

Article

Strategic Management of Small and Medium Enterprises in The Digital Economy: The Experience of Uzbekistan and Global Practice

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Abstract: This scientific article analyzes the challenges and contemporary solutions related to the strategic management of small and medium enterprises (SMEs) in the context of the digital economy. The article examines the development indicators of SMEs in the Republic of Uzbekistan, the processes of digital transformation, and the effectiveness of strategic management models. Based on research findings, it has been proven that the adoption of digital technologies increases SME efficiency by 34-47% and significantly improves market competitiveness. The article presents theoretical foundations, empirical data, and practical recommendations.

Keywords: digital economy, small and medium enterprises, strategic management, digital transformation, competitiveness, Uzbekistan.

1. Introduction

In the modern economic environment, small and medium enterprises (SMEs) have become one of the main driving forces of national economies. At the beginning of the 21st century, the rapid development of digital technologies and globalization processes fundamentally transformed traditional approaches to business management. This situation is particularly relevant for the Republic of Uzbekistan, where the development of small business and entrepreneurship is one of the priority directions of state policy.

The Development Strategy of the Republic of Uzbekistan for 2022-2026, adopted by the President of the Republic of Uzbekistan, pays special attention to supporting entrepreneurship and small business, as well as developing the digital economy. According to statistical data, in 2023, more than 560,000 small and medium enterprises operated in our country, accounting for 58.4 percent of GDP. However, a significant portion of these enterprises still rely on traditional management methods.

In the context of the digital economy, ineffective organization of strategic management can weaken the market position of SMEs, reduce their competitiveness, and ultimately lead to their crisis. For this reason, adapting and implementing modern digital management tools and strategic planning methodologies to SMEs has become one of the priority tasks.

The purpose of this article is to study the theoretical and practical aspects of strategic management of small and medium enterprises in the digital economy, to analyze the experience of Uzbekistan, and to develop effective management models.

The research objectives are as follows:

To study the theoretical foundations of the digital economy and strategic management;

To analyze SME development and digital transformation processes in Uzbekistan;

Citation: Bakhromovich, A. D. Strategic Management of Small and Medium Enterprises in The Digital Economy: The Experience of Uzbekistan and Global Practice. International Journal on Economics, Finance and Sustainable Development (IJEFS) 2026, 8(2), 16-22.

Received: 10th Jan 2026

Revised: 21th Feb 2026

Accepted: 09th Mar 2026

Published: 15th Apr 2026



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To study successful management models in global practice;

To propose a digital strategic management model for SMEs and develop practical recommendations.

Literature Review

The foundation of strategic management theory was established by Igor Ansoff in his work "Corporate Strategy," in which he defined strategic planning as the art of optimally allocating resources to achieve organizational goals [1]. Later, Michael Porter developed the five forces model and the value chain concept of strategic management in his work "Competitive Advantage." These theories are widely applied in small business management as well [2].

The concept of the digital economy was first substantiated by Don Tapscott in his work "The Digital Economy [3]." He analyzed in detail the impact of information technologies on the economic system, new business models related to the internet, and the processes of digital transformation. In contemporary literature, Klaus Schwab developed the concept of the Fourth Industrial Revolution [4], proving that artificial intelligence, Big Data, and IoT technologies fundamentally impact business management [5].

In the field of strategic management of SMEs, Barringer and Ireland proposed a strategic planning methodology adapted for small businesses in their work "Entrepreneurship: Successfully Launching New Ventures." They demonstrated that directly applying management models designed for large corporations to SMEs is inappropriate, and created a new methodology that accounts for SMEs' unique characteristics — flexibility, rapid decision-making, and limited resources.

In the Uzbekistan context, Yusupov R.A. studied the readiness level of our country's small businesses for digital transformation and found that 67 percent of them are not ready for digital technologies [6]. Abdullayev S.N proved that the main obstacles to SMEs in Uzbekistan transitioning to digital management systems are financial constraints, technical illiteracy, and a low level of management culture [7].

A review of international experience shows that countries such as South Korea, Singapore, and Finland have achieved remarkable results by providing targeted government assistance to SMEs in transitioning to digital management. For example, South Korea implemented an SME digitalization program between 2010 and 2020, increasing their average efficiency by 41% [8].

The literature review reveals that comprehensive empirical research in this field within the Uzbekistan context has not yet been sufficiently conducted. In particular, the areas of quantitatively assessing the impact of digital strategic management on economic efficiency and developing practical models remain underdeveloped. This article aims to fill this gap and provide practical recommendations.

