



Article

## Improving Organizational and Economic Mechanisms for Enhancing The Competitiveness of Service Sector Enterprises

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**Abstract:** In the context of increasing competition and structural transformations in modern economies, the service sector plays a crucial role in ensuring sustainable economic growth and employment. Service enterprises, especially small and medium-sized ones, face growing competitive pressure due to changes in consumer demand, technological development, and market globalization. This article examines the theoretical and methodological aspects of improving organizational and economic mechanisms aimed at enhancing the competitiveness of service sector enterprises. The study substantiates the necessity of a comprehensive approach that integrates organizational, economic, and institutional elements into a unified mechanism. Based on a systematic analysis, an authorial interpretation of the organizational and economic mechanism for improving competitiveness is proposed, taking into account the specific features of the service sector. The results of the research contribute to the development of conceptual foundations for strengthening the competitive positions of service enterprises and can be used in formulating sectoral development strategies.

**Keywords:** service sector, enterprise competitiveness, organizational and economic mechanism, competitiveness enhancement, institutional environment

**Citation:** Kucharov Khurshid Khurram Ugli. Improving Organizational and Economic Mechanisms for Enhancing The Competitiveness of Service Sector Enterprises. American Journal of Economics and Business Management 2026, 9(2), 7-13.

Received: 10<sup>th</sup> Nov 2025

Revised: 21<sup>th</sup> Dec 2025

Accepted: 14<sup>th</sup> Jan 2026

Published: 04<sup>th</sup> Feb 2026



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### 1. Introduction

In recent years, the service sector has become one of the most dynamically developing components of national economies, significantly contributing to gross domestic product formation, employment growth, and structural modernization. The expansion of service activities, diversification of service types, and increasing role of knowledge-intensive services have intensified competition among service sector enterprises. Under such conditions, ensuring and strengthening enterprise competitiveness becomes a key factor of sustainable development.

However, some particular features of the competitiveness of service rather than of industrial enterprises (intangible nature of services, direct contact with consumers, considerable dependence on organizational and managerial decisions) should be taken into account here. In practice, competitiveness is interpreted in a much narrower sense, emphasizing price advantages or the quality of service. This philosophy does not create the basis for the long-term competitive edges and restricts the possibilities of strategic growth of service companies [1].

The study of the characteristics of modern economy shows that the success of service sector enterprises hinges more and more on the efficiency of the organizational and economic mechanisms regulating the internal spheres, resource allocation, and external relations activities. In a rapidly changing market background, fragmented and isolated economic decisions

Despite the extensive scientific literature devoted to enterprise competitiveness, insufficient attention has been paid to the development of organizational and economic mechanisms specifically adapted to the service sector [2]. Existing studies mainly focus on industrial enterprises or general competitiveness factors, without fully considering the sectoral characteristics of services. This gap determines the relevance of the present research.

The main objective of this article is to substantiate theoretical and methodological approaches to improving organizational and economic mechanisms for enhancing the competitiveness of service sector enterprises and to develop a conceptual framework that reflects the specific features of service activities.

### **Literature Review**

Scientific research on enterprise competitiveness covers a wide range of theoretical approaches and analytical perspectives [3]. Classical economic theories interpret competitiveness as the ability of firms to achieve sustainable market positions through efficient resource utilization and innovation. In this context, competitiveness is closely linked to productivity, cost efficiency, and strategic management.

According to institutional economics, formal and informal institutions influence competitive behavior [4]. This approach asserts that the performance of organizational and economic mechanisms is determined by the level of quality of the institutional environment, regulatory frameworks, and transaction cost minimization. These concepts are especially pertinent for service sector organizations, as their operations are heavily affected by regulations and contractual agreements [5].

At the managerial level, competitive strength is linked to agile organizational structures, the development of human capital, and customer-oriented management practices [6]. Research in strategic management indicates that service organisations need flexible organisational mechanisms that respond rapidly to changes in consumer tastes and technology.

Nevertheless, existing research often examines organizational or economic aspects of competitiveness separately [7]. The lack of integrated models combining organizational and economic mechanisms into a unified system remains a significant methodological limitation. This article addresses this gap by proposing a comprehensive approach to improving organizational and economic mechanisms tailored to the service sector.

## **2. Materials and Methods**

This research employs a conceptual and analytical approach to improve organizational and economic mechanisms of service sector enterprises competitiveness enhancement. The methodological approach is based on a synergistic combination of systemic and institutional approaches, which helps to view competitiveness as a synergetic effect of the interaction of organizational and economic changes and external institutional conditions.

