

COMPETITIVE ADVANTAGES AND COMPETITIVE STRATEGIES OF SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract

Modern conditions of the external environment, put a number of tests on small and medium-sized enterprises, they also provide a number of opportunities, especially for those who have an appropriate strategy to benefit from them, which is a prerequisite for the acquisition of Competitive advantages. Small and medium-sized enterprises are looking for changes, experimenting with new business models and do not blindly follow the imposed traditions of doing business, are becoming increasingly important in a modern plan. The main objective of this article is to clarify the nature and peculiarities of the competitive advantages of small and medium-sized enterprises, identify the main types of competitive advantages and competitive strategies. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach.

Keywords: *competitiveness, competitive advantages, competitive strategies, enterprise.*

JEL Codes: *L20, L22, M10, O39*

1. Introduction

The concept of competitive advantages analyzes the economics of company activity, mainly focusing on its ability to generate a much greater return on invested capital and to link the company's strategy with the main financial markets over an extended period of time. The competitive advantage exists when the enterprise owns and develops a combination of specific characteristics that allow it to overtake its competitors and be more competitive. An effective competitive strategy must be in order to carry out these activities and to ensure that the company has an advantage compared to competitors. A competitive strategy is a summary of the vision that a firm perceives against its competitors.

Research and technological development are often viewed as the only way to get innovative products on the market and a way to make a company

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competitive. This approach may result in lower growth for those economic operators who have limited investment and financial opportunities, as is usually the case for the majority of small and medium-sized enterprises. (Stavrova, Zlateva, Vladov, 2018, pp.97-98) A number of studies have come to the conclusion that small and medium-sized enterprises create more significant innovations than large companies. At the heart of this is the entrepreneurial behaviors of small and medium-sized enterprises, which in order to deliver value on the market apply creative approach and innovation in meeting the needs and solving the problems of consumers. They must therefore use creative and innovative techniques as a source of competitive advantage. Businesses should focus on the formulation and implementation of strategies that can benefit from their benefits from a smaller size. The most commonly quoted advantages in this regard are narrow product specialization, a clearer defined and geographically limited market segment. In addition, the simplicity of the SME organizational structure allows their entrepreneurs and managers to carry out close daily contact with staff, effective communication, and high speed of strategic decision making and realization of changes.

2. Competitive advantages of small and medium-sized enterprises

According to Filipova, an expression of an enterprise's competitiveness is its adaptability, expressing the adequacy of its responses to the impact of the environment and complying the amendments to the dynamics of the environment. (Filipova, M., 2004, p. 85) Dimitrova points out those competitive advantages are central to the process of shaping and developing the competitiveness of the enterprise. (Dimitrova R., 2014, p. 38) She also notes that the emergence of the modern concept of competitive advantages is predicated on the development of scientific and technical progress, globalization and the internationalization of competitive relations (Dimitrova R., 2014, p. 36).

Competitiveness is manifested through competitive advantages. It is considered that this relationship between these categories is causal and that competitiveness is reflected in the manifestation of the competitive advantage. According to Azoev, competitiveness is a result reflecting the existence of competitive advantages, without which its achievement is impossible. (Azoev, 2000, p. 61) in order to achieve a clear understanding of the mechanism for shaping competitiveness, disclosure of its content and internal links, it is necessary to explore the essence of competitive advantages. A number of definitions of the nature of the competitive advantage are given in the scientific literature. According to Markova's opinion, competitive advantage is the hallmarks of the company and its product, which are a value for consumers. (Markova 2005) Yaneva, points out that it is their evaluation served as a basis for the development of marketing strategies (Yaneva, 2017, 51). Kyurova, for its part, considers that the competitive advantage can be seen as a product-owned specific characteristic that add

value to consumers and carry greater usefulness than competitors' products (Kyurova, V., 2018, 112).

Competitive advantages are extremely time-consuming features of the entity or factors of the external environment that provide the enterprise with superiority over competitors in the particular market over the period considered. The competitive advantage is the characteristics or properties owned by the product or brand, which give them some superiority over the immediate closest competitors. Kotler mentions that a competitive advantage is an advantage over competitors, earned on the basis of offering greater value or lower prices or through more benefits justifying higher prices. (Kotler, 1996, c. 431) On the basis of what we have said here, we can summarize that the competitive advantage is a specific positive quality of the entity or entity that it excels in and differs in a positive way from its competitors. Dimitrova notes that in the context of the time perspective, competitive advantages can be considered as real and potential. (Dimitrova R., 2014, 45)

