



## MANAGEMENT PRINCIPLES IN SMALL BUSINESS AND ENTREPRENEURSHIP: LOCAL AND INTERNATIONAL EXPERIENCES

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**Abstract.** *This article analyzes the major management principles of small business and entrepreneurship on the basis of local and international experience. The aim of the study is to identify the priority principles that ensure effectiveness in small business management, to reveal the forms of their manifestation in the practice of Uzbekistan, and to compare them with advanced foreign approaches. The research applies institutional, comparative, systemic, and functional methods of analysis. The findings demonstrate that successful management of small businesses depends on flexibility, financial discipline, customer orientation, digitalization, network-based governance, human capital development, risk diversification, and evaluation-oriented management.*


**Keywords:** *small business, entrepreneurship, management principles, local experience, international experience, management, digitalization, financial discipline, innovation, business incubator, institutional approach, risk management.*

### Introduction

Small business and entrepreneurship constitute one of the most dynamic, employment-generating, and innovation-oriented sectors of the modern economy. According to the World Bank and IFC, small and medium enterprises account for about 90 percent of businesses and more than half of global employment. Therefore, the issue of managing this sector effectively is strategically important not only at the firm level but also for national economic resilience and inclusive growth.

At the present stage, small business management can no longer be reduced to routine administration or simple profit maximization. OECD materials underline that geopolitical tensions, inflation, tighter monetary and fiscal policies, labour shortages, trade barriers, and disruptions in global value chains have created a more difficult environment for SMEs. Simultaneously, green and digital transitions require small firms to integrate into production, knowledge, innovation, and skills networks.

In Uzbekistan, the role of small business is also expanding significantly. During the 2025 Tashkent International Investment Forum, it was officially emphasized that SMEs account for 53.8 percent of the country's GDP. This makes the question of management principles



highly relevant not only in business studies but also in the broader context of development policy. Research methodology. This study is based on comparative, institutional, systemic, and functional approaches. Local experience is examined through official government materials, national statistical indicators, and practical programmes aimed at supporting entrepreneurship in Uzbekistan. International experience is synthesized through OECD, UNCTAD, and World Bank sources. The analytical logic of the paper is built on two interconnected levels: internal firm-level management and the external institutional environment that shapes the performance of small business. This perspective allows small business success to be understood not merely as a consequence of entrepreneurial talent, but as the result of interaction between policy, finance, infrastructure, and knowledge systems. Theoretical essence of small business management. Small business management may be defined as a system of decision-making and resource coordination aimed at aligning limited resources with market demand, reducing risks, and ensuring sustainable development. Unlike large corporations, small businesses usually have compact structures, high managerial centralization, and faster decision-making. However, these advantages coexist with vulnerabilities such as financial fragility, greater exposure to market fluctuations, and shortages of advanced managerial skills.

From this perspective, the major principles of small business management include flexibility, efficient resource allocation, innovation, rapid response to customer demand, accountability, legal and ethical compliance, and continuous evaluation of outcomes. The OECD Recommendation on SME and Entrepreneurship Policy stresses that SME policy should be effective, efficient, coherent, and comprehensive, while the OECD evaluation framework highlights the need for reliable monitoring and impact assessment.

Thus, small business management has a dual character: at the micro level it concerns internal organization and operational decisions; at the macro level it depends on the policy environment and institutional support system.

The first important local principle is **management combined with institutional support**. Small business activity is not left entirely to market self-regulation; it is reinforced by credit instruments, advisory services, organizational support, and legal protection. The second principle is **territorial balance and inclusiveness**. According to the World Bank, since 2022 a rural enterprise support project in Uzbekistan has reached more than 15,000 entrepreneurs and established 22 new business incubators. This reflects a governance model linked to regional socio-economic needs rather than a purely centralized approach.

The third principle is **strengthening management through digital platforms and market integration**. Official information from 2025 noted that a major e-commerce platform in Uzbekistan works with more than 16,000 companies, and 80 percent of them are SMEs and individual entrepreneurs. This indicates the growing importance of platform economy, digital trade channels, and data-based marketing decisions in SME management.





## International experience and key principles

International experience shows that successful SME management is based not on a single subsidy or incentive, but on a coherent set of interconnected principles. The first principle is **improving access to finance**. According to the World Bank, SMEs face a financing gap of US\$5.7 trillion across 119 emerging markets and developing economies. Without credit, guarantees, venture finance, factoring, and blended finance instruments, management remains structurally constrained.

The second principle is **network-integrated management**. OECD's 2023 report explains that SME performance increasingly depends on integration into production, knowledge, innovation, and skills networks. In this view, the firm is not an isolated unit but part of an ecosystem shaped by cooperation, outsourcing, logistics, technology transfer, and market linkages.


The third principle is **embedding green and digital transition into management strategy**. OECD and UN materials portray SMEs as crucial drivers of inclusive growth, employment, innovation, competitiveness, and the transition toward a sustainable and digital future. Accordingly, modern management must combine productivity goals with energy efficiency, environmental responsibility, e-commerce, data analytics, and remote service models.

The fourth principle is **evaluation-based governance**. The OECD framework for SME policy evaluation shows that clear objectives, appropriate indicators, comparison groups, and reliable impact assessments are essential for the efficient use of public resources. This implies a shift from reporting how much money was spent toward evaluating what outcomes were actually achieved.

The fifth principle is **investment in human capital and managerial capability**. International practice indicates that SME weakness is often caused not only by a lack of finance, but also by insufficient skills in management, planning, marketing, exports, negotiation, and digital adaptation. Therefore, the most effective model is based on the combination of "finance + knowledge + mentoring + networks." The Uzbek rural entrepreneurship project supported by the World Bank illustrates that financing and incubation are most effective when delivered together.

On the basis of the above analysis, an integrative model of small business management for Uzbekistan can be proposed. First, **flexibility and rapid decision-making** should remain at the core of SME governance. Second, **financial discipline and risk diversification** must become central managerial practices. Third, firms should adopt **customer-oriented and innovation-driven management**, regularly adjusting products and services to market signals.

Fourth, **digital management** is no longer optional. It includes e-commerce, CRM systems, online payments, digital accounting, and data-based promotion. Fifth, **network-based governance** requires SMEs to be organized not as isolated businesses but as elements of clusters, platforms, logistics chains, educational institutions, and finance systems. Sixth,



**investment in human capital** should focus on continuous training for owners and employees. Seventh, **measurement and evaluation** must be institutionalized, with every programme and managerial decision assessed through profitability, employment, market share, export capacity, and innovation outcomes. This model is fully consistent with OECD and UNCTAD recommendations on coherence, monitoring, and systemic policy design. Conclusion: In conclusion, management principles in small business and entrepreneurship are becoming increasingly systemic and multi-dimensional. SME management today is not merely a technical process of running a business; it is a strategic activity based on flexibility, financial sustainability, innovation, digitalization, integration into networks, and continuous performance assessment. The fact that SMEs constitute the bulk of businesses globally while simultaneously facing a massive finance gap makes this issue especially urgent.

Therefore, the comparison of local and international experience shows that the most effective SME management model is one that combines state support, market mechanisms, digital tools, knowledge infrastructure, and a culture of evaluation. Such an integrative approach can help Uzbekistan move small business development to a qualitatively new stage not only in terms of quantity, but also in productivity, resilience, and competitiveness.

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