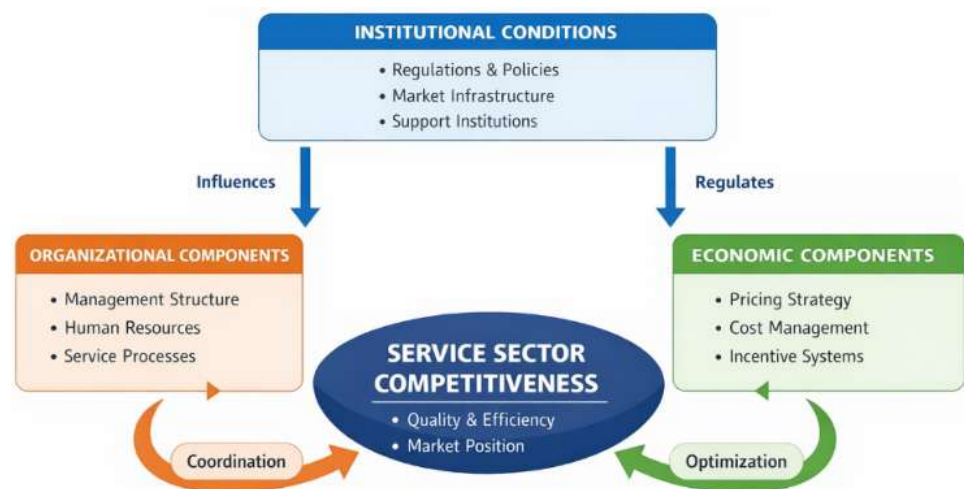
The study conducts logical analysis, synthesis, and abstraction to provide basic elements of organizational and economic mechanism and their interrelation integrated into integrated mechanism being adapted to service sector specificities. Emphasis is placed on the organizational components of management, as well as the economic tools that ensure the competitiveness of enterprises.

It is mainly a framework-based study and does not utilize econometric or economic modeling. The core output is the authorial organizational and economic mechanism itself, which can be a methodological basis for both further empirical research and practical use.

### 3. Results

The results of the study indicate that improving the competitiveness of service sector enterprises cannot be achieved through isolated managerial or economic measures. Instead, competitiveness emerges as a result of the systemic interaction between organizational and economic mechanisms operating within a specific institutional environment [8]. The conceptual analysis conducted in this research makes it possible to identify the structural, process-related, and institutional determinants of sustainable competitiveness in the service sector.

The structural composition of organizational and economic mechanisms that shape enterprise competitiveness in the service sector is presented in Figure 1.



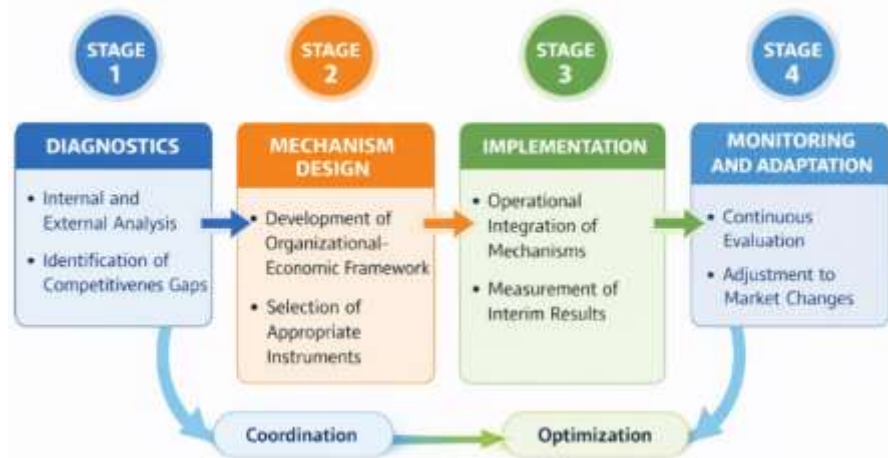
**Figure 1. Structural Model of Organizational and Economic Mechanisms Enhancing Competitiveness**

Figure 1 demonstrates that organizational components constitute the internal foundation of competitiveness in service enterprises. These components include management structure, human resource organization, and service delivery processes. Due to the intangible nature of services and the direct interaction between enterprises and consumers, organizational flexibility and decision-making efficiency become decisive factors in achieving competitive advantages.

Economic components—such as pricing strategies, cost management, and incentive systems—play a complementary role by transforming organizational potential into measurable market outcomes [9]. The analysis reveals that economic instruments are most effective when they are aligned with organizational capabilities. When applied independently, without coordination with organizational mechanisms, economic measures tend to generate short-term effects and fail to ensure sustainable competitiveness.

The findings confirm that competitiveness in the service sector is not a linear function of individual organizational or economic factors [10]. Instead, it is a systemic result of coordinated interaction, where organizational mechanisms determine adaptability and service quality, while economic mechanisms enhance efficiency and market positioning.

Improving competitiveness in service enterprises is a dynamic and iterative process. Figure 2 illustrates the process-based model of implementing organizational and economic mechanisms.