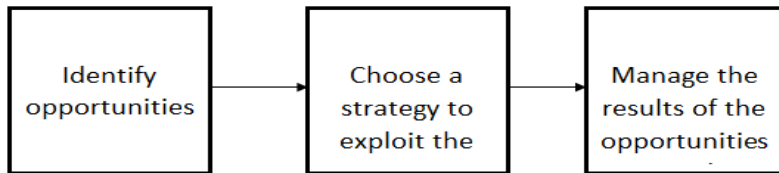
It is important to point out that the acquisition and development of competitive advantages is defined as the biggest challenge faced by small and medium-sized enterprises (SME's) in the modern conditions of a super-competitive and dynamically changing Business environment. At the same time, the achievements of strategic management, such as theory and practice, are motivated by and intended primarily for the needs of large enterprises. Therefore, they are not directly applicable in smaller companies and do not fully correspond to their needs and specific characteristics. According to Donel's opinion, usually small and medium-sized enterprises do not have the opportunity to develop advantages on the basis of economies of scale and scope, easy access to finance, carrying out costly research and development, etc., so widely covered sources of competitive advantages in the context of large enterprises. (O' Donnell, 2002, p. 10) According to Kuyrova, a winning strategy for small businesses is the development and introduction of new products for the market or improvements in existing ones, as the realization of such products is bound on the one hand with more complete satisfaction of ever Increasing consumer needs and, on the other hand, achieving a competitive advantage (Kyurova, V., 2014, 161).

In practical terms, a company has a competitive advantage if it offers customers something that is different compared to other competitors' offerings and this difference is beneficial to customers. Situations in which the company can do something that companies competing cannot or owns something that the competitors do not have, but they want are examples of owning a competitive advantage. From a theoretical point of view, the company has a competitive advantage when it is able to create more economic value compared to its competitors. Economic value is the difference between the subjective assessment of the customer for the benefits it has received from the use of the company's product or service and the full cost, which includes all the costs of the company for the production and realization of the product or service. Thus, the size of the

company's competitive advantage can be defined as the difference between the economic value that the company creates and the economic value that its competitors create. Barney describes the competitive advantages of being temporary or sustainable. Temporary are those that only exist for a short period of time, while sustainable are those that the company manages to keeping for a long period. (Barney, 2006, p. 35)

The following two figures show the steps (Figure no. 1) in the process of acquiring competitive advantages and the basis for their acquisition (Figure no. 2).

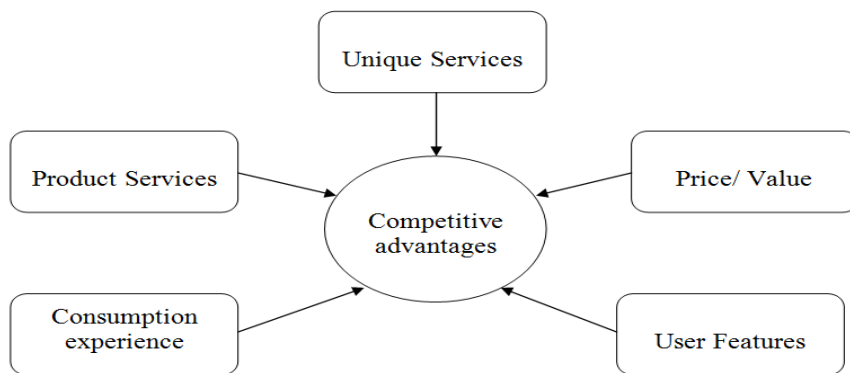
Figure No1. Steps in the process to gain competitive advantage.



Source: systematization of the author

It is evident that the first step in the process is to establish the possibilities of the pre-order, the second step is to choose a strategy for the use of the opportunities already established, and the third is to manage the results of their use. The basis for acquiring competitive advantages consists of several main components, and they are unique services, product attributes, experience of consumption, price and customer service.

Figure no2. The basis for acquiring competitive advantages



Source: systematization of the author

For the purposes of the research, we need to focus attention on the types of competitive advantages. Porter identified two main types of generic competitive advantages based on price advantage and differentiation. The advantages in price and

differentiation are known as positional advantages as they originate from the positioning of the company in a predetermined and deliberately chosen industry of operation. (Porter, 2010)

The price advantage means to offer customers not only a lower cost, but also a higher value against the same price compared to competitors. Very often in today's conditions, the acquisition and retention of an advantage based on low costs can only be achieved by large companies, as it is required to achieve cost leadership on a global scale. Such a strategy and competitive advantage are not suitable for SME's, as they do not have access to the necessary sources of benefits such as cheaper raw materials, energy and labour, economies of scale, scope and experience and technological innovation. Ultimately, there can be only one cost leader in an industry.

The second type of competitive advantage is associated with differentiation of the company's proposal based on unique characteristics or higher efficiency. This is a situation where the company proposal satisfies user needs or solves consumer problems better than competitors' offerings do. In this case, the opportunities for SME's to gain competitive advantages are more and more diverse. The company offer can be differentiated by providing additional services, branding, imposing a high image of the company brand, convenient distribution, etc.

