noted that, strategy is the organization's main action plans and directions. This is related to the provision of appropriate resources and functional spheres, types of activities.¹ The field characteristics of strategies, as part of the scientific-methodological concepts of strategic management, manifest themselves as components of influence in individual areas of activity and form a system of the enterprise's overall strategy.

This chapter investigates the legal foundations of the modernization of strategic management, and explains in various ways the theories formulated in the context of the trends in the modernization of industrial enterprises. The objects of management modernization are the enterprise itself, technological processes, production processes, management structure, infrastructure. It is considered expedient to carry out the modernization of industrial enterprises in the following way:

- improving the regulatory and legal framework of management;
- fundamental improvement of the management structure;
- full automation and digitalization of management;
- formulation of management quality assurance policy and application of quality standards;
- improving strategic planning;
- improving marketing analysis by utilizing the necessary capabilities of digital marketing;
- improving the stimulation of human resources in labor activity;
- comprehensive assessment of performance by applying new analysis methods;
- improvement of control systems.

We have conducted relevant research on the above-mentioned measures. In this chapter, we have conducted research, providing proposals for the study, evaluation and improvement of the regulatory legal framework of strategic management. The corporate governance system is a system that independently implements strategic management at the organizational level. The current organizational model of corporate governance can be presented as follows:

¹ Quliyev T.Ə. İnsan resurslarının idarə edilməsi. “Nağıl evi” şirkəti, 2013, 828 s



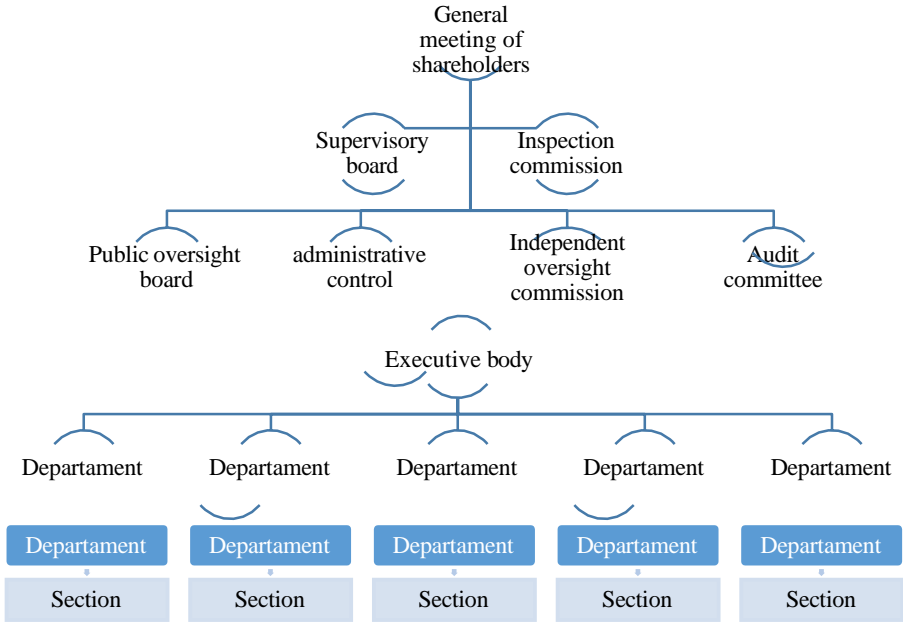
Scheme 1: Organizational model of the corporate governance system

Source: prepared by the author.

The corporate governance model is a form of governance implemented jointly by shareholders, the supervisory board, management and other interested parties. Just as the legal regulation of strategic governance is a matter of state policy in all societies, in our country this function is also on the Azerbaijani state. As is known, the highest level of strategic management is corporate strategy, the main contours of which are determined and implemented by the company's corporate governance structure.

We have examined the legal basis of corporate governance issues in the above-mentioned legislative acts. As a result, we have come to the conclusion that there are serious inconsistencies and deviations in the forms and norms of management regulation in those legal acts. Such inconsistencies and deviations create certain problems in the lawful implementation of management in enterprises and organizations, in observing the legality of management decisions to be taken and made. We have made proposals for eliminating those inconsistencies.

We would suggest the following changes to the German model described in the Azerbaijani legislative system. The mentioned model covers not only the internal structure of the enterprise, but also the economic systems existing in the environment, expanding the scope of management influence. However, the improvement of the corporate governance model requires further improvement of administrative influence opportunities in all aspects of administrative, social, and economic activity. Such improvements are evaluated by us as a development concept of corporate governance.



Scheme 2. Proposed corporate organizational structure

Source: Scheme has been prepared by the author.

We have studied the issues of modernization of strategic management in processing enterprises in various directions. These directions, constituting the theoretical and practical foundations of management modernization, include the following sub-concepts. In the dissertation we have studied these concepts as follows:

1. The structure of modernization of industrial enterprises is presented.
2. A new (block) model of the organizational structure of the enterprise based on strategic research and design has been proposed and a mechanism for its application in industrial enterprises has been developed.
3. A potential analysis model of the enterprise's competitiveness has been developed.
4. The quality matrix of the joint and coordinated application of management functions and methods has been studied, and a coherent system for achieving effective functional results in the management

activities of managers has been put forward.

5. A model for analyzing the effectiveness of the composition of the board of directors and administrative staff in strategic management across various parameters is provided.

6. A new model of motivating human resources in activity has been proposed.

For the modernization of industrial enterprises based on strategic management, we consider it necessary, first of all, to determine its current conceptual and technical-technological level, and to diagnose the functional structure of strategic management. In international practice, the following methodological approaches are used to develop scenarios for the modernization of industrial enterprises:

- Development of a baseline scenario.
- Diversity of modernization scenarios.
- The influence of various factors on the modeling process.
- Accounting for the effects of uncertainty.
- Prioritizing concessions in the script development process.

