

# Mladá veda

## Young Science



**Parametre neverbálnej komunikácie vybraných štátnych príslušníkov tretích krajín**

**Analýza využitia veľkokapacitných kontajnerov s obnoviteľným zdrojom energie vo vertikálnych farmách**

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# AKO MALÉ SPOLOČNOSTI SÚŤAŽIA S VEĽKÝMI RIVALMI: KLÚČOVÉ PRVKY A KONKURENČNÉ VÝHODY MALÝCH A STREDNÝCH SPOLOČNOSTÍ

HOW DO SMALLER COMPANIES COMPETE WITH BIGGER RIVALS: THE KEY  
ELEMENTS AND COMPETITIVE ADVANTAGES OF SME

**Nail Sariyev<sup>1</sup>**

Autor pôsobí ako externý doktorand na Ekonomickej fakulte univerzity Mateja Bela v Banskej Bystrici. Vo svojom výskume v dizertačnej práci sa venuje problematike stratégií špecifických typov spoločností - tzv. skrytých šampiónov, ktorí pôsobia globálne na niche trhoch.

The author is an external doctoral student at the Faculty of Economics of Matej Bel University in Banská Bystrica. In his research in dissertation work he deals with the strategies of specific companies operating globally in specific niches, called hidden champions.

## **Abstract**

One of the most crucial tasks for a new business is to identify and to develop a continuous competitive advantage. In case of joining the ordinary small niche, the process usually is different – more straightforward, moderate in rhythm and with common challenges. Coming up with a competitive advantage is required for small and medium-sized businesses performing in industries with many more existing competitors. Not all management units understand the importance and the role of such advantages in their strategy which in most cases ends up with business failures or even worse termination. All companies in the face of fierce competition and a rapidly changing situation should not only focus on the internal state of affairs in the company but also develop a long-term strategy that would allow them to keep up with the changes in their environment. Competitive advantage is both the basis on which a successful business is built and the main criterion for the selection of projects by successful investors. The purpose of this paper is to show which aspects may be used to develop recommendations on the formation of a strategy for ensuring the competitive advantages of a SMEs.

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**Keywords:** small business, medium business, SME, strategy, competitive advantage, competition, hidden champions

### **Abstrakt**

Jednou z najdôležitejších úloh podniku je identifikovať a budovať udržateľnú a dlhodobú konkurenčnú výhodu. V prípade vstupu na malý a špecifický niche („výklenkový“) trh, je postup zvyčajne iný - priamočiarejší, miernejší a s istými výzvami. Vybudovanie konkurenčnej výhody je potrebné najmä pre malé a stredné podniky pôsobiace v odvetviach s oveľa väčším počtom existujúcich konkurentov. Nie všetky podnikateľské jednotky chápu dôležitosť a úlohu takýchto výhod vo svojej stratégii, ktorá vo väčšine prípadov končí obchodnými neúspechmi. Všetky spoločnosti, ktoré čelia tvrdej konkurencii a rýchlo sa meniacej situácii, by sa nemali zameriavať iba na vnútorný stav spoločnosti, ale mali by tiež vypracovať dlhodobú stratégiu, ktorá im umožní reagovať na zmeny v ich prostredí. Konkurenčná výhoda je jednak základom, na ktorom je postavené úspešné podnikanie, jednak kľúčovým kritériom pre výber projektov úspešnými investormi. Účelom tohto príspevku je predstaviť odporúčania týkajúce sa formovania stratégie na zabezpečenie konkurenčných výhod malého a stredného podniku.

**Kľúčové slová:** malé podniky, stredné podniky, stratégia, konkurenčná výhoda, konkurencia, skrytí šampióni

### **Introduction**

The importance and relevance of the problem of the formation of competitive advantages and, as a consequence, the competitiveness of a company determined the choice of the topic of the abstract. The aims of the work led to the formulation and solution of the following tasks: 1) Theoretical elaboration of the concept of “competitive advantage of the organization”, 2) Consideration of factors that influence the formation and maintenance of the competitive advantages of SMEs. A systematic and integrated approach was chosen as the methodological basis of the paper to justify the relationship and interdependence of the competitive advantage of enterprise and the allocation of the main functions of it. In the process of writing the work, the methods of comparison and logical generalization were used as supportive to obtain derived information resulting from processing data from the literature. Other methods used in the paper are analysis and synthesis as general methods of empirical research to reveal the essence and role of competitive advantage in the enterprise system, fixing directly given lying on the surface of the common.

