

## The role of the cluster in the modern organization of production

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**Abstract:** This article provides scientific opinions and discussions about the specifics of the cluster model, which is a modern type of enterprise integration, the concept of a cluster, its legal status and significance in improving production efficiency.

**Keywords:** *cluster, cluster model of production, legal entity status, production efficiency, participants, association.*

### Introduction

In today's rapidly changing world, any country, based on the established priorities in its national strategy, tries to accelerate economic development, increase the well-being of the population, support entrepreneurship in various ways, pays special attention to further strengthening its position in the world community, free and fair competition with foreign countries and close cooperation with them.

To enter into such fair competition, it is important, first of all, to adapt the business environment and business conditions to the requirements and principles of a free market economy, generally accepted international norms and standards, to increase the contribution of private property to the development of the economy, including creating enterprises specializing in the production of innovative, economical and high-quality products, to fully support such business entities and strengthen the protection of their rights.

Recently, the role and importance of clusters in the production of competitive, economical and high-quality products and effective business activities has been increasing. At the same time, the question itself arises: what is the cluster model itself, which is recognized as one of the most promising forms of organization of productive forces, what is its significance in the modern organization of production? Let us briefly consider them from a scientific and theoretical point of view.

### Main Body

As for the concept of a cluster, a number of legal and economic literature and dictionaries give different, but similar definitions of the term "cluster". In particular, the term "cluster" comes from the old English word "cluster", according to some encyclopaedic dictionaries, this term refers to the concepts of cluster, bunch, branch of objects of the same type.

In one of the financial dictionaries, the term “cluster” is defined as “a combination of computers that are connected to a single multiprocessor computer via high-speed communication networks and they use it”.

The definition of the term “cluster” in Wikipedia is noteworthy. According to it, “a cluster is a collection of several elements of the same type with certain characteristics, which can be considered as an independent unit” [4].

It is clear from the explanations in these dictionaries that the term “cluster” means the union (accumulation) of elements (objects, items, and even subjects) that are similar in a certain set of properties (aspects) in terms of their activity (function, necessity, applicability, use) into something (place, unit, subject).

The concept of a cluster was originally mentioned in the economic literature. Although the use of the concept of economic cluster in the Russian-language economic literature began in the 90s of the last century [5], the American economist Michael Porter, who was previously recognised as the founder of the theory of cluster and cluster development, put forward the theory of national, state and local competitiveness in the world economy in his work “Competitive Advantage of Nations” and first revealed the cluster phenomenon, based on the theory of the historical and intellectual origin of clusters.

In this work, M. Porter points out that firms that are considered to be somewhat competitive in a particular industry are usually disorganised in different countries, but they have organisational characteristics that “stick to the bottom” [6].

According to him, “clusters are an organisational form of combining the efforts of stakeholders to achieve competitive advantages in the conditions of creating a post-industrial economy” [5].

M. Porter also described a cluster in his work “On Competition” as follows: a cluster or industrial group is a group of interconnected companies that geographically work side by side in a certain area, which characterises the unity of activities and complement each other [3].

According to the legal literature, a cluster is known as an economic association of interconnected enterprises in a particular area since the birth of handicraft production. But since the last quarter of XX century, clusters have become an important factor in the economic development of territorial structures. Economists from different countries agree that territorial structures that have formed clusters on their territory are moving in the direction of economic development. In their opinion, such structures usually determine the competitiveness of the national economy [5].

Cluster activity in most cases includes processes from raw material cultivation necessary for the preparation of a product based on the integration of cluster participants, to the production of a finished product and even its implementation. That is, if some of the cluster participants prepare raw materials, some are engaged in its supply, another part processes this raw material, some produce finished products from secondary raw materials, while a certain category of participants is engaged in their sale, and so on. All these processes are coordinated within a single cluster and in cooperation. The organisation of work in clusters is mainly carried out in this order.

Another important question is that when we look at the legislation of a number of foreign countries, we do not get the same answer to the question of whether a cluster should have the status of a legal entity. Even the opinions of legal scholars are not unanimous in this regard.

In particular, in the above definitions given by M. Porter, he gave the concept that a cluster is a “group of interconnected companies” without a clear idea of whether the cluster has the status of a legal entity or not. A group of companies can either have the status of a legal entity, or not.

In our opinion, for a cluster to be recognised as an independent participant in relations regulated by civil law, it must have the status of a legal entity. That is, the cluster, as a legal entity, must possess certain property, be liable for its obligations with this property, acquire and exercise property and personal non-property rights on its own behalf, bear obligations, be a claimant and a defendant in court.

In some legal sources, the term “cluster” is defined as a specific territory. In particular, the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated October 16, 2017 No. 834 “On organisational measures for the creation of clusters of youth entrepreneurship” approved the regulation “On clusters of youth entrepreneurship”.

Paragraph 2 of the regulation provides that a cluster of youth entrepreneurship is a territory that includes production areas provided with engineering and technical communications, transferred to the subjects of youth entrepreneurship for use on a long-term lease [7].