When developing strategic scenarios, various methods should be used. Considering the need to modernize strategic management in industrial enterprises of our country, it is important to consider the content and scope of these methods.

The third chapter is entitled “Analysis and assessment of the current state of strategic management in processing industry enterprises of Azerbaijan”. This chapter analyzes the macroenvironmental factors that necessitate the modernization of Azerbaijan's manufacturing industry.

We have applied the PESTEL model of environmental factor analysis of processing and industrial enterprises. The PESTEL analysis model analyzes macroenvironmental factors in a specific field of activity and determines the extent to which our country has favorable conditions for successful activity in that field. This model conducts analysis in 6 directions by evaluating political, economic, social, technological, environmental, and legal factors and evaluates the positive and negative effects of macro factors in that direction. As a result, the PESTEL analysis draws conclusions by evaluating environmental factors from various aspects.

The Azerbaijani state pursues a policy of developing the non-oil sector, aiming to increase the share of private sector output in this area. Our state is carrying out work in the non-oil sector in terms of organizing and developing industrial districts, industrial parks, and technoparks, improving the material and technical support of enterprises operating in this direction, reducing their tax burdens, and implementing infrastructure provision. The table below reflects the gross domestic product production indicators in the oil and non-oil sectors in Azerbaijan.

Table 1.

Gross domestic product (GDP) in the oil and non-oil sectors of the economy (in million manats)

	2015	2017	2020	2022	2023	Growth in the last 8 years
Gross domestic product - total	54380.0	70337.8	72578.1	133972.7	123005.5	2.26
including:						
oil and gas sector	15382.2	25005.4	20417.5	62490.5	43472.5	2.83
non-oil sector	34138.8	40328.0	45312.2	61509.1	68341.3	2.00
net taxes on products and imports	4859.0	5004.4	6848.4	9973.1	11191.7	2.30

Source: Compiled by the author based on data from https://www.stat.gov.az/source/system_nat_accounts.

As can be seen from the table, the GDP indicator has increased by 2,26 times in the last 8 years. Although the oil and gas sector, which attracted the most attention in the growth, increased by 2,83 times, the quantitative increase in the non-oil sector was 34202,5 million manat. The non-oil sector of Azerbaijan: light industry, heavy industry, chemical industry, food industry, etc. has a wide structure. This sector is already one of the priority areas in the country due to its special weight in the system of macroeconomic indicators.

Prof. Tofiq Huseynov touched upon the issues of further development of the non-oil sector, and made proposals on alternative ways of efficient development, deepening integration based on the value chain, creating institutional structures in this area, and ensuring

investment in economic reforms.²

Even when we pay attention to the sectoral structure of investments made in our country, we are convinced that it is a result of the correct economic policy of our state that investors are becoming more stimulated to make investments, and the dynamics of domestic investments are expanding year by year.

Table 2.

Investment in industry (in million manats)

Indicators	2015	2018	2020	2022	2023	Changes in the last 8 years
All industries	8499.9	8497.2	9065.3	7172.1	8405.7	0.99
foreign investments	5741.9	3993.1	3845.6	2891.3	3275.9	0.57
domestic investments	2758.0	4504.1	5219.7	4280.8	5129.8	1.86
Mining industry	7145.1	5702.3	5613.8	4983.8	6135.5	0.86
foreign investments	5514.3	3498.7	3684.6	2833.6	3275.9	0.59
domestic investments	1630.8	2203.6	1929.2	2150.2	2859.6	1.75
Processing industry	482.9	1431.9	2610.5	1202.2	916.8	1.90
foreign investments	16.1	25.6	19.9	52.9	-	0.00
domestic investments	466.8	1406.3	2590.6	1149.3	916.8	1.96
Production, distribution and supply of electricity, gas and steam	287.2	602.9	486.6	689.8	1082.4	3.77
foreign investments	16.5	157.9	8.4	4.8	-	0.00
domestic investments	270.7	445.0	478.2	685.0	1082.4	4.00
Water supply, waste treatment and processing	584.7	760.1	354.4	296.3	271.0	0.46
foreign investments	195.0	310.9	132.7	-	-	0.00
domestic investments	389.7	449.2	221.7	296.3	271.0	0.70

Source: Compiled by the author based on data from <https://www.stat.gov.az/source/industry>.

As can be seen from the table, although the investment in the entire industry in 2023 decreased by 1% compared to 2015, domestic investment in this sector increased by 86%, while foreign investment

² Hüseyinov T.H. İqtisadi islahatların yeni mərhələsində idarəetmə mexanizmlərinin təkmilləşdirilməsi əhəmiyyət kəsb edir. Azərbaycan qəzeti. № 06.10.2016.

decreased by 43%. In 2023, 8405.7 million manats were invested in the entire industry, and this figure amounted to 916.8 million manats in the processing industry. Domestic investments in all sectors of industry exceed foreign investments. This means that the steps taken by the state in the economic sphere increase the incentive for our entrepreneurs to invest in this sector.

It should be noted that in the PESTEL analysis we conducted, the country's macroenvironmental factors were examined in accordance with the areas of activity of our research objects. In the following table, we have conducted a study in terms of the economic indicators of furniture and plastic products.

Table 3.

Value of industrial product, in million manats

Indicators	2010	2015	2020	2021	2023	Growth rate in the last 8 years
Volume of industrial output (at current prices), - million manats	27978,2	26369,4	37269.9	55229.1	67296.0	2.4
Wood processing other than furniture	12.1	56.4	67.1	65.2	36.9	3.0
Furniture production	51.5	48.6	119.1	176.3	306.1	5.9
Production of rubber and plastic products	43.3	157.4	375.4	393.5	634.5	14.7
Average annual number of people employed in industry, thousand people	181.8	187.1	205.6	212.6	226.3	1.2
Volume of funds directed to fixed capital in industry, million manats	4276	8500	9065.3	7507.3	7172.1	1.7

Source: Compiled by the author based on data from <https://www.stat.gov.az/source/industry>.

