

**THE THEORY OF INTRODUCING INNOVATIONS IN THE SUSTAINABLE
DEVELOPMENT OF SMALL BUSINESS ENTITIES AND ITS CHARACTERISTICS**

Rustamov Alisher Rakhmatullaevich
Namangan Engineering Construction Institute

Annotation: *This article presents ideas and considerations about the theory of introducing innovations in the sustainable development of small business entities and its specific features.*

Keywords: *Small business, market economy, transition process, Innovative ability.*

Introduction

In the early periods of the independence of the Republic of Uzbekistan, its economy was in a crisis situation, which required a series of reforms marking the transition from a centrally planned economy to a market economy. This, in turn, gave high-level government leaders the task of restructuring the entire system of social and economic relations. Restructuring took place within the framework of state ownership and was accompanied by democratization of governance and transparency. In the process of transition from one economic system to another, new forms of economic management appeared.

In this case, the organization of small business entities, which is a new sector in the country's economy, was given priority. In the market economy, the value of small business is very large, and without small business, the market economy will not function or develop. Its formation and development is manifested as one of the main problems of economic policy (fear and mistrust among people) in the conditions of the market economy, and the stabilizing role of small business in the development of the state economy was confirmed by international experience.

The process of becoming a small business is gaining importance in contributing to the stability of the state through the formation of the middle class and socio-economic development, along with generally recognized factors such as raising the standard of living of the population, creating new jobs, strengthening social stability, and introducing innovative products. The development of small businesses helps to solve important problems such as the creation of a competitive environment of the economy and market infrastructure, filling the market with goods and services, increasing tax revenues for different levels of budgets, and strengthening business ethics through the use of advanced technologies for managing economic units in various sectors of the economy.

Therefore, if we pay attention to the experience of developed countries, most of them have been encouraging small business activities in every way. Of course, the creation of small business entities is the need of the hour, and it is appropriate to mention a number of socio-economic factors in the conditions of the creation of a small business as an economic phenomenon (Fig. 1).

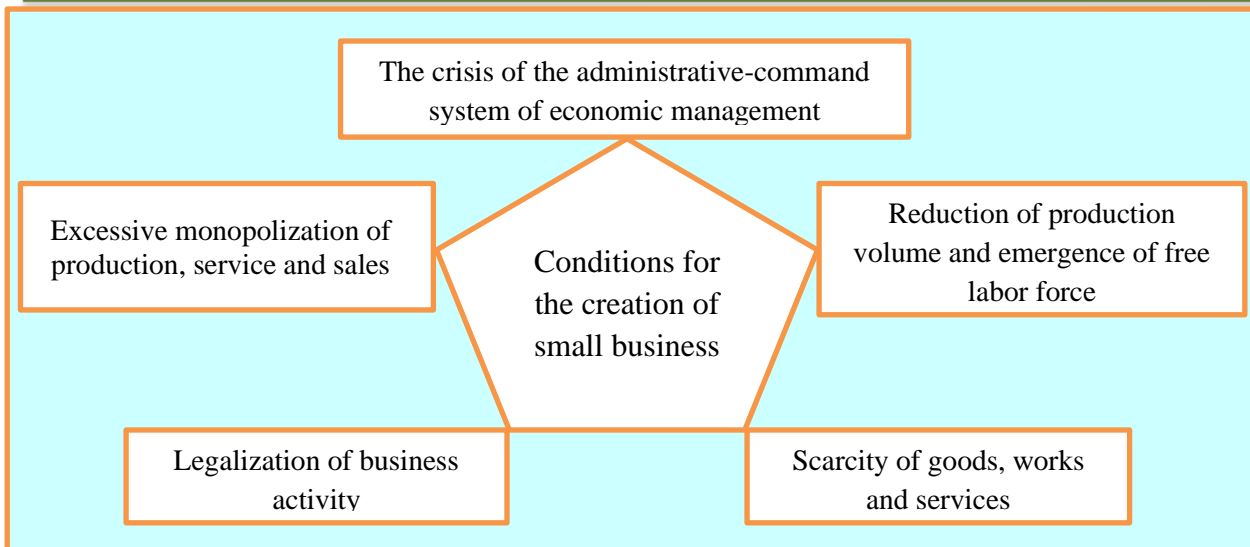


Figure 1. Conditions for the creation of small business

The economic activity of a small business primarily determines the economic interests of the subject. Thus, a small business entity is interested in obtaining maximum profit from its economic activity. The state exempts the entrepreneur's income from taxes and compulsory payments in order to ensure the economic interests of the state and society. In this regard, it becomes very important to take into account the economic interests of all economic entities. The ideal economic relationship is to compromise the interests of all participants.