The sources of differentiation are knowledge of products, markets and technologies that are not known to competitors; Positive relations with stakeholders; and flexible and proactive management. It should be taken into account that knowledge is not free and most often they are the result of investments, which makes them difficult and costly to master from some of the small and medium-sized enterprises. The knowledge of the product and technology is the result of research and development activities, and market knowledge – from conducting market research and analysis. Further to the creation of positive relationships with stakeholders, trust is required. Trust reduces transaction costs and control costs related to the performance of contractual relationships with consumers, suppliers, investors and employees. In turn, the advantages resulting from a flexible and proactive behaviour are related to the company's ability to capture the change in user needs and problems and on this basis to make quick decisions about what new products and services to offer. Flexibility, sensitivity and speed are defined as the most common and affordable sources of competitive advantage for small and medium-sized enterprises. (Wickham, 2006, p. 134) In this context, Kyurova, Zlateva and Yaneva point out that in the conditions of digital transformation and adaptation of modern business to the new technological conditions, it is becoming more and more applicable digital marketing as an effective way of Development. It is highly needed for small and medium business. Digital marketing equates chances in online conditions where SMEs can successfully compete with large companies. (Kyurova & Yaneva, & Zlateva, 2019, p. 65)

On the other hand, the resource-based view (RBA) emphasizes that the company can rely solely on the resources and competencies at its disposal to create and develop

competitive advantages. Creating a higher value for consumers, the company acquires a competitive advantage and achieves higher financial economic results. Resource – The underlying view examines the company as a collection of resources and competencies that are heterogeneous for different companies. Company resources are tangible and non-tangible assets that are permanently linked to the company at some point. Also resources are all these things that can be perceived as an advantage or disadvantage of a company. (Wernerfelt, 1984, p. 171-180)

This can be all assets, capabilities, organizational processes, specific company specifics, information, knowledge, etc. that are owned by the company and used by it to formulate and apply strategies that improve its effectiveness and results. Therefore, the formulation of the company strategy, according to Barney's opinion, and the building of competitive advantages should be guided by the possibilities for the most effective use of the resources and competencies owned by the company and not on the basis of the choice of an attractive position in the industry through Porter's generic strategies. (Barney, 1991, p. 99-120)

It is important to establish the criteria for choosing competitive advantages. Each company has the right to choose between different competitive advantages in a given period of time. The criteria for selecting the most important ones are several:

- ✓ Significance-an advantage is significant if the proposal ensures compliance of the function for which the product or the specified service is purchased.
- ✓ Specificity or divergence-competitors do not offer similar qualities and ways of bidding.
- ✓ Superiority-The proposal is superior to that of competitors and roads where such advantages can be obtained.
- ✓ Justifiability-Competitors cannot imitate it, or if they imitate it, their success will be small. If the product is protected by patents, the owner of the patented product has the right to seek responsibility for the stolen innovation or idea.
- ✓ Uniqueness-the uniqueness guarantees longer lasting success and is one of the conditions for a strategic position.
- ✓ Efficiency-the implementation of a competitive advantage must provide profit while being available to consumers in the target market.

3. Competitive strategies of small and medium-sized enterprises

There is a close correlation and dependence between competitive advantages and competitive strategies. The successful operation and development of the enterprise in competitive markets requires it to have competitive advantages over its competitive market. Dimitrova notes that competitive advantages are the basis for the formation and realization of the competitive strategy of the enterprise. (Dimitrova R., 2014, p. 51-52) Competitive advantages are the basis for developing an effective strategy and, for its part,

the successful strategy is the one that leads to the acquisition and preservation of competitive advantages.

In this regard, Filipova points out that in order to be competitive, companies in Bulgaria need to build their strategies on a completely new basis, based on new technologies, uniqueness of processes and products, satisfaction of all requirements of the users and high quality of the offered products. (Filipova, M., 2005, 53) The ultimate goal of the strategic management process is to lead the company to choose and implement a strategy that will provide the company with a competitive advantage. This also applies to small and medium-sized enterprises, which need a strategy to gain a competitive advantage and achieve high financial and economic results. A number of studies, described in the work of Miller, show that companies with a well formulated strategy achieve better results than companies without strategy. (Miller, 1994, 1649 – 65)

According to Pelham, small businesses are more successful, following a strategy of differentiation and therefore striving to acquiring competitive advantages based on differentiation. (Pelham, 1999, p. 33-46) However, it is often seen that strategic governance is important for large enterprises, while entrepreneurs and managers in small and medium-sized enterprises do not pay due attention to the opportunities of Strategic management. One of the reasons for this is that small and medium-sized enterprises are too engaged in carrying out their daily activities and solving their operational problems and there is no time and opportunity for strategic analyses and solutions.

