



Managing Innovative Enterprises: Organizational and Economic Mechanisms in the Context of Market Transition

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DOI: 10.5281/zenodo.17404347

Submission Date: 28 Aug. 2025 | Published Date: 21 Oct. 2025

Abstract

This article analyzes the current state and specific characteristics of the innovative management of industrial enterprises in countries transitioning to and developing a market economy. In particular, it examines the development trends of innovative management in industrial enterprises within the practices of Central Asian countries through comparative analysis. The study identifies existing problems and proposes scientific recommendations and practical solutions aimed at addressing these issues.

Keywords: innovation, innovation management, innovative project, innovative cooperation, innovative product, innovation adoption, innovation transfer.

INTRODUCTION

Currently, one of the key priorities of the reforms being implemented in our country is the acceleration of the introduction of innovative projects across various sectors of the national economy. In particular, this includes achieving high economic growth indicators through the production of innovative products by industrial enterprises and the widespread application of managerial innovations in practice. These efforts are also aimed at improving Uzbekistan's performance in global rankings. Specifically, the government of Uzbekistan has set a long-term strategic objective to enter the top 50 countries in the Global Innovation Index by the year 2030 [1].

In recent years, significant attention has been paid to reforms aimed at steering the national economy towards an innovation-driven development path. Notably, in his Address to the Oliy Majlis (Parliament), the President of the Republic of Uzbekistan stated: "...if we aim to transform Uzbekistan into a developed country, we can achieve this only through accelerated reforms, knowledge, and innovation" [2]. These remarks underscore the urgency and scientific-practical importance of researching the methodological foundations for improving the organizational and economic mechanism of innovative management in national economic sectors, particularly in industrial enterprises.

Literature Review

The term "innovation" is derived from the Latin word *innovatio*, which means to renew or introduce changes. This term was first introduced into economic literature by J. Schumpeter, who defined innovation as an economic category in the following way: "Innovation is the process of creating new types of consumer goods and services, including establishing unconventional production management practices to increase market share, the use of new types of transportation, or their implementation in practice" [3].

E. Dandon [4] in his research highlights that the process of innovation in enterprise management includes key components such as creativity, strategy, implementation (realization), and utility.

In studies conducted by A.N. Khramtsova and A.A. Akhmatova, the definitions provided by economists regarding the economic content of innovation in the management process of enterprises can be divided into three groups:

- Defining the economic content of innovation in terms of novelty and know-how.
- Explaining innovation as the entire process of developing a new product, which encompasses its technical and technological characteristics.
- Viewing innovation as the force that drives the implementation of new ideas and concepts into practice, as well as the creation of improved products in new forms [5].

Uzbek economists such as Sh.N. Zaynuddinov [6], A.A. Madaliev [7], D. Shodieva [8], N.M. Rasulov [9], Sh.G. Akramova [10], and O.E. Ernarazov [11] have studied the role of human factors in enhancing the effectiveness of innovative management in industrial enterprises. They have also examined the demand for highly qualified personnel and the methodological foundations for utilizing innovative developments to improve the efficiency of industrial enterprise management.

However, the works of the aforementioned scholars do not systematically analyze the organizational and economic mechanism of innovative management in industrial enterprises as a complex research object. The analysis of the research conducted in economic literature on this issue reveals the need to improve the organizational and economic mechanism of innovative management in industrial enterprises under the conditions of economic modernization. This includes expanding the practical application of innovations in enterprise management, as well as enhancing the efficiency of production through the implementation of innovative projects. The urgency of this issue, its insufficient study in economic literature, and the expected scientific results of the research make it a relevant and important topic for investigation.

Research Methodology

In the process of writing this scientific article, a range of research methods were applied, including systems analysis, historicism and logical reasoning, induction and deduction, analysis and synthesis, comparative and selective analysis, as well as monographic analysis and the method of classification.

Analysis and Discussion of Results

In the context of deepening global processes, the priority reforms being implemented in countries transitioning to and developing a market economy are focused on strengthening their participation in the global value-added chain. These reforms are aimed at shifting from raw material production to the production of industrial goods (goods and services) based on innovative technologies, with high technological content and value-added. According to an analysis of the development trends of production relations on a global scale, countries with the highest economic growth rates tend to shift from exporting raw materials to exporting simple industrial products, such as finished clothing, using imported components, for example, textiles. Furthermore, transitioning from small-scale production to more advanced manufacturing and services ultimately leads to an increased demand for highly qualified professionals and significantly higher standards for regulatory authorities. Specifically, introducing new, high-tech production processes in industrial enterprises accelerates the growth of foreign trade. In countries transitioning to a market economy and developing nations, the adoption of low-labor-intensive production methods and the decrease in demand for labor-intensive products are key aspects of this shift.