Over the past decades, increased competition has been observed virtually throughout the world. Not so long ago, it was absent in many countries and industries. Markets were protected and their dominant positions were clearly defined. And even where there was rivalry, it was not so fierce. The importance of competitiveness, allowing the company to survive in the competition, has increased dramatically in recent years. Most often we are talking about competition with large companies and market leaders, giants, whose position is not in doubt, and it seems that the whole world is buying things from these manufacturers or service providers. Persuading an attempt to compete without sufficient resources will be fleeting and wasteful. But this does not mean that a small or medium-sized enterprise is

doomed to failure from the very beginning. The main objective of the enterprise is to be better than specific competitors acting with the company on the same market (with overlapping goals). In this regard, any performance results should be compared with the results of competitors. For example, to assess the event “reduction of production costs at the company by 5%”, it is necessary to know the same indicator among competitors. Similarly, if “the firm's market share has increased by 5% over the control period,” and the main competitor has increased by 20-25%, then such an event is difficult to evaluate positively or consider it as a competitive advantage.

Practice shows that those organizations that carry out integrated strategic planning and management work more successfully and make a profit significantly higher than the industry average. Many managers do not achieve the desired success due to the fact, that they are dispersing their forces to cover as many markets as possible, produce as many diverse products as possible and satisfy the needs of various customer groups. Success requires a focused concentration of forces and the right strategy. Competitive advantage of the company is not always obvious. In practice, the differences between the company and its competitors, which are selected to assess the advantages or disadvantages, can be very subjective depending on what management attaches importance to - internal factors, customers, or competitors. A constructive strategy should be based on more than 7Ps of the marketing mix. Box and Miller (2011) found a majority of SMEs selected a strategy of diversity as an efficient way of gaining a competitive edge. Worldwide, there exist a specific type of small and medium-sized companies that were able to develop sustainable competitive advantage and become global or regional leaders in their, usually very specific niche markets. Referring to the relevant literature in the field of hidden champions (e.g., McKiernan, Purg, Petraite, Dlugoborskyte, Venohr, Meyer, Voudouris et al., etc.), namely with a reference to the person who is the undisputed pioneer in this field, Hermann Simon, notes, that “it (hidden champion) must be small or medium-sized and generally unfamiliar to the public.” (1996), allows us to apply this knowledge to the field of SMEs.

## **Literature Review**

Undoubtedly, a huge number of authors offer their views on the competitive advantages based on large companies since their analysis is relatively uncomplicated and obtaining information about them is not as challenging as in the case of SMEs. In most cases, the authors show how small enterprises adopt the practice of large ones and use it for their own purposes with new different views, which does not reflect reality; because there are a huge number of other advantages that SMEs have, as well as a huge number of strategies based on them, rather than typical Porter's layout. Further, the author will consider the advantages beyond 7Ps, which are worth paying attention to when executing your own strategy and consider them as advantages in the case of SMEs. Six elements were selected for this work. The choice is justified by the popularity and frequency of usage in the literature (quality and resources), attention and reasoning in scientific journals (niche and customer service) and a new look (regulations and luck).

### ***Niche***

In this paper, niche stands for “the firm’s activities with respect to technology, products, customers, customer needs or region” (Bamberger, 1989, p.83). It does not matter whether the market is very specific or traditional; however, the performed activity, created product or service should be particular. There is a probability that in that niche, the company wins the main part. It is based on the theory that the precariously your activities focused on, the greater a company will hold the competitive advantage. A company focuses on exertion and assets on a niche where the power of the competitors is flat or there are very few competitors (Wolfe, 1991). HCs are small and relatively young players that have competed (very) successfully in a particular niche segment. Successful HCs carefully select niches that are, not too large to attract the attention of powerful multinationals, yet they are large enough to allow for growth and dominance (McKiernan, Purg, 2013). Such companies exist also in Slovakia in various sectors, e.g., Innovatrics in the sector of biometric technologies or Microstep in machinery industry (Táborecká-Petrovičová et al., 2021) and it is interesting to learn from them and study path to their success, strategies, or process of development of competitive advantages.