Based on the scope of the topic, it is appropriate to study small business subjects in depth. According to McAdam et al., there is no universal definition of small business, and this poses a challenge to the study of small business. Generally, small business definitions are divided into two criteria. Quantitative criteria include size, capital, annual turnover, invested capital, revenue, total assets, market share, etc. Among them, the number of employees is the most common because it is available, easy to control and not affected by inflation.

However, Gibson and Van Der Vaart point out that this may be wrong, because when an organization grows or becomes more efficient, it does not always require the involvement of more people, which affects the growth of small businesses. Other qualitative categories such as turnover and balance sheet are also criticized as relevant explanatory factors because they do not take into account the type of economic sector and other aspects of the business. In addition, each country has its own definition.

In particular, in Vietnam, according to Government Decision 39/2018/ND-CP dated March 11, 2018, small businesses are legally registered business entities. They are divided into three levels: micro, small, medium scale according to the total capital (total capital is equal to the total assets defined in the enterprise's balance sheet, where capital is the main criterion) or with an average number of employees less than 200 per year. In comparison, European SMEs are classified by number of employees (less than 250 people) and turnover or balance sheet.

However, the number of SMEs employed in the US can be as high as 500 employees per business sector, which is twice the standard size of European SMEs and much larger than that of Vietnam. In this regard, the quality criterion can be considered as the main category of independent ownership of small business entities and combine it with the quality criterion. In this sense, Recklies defined a small business as a small enterprise that is capital independent and does not have a majority

of market share. It is worth noting that small business entities have been defined according to some of their shortcomings, namely, Hossain and Kauranen based on management hierarchy, low specialization level of managers, Mohamed et al. on quality criteria, as well as the lack of a strong negotiating position and Aboosedo's lack of sufficient financial resources. It appears that the small business criteria do not take into account business relationships, technology competencies, management competencies, and efficiency.

In the development and efficiency of small business entities, it is necessary to increase the ability of its owner to be entrepreneurial and oriented towards entrepreneurship. The concept of entrepreneurial orientation appears as a human factor in achieving international dominance. Entrepreneurship is mainly concerned with new job ideas that can lead to some changes in the market. In this regard, Miller defined that "Entrepreneurial orientation is a product-market innovation and project risk-oriented approach, with a tendency to be a pioneer in innovation and competitive advantage."

Experiences show that an entrepreneurial approach improves the ability of small business leaders and provides technical knowledge that is a convenient approach to implement technical solutions to meet consumer needs. A number of studies in the field of entrepreneurial orientation have shown that it is related to other variables, since the activities of small business entities are different. When small business entities are increasingly under pressure from global competition and other countries, an entrepreneurial approach encourages them to seek to use intangible resources to improve enterprise performance.

Research by Maatoofi & Tajeddini shows that product quality, marketing synergy, and new product offering experience do not have a significant relationship between companies' entrepreneurial orientation and market orientation. The results of the conducted research show that the innovation support of the head of small business entities is more dominant in the direction of entrepreneurship than in the direction of marketing.

A study conducted by Lee & Chia showed that entrepreneurial orientation has a significant impact on the innovative ability of small business entities. That's why we think an entrepreneur can be defined as "a person who innovates, finances, and has the business acumen to turn that innovation into an economic boon." This given definition is supported by Wingwon's definition that "Entrepreneurs are those who have the courage and proactive efforts to take risks to create innovations that produce new products, new services, or new processes to create a competitive advantage." The ability and entrepreneurial orientation of small business entities is one of the factors that determine innovation ability and efficiency.