As can be seen from the table, all indicators have been increasing over the past 13 years. The increase in indicators in the economic sectors we studied, namely, both furniture and plastic production, gives us reason to say that the demand for these products is increasing in our country. As can be seen, over the last 8 years, the total volume of industrial output has increased 2.4 times, furniture production has increased 5.9 times, and rubber and plastic products have increased 14.7

times. These achievements can be attributed to the fact that the non-oil industry has been developed in the republic over the past period, and new enterprises based on modern technologies, which are important for the country's economy, have begun to operate.

Regarding social factors, we can note that the number of people working in the processing industry is higher than those working in the mining sector. This means that the majority of the employed population works in the production sector. That is, by working in the production sector, the country's population increases their experience and skills in this field. Therefore, a fertile social environment continues to develop in our country for the preparation of more personnel for the production sector in the future. The dynamics of these indicators by years is presented in the table below.

Table 4.

Number of employees working in industry by type of economic activity (in people)

Indicators	2019	2020	2021	2022	2023	In the last 4 years
All industries	217441	219535	219445	224890	226313	1.04
Mining industry	34884	34127	32314	33702	33313	0.95
Processing industry	121949	127132	127185	129660	129320	1.06
Wood processing and manufacture of wood products, except furniture	1265	1438	1151	1107	707	0.56
Production of rubber and plastic products	6172	6990	6574	6656	6360	1.03
Furniture production	5320	6211	6813	7491	7922	1.49
Production, distribution and supply of electricity, gas and steam	30439	28338	27232	27887	29096	0.96
Water supply, waste treatment and processing	30169	29938	32714	33641	34584	1.15

Source: Compiled by the author based on data from <https://www.stat.gov.az/source/industry>.

As can be seen from the table, in 2019, the number of employees in all industries was 217.4 thousand people, the number of employees in the processing industry was 121.9 thousand people, the number of

employees in the mining industry was 34.9 thousand people, the number of employees in the electricity, gas and steam production sector was 30.4 thousand people, and the number of employees in the water supply sector was 30.1 thousand people. Compared to 2019, the number of employees in all industries in 2023 increased by 4%, in the processing industry by 6%, and in the mining sector decreased by 5%. In the furniture production sector, which we conducted the study, it increased by 49%, and in the production of plastic masses by 3%.

As can be seen from the above analysis, the volume of investment in the non-oil sector, as well as in the processing sector, the volume of product production, and the number of employees in that sector are increasing. So, the economic policy of our state is yielding its results. That is, the development of the processing industry is proceeding dynamically

In general, there is a greater need for the production of high-quality and competitive products in the country's processing industry. Therefore, comprehensive measures are being taken at the state level to renew fixed assets, and this has also been reflected in the development of sub-sectors of the processing industry.

The basis for the implementation of such measures is production-oriented investments.

Directing investments to this sector is a priority policy of the Azerbaijani state. The main condition for improving the technical and technological level of the processing industry is providing the sector with investment. We conducted a study on the implementation of innovations in the technological field in our country. It turned out that the innovation capacity of the industry in the Republic is very low.

Table 5.
Expenditures on technological innovations in industry by type of innovation, thousand manats

Indicators	2020	2021	2022	2023	Changes in the last 4 years
All industries	35919.8	5848.3	22540.4	11666.7	0.32
product innovations	20059.2	1986.3	18154.3	3301.5	0.16
process innovations	15860.6	3862.0	4386.1	8365.2	0.53
Mining industry	1001.1	529.8	19.3	87.2	0.09

product innovations	638.2	117.4	19.3	87.2	0.14
process innovations	362.9	412.4	-	-	-
Processing industry	34918.7	5318.5	22521.1	11084.1	0.32
product innovations	19421.0	1868.9	18135.0	3214.3	0.17
process innovations	15497.7	3449.6	4386.1	7869.8	0.51
production of rubber and plastic products	-	-	39.5	42.2	-
product innovations	-	-	39.5	42.2	-
furniture production	3500.0	126.0	3025.1	138.4	0.04
product innovations	3500.0	-	-	-	-
process innovations	-	126.0	3025.1	138.4	-

Source: Compiled by the author based on data from <https://www.stat.gov.az/source/industry>.

As can be seen from the table, over the past 3 years, the volume of spending on technological innovations has been decreasing across all industries. The main part of the specific weight of innovation costs belongs to the processing industry. In 2023, this figure is 95%. Over the past 3 years, spending on technological innovations has decreased both in the manufacturing industry and in all industries. A decrease of 68% was recorded in the manufacturing industry.