From this concept, it becomes known that a cluster is a certain territory, and not a separate legal entity or association with the status of a legal entity. According to the content of this paragraph of the regulation, in this production area, the participants of two different categories of the cluster carry out their business activities, namely, young citizens without the formation of a legal entity, as well as legal entities whose founders are young citizens.

Federal Law of the Russian Federation dated July 22, 2005 “On Special Economic Zones in the Russian Federation” also defines a cluster as a territory. According to the concept of paragraph 3 of Article 2 of this Law, a cluster is a set of special economic zones of one or several types, which is determined by the Government of the Russian Federation and managed by a single management company [8].

However, in our opinion, it is inappropriate to give the term “cluster” the concept of territory, since “clusterisation” is associated with entrepreneurial activity. In order to engage in entrepreneurial activity, one must be a subject of law. In particular, it must be organised by certain persons, coordinate the activities of its participants, enter into relations with other legal entities and bear material or other responsibility for their actions.

Paragraph 13 of Article 3 of the Federal Law dated December 31, 2014 “On industrial policy in the Russian Federation” also indicates that industrial cluster – a set of subjects in the field of industry, connected by relations in this area due to territorial proximity and functional dependence and located on the territory of one subject of the Russian Federation or on the territories of several subjects of the Russian Federation.

If we consider a cluster as a form of association of legal entities, the question arises, what form does it correspond to, for example, a holding company, a cooperative, a corporation, a concern, an industrial group, or another form?

According to the first part of Article 77 of the Civil Code of the Republic of Uzbekistan, commercial organisations may form associations (unions) that are non-profit organisations in order to coordinate their business activities, as well as to represent and protect common property interests. If, by decision of the participants, the association (union) is entrusted with the conduct of business, such an association (union) are to be converted to a business entity or partnership in the manner prescribed by this Code or can create business companies for entrepreneurial activities or participate in them [7].

According to this rule, a cluster is considered an association, and if the members of it are assigned the task of doing business in this cluster, then it must act as a business company or a company that has the authority of a legal entity. In our opinion, it is also undesirable for a cluster to function as an economic partnership or society with the authority of a legal entity, or as an enterprise of a different organisational and legal form. Because usually the management of the current activities of economic partnerships and societies is carried out by individual or collective executive bodies, and these bodies act on behalf of the enterprise without a power of attorney, including representing their interests, concluding contracts, concluding employment contracts with employees, terminating them, etc.

That is, the enterprise is a separate independent legal entity that enters into contractual, property and other legal relations with other economic entities through the executive body itself. Its founders (owners) lose their independence in various relations between the enterprise and other economic entities, state bodies. Therefore, participants will have less interest in the functioning of the cluster in such an organisational and legal form, as well as material interest. This will have a negative impact on the development of cluster activities. As a result, there may be mutual distrust between the participants and various conflicts.

If business entities, pursuing a common goal, unite in a single cluster, conduct joint production activities and enter into contractual relations with other legal entities in foreign economic relations on their behalf, then in this case they will experience a greater sense of responsibility for the fulfillment of their obligations, dependence on a rational distribution of income, and the possibility of making a profit. This also leads to increased control of the cluster over financial and economic activities. In our opinion, a cluster is a new type of association, which differs in a number of features from other associations.

The question arises, what are these features of the cluster? What is its significance in improving production efficiency?

**First**, the cluster will be organised in a place with the most convenient infrastructure, and its participants will be geographically (territorially) close to each other.

Since a large and complex production is launched in the cluster, an important role is played, first of all, by the availability of the necessary raw materials and cheap labour, the creation of a favourable economic and social infrastructure.

In addition, the closer the cluster members are located, the lower the costs associated with production processes, such as extraction of raw materials (primary product), procurement, delivery, processing, placement in warehouses, conducting pilot testing processes, preparation for implementation, and others. This situation will lead to an increase in the profit received.

**Secondly**, not only manufacturing enterprises engaged in the production, execution of works, and provision of services for a specific product, but also educational and research institutions operating in the relevant network or industry are involved as cluster participants.

The theoretical scientist Lauren Young put forward the concept that “clusters of firms are groups of companies that are located close to each other”, pointing out that the cluster structure includes not only large private companies and highly qualified personnel, but also their location near large universities as important features of the cluster [5].

Indeed, the work of such educational and research institutions in close cooperation with industrial enterprises will lead primarily to increased innovation activity and engagement in the production of modern technologies, the commercialisation of education and research to improve human potential to create new types or varieties of products, the synthesis and the rapid introduction of advanced

experiments, in-depth study of the experience of foreign countries and increase in the number of cases, which may provoke an increase in the effectiveness of other similar measures.

**Third**, when a product is produced in a cluster, its cost is significantly reduced and its competitiveness increases.

One of the hallmarks of a market economy is free competition. In order for each business entity to sell its products on the market and get the expected profit, it will try to reduce the cost of its products as much as possible and improve its quality.

The American economist M. Porter wrote that the competitiveness of companies in a cluster can be improved in three ways: by increasing production efficiency, by strengthening the ability to innovate, by expanding the cluster and creating new companies that lead to more innovation [2].

The main goal of the cluster participants for the consolidation of capital and joint management of the cluster activities is to get more profit, reducing the cost of goods and increasing their quality and competitiveness.