O'Cass & Weerawardena argue that "international entrepreneurship can increase the intensity of organizational innovation and market efficiency." Therefore, social capital is very important in influencing the innovative ability and activity of small business entities. In this regard, studies show that scientific development plays an important role in improving innovative products, operations, marketing, human resources, and network performance and competitive advantages in national and international markets.

Fruhling & Siau defined that "Innovation is a new idea, practice and object of individuals", Liao et al. they emphasize that. It can also be described as the ability to absorb and use external information to transfer it to new knowledge. Innovation capability is a comprehensive set of organizational characteristics that facilitate and drive innovative strategies. Weerawardena defined innovation as changing products, processes, services, organizational systems, and marketing systems to create customer value. It is easier for in-depth study by dividing the innovative capacity into classifications depending on the coverage process (Fig. 2).

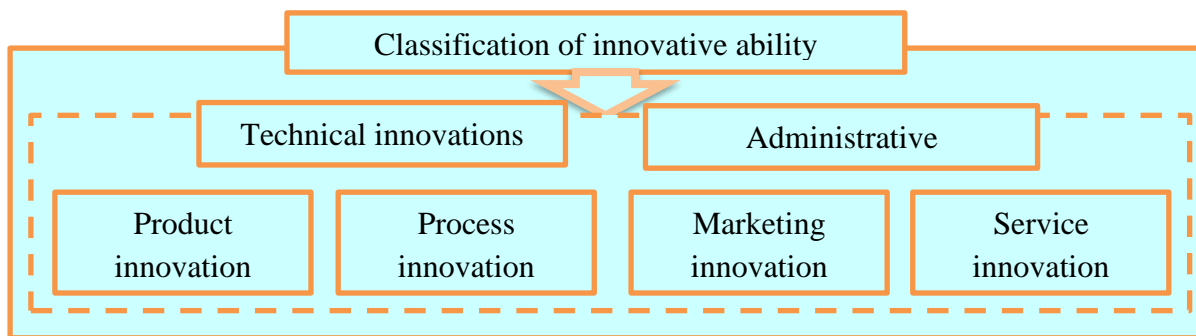


Figure 2. Classification of innovative ability

Studies have shown that high innovation capacity within the organization improves the performance of small business entities. Innovation is an important organizational capability because the success of new products is a growth engine that affects sales, profits, and competitive strength for many organizations. In this regard, the research results of Hult et al confirm that there is a direct and positive relationship between innovation and high performance.

Thornhill defined that "Innovation is a process that begins with ideas, the results of discoveries, and the introduction of new products, processes, and services into the market." Innovation has had an intensively significant impact on productivity. Also, innovation ability directly affects the competitive advantage of small business entities.

Thus, in order to create a competitive advantage, the continuous development of small business entities by various stakeholders is very important, especially in solving the various challenges faced by small business entities in the regions, particularly in human resources, innovation, entrepreneurship and business management. According to Sulisty & Siyamtinah, innovation becomes the key to success in small business entities to improve sales and organizational excellence through new product development.

Innovation involves the process of applying new knowledge, and social networks and cross-activity only explain opportunities for innovation, such as knowledge sharing. A social network provides the basic elements to achieve benefits in relationships such as knowledge alone. Knowledge acquisition may be the result of informal social mechanisms, but knowledge acquisition is only one process associated with innovation. This study aims to test entrepreneurial orientation and social capital on innovative ability, performance and competitive advantage.

Businesses that often engage in product innovation and design increase their innovation capacity to generate creativity, new product ideas, new processes, and new marketing methods. New initiatives and achievements of entrepreneurs lead to sustainable innovation. Small business entities that are always active in supporting new ideas, innovations, experiences and creative processes, supporting existing technologies, stimulate and accelerate innovation and performance, especially in craft businesses. Constantly new ideas in product design and process have the potential to attract more consumers and influence small business entities to increase their sales, profits and competitive advantage. On the contrary, if small business entities have limited resources in terms of knowledge and technology, this will be an obstacle to innovation in the enterprise.