In carving out a niche, smaller companies need to look beyond traditional users of their products (Wolfe, 1991). It is possible to win against the giants by looking for gaps in the market that are either neglected or poorly covered by big companies. SMEs are able to respond quickly to changing circumstances; SMEs can, therefore, rapidly take advantage of new niche markets for sustainable products and services that incorporate social and/or environmental benefits. (Jenkins, 2004). However, there can also be potential issues with the competitive niche approach if the niche is so tiny in size or so specific that it does not give a decent return to the companies.

### ***Resources***

During the last decades, the emphasis in the strategic management literature has shifted from viewing competitive advantage as primarily determined by environmental (industry/market) factors to a resource-based view (RBV) (Wernerfelt, 1984) that highlights how the deployment of unique and idiosyncratic organizational resources and capabilities can result in sustained superior performance (Lado, Boyd, and Wright, 1992; Rouse, Daellenbach, 1999). The development of small and medium business is spontaneous, with limited material and information resources that give rise to fierce competition in tackling tactical tasks and does not virtually have prospects in the strategic aspect (Mashovich et al., 2018). A smaller company typically has limited resources, making it impossible to compete with the financial powers who can open up overseas subsidiaries overnight and take on the appearances of a domestic company (Wolfe, 1991). Whether resource selection and deployment result in enduring variation across firms will depend on factor market imperfections, defined as barriers to acquisition, imitation, and substitution of key resources or inputs (Barney, 1986). These barriers inhibit competitors’ abilities to obtain or duplicate critical resources and lead to long-run differences among firms in their ability to generate rents (Oliver, 1997).

Barney (1986) highlights the importance of strategic resources or factors in achieving above-average returns for the firm. According to him, the strategic factor market is not perfect

due to the dynamics of the business environment. Under this condition, firms will either overestimate or underestimate the future value generated by strategic resources in implementing a strategy. Therefore, a firm that has a more accurate prediction over the future value generated by its strategic resources will be able to gain above-average returns either because of its superior ability in estimating the future value of a strategy or due to its good fortune resulting from the incorrect estimation of the future value of pursuing a particular business strategy on the part of its competitors. In Barney's (1991) framework, he highlighted the role of valuable, rare, imperfectly imitable, and imperfectly substitutable strategic resources that would afford the firm with a sustainable competitive advantage. However, these characteristics will only be critical when the following two prerequisite conditions, which are heterogeneity and imperfect mobility of strategic resources among competing firms, exist. In a similar vein, the existence of an imperfectly competitive market is the preliminary condition for the existence of a sustainable competitive advantage.

In perfectly competitive markets, resources and ideas can move freely in the market, thus eliminating heterogeneity among competing firms. When firms are homogeneous, they are equally capable of implementing the same strategy, thus making above-average returns not possible over the long run (Ong et al., 2010). Valued resources and capabilities, that is, resources and capabilities that are valued by the firm for their potential to contribute to competitive advantage, may be economic rationality acquired in factor markets (Barney, 1986). By understanding the basis for competitive advantage in your industry, you can better appreciate the actual strengths of your multinational rivals. And by assessing where your own competitive assets are most effective, you can gain insights into the breadth of business opportunities available to you (Dawar, Frost, 1999).

### ***CRM and personalization***

Many changes are occurring in the traditional marketing environment that will intensify the competition and transform the way that small businesses function (Garg and Chan, 1998). One of the keys to successful marketing for small businesses concerns the willingness to focus on service-orientation when selling products and services (Potter, 1988). Almost all businesses compete for service to some degree (Lynn et al., 2000). Hence, customer service is a critical success factor for many organizations (Phillips, 1990). Consumers are becoming more demanding and sophisticated; fashion and tastes are changing and there emerge new technologies (such as biometric technologies) enabling more targeted and individual approach and providing speed and comfort for customers.

