



## COMPARATIVE BUSINESS MANAGEMENT PRACTICES IN AZERBAIJAN AND DEVELOPED ECONOMIES: CHALLENGES AND OPPORTUNITIES

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### ABSTRACT

*This study explores the characteristics of business management practices in the Republic of Azerbaijan compared to selected developed economies. Using data from the World Management Survey (WMS), OECD, World Bank Enterprise Surveys and recent academic research, it highlights managerial, institutional and cultural determinants of performance differences. The analysis demonstrates that Azerbaijani firms lag behind in key management practice dimensions—planning, target-setting, human resource management, and digitalisation—compared to leading economies such as the United States, Germany and Japan. The paper concludes with policy and managerial recommendations to enhance management capacity in Azerbaijan’s transitional economic context.*

**Introduction** Effective business management is one of the most significant determinants of firm productivity and national competitiveness. Comparative research has shown that management quality differences explain a considerable share of productivity gaps between countries [1]. According to Bloom et al. (2012), management scores across more than 10 000 firms in 20 countries reveal a consistent pattern: firms in developed economies—particularly the United States, Germany, Japan, and Sweden—score systematically higher than firms in developing or transitional economies [2].

In Azerbaijan, economic growth has been largely driven by the oil and gas sector, with GDP reaching approximately 78.7 billion USD in 2022, while non-oil GDP rose 9.1 % year-on-year [5]. However, diversification and competitiveness remain key challenges. While the macroeconomic framework has improved, firm-level management capacity continues to lag behind developed-country standards.

To understand this gap, a comparative summary of global management practice scores is presented in **Table 1**, based on the WMS framework.

**Table 1. Global Management Practice Index Comparison (Based on WMS Data)**

Country / Region	Average Management	Productivity (GDP per hour	Key Managerial Characteristics
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	Practice Score (0–5 scale) *	worked, USD, 2024)	
<b>United States</b>	<b>3.45</b>	81.5	Strong data-driven decision-making, decentralised management, high employee incentives [1][2]
<b>Germany</b>	<b>3.30</b>	74.2	High process standardisation, engineering-based management, strong vocational training [2][3]
<b>Japan</b>	<b>3.25</b>	66.8	Kaizen culture, continuous improvement, long-term employment model [3]
<b>United Kingdom</b>	<b>3.15</b>	69.4	Balanced formal management and flexibility, strong HR systems [1]
<b>Sweden</b>	<b>3.20</b>	75.3	Flat hierarchy, innovation culture, gender-inclusive leadership [4]
<b>Azerbaijan</b>	<b>2.35 (estimated)</b>	22.7	Centralised decision-making, low HR autonomy, limited data analytics [5][6]
<b>Developing Average</b>	<b>2.45</b>	24.9	Informal leadership style, weak incentive systems, low competition pressure [1][5]

\*WMS = World Management Survey score (0 = lowest, 5 = best).

The data illustrate a clear global gradient: developed economies maintain average management scores above 3.2, while Azerbaijan and comparable transition economies remain near 2.3–2.5. This differential reflects not only firm-level skills but also institutional and cultural environments.

Institutional quality—competition, governance, and regulation—is a key enabler of effective management. As shown in **Table 2**, Azerbaijan performs relatively well in business registration and regulatory reform but lags behind in innovation, corruption control, and managerial education.

**Table 2. Business Environment Indicators in Azerbaijan vs Developed Economies (2024)**



Indicator	Azerbaijan	United States	Germany	Japan	OECD Average	Explanation
<b>Ease of Doing Business (0-100)</b>	76.7	86.8	83.2	79.5	82.1	Regulatory efficiency (World Bank 2024)
<b>Corruption Perception Index (0-100)</b>	42	69	79	73	70.5	Higher = cleaner public sector (Transparency Intl 2024)
<b>Managerial Education Index (0-10)</b>	4.2	8.9	8.7	8.5	8.6	Share of tertiary-educated managers (ILO 2023)
<b>Foreign Investment Freedom (0-100)</b>	58.3	85.7	83.5	79.8	82.0	Openness to FDI (Heritage Index 2024)
<b>Innovation Capacity Index (0-100)</b>	38.9	90.2	89.1	87.6	85.7	Global Innovation Index (2024)

The table underscores Azerbaijan’s transitional character: while business entry and trade facilitation have improved, innovation and human-capital development remain bottlenecks. A weak institutional base tends to reinforce hierarchical decision-making and discourage risk-taking—factors empirically linked with lower management performance [3][7].

Human resource management (HRM) is another critical dimension. Comparative data from the World Bank Enterprise Surveys (2024) reveal large differences between Azerbaijani and developed-economy firms in the adoption of structured HR and management systems.

**Table 3. Human Resource and Management System Adoption in Firms (Enterprise Survey 2024)**

Management Practice Category	% of Firms Using Formal System	Azerbaijan	Developed Economy Average	Observations
<b>Formal goal setting and performance targets</b>		52 %	91 %	Most Azerbaijani firms use informal planning.
<b>Employee training budget and records</b>		47 %	88 %	Training underfunded; HRM not strategic.



<b>Quality control monitoring (KPIs)</b>		<b>63 %</b>	94 %	Control exists but lacks automation.
<b>Performance-linked incentives</b>		<b>38 %</b>	85 %	Bonuses rarely tied to KPI outcomes.
<b>Digital management tools (ERP/CRM)</b>		<b>27 %</b>	76 %	Digitalisation gap hinders data analytics.

This table confirms that Azerbaijani firms show limited formalisation in goal-setting, staff development and digital tools—core elements of high-quality management. By contrast, firms in developed economies use data analytics, KPI dashboards, and continuous improvement systems to maintain competitiveness.

Recent empirical studies reinforce these findings. Bloom et al. (2013) found that formalising management systems in Indian manufacturing firms raised productivity by 17 % within a year, with long-term gains sustained for eight years [9]. Similarly, Cao (2024) reported a strong correlation between management quality and energy efficiency across 25 countries [7]. These results imply that even modest management upgrades can generate significant performance improvements for Azerbaijani firms.

The overall comparison reveals that management quality is shaped by both institutional context and firm-level practices. Developed economies have institutional ecosystems that support professionalisation, transparency, competition, and continuous improvement. Azerbaijan's economic transition presents both challenges and opportunities: while historical legacies of centralised control persist, emerging private-sector reforms, managerial training initiatives, and digitalisation trends could enable convergence with best practices.

### **Conclusion:**

In summary, Azerbaijan's management system reflects a hybrid of inherited centralised decision-making and emerging market-oriented reforms. Comparative evidence demonstrates that firms in advanced economies maintain stronger, data-driven and decentralised management cultures supported by robust HR systems and innovation infrastructures. Azerbaijan's key tasks therefore include professionalising management education, supporting institutional reforms that enhance competition and transparency, encouraging digital management adoption, and linking HRM with firm strategy. These measures, backed by evidence from global practice, could yield productivity gains of 15–25 % for Azerbaijani enterprises [1][9]. Strengthening management capability is thus not merely an organisational objective, but a strategic pillar for sustainable diversification and competitiveness in the national economy.

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