

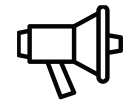
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THEORETICAL ASPECTS OF FORMING AND APPLYING THE INTEGRATION MECHANISM OF SMALL BUSINESS

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Abstract: This article examines issues such as the mechanisms of integration in small businesses, the formation of these mechanisms, and their role in the development of small business. It also reveals the purpose of integration, its importance in the development of the national economy, and its specific features.

Key words: small business, efficiency, integration, innovation, competitiveness, electronic commerce.

INTRODUCTION

Integration is the most evident process describing changes in social development within the economic environment. It also represents a stage from regionalization to globalization, from structuring economic space to acquiring universal characteristics of social relations. These relations deepen interactions between subjects at the interstate level and transcend continental boundaries.

The purpose of integration is to unite separate national economic systems (at the interstate level) into a single economic space — creating a unique model of globally competitive integration that ensures the strategic position of our country in international markets. At present, favorable conditions for integrated cooperation between large and small enterprises, especially in the industrial sector of the economy, should be formed based on optimizing economic policy and the processes of allocating state financial resources.

Therefore, today the processes of integration interaction are capable of ensuring a certain level of stability by implementing mutually beneficial economic policy tasks among economic entities and reducing risks.

REVIEW OF LITERATURE ON THE SUBJECT

Scientists have expressed various opinions regarding the mechanisms of integration in small business, their formation, and the increase of investment attractiveness. In particular, A.B. Babkin, L.K. Shamina, and A. Marshall examined issues related to the formation and application of integration mechanisms in entrepreneurial activity, the practical implementation of business initiatives, and their role in the development of small businesses. They also revealed the purpose of integration, its significance in economic development, and its specific features.

I.A. Blank defines investment attractiveness as a concept that summarizes the advantages and disadvantages of investing in specific directions and objects from the perspective of a particular investor. According to this definition, the assessment of the investment attractiveness of individual objects depends on many factors and has an individual and specific character.

RESEARCH METHODOLOGY

The methodological basis of the research is the qualitative specificity of small businesses in the conditions of an innovative economy. During the analysis, methods such as comparison and system analysis were used. Through the observation method, the condition of entrepreneurial activity was assessed, and relevant conclusions were formed using abstract-logical thinking.

ANALYSIS AND RESULTS

In the context of increasing global competition in the world, the importance of small businesses as an essential component of the economy and an element of a competitive market mechanism is steadily growing. Small enterprises respond quickly to changes in market conditions and ensure the flexibility necessary for a market economy. In addition, entrepreneurship mobilizes significant financial and production resources of the population.

Small business is an important component of any economy, providing communities around the world with employment, income, goods, and services. According to the Small Business Administration (SBA), there are more than 31 million small businesses in the United States alone, employing nearly 60 million people. However, despite their importance, many small enterprises fail during the first few years of operation.

Small business forms the backbone of the economy, contributing to job creation, economic growth, and social development. In most countries, small businesses account for a significant share of total employment. According to the World Bank, small and medium-sized enterprises (SMEs) represent more than 90% of businesses worldwide and contribute to over 50% of total employment. These data demonstrate the relevance of improving the methodology for assessing the factors influencing the development of small businesses worldwide.

Considering that new sectors such as the internet economy, electronic commerce, and electronic banking have already been formed as modern types of the economy, it should be recognized that their models are closely connected with new business activities. For example, international experience positively characterizes models that imply structural changes in enterprises as a result of the integration of production and economic activities aimed at creating new competitive and financial structures. This process includes the integration of capital, production capacities, and cooperation among enterprises with multi-sector business profiles and requires new mechanisms for the structural restructuring of the existing corporate sector of the national economy.

It is also characterized by modern trends formed in various entrepreneurial systems, in particular:

- Development of intrapreneurship – entrepreneurial activity carried out within the framework of a large firm or another economic enterprise;
- Convergence – the rapprochement of different economic systems that occurs due to the commonality of socio-economic problems and the existence of objective laws of development, leading to the elimination of differences between them;
- Activation of integrated cooperation between large and small enterprises through the use of such organizational forms as subcontracting, franchising, leasing, and venture entrepreneurship (as practiced in Germany, the United Kingdom, Spain, Italy, and France);
- Implementation of state programs aimed at developing entrepreneurship (Belgium, Sweden, the Netherlands, Finland, Norway, Ireland).