To compare the effectiveness of reforms aimed at the innovative development of industrial enterprises in Uzbekistan, we analyzed the practices of Central Asian countries, which are also in the process of forming and developing market economies. These include Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, all of which are participants in the United Nations (UN) Special Program for the Economies of Central Asia (SPECA). Within the framework of this program, the participating countries are prioritizing reforms aimed at stimulating technological changes in national economic sectors, with the goal of achieving sustainable development goals by 2030. Additionally, a program supporting the innovative development of the economies of SPECA countries until 2030 has been adopted, in collaboration with the UN Economic Commission for Europe (ECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP).

According to research conducted by experts from international organizations, several problematic areas have been identified in the state policy supporting scientific and technical research in SPECA countries. Specifically, there are significant discrepancies between the operational aspects of innovation management and the intended policy actions. These include the following issues:

- Neglecting competitive practices in the allocation of state funding for scientific research: Despite efforts by SPECA countries to introduce elements that stimulate competition in the financing of scientific and technical research, problems remain in the implementation of these practices. Specifically, insufficient attention has been given to aspects such as announcing competitions at each stage of funding, commercialization of research results, and analyzing the needs of industrial enterprises for innovative developments.
- Insufficiently developed mechanisms for supporting scientific and technical research: In industrially advanced countries, small and medium-sized enterprises (SMEs) are widely supported through financial mechanisms such as credit guarantees, grants, and subsidies. These practices, which help support the innovation activities of SMEs and encourage cooperation between production enterprises and research institutes, have not been widely implemented in most SPECA countries. As a result, these countries still face significant challenges in fostering innovation through collaboration between industry and science (see Table 1).

Table 1: Support Mechanisms for Implementing State Policy on Scientific and Technical Research in SPECA Countries ^[12]

Support Mechanisms for Implementing Innovation Development Policies	Azerbaijan	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Grants allocated for fundamental research	X ¹⁾	X	X	X		X
Grants allocated for applied research	X ¹⁾	X	X	X		X
Grants for innovative startups	X ¹⁾	X	X	X ⁴⁾	X	X
Innovation vouchers		X ³⁾				
Mentorship programs for innovative startups	X	X	X			X
Competitions for innovative startups	X	X	X	X	X	X
Incubation and acceleration programs for innovative startups	X	X	X	X	X	X
Support programs for innovative enterprises	X	X	X	X	X	X
Guarantees for crediting the innovative activities of small and medium-sized enterprises (SMEs)						X
State participation in forming the equity capital of small and medium innovative enterprises (venture financing)		X			X	X
Grants for commercialization of scientific-technical research results (STTR)						X
Tax incentives for technological development in STTR and trade sectors	X ²⁾	X	X	X		X
Budget subsidies for technological development in STTR and trade sectors	X					X
Full lifecycle financing of scientific-technical research (from innovative idea to market entry)				X		X
Grants for developing cooperation between industrial enterprises and scientific research institutes in the field of scientific-technical research		X				X
Support for innovative industrial clusters	X			X		X
Grants from international donor organizations (World Bank, Asian Development Bank, etc.) for financing scientific-technical research		X	X	X	X	X

Note: 1) Can be applied, but temporarily suspended; 2) Legal basis developed, but not yet 3) implemented in practice; 4) Can be applied, but not yet used; 5) Not usually applied, mainly financed through personal funds.

- The presence of practices for financing the initial stages of innovative project development. This situation is observed due to the problem of insufficient financial resources in the economies of these countries. Consequently, this negatively affects the effectiveness of state programs aimed at developing and implementing innovative projects in practice, preventing the achievement of intended results;
- In the economies of SPECA countries, industrial enterprises operating in the private sector remain largely outside the scope of state support mechanisms for innovative activities. Specifically, the share of support measures aimed at promoting innovative activity of private-sector industrial enterprises within the state policy supporting innovation development in these countries is relatively small, and in most cases, industrial enterprises have limited opportunities to utilize such support;
- Within this group of countries, the processes for developing scientific and technical research do not address the existing needs of enterprises for innovative projects, nor do they adequately meet the demands of market consumers. Notably, due to insufficiently established innovation cooperation links between science and industrial production sectors, the level of commercialization of innovative developments remains low or is completely absent [12].