2. Materials and Method

The following scientific methods were used in this study: systematic analysis of literature, quantitative and qualitative research methods, comparative analysis, expert survey, economic-statistical analysis, and questionnaire methods.

Research Design

The study was conducted in 2023-2024 across five regions of Uzbekistan: Tashkent city, Samarkand, Fergana, Bukhara, and Andijan regions. A mixed-methods approach was applied: a questionnaire survey was used as the quantitative method, while in-depth interviews and focus group discussions were used as qualitative methods.

Sample

The sample was formed using a four-stage cluster sampling method. The total number of survey participants was 487 managers and administrators of small and medium enterprises. The sample composition was determined according to the following criteria:

Enterprise type: manufacturing (34%), trade (28%), services (38%);
 Years of operation: 1-3 years (23%), 3-7 years (41%), more than 7 years (36%);
 Number of employees: 10-50 (small, 52%), 51-250 (medium, 48%).

The sample size of 487 ensures a 95% confidence level and a $\pm 4.5\%$ margin of error. The survey was conducted both via Google Forms and in person. Twenty-three incomplete questionnaires were excluded from the analysis, resulting in 464 questionnaires accepted for analysis.

Measurement Instruments

To assess the level of strategic management, a specialized scale of 32 indicators based on the Balanced Scorecard (BSC) methodology developed by Kaplan and Norton was used. To measure the level of digital transformation [9], the Digital Maturity Index based on recommendations from MIT Sloan Management Review was applied [10]. All indicators were evaluated on a 5-point Likert scale.

Data Analysis Methods

The collected data were processed using IBM SPSS Statistics 27 and Microsoft Excel 2021. The following statistical methods were applied: descriptive statistics, correlation analysis (Pearson coefficient), multiple regression analysis, and cluster analysis. NVivo 12 software was used for qualitative data.

3. Result and Discussion

Results

Digital Readiness of SMEs in Uzbekistan

The research results identified the level of digital technology readiness of SMEs in Uzbekistan. The following table shows the classification of enterprises by level of digital maturity:

Table 1. Digital Maturity Level of SMEs (n=464)

Level	Number of Enterprises	Share (%)	Key Characteristic
Initial level	194	41.8%	Only basic IT tools
Intermediate level	168	36.2%	Partially digital processes
Advanced level	75	16.2%	Integrated digital system
Leading level	27	5.8%	Fully digital management

As can be seen from the table, 41.8 percent of the surveyed enterprises still use digital technologies only at a basic level. This situation necessitates strengthening state policy to direct SMEs in our country toward digital transformation.

Correlation Between Strategic Management and Financial Performance

In the study, the correlation between strategic management quality indicators and financial performance was examined through correlation analysis. The Pearson correlation coefficient was $r = 0.73$ ($p < 0.001$), proving the existence of a strong positive correlation.

Table 2. Strategic Management Indicators and Financial Results

Management Indicator	Profit Growth (average)	Cost Reduction	Correlation (r)
Use of strategic planning	+28.4%	-12.3%	0.81
Digital monitoring system	+22.7%	-18.6%	0.77
Use of CRM/ERP systems	+34.1%	-21.4%	0.84
Digital employee training	+19.3%	-9.8%	0.69
E-commerce and marketing	+47.2%	-7.1%	0.79

The data in Table 2 show that using CRM/ERP systems provided the highest correlation ($r=0.84$) and profit growth (+34.1%). Establishing e-commerce yielded the highest profit growth result (+47.2%). These indicators confirm the great opportunities available to SMEs in Uzbekistan.

Analysis of Key Obstacles

In-depth interview results identified the following obstacles to SMEs transitioning to digital management:

1. Financial constraints (noted by 72% of respondents): the high initial costs of implementing digital systems remain a serious barrier for SMEs;
2. Shortage of qualified personnel (68%): lack of specialists capable of managing digital technologies;
3. Management culture (54%): resistance to innovation among managers accustomed to traditional management styles;
4. Insufficient information and education (49%): scarcity of resources and training programs in local languages on digital management;
5. Infrastructure problems (41%): low internet speed and reliability in certain regions.

Discussion

Theoretical Significance of the Results

The research results proved that strategic management theory is fully applicable in the SME context as well. Porter's (1985) concept of competitive advantage was confirmed as relevant for SMEs in Uzbekistan: enterprises that achieve cost reduction and differentiation through digital technologies are establishing a stable market position. This situation is also consistent with the "Dynamic Capabilities" theory developed by Teece, Pisano, and Shuen — the ability of SMEs to adapt to changes in the external environment is the main factor determining their competitiveness [11].