The formation of an integration-oriented environment for enterprises in the industrial sectors of the national economy of Uzbekistan is a necessary condition for modern methods of market organization. Today, positive changes in the economies of European countries are mainly ensured by the following structural transformations:

- Giving priority to the service sector in the sectoral structure of national economies;
- Strengthening the integration interaction of enterprises;
- Restructuring industry through production innovations and strengthening foreign economic relations with countries that have a high level of scientific and technological progress.

The study of foreign experience makes it possible to reveal specific theoretical approaches and models for the development of entrepreneurial processes. Thus, practical solutions can be found for managing and organizing the activities of leading industrial enterprises of the Republic of Uzbekistan in the future.

The main task of strategic management can be defined as adapting a small enterprise to changes in the external environment. The key to the success of a modern small enterprise is the development of a flexible model of activity in which the internal environment of the enterprise and its variables optimally correspond to the requirements of the external environment or at least do not contradict them.

A crisis should primarily be considered through the following aspects:

1. The sector in which the small enterprise operates and its specific characteristics.
2. Due to the high adaptability of small enterprises, not all sectors included in their structure necessarily fall into crisis.

A crisis in certain sectors can only be identified by comparing their performance indicators with those of previous periods. Comparing industry performance indicators with the overall economic growth rates allows one to speak about a crisis only conditionally.

The second aspect is more significant. The potential of a small enterprise, its harmonious composition and structure, serves as a visual indicator of the viability of the system. Not all operating business entities survive in competition due to insufficient potential; only those with high potential remain viable.

It should be emphasized that in socio-economic systems of various levels, the theory of potential is a management concept that emerged as a result of the development of local (post-Soviet) scientific thought. Western scholars have not significantly studied this concept, often using the term potential merely as a lexical expression.

Potential, on the other hand, can be interpreted as an absolute category describing the internal quality of an object, the basis of which is technological superiority. In this case, technology refers to the method of solving a specific problem.

Another key difference is that potential is a systemic category and cannot be partially considered or utilized. Competitiveness, however, can be divided into components such as product competitiveness, technological competitiveness, firm competitiveness, brand competitiveness, industry competitiveness, and others.

Moreover, management theory recommends that small enterprises focus on forming only certain competitive advantages, since achieving real competitive superiority in all areas is impossible. The relationship between the competitive advantages of a small enterprise and its potential, as well as strategies for small enterprise development, are presented in Figure 1.

Competitiveness can only be considered as a result of the existing potential. In other words, potential forms the basis on which specific competitive advantages can be developed. However, the existence of these two categories is not automatic. In practice, as well as in theory, there are cases where small business enterprises may be competitive while having a relatively low level of potential (Figure 1).