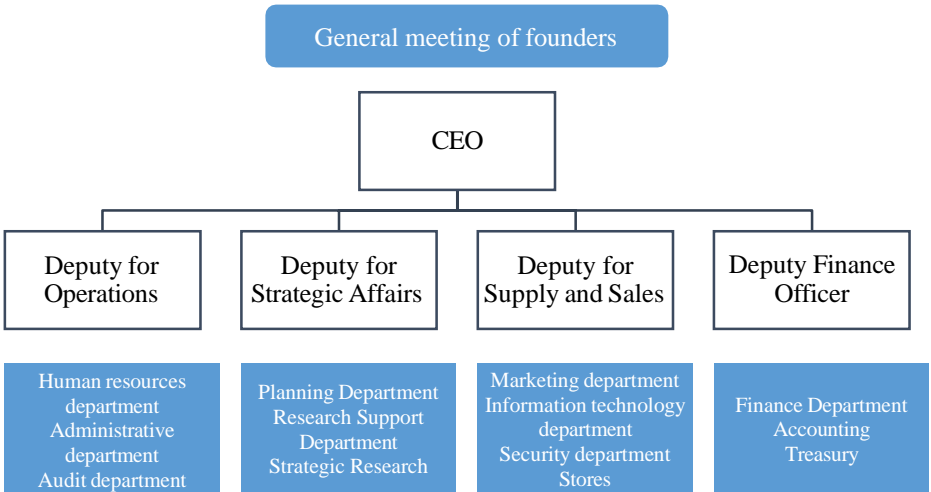
In the processing industry, the fixed capital in 2022 amounted to 13,717.6 million manat, while innovation costs were 11.08 million manat. That is, technological innovation costs account for 0.2% of the total fixed capital. However, in the furniture sector, which is the object of research, the costs incurred on process innovations exceed the costs incurred on product innovations.

In conclusion, we can note that the results of the PESTEL analysis we conducted indicate the fertility and transparency of the external environment in our research area. Investment in furniture and polyethylene production is considered satisfactory. These facts once again show that in the near and long term, it is necessary to make fundamental changes (modernization) in the management and control systems of industrial sectors.

In this chapter, the current state of strategic management in “Em-bawood” LLC and Sumgayit “El-Plastik” LLC was analyzed and evaluated. Strategic management in industrial enterprises is a means of determining the long-term goals and objectives of the company, as well as determining the resources, funds and mechanisms necessary to

achieve these goals.

One of the enterprises that stands out in the Azerbaijani industry with its product and production policy, as well as marketing strategy, is "Embawood" LLC. "Embawood" LLC, as one of the manufacturing enterprises that occupies a unique place in the Azerbaijani industry, is one of the leading enterprises in the Caucasus region due to the innovations it implements in product production and production technology. "Embawood" LLC is an enterprise with sufficient experience not only in the field of production, but also in the fields of strategic management, human resources management, and customer satisfaction. The company's management policy forms its production-oriented organizational structure. The organizational structure arising from the unity of both brands under the company is shown below.



Scheme 3. Organizational structure of the company "Embawood" LLC.

Source: Co-developed based on information from Embawood LLC.

By evaluating the characteristics of the environmental factors of "Embawood" LLC and the positive and negative aspects of the impact of environmental factors, we have built a SWOT model of the company through the synthesis of environmental and internal environmental factors..

Based on the model, we have prepared a report on the assessment of the current state of the company. As a result of the analysis, it can be noted that the company is strong due to internal environmental factors. Production technologies, raw material utilization capabilities, external relations, and human resource potential are ultimately satisfactory. Since the company is a large entrepreneurial entity, the current limited state of management systems is assessed as unsatisfactory by us, and it is considered appropriate to establish a supervisory board and an internal audit committee in the company. In terms of staff professionalism, training should be conducted, innovation costs should be increased. It should use the opportunities to improve quality, increase production, and expand export potential.

The third chapter of the dissertation also analyzes the current state of the formation of the innovation infrastructure of strategic management in the Investment Company of the Ministry of Economy. Thus, the management structure of the Investment Company is analyzed, the role and organizational significance of the company in the formation and development of industrial zones are examined. The dissertation evaluates the current state of the placement of resident enterprises in the Neftchala and Masalli industrial districts. The research work analyzes the structure of the management of Industrial Districts, and provides suggestions and recommendations for the effective use of their potential.

In the fourth chapter, entitled "The impact of strategic management on improving the efficiency of economic and financial activities of industrial enterprises" the social aspects of strategic management are investigated and ways to stimulate them in labor activity are studied. In the individual processing plants we studied, this function is performed by the human resources department. The following measures are implemented in the area of strategic management of labor resources at the enterprise:

1. Achieving a human resource in accordance with strategic goals.
2. Forming the management team for the strategic period.
3. Achieving social development of labor resources.
4. Determine the budget for strategic activities related to labor resources.

5. To consider activity financing in financial strategy.

6. To create funds of a socio-economic nature related to the development of activities.

Human resource management is one of the main subsystems of strategic management. Strategic human resource management is scientifically a social concept. This concept reflects the purpose, essence, content, tasks, principles and methods of personnel management. The concept also covers the technology and methodology of personnel management.

In the collective, interpersonal management and labor, production and economic relations are manifested in the sense of group dynamics. In order to ensure dynamic functionality in management, we have prepared a table-matrix aimed at achieving effective results from the application of any management functions, together with appropriate management methods, during the strategic period. From this perspective, we can say that we present a qualitative matrix of the interaction of management functions and methods.

By applying the matrix, enterprise managers have the opportunity to predict the results that the implementation of economic, administrative, and socio-psychological methods of management will produce at the planning, marketing, and control stages.

The management quality matrix characterizes the results of any function by ensuring the connection of appropriate methods with them. This description is a beacon for the successful implementation of the management function of managers in order to make management more productive.

Table 6.

Quality matrix of joint and coordinated application of management functions and methods

	Planning	Marketing	Control
Economic method	Strategy definition. Activity planning. Revenue planning. Plan implementation program. Economic efficiency design	Market research Conducting marketing analyses. Pricing policy. Sales policy	Implementation of internal audit. Implementation of tax control. Implementation of financial control. Implementation of controlling service.

Administrative method	Formation of the regulatory and legal norms. Formation of the organizational structure. Determination of the management mechanism. Control over the implementation of the plan.	Marketing management. Market control. Regulation of purchase and sale relations	Control over the implementation of decisions. Establishment of control mechanisms. Administrative measures. Sanctions. Fines. Disciplinary measures. Rewarding.
Social-psychological method	Determining the social needs of employees. Planning social events.	Meeting demand. Expressing the interests of society. Ensuring customer satisfaction.	Regulation of social relations. Ensuring customer satisfaction. Corporate social responsibility.

