

THE DYNAMICS OF MANAGEMENT AND ITS DEVELOPMENT IN UZBEKISTAN

Rakhimova Shakhlo Bakhtiyarovna

Tashkent Institute of Management and Economics

Head of the Department of Monitoring the Education Quality

Hasanova Mohira Salimjon qizi

Teaching Assistant, Tashkent Institute of Management and Economics

E-mail: life83line@gmail.ru

Abstract

In this article, the authors examine the evolution of management theories from classical to modern management practices and study their application in the context of Uzbekistan's transition from a centralized economy to a market-oriented system. The paper begins with analyzing the foundational management theories: scientific management, administrative management, and bureaucratic management, to the human relation movement, modern management. Then, it explores contemporary approaches that include digital transformation and strategic management. These global management theories' influence on both private and state-owned enterprises in Uzbekistan is analyzed with a focus on challenges and opportunities in adopting modern management practices.

Keywords: Management theory, human relation, centralized, bureaucratic, market-oriented system, modern management, private-sector, state-owned.

Introduction

Haimann T. & Scott, W. C. described that management as a structured discipline, as a formal discipline emerged in the late 18th and early 19th centuries, closely tied to the Industrial Revolution and the need for more efficient organizational structures.¹ Early management theories, such as scientific management by Frederick Taylor, administrative management by Henri Fayol, and bureaucratic management by Max Weber, formalized the principles of efficiency, hierarchy, and task specialization. Classical theories provide the foundation for modern management principles, and as industries grew, human factors, such as motivation and employee relations, are prioritized. In the early 20th century, Elton Mayo and Abraham Maslow introduced the significance of social dynamics and individual needs in the workplace, which shifted toward more human-centered management approaches. Rapid technological advancement, globalization, and increasing emphasis on

¹ Haimann, Theo, and William C Scott. 1974. *Management in the Modern Organization*. Boston: Houghton-Mifflin.

sustainability have transmuted management practices. A Central Asian nation, Uzbekistan, transitioning from a Soviet-style planned economy to a market-oriented system, has undergone significant changes. The private sector has increasingly adopted global management practices, while state-owned enterprises continue to encounter challenges in modernizing their management. This article explores the development of management theories and examines how these theories have been applied and adapted within Uzbekistan's changing economic context. Key challenges and opportunities for both private and state-owned enterprises are analyzed, highlighting the role of reforms in fostering managerial innovation.

Literature Review: The Evolution of Management Theories

The origins of management date back to ancient civilizations. Large-scale projects: Structured labor and leadership in Egyptian pyramids and the Great Wall of China were the early elements of management. Adam Smith, a Scottish economist and philosopher, introduced the idea of dividing production processes into distinct tasks, each performed by specialized workers, to enhance efficiency and productivity. These foundational ideas set the stage for the development of management theories.

The period of the Industrial Revolution in the 18th to mid-19th century marked the shift from agrarian economics to ones dominated by industry and machine manufacturing. This period brought a need for systematic approaches to managing labor and resources that contributed to the rise of classical theories. Scientific Management by Fredrick Taylor(1911) emphasized optimizing workflows through time studies, task specialization, and financial incentives. Taylor's principles revolutionized factory management but faced criticism for reducing workers to machines, stripping them of autonomy and creativity. It is argued that this approach led to monotonous tasks and decreased job satisfaction.

Henri Fayol (1916) introduced Administrative Management principles, including planning, organizing, commanding, coordinating, and controlling. Fayol divided industrial organization activities into six groups: Technical – relating to production and maintenance; Commercial – buying, selling, and exchange; Financial – searching for capital and its optimum utilization; Security – protection of property and human beings; Accounting – accounting of stores and equipment. Statistics is also covered under accounting; Managerial activities include planning, organizing, commanding, coordinating, and controlling.² Fayol's focus on managerial roles formed management as a distinct profession.

The famous German sociologist Max Weber introduced Bureaucratic management theory. His contribution to the theory is the concept of authority, structure, and interrelations. Weber divided authority into three types: legal, traditional, and charismatic. While Weber's theory provided structure, it was criticized for rigidity and inefficiency in dynamic environments. Classical theories set the foundation for structured organizational practices

² G.A.Cole, „Management Theory and Practice”, Sixth Edition, North River Press, 2015;

but often neglected the human elements. Recognizing the limitations of classical theories, the

The Human Relations Movement emerged, emphasizing the social and psychological aspects of work. Elton Mayo's Hawthorne Studies (1924–1933) revealed the importance of employee morale, group dynamics, and social interactions in productivity. Mayo's findings made a shift, viewing employees as individuals with complex needs rather than cogs in a machine. Abraham Maslow's Hierarchy of Needs (1943) found that fulfilling employees' basic physiological, safety, social, esteem, and self-actualization needs enhances motivation and performance. These insights remain integral to modern human-centric management practices, particularly in fostering employee engagement and satisfaction.