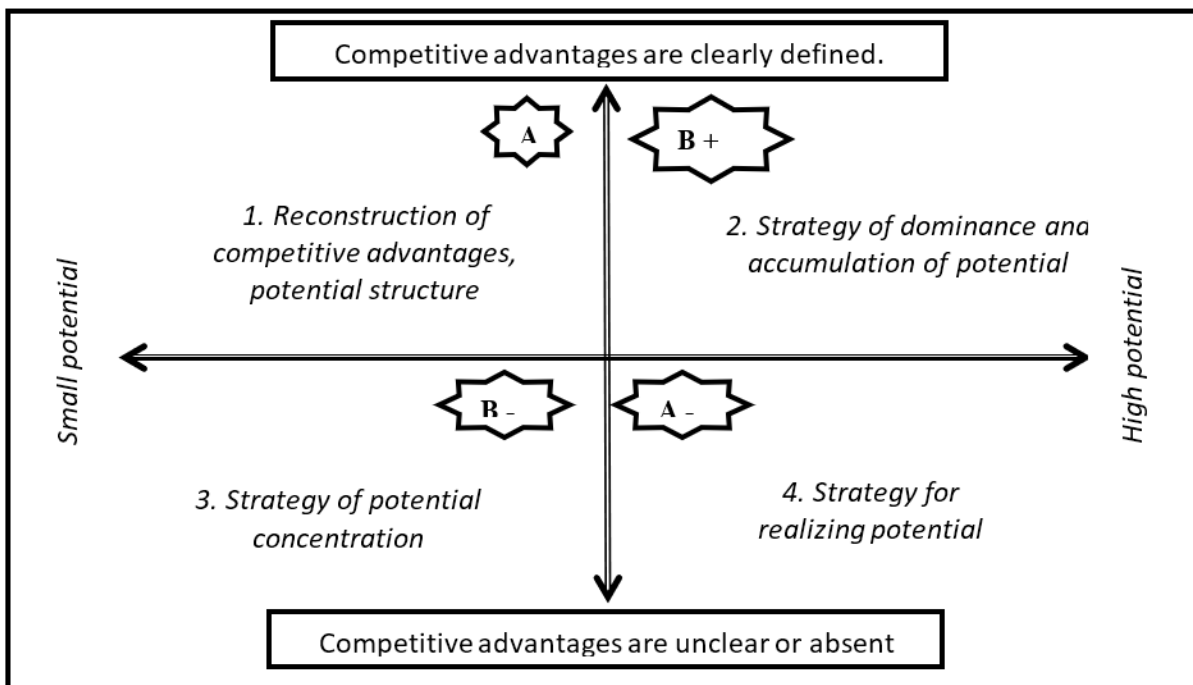


Figure 1. The relationship between the competitive advantages and potential of small businesses and the prospects for their development

The task of increasing the net profit of a small enterprise, as research shows, is often solved by increasing the price of finished products. The reason is that sales profitability depends on the production cost of the product, and its artificial increase is reflected in the market price of the product. In the second case, the choice falls on reducing costs, which is the simplest and most understandable approach: reducing wages, marketing expenses, saving office materials, reducing business travel expenses, and other similar measures.

If a sudden market boom occurs, meaning that the market becomes quickly saturated, the problem is formulated in the same way — changes in the parameters of the external environment take place. Moreover, during such periods, many businesses leave the market because they cannot adapt to reality. However, for some reason, few entrepreneurs notice this, as most of them remain busy with routine activities.

A distinctive feature of establishing effective internal mechanisms in a small enterprise is that, in order to achieve profitability (which any business naturally strives for), it is necessary to pay particular attention to solvency and liquidity.

It should be remembered that many small enterprises go bankrupt not because they operate at a loss, but because they become insolvent. Even if a company operates at a loss, its solvency does not necessarily

decrease. Insolvency can be prevented through the use of fixed assets, funds in bank accounts, accounts receivable, securities, and other financial resources.

Costs and payments belong to different categories; revenues and income represent different financial indicators; and profit and net cash flow are also different categories. In this context, it is appropriate to recall the opposite phenomenon often observed in practice — the “profitability paradox.” This occurs when a small enterprise is profitable but does not have sufficient funds in its bank account and, accordingly, is unable to meet its payment obligations.

As noted above, world practice shows that more than half of small business entities that went bankrupt were actually profitable at the time of bankruptcy.

The correct or incorrect selection of factors influencing the development of small businesses significantly affects their future condition (decline or growth) (Figure 2).