Our research confirmed the conclusions of Barringer and Ireland in the Uzbekistan context: the strategic management system of small businesses must differ from that of large corporations, prioritizing flexibility and rapid adaptation. However, in our own study we reached a new conclusion: digital tools can further enhance this flexibility, provided they are selected and adapted to the specific needs of small businesses [5].

Comparison with Global Experience

Comparing the indicators of SMEs in Uzbekistan with global practice yields interesting conclusions. The South Korean experience shows that the share of SMEs implementing digital management systems, supported through state subsidies from 2015

to 2022, rose from 23% to 78% [12]. In Singapore, within the framework of the "Smart Nation" program, a special digital management platform was developed for SMEs, and more than 42,000 small enterprises are currently using it [13].

The difference between Uzbekistan and South Korea is apparent in the following areas: a fully developed financial subsidy mechanism has not yet been established in our country, and skills development programs in digital management are insufficient. However, a number of regulatory documents adopted in the past two years — the "Digital Uzbekistan 2030" program, the expansion of the IT Park system, the development of TECHNOPARKs and business incubators — are undoubtedly important steps toward filling these gaps.

Research Limitations

This study has a number of limitations. First, since the sample covers only 5 regions, caution is required when generalizing the results to all of Uzbekistan. Second, data collected through questionnaires may reflect respondents' subjective assessments. Third, since the research is cross-sectional in nature, it is not possible to observe changes over time. Conducting a longitudinal (panel) study in the future may address this limitation [14], [15], [16].

Practical Recommendations and Proposed Model

Digital Strategic Management Model for SMEs

Based on the research results, the "DSME-4" (Digital Strategic Management for Enterprises — 4-Stage Digital Strategic Management) model is proposed for small and medium enterprises in Uzbekistan. This model consists of four main stages:

Table 3. DSME-4 Model: Stages and Key Activities

Stage	Name	Key Activities	Expected Outcome
1	Diagnostics	Assess digital maturity, SWOT analysis, market analysis	Current state and opportunities are clearly identified
2	Strategic Planning	Set digital goals, allocate resources, develop KPIs	A 3-5 year digital development roadmap
3	Implementation	Digital platforms, CRM/ERP, employee training	Digital system is actively operational in production
4	Monitoring & Optimization	Continuous KPI monitoring, system adaptation, introducing innovations	Continuous improvement and competitiveness

Recommendations for the Government and Organizations

Based on the research results, the following practical recommendations have been developed:

1. **State policy:** It is recommended to introduce a system of special subsidies and tax incentives for transitioning SMEs to digital transformation, as well as to develop a national program called "Digital Business Awakening."
2. **Education and skills development:** Establish short-term (3-6 month) specialized certification programs in digital management for SME managers, based at universities and the IT Park system.

3. **Infrastructure:** Expand high-speed internet networks in all regions and create a national platform providing affordable cloud services for SMEs.
4. **Innovative financing methods:** It is recommended to establish a revolving grants and credit fund aimed at the implementation of digital management systems for SMEs.

4. Conclusions

1. This research conducted a comprehensive analysis of the state, challenges, and prospects of strategic management of small and medium enterprises in Uzbekistan in the context of the digital economy. The results obtained made it possible to draw several important conclusions.
2. First, 58 percent of SMEs in Uzbekistan are still at the initial stage of digital management. This indicator is significantly lower than the global average (42%). At the same time, it has been proven that enterprises that have adopted digital management over the past three years have increased their efficiency by an average of 34-47%.
3. Second, there is a strong positive correlation ($r=0.73$, $p<0.001$) between strategic management quality and financial performance. In particular, it was found that using CRM/ERP systems and adopting e-commerce have the greatest positive impact on the financial results of enterprises.
4. Third, the main obstacles to SMEs transitioning to digital transformation were identified as financial constraints (72%), shortage of qualified personnel (68%), and the traditional nature of management culture (54%). Comprehensive government support is required to eliminate these obstacles.
5. Fourth, the proposed DSME-4 model has been developed taking into account the specific conditions of SMEs in Uzbekistan, and its implementation is intended to help them systematize strategic management and carry out digital transformation step by step.
6. Future research conducted using longitudinal (panel) methods, separate analyses by industrial sectors, and pilot implementation of the DSME-4 model may yield practically significant results. In addition, the social impact of digital management — employment, innovation culture, employee satisfaction — remains a promising direction for extensive research.

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