

An Integrated Methodological Approach To Assessing The Competitiveness Of Small Businesses

Jamoliddin Kambarov

DSc, Associate Professor, Kokand University

Gulxon Melibayeva

Independent researcher, Kokand university

Abstract

Traditional methods of evaluating competitiveness often fail to capture the complex, multidimensional nature of small business operations. This study proposes an integrated methodological approach that combines internal capabilities, external environment factors, and strategic orientation to provide a holistic assessment of competitiveness in small businesses. The framework uses a combination of qualitative and quantitative indicators—such as human capital, innovation, financial health, market dynamics, and strategic adaptability—to generate a nuanced diagnostic tool. A sample evaluation table demonstrates how the framework can be used to assess strengths and identify areas for improvement. This approach supports small business owners, policymakers, and consultants in crafting targeted strategies for sustainable growth and resilience. Ultimately, the integrated assessment model offers a practical and flexible pathway to understanding and enhancing small business competitiveness in a dynamic business environment.

Keywords: Small business competitiveness; integrated methodology; strategic assessment; internal capabilities; external environment; innovation; business strategy; performance evaluation.

In an increasingly competitive global economy, small businesses face numerous internal and external challenges that impact their ability to sustain and grow. However, despite their importance, small businesses frequently face severe challenges in maintaining and enhancing their competitiveness due to limited resources, restricted access to markets, and often underdeveloped managerial practices. Competitiveness in small businesses refers not only to their ability to survive in competitive environments but also to their capacity to grow, adapt, and sustainably meet customer expectations in the face of evolving challenges. To adequately assess this competitiveness, a structured, multi-dimensional approach is required—one that combines quantitative indicators, qualitative assessments, and strategic analysis. The purpose of this thesis is to propose an integrated methodological approach for evaluating the competitiveness of small enterprises by aligning both internal and external factors through a combination of empirical indicators and diagnostic tools.

Traditional methods of assessing competitiveness often rely on macroeconomic indicators or performance-based outputs such as revenue growth, profit margins, or market share. While useful, these measures alone do not capture the nuanced operational and strategic elements that drive long-term competitiveness. Small businesses, in particular, often operate within complex, dynamic environments and require a more context-sensitive assessment model. An integrated methodological approach blends financial data with non-financial dimensions such as innovation capacity, customer satisfaction, workforce skills, management quality, and adaptability to change. By combining these elements, businesses and policymakers can better understand the real-time state of competitiveness and identify areas that require intervention or development. In other words, competitiveness should be viewed as a multifaceted concept that cannot be properly evaluated using a single measurement dimension.

The integrated methodology proposed in this study includes three primary dimensions: (1) internal capabilities, (2) external environment, and (3) strategic orientation. Internal capabilities encompass the resources, processes, and competencies that a small business possesses,

such as human capital, production efficiency, technology utilization, and financial stability. External environment factors examine the broader context in which the business operates, including industry competition, market accessibility, supplier relationships, customer trends, and regulatory influences. Finally, strategic orientation refers to how a business positions itself for future success—its leadership style, innovation strategies, marketing initiatives, and adaptability to change. Each of these dimensions is assessed using a combination of performance indicators, survey tools, and SWOT (Strengths, Weaknesses, Opportunities, Threats) analyses to create a comprehensive picture of competitiveness.

To demonstrate this integrated methodology in action, consider a diagnostic table that outlines the critical indicators across the three assessment dimensions. The table below shows a hypothetical framework applied to a small manufacturing enterprise, rating each factor on a 5-point Likert scale (1 = Very Low, 5 = Very High).

Table 1: Integrated Competitiveness Assessment Framework for Small Businesses

Assessment Dimension	Indicator	Score (1–5)	Remarks
Internal Capabilities	Workforce skills & training	4	Moderate investment in training
	Technology & innovation capacity	3	Some automation, but lacks R&D unit
	Financial health & cost control	4	Positive cash flow, controlled spending
	Operational efficiency	3	Production delays due to old machinery
External Environment	Market share & customer loyalty	4	Strong base in local market
	Competitive intensity in sector	2	High pressure from larger competitors
	Regulatory compliance & tax environment	5	Fully compliant with business regulations
	Supplier and distribution chain strength	3	Decent supplier ties, but costly logistics
Strategic Orientation	Innovation and product development	3	Launches new product annually
	Marketing and branding strategy	2	Weak online presence
	Leadership and vision	4	Clear mission, supportive leadership
	Adaptability to environmental changes	3	Slow response to tech trends

This integrated table allows business owners, consultants, and researchers to conduct a holistic evaluation, highlighting not just performance, but also structural and strategic preparedness for future challenges. From the table, it is evident that the firm has strengths in financial health, workforce skills, and regulatory compliance. However, weaknesses in marketing, adaptability, and innovation strategy may hinder its long-term competitiveness if not addressed through proper planning and investment.

What makes this methodological approach particularly relevant for small businesses is its ability to adapt to different sectors, operational models, and local market conditions. Unlike standardized benchmarks that may not reflect the unique challenges faced by a small bakery versus a tech start-up, this framework allows for contextual tailoring. For example, in service-based businesses, customer satisfaction and staff expertise might be weighted more heavily, whereas in manufacturing, operational efficiency and supply chain management could carry

more influence. This flexibility not only makes the method more practical but also ensures that it provides actionable insights rather than just theoretical analysis.

Furthermore, this model can be used not just for diagnostic purposes but also as a strategic tool for continuous improvement. By periodically reassessing scores and remarks in each dimension, small business owners can track their progress over time and measure the impact of strategic changes. For instance, if a business invests in marketing and sees its marketing score improve from 2 to 4 over the next year, this would reflect an increased capacity to compete in crowded markets. This dynamic use of the framework encourages a culture of strategic thinking and performance monitoring, which is essential for long-term survival in competitive environments.

In addition to internal usage, the integrated competitiveness model can serve as a valuable tool for government agencies, NGOs, and business development services aiming to support the growth of small businesses. Policymakers can use aggregated data from this assessment model to identify trends across industries or regions and design targeted interventions. For example, if most small firms in a rural area rate poorly on technology adoption, regional grants or training programs can be launched to improve digital capacity. In this way, the integrated approach not only benefits individual enterprises but also contributes to the broader economic development ecosystem.

However, applying this methodology effectively requires the availability of reliable data and honest self-assessment from business owners. There may be challenges in gathering accurate information, especially in informal economies or sectors with limited record-keeping practices. Additionally, there is the risk of subjective bias if assessments are done internally without external facilitation. To address this, external consultants or government-led audits may be employed to ensure objectivity. Another potential limitation is that this method may not capture rapid external shocks (such as pandemics or supply chain crises), which require real-time response mechanisms beyond annual competitiveness reviews.

Despite these challenges, the integrated methodological approach remains a valuable step forward in the evaluation and enhancement of small business competitiveness. It brings together the analytical rigor of quantitative indicators with the strategic depth of qualitative diagnostics. It encourages reflection, planning, and informed decision-making—all of which are essential ingredients for long-term success in the small business sector. In the face of globalization, digital transformation, and economic uncertainty, small enterprises must become more intentional about assessing and improving their competitive posture. An integrated model such as the one proposed in this thesis provides the roadmap for achieving exactly that.

In conclusion, competitiveness in small businesses cannot be left to chance or intuition. It must be assessed and managed systematically using a comprehensive framework that includes internal capacities, external pressures, and strategic foresight. The integrated methodological approach presented here serves as a flexible, practical, and insightful tool for small business owners, development agencies, and policymakers alike. Through regular application and continuous refinement, this approach can help small businesses not only survive but thrive in increasingly competitive markets.

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