Source: Table prepared by the author.

Increasing the competitiveness of industrial enterprises is one of the main issues of sustainable development. The goal of every processing and industrial enterprise is to obtain income or profit. At this time, financial relations occur in the enterprise. In such organizations, financial relations mainly take the form of value or money.

Ensuring the continuous and sustainable implementation of activities in an enterprise is considered a clear example of the effectiveness of strategic management. From this point of view, we have studied a new model of the method of analyzing the potential of activity. This model is based on a comparative analysis of internal and competitive environmental factors.

This model examines the innovative and financial strength of the enterprise in relation to the negative and positive effects of environmental factors, and as a result, it allows us to determine the extent to which the enterprise is competitive. Referring to the following analysis model, we made a comparative analysis with the indicators of “Qardashlar Mebel” CJSC, which is considered a competitor of “Embawood” in the domestic market, and as a result, we assessed the competitiveness of both companies.

Table 7

Potential analysis model of enterprise competitiveness

"EMBAWOOD" company		"Kardashlar Mebel" CJSC	
Production capacity analysis (in manats)			
Production	49,451,596	Production	8,103,396
Raw materials	29,876,424	Raw materials	9,267,743
Goods	5,566,483	Goods	1,023,546
Total reserves	65,115,503	Total reserves	18,394,685
Analysis of financial results (in manats)			
-Revenue from sales:	47,568,525	-Revenue from sales	7,290,911
-Production costs:	39,146,221	-Production costs	7,091,288
-Total profit:	8,422,356	-Total profit	199,623
Analysis of innovation opportunities			
Innovations	is applied regularly.	-Innovations	applied intermittently.
For the production of new products	is actively inclined.	-New product production	The tendency is passive.
Using new raw materials	The possibilities of using it are high.	-Using new raw materials.	opportunities to use
Product portfolio analysis			
-Product quality	high.	-Product quality	high
-Production	8 classification groups	-Production	6 classification groups
-Produces.	in 37 varieties	-Produces.	in 27 varieties
-Raw material supply	is basically its own semimanufacturer.	-Raw material supply	is partly its own semimanufacturer.
Marketing analysis			
He conducts politics in the market.	cheap price	He conducts politics in the market.	high price
Market share	prevails	Market share	is inferior to the competitor
Competitiveness coefficient	high	Competitiveness coefficient	It is below.
Researching the markets	local and foreign	Researching the market.	local
Products	suitable for the purpose	Products	It is basically suitable for the need.
Advertising strategy	High	Advertising strategy	Satisfactory
Sales analysis			
Sales policy	direct sales	Sales policy	direct sales
Sales network	available	Sales network	not available
Annual sales revenue	47568525	Annual sales revenue –	7290911
Sales strategy	available	Sales strategy	not available
Analysis of pricing policy			
-Bedroom set.	1816–4091 man.	Bedroom set	3900 - 5800 man.
Living room set	1042-3023 man.	living room set	2600-5500 manats
Profitability indicator at cost price	79.8%	Profitability indicator at cost price	97.3%., in a result 17.5% more expensive

Source: table prepared by the author

As can be seen from the table, the production indicators of the “Embawood” LLC are 6.1 times higher than those of “Kardashlar Mebel” CJSC, and the production reserves are 3.5 times higher. In terms of the volume of its assets and economic management capabilities, the “Embawood” company is much stronger than its competitor. The sales revenue of the “Embawood” company is 47568525 manat, which exceeds its competitor by more than 6.5 times. As can be seen, the profit indicator of the leading company is 42.2 times higher. So, if we look at the growth rate of production and profit, the profitability indicator of the “Embawood” company is much higher. So, this company, by earning more profit than its competitor, brings more dividends to its shareholders.

As can be seen, the potential analysis model we have studied, by clarifying the capabilities of an industrial enterprise, determines the needs for ensuring its competitive activity in domestic and foreign markets, strengthening its market positions, and will create an opportunity for development. Strengthening competitiveness and ensuring sustainable performance are one of the main conditions for resisting the influence of competitors in the market. The victory of the enterprise in this struggle is a guarantee of the longevity of its strategic activity.

The fourth chapter also touches upon the issues of investment project management and its impact on strategic management. Since project financing is an integral part of the financial strategy of the enterprise, this process requires analysis and assessment of the effectiveness of projects for strategic periods. Analysis and assessment of investments is a condition that determines how useful they are. Assessment of investments is determined at the macro and micro levels. At the macro level, investment assessment is related to determining the volume of investments made across the country, including by sector, the volume of investments directed to fixed capital, production, real estate, the specific weight of foreign and domestic investments, and other such indicators.

One of the main points that attracts attention in the management of investment projects is risk management. In order to manage risks, a risk portfolio is created, risk limits are set for the portfolio, and a risk

profile is determined based on these limits. Determining the risk profile, its upper and lower limits will predict the occurrence of risk situations and create an opportunity to prevent them.

The fifth chapter is entitled “The directions of modernization of strategic management in processing enterprises”. In this chapter we examine a new model of the organizational structure of management in enterprises.

The formation and development of industrial enterprises are related to the proper organization and management of their activities. In this regard, conducting research on strategic management and its subsystems is a basic condition for ensuring the continuous and sustainable operation of industrial enterprises. We believe that the study, research and improvement of theoretical and practical issues in this area, their application in the activities of enterprises constitute the scientific and theoretical basis for accelerating the economic development of the country in both the macro and micro spheres. All of the specified strategic management criteria for industrial enterprises have a direct positive impact on their proper design and the quality of the project. Therefore, the organizational structure should be built in such an optimal way that it is possible to achieve the goal set in terms of increasing the efficiency of management. Therefore, when designing or fundamentally reconstructing the organizational structure of an enterprise, a purposeful model should be developed. In our opinion, this model should consist of the following four blocks, which are organically interconnected:

- research block;
- analytical block;
- design block;
- project results evaluation block.