The global transformation from industrial production to a service orientation has encouraged research and theory development projected towards understanding the issues contributing to quality service (Fulford and Enz, 1995). What is meant by the phrase "excellent customer service"? Contrary to stereotypes, it is not only saying "please" and "thank you" in a conversation with a client; first, it is building a system in the organization that allows doing the job right the first time and having an action plan that will immediately take effect in case of failures. The creation of such a system is possible only through the optimization of all business processes of the organization for customer service, the adjustment of the organizational structure, as well as the adoption of policies, procedures and



technological instructions that can achieve this goal. Social initiatives that make a difference for the consumers can win consumers' hearts and build close and lasting relationships. A program that offers real participation and goes beyond the standard marketing mix can therefore effectively reshape the competitive game with a market leader. Key consumer/societal problems present unprecedented opportunities for companies to gain long-term competitive advantages by creating both social and business value. (Du, Sen, 2016)

Advocates of the marketing concept argue that organizations eventually attain success by satisfying customer needs (Desphande et al., 1993). Small businesses can no longer adhere to the role of being simply movers of merchandise between manufacturers and consumers. They must ask the customers what they want and then obtain it for them (McDermott, 1990). But entrepreneurs can grow their business only when they hear and pay attention to customer feedback. This may not matter much if one client does not like product or service but if this is applicable for many of them and they desire another function, listen and be ready to adapt. Superior customer service and relationship should be a top concern for any small business competing with big enterprises and trying to win new customers over; the wise contribution of financial sources in CRM and customer service tools is a must for SMEs. According to Gresham et al. (2002), there is growing evidence that organizations – especially those in the retail sector – are placing increased emphasis on hiring individuals with a strong customer service orientation.

Shawn Carraher et al. (2009) conducted a research in Central Europe area and Latvia small businesses “to test the feasibility of using a biodata inventory to measure service-orientation – one’s disposition to be helpful, thoughtful, considerate, and cooperative – across cultures in a sample of 1,324 owners of businesses.” They found out that “within the samples, the service-orientation ratings are highly correlated with extraversion and openness to experience in all six countries and agreeableness in five countries and conscientiousness in four countries”. Simply say, the finding confirmed the role customer service plays in competitive strategies of small enterprise units and corresponded from a distinctive viewpoint. Today, a fundamentally new model is developing - service in the interests of the client - Customer-Driven Service. Literally - a service led by the client. Here, clients, and not the supplier, determine, controls and, ultimately, enforce the level of service that is being implemented. This model follows from the fact that people have certain, specific rights when they are in the role of a client. CSR budgets may be better spent gaining the active participation of consumers rather than merely making them aware of these initiatives. Program participation is likely to produce long-term, vivid beliefs about a brand’s genuine desire and ability to improve the welfare of the participating consumers. (Du, Sen, 2016)

An important aspect of customer-driven management is developing partnerships between the company and its customers and between the company and its suppliers. Such customer partnerships provide opportunities for mutual growth through positive selling, economies of scale and predictability of demand, more direct communication, preferential scheduling, access to proprietary cost and inventory data, and in some cases, dedicated facilities next to the customer's premises (Shields, Schonberger, 1992). Although personalization has received attention in the literature, empirical findings are inconclusive. This issue will be fully explored later. Moreover, most of the past research has focused almost



exclusively on the response rate. As a result, little is known about the relationship between various survey design features and other response criteria such as response speed and response quality (McCoy, Hargie, 2006).

### *Product Quality*

Quality has been a subject of discussion ever since the first seller began providing goods or services for the first buyer (Johnson, 1999). In his work Bamberger (1989, p. 84) conducted an interview with 26 managers and according to the outcome “product quality is considered by far the most important factor for the achievement of competitive advantages in the market; 61 percent of the managers interviewed gave it a ‘very high’, 32 percent a ‘high’ importance.”