As noted, the higher the entrepreneurial orientation of small business entities through the development of new ideas, the active anticipation and risk of various changes in the future needs of the market, the courage to control and evaluate risks and strategic decisions, the greater the opportunity to increase the organizational innovation ability. Active steps have been taken by small

business entities to deal with uncertain and changing future situations and to cope with the actions of competitors. They constantly strive to develop creative and innovative efforts in the era of global competition to anticipate the opportunities available in the fiercely competitive environment and to stay ahead of their competitors.

Businesses actively pursuing business development face various obstacles and opportunities. Thus, it encourages the ability to improve innovation. In this regard, the willingness of small business entities to join together in the current clustering helps to improve innovation opportunities by sharing information and ideas on new product development, new marketing or technology.

Of course, in practice, it will be difficult to create innovative capabilities at various stages of process and product design and to improve business performance and sustainable competitive advantage. In addition to innovation and proactive factors in the activities of small business entities, the courage to take risks also determines the ability to innovate and work effectively. Risk taking is another important aspect of entrepreneurship. This often becomes a weakness faced by small and medium enterprises. Risk-taking is related to the willingness of small business leaders to accept risky projects and the courage to act to achieve business goals. Entrepreneurial orientation Business development activities are effective if small business leaders have the courage to take risks. Wiklund and Shepherd confirmed in their research that companies with a strong entrepreneurial orientation have better performance than companies that do not adopt an entrepreneurial orientation.

Innovative capability mediates the effect of entrepreneurial orientation on performance. Small business entities that dare to take risks and are always active in business development, if they have a good innovation ability, they will achieve high success and a significant increase in work efficiency. Social capital also plays an important role in improving the efficiency of small business entities and developing them. J. Nahapiet and S. Ghoshal defined social capital as "Social capital is a set of resources included in relationships that include aspects such as social interaction, social ties, trusting relationships, value systems, and facilitation of actions in certain social contexts."

In the context of small business entities, social capital is one of the important elements in the formation of social ties and interactions in the association of institutions, where each small business entity can support each other in terms of sharing knowledge about the design process and products to improve innovation. The beliefs and norms formed about the capabilities of small business owners promote cognitive skills and behaviors appropriate for knowledge sharing through communication.

Through social capital, SMEs gain learning, knowledge and experience to stimulate and accelerate innovation capability. The reason for this is that in an informal small business association between them, strong solidarity and trust emerge, so that the exchange of creative ideas about processes and products is a manifestation of the competitive advantage of each business's desire to improve efficiency and profit. The emotional connection of social capital provides additional information in small business entities, so it helps to increase efficiency resulting from mutual obligations that include new opportunities.

Social capital plays a very important role in improving innovation capabilities and productivity. Valued as employees and consumers, small businesses are driven by the spirit and passion to improve all business development policies and priority programs, as well as innovative opportunities that align with the interests of employees. A good corporate environment in decision-making, mutual support, trust and information sharing help to generate product innovation ideas that influence productivity.

Innovation capability mediates the effect of social capital on performance. Innovation capabilities have a significant impact on productivity and competitive advantage. Enterprises always looking for new ways of sustainable design and quality, small businesses will be the first enablers to

benefit. New product success drives growth and translates into increased sales, profits, and competitive strength for many organizations. Therefore, innovation capabilities include design, product, process, marketing and service and promote high performance and sustainable competitive advantages.

The ability of small business entities to innovate in product development can be realized if small business entities have a high entrepreneurial orientation. Entrepreneurial orientation and social capital are very important in the development of innovative capabilities in an organization, especially in small business entities. So far, one of the weaknesses of small business enterprises is the courage to innovate and take risks. It is very important for small business entities to improve their entrepreneurial orientation, which includes innovation, activity and risk-taking, which is useful for the renewal of established enterprises and increasing competitiveness in the market.

In short, the trend of attracting and supporting new ideas, innovation, experiences and creative processes requires knowledge, skills, technology and support from various stakeholders. In a rapidly changing business environment through various innovations and technological developments, small business entities must be able to quickly adapt and anticipate these changes by creating sustainable innovations tailored to market needs. Handicraft owners need to be nimble to face market dynamics and respond as quickly as possible to always be the first to move.