According to different authors, small and medium-sized enterprises, located in the early stages of their development, are more effective in identifying business opportunities than larger and established companies. (Ireland, 2003, p. 963-989) At the same time, SME's are more inefficient in gaining competitive advantages in the process of exploiting these opportunities. This is especially typical for companies that suffer from a lack of strategic behavior. Consequently, they have difficulties in building and maintaining competitive advantages.

Gaining a competitive advantage is not enough in itself, the key to success is the acquisition of a sustainable competitive advantage. In the long term, companies acquire competitive advantages through their skills to develop and build on a set of key competencies that allow them to serve certain market niches better than competitors. Key competencies are unique capabilities that companies develop in important areas such as consumer service, delivering high quality and reliability, innovation, teamwork, flexibility, sensitivity and adaptability to changes in Environment and others that allow them to overtake competitors. Companies can only acquire sustainable advantages if they possess valuable resources that are rare, difficult to imitate and interchangeable. Resources must be valuable, which is associated with their potential to create value. They should be rare, which is associated with their insufficiency and therefore inaccessibility for all companies wishing to possess them. In addition, they must be difficult to imitate

and with a high degree of unhearing, which is associated with providing a lasting competitive advantage for the company.

For the purposes of this study, it is important to devote attention to types of competitive strategies. The most commonly used strategies that lead to the acquisition of competitive advantages can be summarized as follows:

- Personalized service;
- Flexibility and adaptability;
- Specialization and custom production of products and services;
- Effective and speedy decision-making process;
- High motivation and morale of the staff as a result of togetherness and close;
- Relations with the owners and managers of SME's;
- Geographical specialization. Continuous search for new opportunities and niche markets;
- Preserving entrepreneurial behavior and willingness to risk taking;
- Creation of new partnerships;
- Continuous and renewed.

In connection with the realization of these strategies, the concept of strategic entrepreneurship deserves attention. It is a relatively new research area and because of its early development there are different perspectives on its importance and definition. The core of its essence is the merging of the concepts of entrepreneurship and strategic management. Strategic entrepreneurship, according to Kuratko view, is a combination of the opportunistic behavior of entrepreneurship with strategic behavior seeking advantages. (Kuratko, 2009, 1-17)

As a result, strategic entrepreneurship is associated with the recognition and use of business opportunities at the same time as acquiring and retaining competitive advantages. Competition is the basis of a market economy, a powerful incentive for economic growth, improvement of the quality of production, acceleration of scientific and technical progress and reduction of production support. State intervention in the market sector of the economy is increasingly needed. A mandatory function of the state is the activity of creating conditions for establishing, developing and supporting fair competition, as well as by crossing long-term monopolistic and antitrust agreements. Competitiveness strategies are used to create and support competitive advantage. Developing a competitive strategy, the company must find a way to position itself in its industry effectively and long-term, taking into account both the specific branch conditions, the size of its capital and the accumulated knowledge and experience. It is necessary to create conditions under which the new entrepreneur will have access to information required to effectively reconcile his decisions with those of other market participants. Conducting information analysis activities is primarily aimed at providing technological advantages for the company.

4. Conclusion

On the basis of the above, we can conclude that the competitiveness of small and medium-sized enterprises is the ability, through continuous renovation and improvement, to create and sustainably maintain competitive advantages leading to High financial results in the long term. The advantage of small and medium-sized enterprises to large companies is their flexibility and adeptness to market changes, innovation and consumer changes. Competition is the only method of mutual coordination of individual actions without coercion or arbitrary interference by the authorities. Successful application of competition as a principle of social organization allows certain types of coercion in the economic life if this assists the act of competition law.

In a market environment, no undertaking could afford to ignore the real and potential opportunities of its competitors. Long-term success in the fight against competition is rooted not only in the knowledge of the factual opportunities of competitors, their characteristic reactions, but also in building competitive advantages. The changes in the market situation compel companies to update their reactions, but adequately and at a faster pace than competitors. A key element in such a situation is the skillful management of sales and the associated competitive advantages.

Several main conclusions can be made on the topic under discussion:

First: There is a two-way link between competitive advantages and competitive strategies. On the one hand, competitive advantages are the basis for developing an effective strategy and, on the other hand, a successful strategy is one that leads to the acquisition and preservation of competitive advantages.

Second: In order to understand the mechanism for shaping competitiveness, revealing its content and internal links, it is necessary to explore the essence of competitive advantages.

Third: A company has a competitive advantage if it offers customers different and new products on the market, which outperform the products of its competitors.

Fourth: Companies can acquire sustainable advantages only if they possess valuable resources that are rare, difficult to imitate and substitutable.

Fifth: Small businesses are more successful, following a differentiation strategy and thus striving to acquiring competitive advantages based on differentiation.

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