When applying this model, the insistent pressure of the external environment, the backlash of the enterprise management, and the factors ensuring the effectiveness of the organizational structure development project should be taken into account.

The organizational structure plays an important role in the effective management of the enterprise by characterizing the management apparatus and system of the enterprise. For this purpose, several

analyses can be conducted to assess the role of the organizational structure in management. The analysis of the organizational structure is carried out in order to assess the effectiveness of management. The effectiveness of management requires the determination of efficiency indicators in the relevant directions. We can determine the efficiency coefficient of management according to the following parameters.

- Application of a mathematical-economic method that expresses the dependence of the number of management personnel on the number of employees in the enterprise and the volume of commodity products. This indicator determines the specific weight of the management personnel in the composition of the personnel working in the enterprise. By determining the aforementioned indicator, it is possible to determine how the increase or decrease in the number of management personnel affects the results of the financial and economic activities of the enterprise.

If we denote the number of management personnel of the enterprise last year as X_0 , the number of employees in the enterprise as Y_0 , then in the current year we denote these types of indicators of the enterprise as X_1 , Y_1 respectively.

If we can reduce the number of management personnel by merging several structural units,

$$\frac{X_0}{Y_0} > \frac{X_1}{Y_1}$$

Formula 1.

The analysis can be conducted sequentially over the years.

The ratio of management costs to the volume of commodity output. This indicator determines how many kopecks of management costs are in each manat of commodity output. If last year we denote management costs as \dot{X}_0 and commodity output as MK , then for the current year these indicators will be \dot{X}_1 and MC , respectively. In this case, in terms of the dynamics of management costs inequality

$$\frac{\partial X}{\partial X} \sum_{i=1}^n \frac{MCi}{MKi} > 1$$

Formula 2.

Source: determined by author.

reflects economic efficiency in terms of management. Analyzing the organizational structure according to the above criteria allows us to evaluate the result-oriented management activities of the management apparatus or functional structure units. That is, by applying these mathematical-economic methods, it is possible to measure the degree of influence of the management structure on the results of the organization's activities. By conducting such measurements over the years, it is possible to assess the dynamics of the result-oriented activities of the management apparatus over time.

We consider the control system of industrial enterprises to consist of 5 main control blocks.

1. Corporate control block.
2. Independent control block.
3. Public control block.
4. Quality assurance block.
5. Administrative control block.

This system can turn not only the internal environment of the company, but also its relations with the environment into an object of control. The mentioned parameters require a comparative analysis of management parameters and assessments on these parameters in order to form organizational structures and management activities in individual enterprises, and to modernize control structures.

The rapid industrialization process in the world requires the formation and implementation of a new model of strategic planning in this area. This model is based on the development concepts of enterprises. Strategic planning should be able to ensure the competitive and sustainable operation of the enterprise by reflecting the strategic development concepts of the enterprise.

As a result of our research, we conclude that strategic planning is carried out in industrial enterprises through the following strategic approaches. Examples of these strategic approaches include fundamental, result-oriented, problem-oriented, different value-oriented, and socially oriented approaches.

Table 8.**A modern strategic planning model based on various approach systems**

Stages of strategic planning	Strategic goals	Supporting strategic goals
Initial analysis	Determining market demand	Market research
Defining corporate strategy.	Fundamental, problem-oriented, result-oriented, differential, positioning strategy	Mission and vision, company-wide strategy.
Strategic analysis	Analysis and evaluation of all macro and micro environmental factors of the enterprise.	Conducting PEST(EL), SWOT, Porter, BSG, SPACE, ABC analyses.
Divisional strategy	Strategies of the company's subsidiaries.	The mission and vision of the company's subsidiaries,
Determining business strategy.	Setting priorities based on a sustainable development strategy.	Supported by strategic priorities.
Determining functional strategy.	Diversification strategy	Strategies of the company's internal structural units.
Operational strategy	Main activity strategy (Production strategy in industry.)	Supporting Functional Strategies by Operational Strategies
Coordination strategy	Coordination of separate strategies, such as operational and functional strategies	Alternative functional strategies support each other
Target combination of the strategy	Setting goals	Supporting goals by priorities
Determining the budget for the strategic plan.	Classification of income sources and expense items.	Determining the cost estimate for the various objectives of the plan.
Drawing up an implementation plan	Identifying medium and short-term actions that support strategic goals.	Determination of enforcement measures and a system of KPI for responsible persons
Determining the control strategy.	Defining a control system for strategic priorities.	Determining control indicators

Source: determined by author.

In strategic planning, it is also important to determine the forecast indicators for the enterprise's product production. Because one of the primary functions of strategic planning is the forecasting function. Strategic planning depends on the current state of production and the dynamics of market demand. We conducted this analysis on the

example of Embawood LLC and were able to make predictions for its future competitive dynamics. In the research, we applied the extrapolation method of forecasting to determine the market positions and indicators of competitors. To apply the extrapolation method, we need to construct a matrix and perform its deterministic solution.

$$y = A_0 + A_1 = \frac{\sum y}{n} + t \frac{\sum yt}{\sum t^*t} \quad \text{Formula 3.}^3$$

By applying the mathematical formula, we can determine the forecast indicators accordingly and predict the market share of competitors for the future period. This is very important for us in strategic planning to determine the market position of the competitors.