According to economic scientists, the cost of a product produced by business entities that independently participate in various stages of production of a particular product will be higher than the cost of a product produced by the participants of a cluster.

**Fourth**, the risk of cluster participants, including foreign economic entities (investors), who enter into contractual relations with them within the cluster, will be low.

Production in the cluster is organised on the principle of “one product - one cost chain”. That is, the process of producing a similar finished product in a cluster consists of several stages, each of which involves one or more participants. Their activities and interactions are coordinated within the cluster.

Although the participants work at different stages, the risk of each participant is very low, since the delivery of the result of the activity at each stage is determined, for example, the recipient, supplier, processing plant, receiving the prepared raw materials (grown crops) is known in advance.

The lower the level of risk in a cluster, the lower the risk of enterprises and organisations that have economic relations with it.

**Fifth**, the economic interests of the cluster members are mutually compatible and complement each other, they are functionally in need of each other.

It is known that if an economic entity is engaged in the production, performance or maintenance of a product, it is primarily looking for ways to sell the same product, work or service to other persons at favourable prices and conditions. Among buyers or clients, people are found who are suitable in all parameters, in particular, meet its conditions and requirements, can cooperate for a long time, are reliable, well versed in the industry, can quickly solve problems through interaction and have other similar important characteristics. But in most cases, entrepreneurs face problems, difficulties in these matters, are deceived and even suffer significant financial losses.

And its participants, united by one goal in one cluster, have practically no problems in this regard. On the contrary, since their activities and interests are interrelated, they feel the need for each other's product (work performance, service) in accordance with the distribution of tasks within the cluster.

According to N. A. Larionova: “From the point of view of the system approach, a cluster is a set of economic entities of interconnected various industries, united in a single organisational structure, the elements of which are interconnected and interdependent, and function together for a specific



purpose” [1]. Here, the author states that in order to unite the cluster members into a single association, they will be both interconnected and interdependent throughout their activities. In support of this view, It should be noted that the interdependence of their activities is not enough to organise the participants into a single cluster to achieve a specific goal, that is, even if they are interdependent in such matters as production and sales, services, and the supply of raw materials, the desire to unite increases.

**Sixth**, the level of partnership and corporate culture of the cluster participants with each other and with external organisations will significantly increase. This leads to a stronger sense of trust between them.

However, contractual discipline, a culture of treatment, and a sense of mutual trust play an important role in the effective conduct of business. Therefore, when choosing cluster participants, it is important to take into account the voluntary nature and economic feasibility.

If a business entity is engaged in entrepreneurial activity independently and individually, it can achieve its goal in any way and by any means, even bypassing the law, and sometimes by entering into unfair economic relations with the client, thereby losing confidence in him or her. At the same time, attempts of such dishonest communication with another client are also found in practice. Or even if the preliminary calculations of economic entities confirm the possibility of initiating and developing contractual relations between them, the lack of a unified culture of treatment can also lead to an obstacle to the development of such relations, the rupture of existing relations, various disputes and disagreements.

The cluster members, in turn, as members of the same family, will be united by a common goal and will have to work together in cooperation, consulting with each other. Naturally, the more the cluster members adhere to the principles of harmony, honesty, transparency and openness, the stronger their sense of mutual trust and respect, the higher the effectiveness of their activities.

**Seventh**, the interest in property and property obligations of its members in the cluster will continue to grow.

Since the main goal of the cluster model is to reduce the cost of the product produced, the service provided, the work performed, as well as to improve its quality, increase the volume of finished products that meet market demand, this situation in itself has a positive effect on the property interests of its participants. Also, the geographical proximity of the participants and the location of the raw material base in one place saves them from unnecessary costs.

In addition, due to the fact that production is centralised, partnerships are firmly established, in the event of a decrease in the productivity of some participants, this situation also negatively affects the efficiency of other participants, each participant tries to take their responsibilities seriously, sympathise with them responsibly and begins to take the initiative.

**Eighth**, more attention will be paid to the organisation of flexible production in a fast and innovative way, taking into account the market conditions in the cluster, and as members of the cluster will try to choose as much as possible from among small and medium-sized businesses. At the same time, it is important to use modern technologies, prepare products that are in demand on the market, constantly study the needs and desires, conduct scientific research and, as a result, introduce new production methods.

M. Porter and M. Enright pointed to the creation of innovations as one of the main reasons necessary to stimulate the development of clusters, and stated that such firms will be able to receive information

about improving their production processes, while training and research centres will be able to gain new knowledge and experimentally confirm or disprove the correctness of new theories [5].

At the same time, it should be noted that such processes as rapid adaptation of production to the conditions of the market economy, that is, updating equipment, mastering the secrets of preparing new products, retraining specialists, will be more effective in the activities of small enterprises than in large ones. From this point of view, the clusters will be interested in attracting small and medium-sized businesses to them as participants.

## Conclusion

In conclusion, it should be noted that the greater the awareness of the population, including those engaged in business and willing to do it, of the characteristics of the cluster, its specific characteristics, the role of modern organization of production, the more effective the processes of formation and development of the cluster model.

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