According to the data presented in Table 1, among the countries included in SPECA, only Uzbekistan implements nearly all support measures aimed at supporting scientific and technical research and enterprises' innovative development. This situation indicates that Uzbekistan places relatively greater emphasis on supporting enterprises' innovative development compared to other SPECA countries, which are market economies in transition and development. This, in turn, creates a long-term opportunity to transition the country's economy toward innovative development.

At this point, it is necessary to comparatively analyze the institutional foundations for the development of enterprises' innovative activities within this group of market economies in transition and development (see Table 2).

Table 2: Institutional Foundations for the Development of Enterprise Innovative Activities in SPECA Countries ^[12]

Country	Business Incubators	Technoparks and Innovation Centers
Azerbaijan	“INNOLAND” Incubation and Acceleration Center Social Innovation Laboratories: “SIL,” “BBF,” “Youth Inc,” “Idrac Technology” “Innova Startup Factory” – Startup Project Factory “Lotfi Zadeh” Technological Center	High Technology Park under the National Academy of Sciences; Baku Engineering University Technopark; “EAZI” Startup Center under Azerbaijan State Oil and Industry University; ADA University Innovation Laboratory; “Barama” Innovation and Entrepreneurship Center.
Kazakhstan	QazTech Ventures, Astana Hub incubation and acceleration programs Nazarbayev University’s scientific research and innovation systems: “NURIS” and “MOST”	Astana Hub — International Technopark for IT Startups; TechGarden — Innovation Technology Park.
Kyrgyzstan	“John Galt” private business incubator “Accelerate Prosperity” (business accelerator) in Kyrgyzstan Innovation center under the Government of Kyrgyzstan 11 business incubators under universities	Kyrgyz State Technical University named after I. Razzakov Technopark Kyrgyz State University of Construction, Transport and Architecture Technopark Osh Technological University Technopark Innovation Center under the Government of Kyrgyzstan
Tajikistan	State Business Incubator “Accelerate Prosperity” (Business Accelerator) in Tajikistan	“Fanovar” Technopark under the Technological University of Tajikistan (Dushanbe) Technopark of Tajik Technical University named after Academician M.S. Osimi Technopark of Russia-Tajikistan University
Uzbekistan	Four incubation centers at Tashkent State Technical University, Tashkent State University of Economics, Inha University, and Amity University; Uzbekistan IT Park; Business Compass.	Yashnobod Technopark (Tashkent) Uzbekistan IT Park

According to the second table, among the SPECA countries, Kyrgyzstan leads in the number of institutional associations enabling enterprises to conduct scientific and technical research for developing innovative activities. There is a total of 18 such institutions in Kyrgyzstan, including 14 business incubators, 3 technoparks, and 1 innovation center.

In Azerbaijan, to support the innovative activities of small and medium enterprises, there are three specialized technoparks and two business incubators dedicated to the public sector. Moreover, plans are underway to build five additional scientific and technical research facilities of this type in the near future.

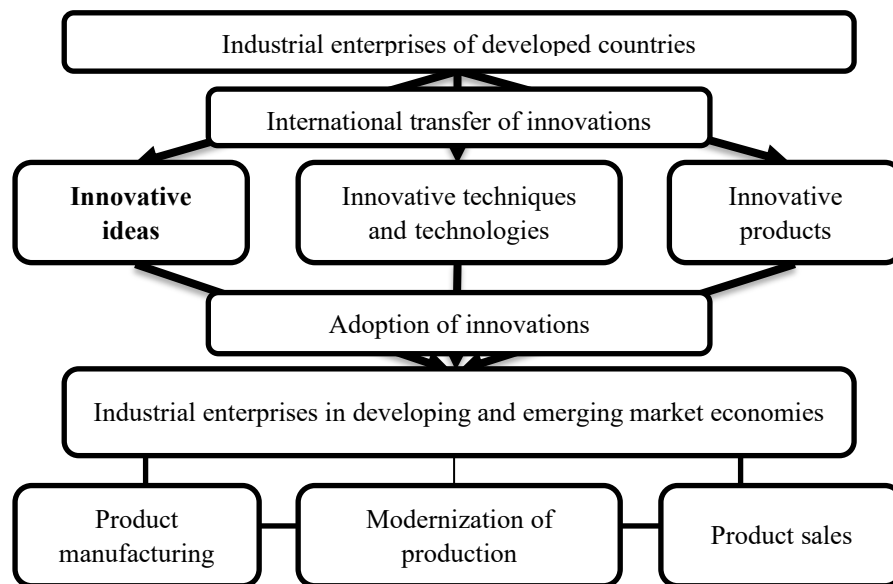
According to research conducted by experts from international organizations aimed at identifying existing problems in supporting the innovative development of industrial enterprises among countries in the Central Asian region, problems persist across all countries in the region regarding support for enterprise innovation development (see Table 3). These problems are primarily characterized by low innovation potential of the countries, unsatisfactory linkage between industrial enterprises and the scientific sector, and insufficiently developed conditions for enterprises to foster innovative activities.