The dissertation improves the principles of strategic management and quality assurance policy. To improve management in industry, we consider it appropriate to implement the application of modern management principles from 3 organizational aspects.

- In industrial enterprises
- In industrial zones and associations (industrial parks or technoparks)
- In large companies (holdings) that include various subsidiaries
- In corporate networks that include regional structural units

We have approached the issue of improving management principles from these organizational aspects. Currently, the principle of residential location of industrial enterprises in terms of zones is preferred in the world. In order to ensure the coherence of the activities of such industrial zones and associations, we consider it appropriate to apply the following management principles in order to achieve the development of their activities:

- Providing a coordination center among residents.
- The principle of regulating relations between residents through a flexible partnership mechanism.
- The principle of coordinating the regional and field structure of residents.
- The principle of research orientation of the industrial zone.

³ Sadigov R. Rapid Growth of the World Population and Its Socioeconomic Results, The scientific world journal, Vol No1, 23 March 2022

Regional structures in industrial zones can be formed independently of the field structure. Therefore, the regulation of economic relations between them is based on a system of decentralization. The main goal of creating a sub-regional structure is to ensure the flexibility and expansion of residents' relations in small zones. There is also no administrative dependence in this division. Such a management mechanism allows for the coordinated application of sectoral and regional research principles of industrial parks and technoparks. In other words, we propose a coordinated management mechanism in industrial zones. The source of this mechanism should be universities or research centers.

The proper application of management principles increases the quality indicators of management in the enterprise. The basis for the formation and implementation of quality criteria and parameters in the management, production and service systems of the enterprise is the quality assurance policy of the organization. The quality assurance policy is like a passport to the quality management system in the enterprise. The quality assurance policy contributes to the determination of the company's business strategy, the adoption of correct management decisions by organizational structural units, and the high-quality implementation of plans and programs. In the modern world, quality indicators are already determined in all aspects of the development of economic entities, and their implementation is programmed.

We consider it necessary to apply management principles in modern management within the framework of quality standards of management. Therefore, we are in favor of updating quality standards in accordance with the current international and global economic environment. Because we have conducted research in this area and have certain proposals.

From our research, we conclude that the criteria system for evaluating quality management in the ISO-9001 system should be richer. For this purpose, we present this system of criteria as follows::

1. Ensuring consumer satisfaction
2. Ensuring an efficient organizational structure in management
3. Strategic activity planning and its successful implementation.

4. Using an advanced information management system, digitalization of management.
5. Automation of production and efficient use of resources.
6. Availability of advanced control systems
7. Efficiency of human resource use
8. Using economic incentive systems
9. Competitiveness of the enterprise.
10. Growth dynamics and sustainability of financial potential.
11. Risk assessment and management.
12. Achieving economic efficiency
13. Access to international markets
14. Leadership in the region
15. Fertility of working conditions
16. Relevance of activities to stakeholders
17. Level of public relations

The principles of advanced management, based on the coordination of various economic entities, determine the development trends of their economic relations, ensure the quality implementation of product production, and ultimately lead to customer satisfaction. For this purpose, the principles of advanced management support the development of the industrialization process as a more complex management mechanism. We systematize these principles and present them as follows:

- The principle of coordinating the regional and field structure of residents.
- The principle of digitalization in management.
- The principle of regulating relations through a flexible partnership mechanism.
- The principle of coordination orientation of management relations.
- The principle of research orientation of the industrial association.
- The principle of coordinating theoretical and applied research.
- The principle of quality in management.

We conclude that the management mechanism and coordination principles should be implemented by universities, which are the

central structural units of scientific research institutes or industrial associations. Such a management mechanism coordinates, regulates and supports economic entities independently of each other. As a result, the organizations included in the park support each other, carry out coordinated activities, and act as active subjects in the implementation of plans. Such a division of labor also expands the scope of economic benefits, since it covers a certain region or association in the organization.

The personnel of the enterprise is considered the main social aspect of strategic management. Human resource management includes activities such as determining the need for people in the organization, determining the demand for labor, planning human resources, and so on. Currently, the use of the KPI (key performance indicators) system is more effective in managing human resources, increasing the activity of personnel, and controlling their activities. When we define the KPI system in the field of human resources or personnel management in the Company, we should mainly pay attention to the issue of the correct and efficient use of personnel resources in the enterprise.

For this purpose, we consider the following components of the formation of a KPI system in processing enterprises to be necessary.

- To develop an improved personnel policy in the enterprise and determine its implementation mechanisms. (To form a competency system for employees working in relevant positions.)
 - Improving recruitment rules and proper team selection.
 - Determining and analyzing the dynamics of the team in terms of position.
 - Ensuring the social development of personnel. (Achieving the competencies intended for employees.)
 - Achieving career development of individuals and the team.
 - Creating a differential form of payment for labor.
 - To improve the mechanism for monitoring the activities of employees in the enterprise.
 - Periodically evaluate employee performance. (Reduce the specific weight of supervision work for those who perform well.)

The correct implementation of the KPI system is related to the comprehensive and systematic implementation of the HR policy in the

company. Human resource management, by contributing to the enterprise's strategic action program, has a positive impact on the strategic development of the organization's socio-economic capabilities. Strategic human resource management is one of the differential systems of the enterprise's strategy and acts as one of the components that plays a positive role in the dynamic development of other systems. The formation of KPI systems in the strategic human resources management system is one of the main issues, and is of great importance in terms of analyzing the current situation in this field and determining future prospects.

RESULT

In the dissertation, by examining the management activities of industrial enterprises and researching their strategic development plans, we have reached to the following conclusions. We have categorized these results in the following classification and summarized our thoughts:

- In the research, methodological foundations of strategic management in the context of a market economy were examined, and its development concept was prepared. These concepts allow for the implementation of strategic management in a complex and systematic manner. The concept of management development involves the improvement of management systems and management relations between them, as well as, the development of internal and external relationships with stakeholders.

