PECULIARITIES OF LEGAL NORMS AND ECONOMIC FACTORS IN THE MANAGEMENT OF SMALL BUSINESS AND ENTREPRENEURSHIP

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In a market economy, small businesses and entrepreneurial activities form the foundation of any country's economic development. This sector increases economic activity in society, deepens market relations, strengthens the competitive environment, and provides the population with various sources of income. Small business structures play a crucial role in creating new jobs, reducing unemployment, and enhancing the economic activity of the population.

Through this activity, the standard of living of the population improves, social inequality is alleviated, and the volume of local production increases. Entrepreneurship, in turn, expands opportunities to implement innovations in practice, create products and services based on new technologies, and apply scientific achievements to the economy.

The concept of “business” has been established in both academic and everyday terminology in English-language literature, and it conveys the meanings of “work” or “activity.” In English-speaking countries, not only entrepreneurs or businessmen, but also teachers, doctors, guards, and drivers that is, hired workers engage in “business.” In this sense, the concept of “business” is certainly broader than “entrepreneurship,” as it is carried out to obtain income and sources of livelihood. In the traditional understanding, however, entrepreneurship is primarily focused on a specific goal: maximizing profit.

For this reason, small business and entrepreneurial activities are recognized not only as economic factors but also as strategic drivers of social and technological development. Governments pay special attention to this sector and strive to ensure sustainable economic growth by supporting it.

Thus, according to the definition provided by the OECD (Organisation for Economic Co-operation and Development) in 2020, “a small business is understood as an economic entity with a limited number of labor resources, low financial turnover, and independent management. Its main characteristic is operating on a smaller scale compared to existing large companies, while still playing an important role in the economy. According to OECD standards, such entities typically employ fewer than 50 workers and have an annual revenue not exceeding 10 million euros.”[1]. In this definition, the phrase “having independent management” is particularly important, as it implies that small business owners often manage the enterprise themselves, make strategic decisions, and are directly responsible for financial outcomes. This distinguishes them from large corporations, where management is typically multi-layered and centralized.

[1] OECD (2017), Enhancing the Contributions of SMEs in a Global and Digitalised Economy, OECD Report for the G20, p. 3.

Moreover, the OECD views small businesses as economic entities that are flexible, capable of rapidly implementing innovative ideas, and able to respond immediately to new market opportunities. Due to these characteristics, they are recognized in many countries as a primary source of employment, a factor of social stability, and a driving force for regional economic development. According to Kotler, “small business is an organization that maintains close contact with customers and has a high degree of customization in its products and services,” which reflects the key advantages of small entrepreneurial entities from the perspective of marketing theory. This approach is explained based on several fundamental scientific components:

1. Proximity and Direct Connection to Customers

Small businesses typically operate in local market conditions and maintain constant, direct communication with their customers. This enables them to quickly identify customer needs, preferences, and complaints, and make prompt decisions based on this information. As Philip Kotler emphasizes, such proximity is a natural advantage in “marketing intelligence,” which is often absent in large corporations.

2. Customization Capabilities

Small business structures often have non-bureaucratic, simplified management, which allows them to quickly and flexibly adjust their products or services to meet the specific needs of each customer. This aligns with the principle of “mass customization,” enabling businesses to enhance customer loyalty by tailoring offerings to individual demand.3. Innovatsiyalarga ochiqlik va tez moslashish

Small entrepreneurial entities implement innovations more quickly than large corporations. This is because their management chain is short, costs are relatively low, and decision-making processes are decentralized. As a result, they can rapidly adjust their service offerings, pricing policies, or service delivery methods in response to changes in the market environment.

4. Long-Term Customer Relationships

Small businesses generally strive to develop personal, trustworthy, and long-term relationships with their customers. They aim to leave a positive impression through service quality and individualized approaches. This, in turn, leads to the expansion of the customer base through word-of-mouth promotion.

Summarizing the characteristics in the table below, small business can be described as a risk-oriented activity focused on achieving stable income through the application of innovative technologies. Its management advantages include quick decision-making and the ability to implement innovations effectively.

Table - 1

Classification of the Main Differences Between Small Business and Entrepreneurship

SMALL BUSINESS	ENTREPRENEURSHIP
Profit-oriented; accepts calculated risk	Ability to take calculated risks; awareness and level of education
Innovation (seeking new solutions)	Ability for systematic observation and planning
Responsibility	Goal-oriented (self-confidence, ability to persuade others)
Economic independence	Ability to work in a team (building relationships, being active and responsible in work interactions)

At the same time, there is a difference between small business and entrepreneurship in terms of goals and approaches: small businesses typically prioritize obtaining stable income, i.e., generating profit, and accept calculated risks, viewing innovation primarily as a means to adapt to market demand. In contrast, entrepreneurship applies an innovative approach through thorough risk analysis, systematic observation, and strategic planning. In this process, personal ambition, determination, and leadership skills (self-confidence and the ability to persuade others) play a crucial role, while teamwork and collaboration are considered key factors for success.

Based on the above ideas and analyses, the following key conclusions have been drawn, and specific results have been achieved.

Small business and entrepreneurial activities, in the context of a market economy, serve as strategic factors for a country's sustainable economic growth, social stability, and technological innovation. This sector contributes significantly to overall development by creating new jobs, reducing unemployment, diversifying sources of income for the population, and enhancing regional economic activity. According to OECD (Organisation for Economic Co-operation and Development) standards, the main advantages of small businesses are flexibility, quick decision-making, the ability to respond promptly to local market demands, and independent management. These characteristics define them as active drivers in the dynamic development of the economy.

The key factors ensuring the competitiveness of small businesses are close customer relationships, the customization of products and services, openness to innovation, and the establishment of long-term, trustworthy connections. These advantages enable small entrepreneurial entities to quickly adapt to market changes, accurately meet consumer needs, and expand a loyal customer base. Therefore, small businesses are recognized not only as a means of generating profit but also as a strategic force that mitigates social inequality, implements innovative technologies, and stabilizes economic growth.

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