References

1. Bulturbayevich, M. B., Ikromjonovich, T. I., Zohidjon ogli, N. M., & Hayrullo ogli, M. S. (2021, December). THE MAIN DIRECTIONS OF MODERN MANAGEMENT PSYCHOLOGY. In *Conference Zone* (pp. 292-294).
2. Bulturbayevich, M. B., Ikromjonovich, T. I., Xurshidjon og, M. A., & Narimanjon og, T. D. (2021, December). LEADERSHIP AND LEADERSHIP IN MANAGEMENT PSYCHOLOGY. In *Conference Zone* (pp. 271-276).
3. Jurabaevich, S. N., & Bulturbayevich, M. B. (2020). DIRECTIONS AND PECULIARITIES OF STATE REGULATION OF THE FOOD MARKET. *ResearchJet Journal of Analysis and Inventions*, 1(01), 1-8.
4. Муллабаев, Б. Б., Вохидов, Э., & Каримов, Д. (2019). РОЛЬ ВЕРТИКАЛЬНО ИНТЕГРИРОВАННЫХ ПРЕДПРИЯТИЙ В ЭКОНОМИКЕ. *Theoretical & Applied Science*, (1), 85-90.
5. Муллабаев, Б. Б. DEVELOPMENT OF LIGHT INDUSTRY BRANCHES IN UZBEKISTAN BASED ON VERTICAL INTEGRATION РАЗВИТИЕ ФИЛИАЛОВ ЛЕГКОЙ ПРОМЫШЛЕННОСТИ В УЗБЕКИСТАНЕ НА ОСНОВЕ ВЕРТИКАЛЬНОЙ ИНТЕГРАЦИИ. *Научное обозрение: теория и практика*, (8), 22-36.
6. Bulturbayevich, M. B. (2020). Management of innovation processes-An important factor for increasing the competitiveness of enterprises. *European Journal of Molecular and Clinical Medicine*, 7(7), 712-719.
7. Mullabayev, B. B. (2020). Theoretical and Methodological Bases of Assessment of Innovative Potential of Industrial Enterprises. *International Journal of Progressive Sciences and Technologies (IJPSAT)*, 22, 11-18.
8. Mullabaev, B. B. Improving the strategy of vertical integration in manufacturing enterprises. *Business Expert Scientific and Practical Monthly Economic Journal*, 46-49.
9. Mullabaev, B. B. Analysis of scientific aspects of managing innovation activity of enterprises in the context of structural changes in the economy. *Electronic scientific journal of economics and innovative technologies*, 1-8.