Rank	Factor	Importance (mean)	Standard deviation
1	Product Quality	4.53	0.68
2	Reliability of Delivery	4.41	0.76
3	Reputation of the Firm	4.30	0.74
4	Competence of Workers (Skills)	4.22	0.88
5	Flexibility of the Firm	4.14	0.83
6	Quality of Management	4.09	0.89
7	Good Local Image and Personal Contacts	4.02	0.97
8	Financial Capability	3.96	0.89
9	Purchasing	3.85	1.06
10	Social Climate	3.85	1.03
11	Low Cost Position	3.81	0.98
12	Creativity	3.80	1.12
13	Brand Image	3.74	1.22
14	Personal Selling	3.73	1.20
15	Payment Conditions	3.67	1.08
16	Pricing Policy	3.64	1.08
17	Modern Techniques of Production	3.57	1.14
18	Market Share	3.52	1.12
19	Product Design	3.51	1.34
20	Engineering Capacity	3.45	1.33
21	Distribution Channels	3.43	1.18
22	Service After Delivery	3.42	1.44
23	Variety Within Product Groups	3.31	1.10
24	Advertising/Sales Promotion	3.16	1.19
25	Technical Assistance Before Delivery	2.82	1.40
26	Size of Sales Force	2.73	1.19

Table 1 - Critical factors for the development of competitive advantage  
Source: Bamberger, 1989

He mentioned that “some competencies which are considered by small and medium-sized firms as fundamental requirements of their competitiveness. Their implementation can be considered as an underlying condition for the success of the other factors” (Bamberg, 1989). The role of total quality is to delight the customer. By total quality, Schonberger means the quality of goods, services, time, place, equipment and tools, processes, people, environment and safety, information, and measurement. The only necessary goal is a continual and rapid improvement. Focus on the quality of the process (process comprises all of the resources, human and physical, used in production) rather than just on product. Throughout the process, the priority is directed toward pleasing the customer, whether that is the next process or the final customer. Furthermore, quality is everyone's job (Shields, Schonberger, 1992)

Quality is the most important indicator of product competitiveness and, as a result, enterprises. It is quality that largely determines the survival of the enterprise in a market environment and allows it to increase the pace of scientific and technological progress and production efficiency. International practice shows that countries where competitiveness is at the center of the problem, which is ensured by the high quality of goods and the efficient use of resources, achieve a high and constantly growing standard of living (Yurkova, 2009). Improvement of quality transfers waste of man-hours and of machine-time into the

manufacture of good product and better service. The result is a chain reaction—lower costs, better competitive position, happier people on the job, jobs, and more jobs (Deming, 1982). In today's society, a company must satisfy the needs of many different quality "customers." (Johnson, 1999).

### ***Regulations and "green economy" trend***

In modern conditions, environmental issues are becoming particularly relevant and the concept of a green economy is becoming a priority. It is based on the idea of sustainable economic development, improving the quality of human life, preserving and restoring the environment. Accordingly, in order to adhere to the framework of this concept, regulations, and restrictions are introduced. Enterprises play a key role in addressing environmental and social challenges. Globally, in an increasing number of companies—not only hand multinationals but also family businesses and SMEs—an increasing involvement of innovation management with issues of sustainability and social responsibility can be identified. Companies frequently see social and environmental challenges such as climate change as risks, but also increasingly as an opportunity for innovation (Altenburger, 2018). Too often environmental programs and traditional quality programs are viewed as separate and distinct parts of a company's operations. (Johnson, 1999)

In order to successfully address the current societal and environmental challenges—resource scarcity, climate change, social and political tensions, and demographic changes—we need increased levels of ecological and social innovations. Companies play a crucial role in this process, as they will decisively influence both contemporary and future society through "corporate creativity" and sustainable value creation (Altenburger, 2018). Should corporations be obliged to integrate the environmental and social costs of their business activities, many would probably become unprofitable or would lose their competitive advantage over other competing firms, or over substitute products or services. Market forces might be very powerful if a regulatory framework forced all companies to do it; "a race to the top" would replace a "race to the bottom". This would require lots of regulations and impractical protectionism, given that pollution respects no boundaries and that all economies in the world exploit the same limited pool of resources. In fact, this is not the first time that the capitalist system has been confronted with radical and necessary changes; and each time it has shown great versatility and resilience (Lambin, 2014).