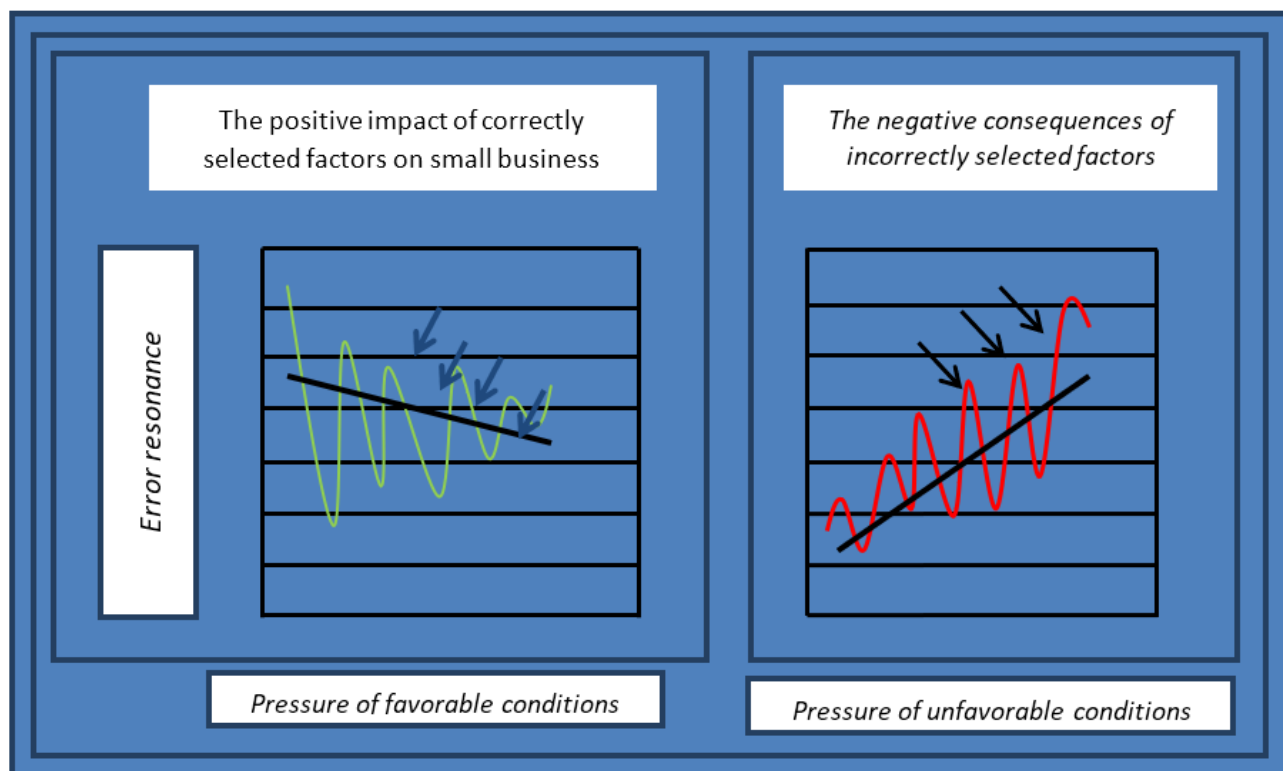


Figure 2. The consequences of the influence of factors on small business development under different conditions

Small business is not only a producer of goods and services and a catalyst of scientific and technological progress but also potentially the largest employer, a form of self-employment for many people, and a source of revenue for budgets at all levels. Small business forms the foundation for major social changes in society and for the stability of what is commonly referred to as the middle class.

It is impossible not to emphasize the special role of small entrepreneurship in addressing such issues as giving a social orientation to reform processes in Uzbekistan, relatively rapid formation of a new class of entrepreneurs, ensuring employment for the population, improving the living standards of citizens, and attracting their savings into financial institutions. The success of regional development largely depends on small entrepreneurship.

Small business, in turn, links its prospects for survival to the favorable conditions of the local environment. Small enterprises adapt more easily and effectively to the economic, geographical, and national characteristics of regions. The problems of formation and development of small businesses can be studied from different perspectives: economic, legal, and sociological. The sociological approach to studying small entrepreneurship focuses researchers' attention not only on identifying development problems but also on the motivational and behavioral aspects of entrepreneurial activity, as well as identifying the social qualities of entrepreneurial actors who play innovative and economic roles in society.

Within the policy of supporting small business development, it is necessary to strengthen such components as the organization of structures aimed at improving the qualifications of employees of private enterprises and providing opportunities for additional training.