10. Mullabaev, B. B. Analysis of innovative activities in the context of structural changes in the economy of the Republic of Uzbekistan. *Business Expert Scientific and Practical Monthly Economic Journal*, 30-32.
11. Mullabaev, B. B. Introduction of vertical integration processes in the development of innovative activities in the production sectors. *Electronic scientific journal of economics and innovative technologies*, 1-6.
12. Bulturbayevich, M. B. (2022). TAXES AND THEIR TRANSFER. LOSS OF "DEAD" CARGO WHEN TAXED. *INTERNATIONAL JOURNAL OF SOCIAL SCIENCE & INTERDISCIPLINARY RESEARCH* ISSN: 2277-3630 Impact factor: 7.429, 11(05), 22-31.
13. Bulturbayevich, M. B. (2022). IN PRIVATE ENTREPRENEURSHIP EMPLOYEE INCENTIVES ISSUES. *ASIA PACIFIC JOURNAL OF MARKETING & MANAGEMENT REVIEW* ISSN: 2319-2836 Impact Factor: 7.603, 11(04), 21-27.
14. Mullabaev, B. B. Econometric analysis of the vertical integration of light industry enterprises in the Namangan region (case study of the Republic of Uzbekistan). *Scientific Review: Theory and Practice*-8/2018.22-36 p. *Economics (08.00. 00)* Impact factor RSCI (five-year)-1,230.
15. Mullaboev, B. B. (2015). Corporate governance as a way to attract investment. *Young scientist*, (10), 749-751.
16. Sholdarov, D., & Mullaboev, B. (2019). Problems of supporting financial stability of the pension supply system in Uzbekistan. *Theoretical & Applied Science*, (2), 344-349.
17. Муллабаев, Б. Б. (2018). ЭКОНОМЕТРИЧЕСКИЙ АНАЛИЗ ВЕРТИКАЛЬНОЙ ИНТЕГРАЦИИ ПРЕДПРИЯТИЙ ЛЕГКОЙ ПРОМЫШЛЕННОСТИ НАМАНГАНСКОЙ ОБЛАСТИ (НА ПРИМЕРЕ РЕСПУБЛИКИ УЗБЕКИСТАН). *Научное обозрение: теория и практика*, (8), 22-36.
18. Bulturbayevich, M. B. (2021, February). IMPROVING THE MECHANISMS OF STRATEGIC MANAGEMENT OF INNOVATION PROCESSES IN ENTERPRISES. In *Archive of Conferences* (Vol. 15, No. 1, pp. 130-136).
19. Mullabaev, B. B. (2018). Econometric Analysis Of Vertical Integration Of The Light Industry Enterprises Of The Namangan Region (On The Example Of The Republic Of Uzbekistan). *Scientific Review: Theory and Practice*, (8), 22, 36.
20. Mullabayev, B. B. (2018). Economic analysis of vertical integration integration of the Namangan region (on the prerogative of the Republic of Uzbekistan). *Science of theory: theory and practice*"-8.
21. Bulturbayevich, M. B. (2021). CHALLENGES IN DEVELOPING A DIGITAL EDUCATIONAL ENVIRONMENT. *Academic Journal of Digital Economics and Stability*, 2, 1-9.
22. Bulturbayevich, M. B. (2021). Development Of Innovative Activities Of Enterprises On The Basis Of Vertical Integration Processes. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, 12(10), 5020-5031.
23. Bulturbayevich, M. B. (2021). Challenges of Digital Educational Environment. *Academic Journal of Digital Economics and Stability*, 4, 54-60.
24. Sharifjanovna, Q. M. (2021). Perpendicularity of a Straight Line to a Plane and a Plane to a Plane. *International Journal of Innovative Analyses and Emerging Technology*, 1(5), 70-71.
25. Abduraximovich, U. M., & Sharifjanovna, Q. M. (2021). Methods of Using Graphic Programs in the Lessons of Descriptive Geometry. *International Journal of Discoveries and Innovations in Applied Sciences*, 1(6), 149-152.
26. Sharifjanovna, Q. M. (2022). METHODS OF USING FINE ARTS IN THE PROCESS OF DEVELOPING THE PROFESSIONAL COMPETENCIES OF FUTURE

ARCHITECTS. *INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT, ENGINEERING AND SOCIAL SCIENCES* ISSN: 2349-7793 Impact Factor: 6.876, 16(5), 49-51.

27. Mallaboyev, N. M., Sharifjanovna, Q. M., Muxammadjon, Q., & Shukurullo, C. (2022, May). INFORMATION SECURITY ISSUES. In *Conference Zone* (pp. 241-245).

28. Mallaboyev, N. M., Sharifjanovna, Q. M., & Nodirbek, M. (2022, May). INTERACTION BETWEEN INFORMATION COMPLEXES IN ECONOMIC SPHERES. In *Conference Zone* (pp. 250-253).

29. Sharifjanovna, Q. M. (2022). THE ROLE AND FUNCTION OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN THE DIGITAL ECONOMY. *ASIA PACIFIC JOURNAL OF MARKETING & MANAGEMENT REVIEW* ISSN: 2319-2836 Impact Factor: 7.603, 11(05), 19-21.

30. Mallaboyev, N. M., Sharifjanovna, Q. M., Elmurod G'ayratjon o'g, U., & Najmiddin Ulug'bek o'g, T. (2022, May). TRENDS IN THE SPEED OF INTERNATIONAL INFORMATION NETWORKS. In *Conference Zone* (pp. 246-249).