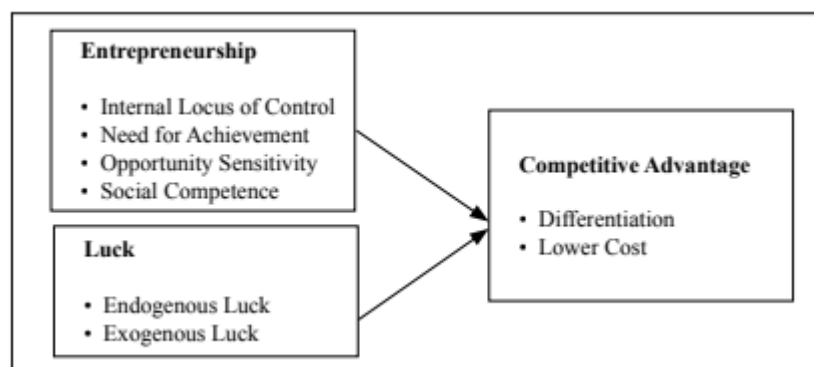
There are direct dollar benefits to be gained from a well-constructed and monitored environmental program. Direct cost savings have been a serious consideration, but they represent only part of the benefits realized, accident rates have also begun a dramatic decline. In addition, employees have increased maintenance of their personal workplaces and take pride in an organized company, committed to excellence (Johnson, 1999). The central choice is to either follow a low regulation route or to follow a high "support" route. Governments have a range of policies to enable SMEs to come into existence and to grow. The simple justification for such policies is that SMEs are major sources of job creation, innovation, and competitiveness in a modern economy and that it is governments' task to promote these characteristics in order to enhance the welfare of its citizens (Stel et al., 2007). It enables firms to take extended responsibility for their operations and products, and reduce

environmental burdens, while at the same time-saving money, increasing revenues and gaining a competitive advantage. Eco-innovations play a crucial role in the process of developing successful new product strategies and are an outstanding way of acquiring both competitive advantage and differentiation (Lambin, 2014).

You cannot improve your environmental performance unless you know what steps your processes involve, what materials are used, and what results are expected. It is vital to realize that customers are no longer just the parties who buy the product that you produce. Your “customers” also include members of the public who may be affected by the safety and environmental impact of your product, or the processes used to produce it. They also include the many regulatory agencies and environmental activist organizations that scrutinize production operations. And they include the internal customers in your own company who are affected by your product as it passes from one department to another. In today’s marketplace, there are increasing demands from all these customers to produce products in a safe and environmentally responsible manner. (Johnson, 1999)

### ***Entrepreneurship, luck, and the firm’s competitive advantage***

In their work, Jeen Wei Ong et al. (2010) came up with a framework where Entrepreneurship and Luck together could be considered as a competitive advantage. In line with Barney’s (1986) argument, apart from entrepreneurship, luck is another crucial element for a firm to gain superior performance. Ma (2002) has provided a comprehensive explanation of how luck can be associated with a sustained competitive advantage for the firm. Ma’s theoretical arguments focused heavily on the need for top management action in exploiting luck to achieve a competitive advantage for the firm. Although pure luck in Ma’s argument defies human intention, he had proposed that to benefit from this purely lucky event, the management has to be alert on the presence of luck and expend proper effort to exploit it. In achieving competitive advantage from changes in the external environment, the firm’s position, endowment, capabilities, and action at the right point in time is very crucial. Therefore, to gain competitive advantage, the firm’s management has to maintain a certain level of spontaneity by maintaining a certain level of slack to allow for self-initiated actions, experimentations and improvisations by individual employees, and be more open-minded and more tolerant of errors in order to encourage the occurrence of lucky breaks generated by useful weeds and skunkworks.