- The development concepts of strategic planning and their sub-strategies were studied. The systematic application of these concepts and strategies allows for the comprehensive determination of the future development prospects of the enterprise, as well as ensure its strategic development in a more optimal way.

- The improvement and modernization of strategic management in industrial enterprises will create opportunities for the inclusion and application of innovations in management activities, as well as the advancement of anti-crisis and risk management. This will lead to the development of new start-up projects, the expansion of production activities of enterprises, the production of innovative products, and the

development of the export potential of industrial enterprises.

- The modernization of strategic management requires not only the administrative and economic aspects of management but also the consideration of the legal aspects of regulation, as well as the technical or technological aspects of the economy. In this context, it is essential to conduct a comprehensive analysis of the enterprise's financial and economic activities, considering economic, legal, social, and technological factors. These are among the critical factors that condition the increase of the effectiveness of strategic management in industrial enterprises.

- The application of a modern strategic planning model based on various approaches will lead to the complex and systematic planning of industrial enterprises' activities. This will allow for the correct combination of the company's strategic priorities, objectives, business, functional, and operational strategies, increasing the feasibility of achieving planned indicators.

- The standards for quality management have been investigated by us. The determination of the execution indicators of strategic planning based on advanced quality management standards will enable the evaluation of the actual performance indicators of plan implementation in industrial enterprises in terms of quality and facilitate the assessment of management effectiveness.

- The matrix of the interconnected application of management functions and methods will serve to increase the productivity of the results to be achieved through the systematic application of management activity. İşlətmə işləri əsasında onun funksiyalarının icrası və prinsiplərinin tətbiqi ilə fəaliyyətdir. The successful and interconnected application of these elements is the primary and essential condition for the comprehensive and systematic execution of both the theoretical and practical aspects of management activities.

- The potential analysis model of the competitiveness of industrial enterprises has been studied. The competitiveness of enterprises and organizations is one of the main conditions for their stable and sustainable operation in domestic and foreign markets, as well as for strengthening their market positions. Strengthening competitiveness is the basis for the long-term operation of an enterprise in competitive markets.

- The automation of management, electronicization of financial

and economic activities, and computerized recording of operations will facilitate the management process of the enterprise and simplify the decision-making process. Thus, by entering existing information into computer technology, the necessary information will be processed through software, and this information will be used in making management decisions.

- The recent financial crises have not bypassed the activities of industrial enterprises, exposing them to negative impacts. Therefore, the dissertation has been studied risk management, and mechanisms for forming risk limits and risk profiles in accordance with the company's current and future priorities and predicted threats have been identified. These mechanisms will create incentives for assessing risky situations and encourage the timely implementation of preventive measures.

The proposals put forward in the dissertation serve to create a new technology for managing large companies, business alliances, and innovative enterprises. This issue is of great importance for the development of the management structures of newly established industrial parks, industrial clusters, technoparks, and incubator enterprises in Azerbaijan and for the implementation of modern management technologies.

For this purpose, in this dissertation, we have provided our suggestions and recommendations for improving the strategic management process and developing management technology, and have defined the principles of their application in management activities in the following rules.

1. In order to achieve innovative development of the processing industry in our country, long-term targeted programs should be developed. The development of long-term targeted programs for the innovative development of the processing industry and the effective organization of quality management systems and the consideration of the goals and visions of the Strategic Roadmaps in these programs will eliminate the negative effects of the mentioned factors. The involvement of experienced economists in the development of these programs will increase their scientific foundation and quality.

2. We have put forward a number of proposals for improving

corporate governance standards. These standards should take into account the importance of the control block or committees in corporate governance for large industrial enterprises and define their authority. Because we consider it appropriate to include public representatives and interested parties in the control system of companies that have a market share and a wide customer audience.

3. We consider it appropriate to increase the research capacity of management in order to modernize strategic management in industrial enterprises, as well as to increase the economic efficiency in the direction of increasing the innovation-oriented activities of industrial enterprises. For this purpose, the creation of a research and analysis block in management will lead to optimal and realistic planning of the enterprise's future development prospects.

4. During a comprehensive analysis of management activities in enterprises and organizations, the methodologies for assessing management's response to intermediate and final outcomes, as well as the efficiency of the organizational structure, should be considered. In this case, it is possible to assess the dynamics of the effectiveness of the organizational structure by taking into account the numerical indicators of the staff, management staff, administrative staff working in the enterprise by periods and the volume of commodity products.

5. In order to achieve the development of resident enterprises in industrial zones, it is necessary to involve scientific research institutions or universities in the activities of these zones. This collaboration between industry and research will stimulate the production of science-intensive products in industrial zones and enhance the export potential of residents.

6. We have studied a strategic planning model based on different approach systems in processing enterprises. The application of this model should be carried out on the basis of sustainable development priorities of industrial enterprises, and its performance should be measured on the basis of quality management standards. Applying these measurements will provide an optimal way to assess the effectiveness of management.

7. Indicators on the digitalization of management, analysis of organizational structure, and level of stakeholder participation in management should be added to the standards for evaluating strategic

management performance. Such indicators will allow for a comprehensive and systematic analysis of management performance.

8. In order to develop the social aspects of management, industrial enterprises must have an excellent human resource policy, achieve joint and coordinated activities with universities in the personnel training process, adapt to the requirements of the labor market in order to develop the professionalism of employees, and have a system of professional competencies for each position in the enterprise.

The implementation of the above-mentioned proposals will create favorable conditions for the application of modern management in the enterprise, will contribute to the development and improvement of the management activities of industrial enterprises. These proposals will also positively impact the development of the national economy and its various sectors.

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