The mid-20th century saw a deeper exploration of human behavior in organizations: Behavioral Theories focused on leadership styles and motivation. Douglas McGregor's Theory X and Theory Y (1960) contrasted autocratic and participative leadership approaches, advocating for environments that empower employees. The Contingency Theory, proposed by Fiedler (1964), argued that no single management approach is universally effective. Instead, success depends on aligning management practices with situational variables, such as organizational size, task complexity, and external environment. These theories underscored the importance of adaptability and context in effective management, particularly in dynamic and diverse organizational settings.

In the 1980s and 1990s, the importance of Strategic Management increased with the force of globalization and competition. Michael Porter's Competitive Strategy (1980) introduced tools like the Five Forces Model, emphasizing differentiation and cost leadership to achieve competitive advantage. In contrast, the Resource-Based View (RBV) by Barney (1991) shifted focus from external factors to internal capabilities, highlighting how unique resources—such as technology,

skills, and knowledge—can sustain competitive advantage.⁴ These frameworks remain central to modern strategic planning.

The 21st century has seen management theories adapt to rapid technological advancements and global interconnectedness. Digital Transformation emphasizes utilizing technologies like artificial intelligence, big data, and cloud computing to enhance organizational agility and innovation. Agile Management has gained traction, prioritizing adaptability, iterative processes, and cross-functional collaboration. This approach aligns with the increasing need for flexibility in managing complex, fast-changing environments.

³ Mayo, E. (1933). *The Human Problems of an Industrial Civilization*. Macmillan.

McGregor, D. (1960). *The Human Side of Enterprise*. McGraw-Hill.

⁴ Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.

Theoretical Framework

The Evaluation of Management Practices in Uzbekistan

The management system of Uzbekistan has undergone significant changes since the Soviet era. The shift from a centralized, planned economy to a market-driven system has caused complexities and challenges, while globalization and international collaboration have played a crucial role in the development of managerial approaches. In the Soviet era (pre-1991), the management was highly centralized, which focused on production goals, leaving little opportunity for innovation and flexibility in management practices. Efficiency and customer satisfaction were not central concerns. The focus was on fulfilling quotas and production targets. Resource allocation was based on quotas, and efficiency or customer satisfaction were not central concerns. These led to challenges of lacking managerial autonomy and innovation, as the system was rigid, with scarce opportunities for skill-building management.

In 1991-2000, the management practices reformed significantly. Uzbekistan retained many Soviet-era economic structures, including centralized control over state-owned enterprises (SOE). The government made country reforms, but management at that time struggled to integrate market-oriented practices due to elements of centralized economy and insufficient exposure to global management.

There was a tension between the old bureaucratic systems and the emerging needs of a market economy. Many managers were trained in Soviet-era practices and lacked the skills to adapt to new economic realities.

The Market Liberalization and Foreign Influence (2001-2016) period saw gradual economic reforms and privatization, particularly in smaller enterprises. However, the larger sectors, such as energy and manufacturing, were largely dominated by SOEs. The entry of foreign companies and joint ventures introduced new management techniques, including market-driven decision-making, strategic planning, and modern marketing methods. The growth of private sector enterprises began to foster greater competition, although state control remained influential in shaping economic outcomes. SOEs continued to dominate significant sectors of the economy, leading to inefficiencies and a lack of market dynamism. Many foreign joint ventures introduced modern management practices, but these often had limited influence on the wider economy.

The period of Modernization and Digital Transformation of 2017 to the present day was marked by the rise of President Shavkat Mirziyoyev, who came into power in 2016 with radical reforms focused on the transition of Uzbekistan towards a more market-oriented economy. Among the most valuable areas of reform, it is worth mentioning the reduction of state interference in the economy, increasing the competitiveness of the private sector, attracting foreign investment, and combating corruption. The visible adoption of global management best practices, digital tools, and modern governance structures from the government can be easily noticed. Digital technology systems, AI-driven management tools, and e-governance were widely applied to reflect the move toward more efficient and transparent management systems. A decrease in state ownership, privatization, and

market liberalization opened the economy to more entrepreneurial activities and competition. Greater efficiency and accountability imply that digital tools and management systems are widely implemented. However, state-owned enterprises still dominate some strategic industries, with state participation significantly curtailed in reforms on privatization. Consequently, the workforce still needs familiarization with new management tools and practices; it is of importance to keep on investing in capacity building and managerial education.

Analysis and Discussion

Current Management Situation in Uzbekistan

The private sector of Uzbekistan has, at the same time, performed impressively in implementing modern managing techniques due to the competition in the market and the urge to become attractive to foreign investors. Guided by the principles of RBV, many private firms have focused on exploiting unique resources- technological innovations and skilled labor- to achieve a competitive advantage. Tech companies in IT Park Uzbekistan have implemented agile management methodologies and advanced analytics for optimizing operations and improving customer engagement. These are contemporary standards globally, hence showing how well the sector adapts to change.⁵ Challenges remain in the form of a lack of international markets to tap into and even internal financial constraints that restrict small-scale firms from fully implementing globally perceived best practices.