Table_3: Existing Problems in the Innovative Development of Industrial Enterprises in Central Asian Countries ^[12]

№	Existing problems in the field of supporting the innovative development of enterprises	Countries with existing problems	
		Number of countries	Countries
1.	Low capacity of the country to conduct scientific and technical research	7	Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
2.	Administrative barriers and corruption	4	Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan
3.	Lack of financial resources for financing startup projects	4	Afghanistan, Azerbaijan, Tajikistan, Turkmenistan
4.	Low level of state support	4	Afghanistan, Azerbaijan, Tajikistan, Uzbekistan
5.	Low capacity of personnel	4	Afghanistan, Tajikistan, Turkmenistan, Uzbekistan
6.	Low qualification of government officials	3	Kazakhstan, Kyrgyzstan, Tajikistan
7.	Low level of policy coherence	3	Azerbaijan, Kazakhstan, Uzbekistan
8.	Insufficient created conditions	3	Azerbaijan, Tajikistan, Uzbekistan
9.	Unsatisfactory level of interaction between industrial enterprises and the scientific sector	2	Kazakhstan, Kyrgyzstan
10.	Insufficient authority in the commercial sector	2	Azerbaijan, Turkmenistan
11.	Deficiencies in the education system	2	Kyrgyzstan, Tajikistan
12.	Small size of domestic market capacity	2	Afghanistan, Kyrgyzstan

According to the analysis, today in market economies that are still developing and forming, a management practice focused on the adoption of innovations has been established in the management of industrial enterprises. This management mechanism prioritizes the assimilation of innovations, following the practices of more developed countries (see Figure 1).

This approach not only increases production efficiency indicators but also enables the production of high value-added products in the domestic market. Additionally, by expanding the activities of processing industrial enterprises in various economic sectors, it allows the country to increase its participation in the global value-added chain.

**Figure 1. Management Mechanism of Industrial Enterprises Based on the Adoption of Innovations in Industrial Enterprises of Developing and Transition Economies**¹

It is important to emphasize that in the management of industrial enterprises in developing and transition economies, a management approach focused solely on the adoption of innovations does not allow achieving the intended long-term outcomes.

¹ Compiled by the author

This is because the introduction of new innovations into the practices of industrial enterprises in technologically advanced countries leads to the moral obsolescence of the innovations adopted by industrial enterprises in developing and transition economies. Consequently, there arises a necessity for enterprises to assimilate new innovative projects. This situation results in the dependency of the innovative development of industrial enterprises in developing and transition economies on the practices of industrial enterprises in developed countries.

Conclusions and Recommendations

Taking into account the above circumstances, we consider it appropriate to prioritize the following measures to support the innovative development of industrial enterprises in the group of developing and transition economies in the coming years:

- Transitioning from a management mechanism focused on the adoption of innovative projects in industrial enterprise management to a step-by-step management mechanism specialized in the development of new innovative projects;
- Establishing collaboration in the organization of production processes with scientific research institutes, including higher education institutions, engaging highly qualified specialists and scientists, to develop modern methods of production organization;
- Promoting scientific-practical cooperation between national economic sectors and fields of science in developing and transition economies;
- Improving the process of training highly qualified personnel by higher education institutions, ensuring direct relevance between the curriculum and practical application;
- Announcing competitions for fundamental and applied grants for innovative projects, taking into account the existing needs of industrial enterprises by the state;
- Enhancing the quality of scientific and technical research, including fundamental and applied grants, implemented in the countries;
- Improving innovative marketing activities in industrial enterprises;
- Efficiently utilizing funds from international donor organizations for financing innovative activities of industrial enterprises;
- Establishing innovative cooperation among small and medium-sized industrial enterprises, among other measures.

We believe that the above-mentioned recommendations will enable industrial enterprises in developing and transition economies to transition from a long-term management practice specialized in the adoption of innovations to enterprise management focused on developing new innovations. This, in turn, plays a crucial role in ensuring the stability of the countries' economies.

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CITATION

Naimov, A. K. (2025). Managing Innovative Enterprises: Organizational and Economic Mechanisms in the Context of Market Transition. In Global Journal of Research in Business Management (Vol. 5, Number 5, pp. 66–71).
<https://doi.org/10.5281/zenodo.17404347>



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