*Figure 1. Research framework*  
*Source: Jeen Wei Ong et al. (2010)*

The arguments above have therefore confirmed that entrepreneurship and luck are crucial for SMEs to achieve competitive advantage. As such, the research framework in Figure 1 was developed to empirically examine the role of entrepreneurship and luck in the attainment of competitive advantage for SMEs.

## RESULTS AND DISCUSSION

Based on all the information above, the author made conclusions for each selected element. This proposal can be used for initial assessments and can be further studied and approved on specific companies. Further, the author will consider these factors briefly and will describe what is observed in the objects of our interest.

	<i><b>SME</b></i>	<i><b>Big players</b></i>
<i><b>Niche</b></i>	Blue oceans; tiny and particular market	Red oceans; mass market
<i><b>Resources</b></i>	Limited tangible; human resources; imperfectly substitutable strategic	Financial, easy-accessible tangible, imitated
<i><b>CRM and personalization</b></i>	Direct contact, boundaries-free	Bureaucracy barriers, hierarchy boundaries
<i><b>Product quality</b></i>	Highest	High
<i><b>Regulations and “green economy” trend</b></i>	Seen as possibilities	Seen as risks
<i><b>Entrepreneurship, luck and the firm’s competitive advantage</b></i>	Crucial value	Mean value

Table 2 - Basic competitive advantages comparison between two categories

Source: own elaboration

### ***Niche***

Particular-market-tendency is natural in small enterprises. To acquire a competitive advantage in such a niche division, a company either go for cost or differentiation strategy. If the concentration is on cost, an enterprise intends to downplay the cost of manufacture in that segment. Nevertheless, if differentiation is under a spotlight, an enterprise generates a competitive advantage by supplying a peculiar product or service not distributed by any competitor. This factor is considered as a basis for differentiation strategy. Differentiation involves creating own products or services offbeat from and more drawing attention than those of competitors. The way a company accomplish this depends on the exact nature of the industry and of the products and services themselves, but will typically involve features, functionality, durability, support, and a brand image that customers value.

Contraction on potential buyers allows specially designed businesses to carry out marketing plans that aim attention at areas of a product or service that will attract most to a certain demographic. Marketing strategies could be custom-made to the particular product or service offered, establishing a more efficient overall advertising campaign. Having a specialized business also makes it clear to pinpoint the target audience. Such an approach by



SMEs suggests that the blue ocean strategy plays a role in choosing a niche as it allows “closing the vast gulf between the potential and the realized talent and energy of the people they lead” (Chan Kim, Mauborgne, 2014). The concept of the "blue ocean" implies the indispensable success of any project, business, if it has two features: (a) a project or business should create value innovation for the consumer, not just benefit or value or b) a project or business should have low costs, which are since an innovative product does not require capital expenditures, many workers, promotion costs, etc. This description corresponds to what we have read in the literature, which allows the author to conclude this approach is one of seeking priority or laid down based on other strategies chosen by SMEs.

### ***Resources***

The most important resource for SMEs is manpower, personnel. They are more important for small businesses than financial ones. This is because entrepreneurship itself is built on using the abilities of the entrepreneur and employees - organizational, creative and others. It is precisely on qualified personnel that the success of a small business is based on the high motivation of employees in its final result. Further dynamic development of small businesses significantly contributes to overall economic growth. However, its activity is constrained by financial barriers. The main source of investment is still its own financial resources and family loans.

In large companies, often everything immediately rests on financial resources. It is their presence in the first round that allows to carry out planned strategies and have access to other resources necessary for this. Big players spend a huge amount of money on research and development, although in the end they often present to the market imitation of products already known in a niche market. That is why large companies are betting on acquiring small little-known enterprises that justified their risks rather than creating something special with potential costs. Indeed, the risk for large companies is primarily a loss, and for small ones, it is an opportunity.