SOEs remain their central role in Uzbekistan's economy, particularly in strategic sectors like energy and telecommunications. However, their management practices are often rooted in Soviet-era bureaucratic models, characterized by centralized decision-making and rigid hierarchical structures.⁶ Institutional reforms have aimed to modernize SOEs by introducing performance-based evaluations and corporate governance standards. For instance, Uzbekneftegaz has implemented digital tools to improve transparency and operational efficiency. Despite these efforts, resistance to change and limited managerial autonomy continue to impede progress.⁷ Addressing these challenges requires sustained investment in capacity-building and cultural transformation. In particular, the private sector's adoption of global practices in management will reflect the principles of RBV and Contingency Theory; firms will tend to leverage their unique strengths while adapting strategies to an Uzbekistan transitioning economy. Agile methodologies and participative

⁵ Aziz, Zikriyoev Sadulloyevich. 2018. "DEVELOPMENT of INNOVATIVE MANAGEMENT in UZBEKISTAN." *Theoretical & Applied Science* 66 (10): 58–63. <https://doi.org/10.15863/TAS.2018.10.66.9>.

⁶ Umidjon Abdullaev. 2021. "State-Owned Enterprises in Uzbekistan: Taking Stock and Some Reform Priorities." ADB Institute Series on Development Economics, January, 89–109. https://doi.org/10.1007/978-981-15-8574-6_5.

⁷ Gulnoza Kuldosheva. 2021. "Challenges and Opportunities of Digital Transformation in the Public Sector in Transition Economies: Examination of the Case of Uzbekistan," no. 1248 (April).

leadership styles would also reflect human relations theories by stressing the importance of engagement and satisfaction levels of employees as drivers of productivity.

The reliance of SOEs on traditional practices can be understood through Institutional Theory, which flags the persistence of coercive pressures from the regulatory frameworks. While reforms try to introduce normative pressures for modernization, the resulting tension often slows progress. The Contingency Theory also underscores the need for context-specific solutions, such as tailoring digital transformation initiatives to the capacities of individual SOEs.

Since 2019, digital transformation has been a clear policy priority in Uzbekistan. While the country has made significant progress in terms of Internet access, quality, and affordability, digital uptake among firms remains low. This lack of digital skills seems to be a limiting factor affecting the digital transformation of business. Uzbekneftegaz, a state-owned oil and gas enterprise, highlights the challenges faced by SOEs in transitioning to modern management practices. Efforts to integrate automation and performance metrics have been hindered by workforce resistance and limited digital literacy. These issues underscore the need for tailored reforms and capacity-building programs to align SOEs with contemporary standards.

Future Directions and Recommendations

Reforms in state-owned enterprises must centre on improving autonomy and accountability. The establishment of independent oversight bodies where boards have incentives for performance-based management will help contemporarize organization objectives and practices. Targeted capacity building through programs to overcome bureaucratic lethargy to encourage managers to accept change and stimulate innovation is the need of the hour.

Investment in ICT infrastructure and digital literacy programs is imperative for private and state-owned firms. Public-private partnerships can push innovation to plug the gaps in existing services. Within the firm, digital literacy courses must be offered regularly to give employees the skills to use and benefit from contemporary technologies. At the university level, digital literacy training with exposure to current technologies is critical in management programs to prepare students to work in technology-intensive workplaces. Fostering collaboration between private firms and educational institutions will facilitate a culture of continuous learning and innovation. Government programs for supporting the creation of startups and small and medium enterprises through access to finance and technical capabilities help such industries to go global. Practical exposure through internship and industry-firm partnership will bridge the gap between academic learning and industry requirements.

There is a great demand for more development in management studies in Uzbekistan. Though some local universities offer courses on management, they need to be upgraded and updated to international standards. Each university should:

- Introduce modern and practice-oriented teaching techniques where case studies, simulations, and solving of real problems will be key.
- Provide qualified management courses where students will be trained as professional managers.
- Arrange regular seminars and workshops headed by well-known and experienced management professionals where they could discuss and present global ideas.
- Given the modern demands of organizations, the inclusion of digital literacy and technology management needs to be a part of the course.

Management programs should be competence-based and must not end with mere theory. Their curriculum should include internships, project-based learning, and mentorship opportunities. Only then will the graduate be productive from day one at work and be able to contribute from day one.

This, therefore, calls for investment by the organization in its workforce through digital literacy programs. Secondly, these courses shall focus on the needs of the employees so that they understand and can apply emerging technologies. Such sessions can reduce the digital skill gap by way of regular training and by installing a culture of technology adaptability.

Conclusion

Uzbekistan's management practices reflect a dual trajectory: while private enterprises are rapidly adopting modern approaches, SOEs remain constrained by historical legacies and institutional inertia. By leveraging theoretical insights and implementing targeted reforms, the country can create a more dynamic and competitive economic landscape, aligning its management practices with global standards.

References

SOE- State-owned enterprises

RBV- Resource-based view

ICT- Information and Communication Technology