Specialized structures such as business centers, business incubators, and professional associations of entrepreneurs can play an important role in solving personnel problems within private enterprises. Entrepreneurs require:

- a) qualified consultations;
- b) important information for conducting business.

Entrepreneurs actively support the establishment of institutions such as business development centers, which provide information and consulting services on various issues, including legal, economic, accounting, marketing, and management matters. Addressing personnel issues will accelerate the transition of businesses from solving current operational tasks to strategic planning and long-term development.

In the policy of supporting small business development, it is necessary to introduce components such as creating or activating structures for professional training and qualification improvement of employees of private enterprises.

The place and role of small business in a developed market production system are determined by its functions, such as:

- forming a competitive environment;
- responding quickly to changes in market conditions and filling economic niches that are inefficient for large businesses;
- reducing social tensions by providing employment for people who have lost their jobs;
- accelerating scientific and technological progress and promoting the spread of effective innovations;
- harmonizing democratic principles in economic relations, allowing citizens to freely choose between the roles of employee and independent entrepreneur.

Small business provides the necessary flexibility for a market economy and determines the pace of economic growth, as well as the structure and quality of Gross Domestic Product (GDP). In countries with market economies, its share in GDP ranges from 40% to 65%.

Small and medium-sized enterprises make a significant contribution to forming the material foundations of welfare and social stability in all industrialized countries of the world. They produce more than half of GDP, provide nearly two-thirds of total employment, and contribute a considerable share of exports and foreign direct investment. In leading countries, their development is supported by targeted government programs that consider sectoral and regional characteristics and play an important role in increasing competitiveness.

World experience shows that one of the most important and stable characteristics of modern entrepreneurial policy is its reliance on state support, especially targeted support for small business forms.

The level and scale of such support differ significantly among countries and largely depend on the specific models of national market economies, as well as on the general strategy of the state in influencing economic and social processes within the country.

Small entrepreneurship is the most dynamic element of the constantly changing structure of the national economy. Its development in the regions of Uzbekistan is being implemented through progressive state policy and is becoming increasingly relevant, largely due to the underestimation of the role of small business in society.

In Uzbekistan, it is extremely important to incorporate the development of small enterprises into the overall strategy of structural transformation of the regional economy, as this sector serves as a driving force for the rationalization and modernization of production.

As a result, this will ensure the future prosperity of the state. Effective policies aimed at developing small businesses will create new jobs and sources of income while simultaneously addressing major social issues such as unemployment by involving citizens in entrepreneurial activity.

For example, in industrially developed countries such as the United States, Japan, the United Kingdom, and France, 90–95% of all enterprises belong to the small and medium-sized business sector (from 49% in the United Kingdom to 78% in Japan) and produce 50–60% of GDP.

Currently, regional development is considered in two aspects:

- Changes in regions or their structural components (consistent structural transformation);
- The increasing complexity of the regional system (effective positive transformation).

The determining factors of regional development are regionalization, localization, and globalization.

The first factor is characterized by the inclusion of regional political, economic, and social structures into national and transnational economic systems. This process is implemented through strengthening cross-border cooperation, forming new competitive economic spaces, and increasing regional autonomy. Autonomy implies granting self-governing institutions the ability to independently determine their internal structure.

CONCLUSIONS AND SUGGESTIONS

It should be emphasized that small entrepreneurship contributes significantly to social and regional development because it represents an example of initiative and efficiency and serves as an important source

of income for local budgets. At the present stage, small entrepreneurship, as an independent element of the market economy, significantly influences the structural transformation of both regional and national economies. It contributes substantially to increasing the total volume of production, creates favorable conditions for entrepreneurial activity, promotes competition, and provides strong incentives for innovative and highly productive work.

Small business is the most flexible, dynamic, and widespread form of organizing economic activity. The main part of national resources that serve as the basis for economic development in any country is created and circulated in this sector. World experience and entrepreneurial practice show that the most important feature of a market economy is the presence and interaction of many large, medium, and small enterprises and their optimal balance.

This sector significantly influences the structure of the economy, expands the scope of market freedom of choice, is characterized by rational management forms, and enables faster implementation of new business ideas.

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