**Figure 2. Process-Based Model of Enhancing Competitiveness in Service Sector Enterprises**

The figure shows that competitiveness enhancement unfolds through four interconnected stages. The first stage—diagnostics—focuses on assessing internal organizational capacities, economic performance, and external market conditions. This stage is essential for identifying competitiveness gaps and determining priority areas for intervention.

Stage two — whose conceptual building block is mechanism design — refers to the choice and customization of organizational and economic instruments tailored to the characteristics of the service sector [11]. Enterprise Management: At this stage, enterprises build customized management structures, pricing model and incentive systems that are based on both internal capacity and market demands.

Finally, implementation is the operational integration of the designed mechanisms into service delivery and management practice. From this point onwards, actual performance indicators, such as quality, efficiency, and customer satisfaction, are affected by organizational changes and economic instruments [12].

Monitoring and adaptation – the final stage – provides feedback on results to the business, as well as a means to adapt to substitution or movement in the market over time. This step is vital to the sustainability of the competitive advantage: It allows enterprises to react proactively to changes in the strength [13].

The process-based model emphasizes that competitiveness in the service sector should be viewed not as a static outcome, but as a continuous adaptive process.

A key result of the study is the identification of the institutional environment as a decisive factor influencing the effectiveness of organizational and economic mechanisms. This interaction is illustrated in Figure 3.



**Figure 3. Interaction Between Organizational-Economic Mechanisms and Institutional Environment**

The responsive regular interaction with the state, market, and enterprise is the main institutional building of service sector competitiveness (Figure. 3). Competitiveness is shaped by the state, which through regulatory policies, various measures to support markets, and the development of institutional infrastructure creates conditions for competitiveness. Those are factors that establish the operational limits in which mechanisms of the organization and the economy operate.

Market mechanisms, such as strength of the competition, demand- and innovation-driven economic climate, create external stimuli that push enterprises to increase organizational effectiveness and implement more efficient means of production. As a reaction, enterprises reconfigure around structures, economics, and service delivery models to reinforce or solidify competitive positions [14].

The analysis shows that institutional background can become a bottleneck of high-functioning organizational and economic systems as they may produce results limited by institutional support. Inefficient mechanisms that result from underdeveloped regulatory frameworks, inadequate market infrastructure or absent support institutions thwart the impact of internal competitiveness enhancement efforts. Hence, service sector competitiveness should be perceived as an emanation of both internal enterprise mechanisms and external institutional conditions.

The combined analysis of structural, process and institutional facets to competitiveness validates the deeply multidimensional character inherent to competitiveness of service sector. These models deviate from traditional approaches by framing competitiveness not as a fight with various independent elements, but as a system of organizational-economic mechanisms, identified in an institutional setting [15].

Such thinking might be seen as an extension to existing theoretical models and crucially, helps to create a clearer picture of how competitiveness emerges in the service sector. These findings highlight the necessary origins and initiation in planned, politically sound and institutionally facilitated managerial decision making so as to obtain sustainable competitive advantages, with practical implications for enterprise managers and policymakers.

The study confirms that increasing the competitiveness of enterprises of the service sector would be possible only with a systemic mechanism of organizational and economic character and not by isolated application of managerial or economic measures [16]. The results indicate that competitiveness on service sector is a systemic end-product of orchestrated internal mechanisms working under a contextual institutional setting.

The research further confirms that competitive advantages in service organisations are determined mainly by the characteristics of the organisation – management structure, human resource organisation, processes of service delivery, and other components. As services are intangible and direct interactions with consumers take place, organizational flexibility and adaptability have substantial impact on service quality and customer satisfaction. The use of economic mechanisms, such as pricing, cost centre management and incentive schemes, is what takes organizational capacity and translates that into tangible market results.

#### 4. Conclusion

One of the key findings of the study is that institutional conditions are critical to the effectiveness of organizational and economic mechanisms. Whether the enhancement actions of competitiveness are implementable and sustainable depends on the interaction of the forms of economic organization: state, market, and enterprise. Though not tested in all context, it is argued that well governed Regulatory frameworks, well developed and deep market infrastructure and strong Institutional support mechanism creates an enabling environment in which internal enterprise mechanisms could lead to persistent competitive advantage.

The structural, process, and institutional interaction models of competitiveness enhancement offer a conceptual basis for understanding competitiveness in the service sector. Differently from conventional approaches that consider competitiveness as an isolated phenomenon, this paper considers competitiveness as a systemic mechanism attached to an institutional setting. The main scientific contribution of the study is this integrated perspective.

The obtained results can serve as a methodological platform for conducting further empirical studies and can provide recommendations potentially useful for enterprise executives and policymakers in shaping actions towards enhancing competitiveness of service sector enterprises. That is, further research may seek empirical evidence for the proposed models in other service subsectors and countries.

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