### ***CRM and personalization***

Having a small enterprise, the entrepreneur sensitively and quickly responds to new trends, is being rebuilt. From this, the service of the services performed by him compares favourably with monolithic large enterprises. There is a tendency towards market aspiration for individuality. Every year, the value and relevance of manual work are increasing. Trump card of being a small business is the ability to interact with customers straightforwardly removing the barriers and bureaucracy of larger businesses, designing the capacity to deliver excellent experiences and surpass customer expectations. Concerning the apace altering competitive environment, businesses are shifting from the classic marketing approach of the trade of material goods between sellers and buyers to a new paradigm of relationships, in which the central idea of marketing is to identify long-term relationships with each prescribed customer. The basis of relationship marketing is an individual, case-by-case approach.

### ***Product quality***

A huge role in the quality benchmark is played by the ISO 9001 standard, the latest version of which is built on the Deming cycle. The main change in the latest standard was that the last seven chapters are now ordered according to the PDCA cycle (Plan, Do, Check, Act). With this new alignment, the latest ISO 9001:2015 attempts to maintain and develop the perpetual and structured improvement of processes within organizations. If the processes improve, the organization gains a competitive advantage by upgrading the quality and sticking to it. The modern concept of quality affects all stages and stages of production and sale of the product, all functions, and levels of company management; therefore, close proximity to all functions and small sizes allows to pay attention to many aspects. For enterprises with world-class production that achieve the highest level of competitiveness, it is not an episodic but continuous improvement of quantitative indicators of quality that is characteristic. But this alone is not enough. It is also necessary to constantly look for ways to achieve such distinctive characteristics of the product that allow to exceed consumer expectations, surprise them. In essence, the ability to stand out in the market is the ability of an enterprise or company to constantly surprise its customers.

### ***Regulations and “green economy” trend***

The world has accumulated a wealth of experience in environmental entrepreneurship, proving not only its vital necessity but also economic feasibility. As a result of the current increase in the scale of economic activity of people, a catastrophic destructive effect on the ecosystem is observed, which leads to an increase in the global environmental crisis. The destruction of environmental elements irreversibly leads to a lack of resources and, consequently, to the emergence of new economic problems, and threatens the life and development of future generations. SMEs are enterprises with little environmental impact from individual SMEs; in the aggregate, they produce significant emissions of pollutants and consume significant amounts of resources. Therefore, their role determines how successful the transition to a green economy will be in terms of not only environmental sustainability but also employment and income distribution. Most states, especially developing countries, encourage the transition to a green economy with low taxation, benefits, etc. and create all kinds of conditions for transition. SMEs, due to their size, can quickly rebuild the main functions under the conditions of this direction, while it is more difficult for large players, which leads to fines and regulations.

### ***Entrepreneurship, luck, and the firm’s competitive advantage***

As noted by Robert Frank (2016), in the conditions of the modern economy, the importance of the factor of luck is prohibitively increasing, which is due to the very logic of scientific and technological progress. For example, earlier piano production was highly dispersed. Due to the excessively high transportation costs, the tools were manufactured in places located close to customers. But with the development of transport communications, when delivery costs decreased significantly, each stage of production gradually became more and more concentrated. As a result, there are only a few manufacturers left in the world who can compete in this market. On the one hand, this has radically expanded the circle of consumers

able to purchase goods of the highest quality; on the other hand, manufacturers with a very slight advantage over competitors receive a disproportionately high share of the revenue.

According to Robert Frank (2016), manufacturers who were formerly monopolists in geographically isolated markets began to fight among themselves for survival. And in such battles, even the smallest advantage in quality or cost can be decisive. With this type of competition, minor random events can easily shift the equilibrium point. Thus, the role of luck is becoming increasingly important. This is partly because the stakes in the competitions have sharply increased, the results of which have always depended to some extent on random events.

## CONCLUSION

SMEs are constantly searching for new market niches, actively attracting new technologies, trying to use innovations to reduce costs, gain competitive advantages, and then can significantly affect the overcoming of the inertia of developing economies. How successful an SME will be in development depends on how well the niche in the market and the strategy for moving forward are chosen, as well as on the innovations of the approach in building a business model. In this case, it is the advantages and drawbacks of small businesses at the same time, a very significant threat. Small costs for starting a business, ease of opening and other advantages are also a low barrier to creating and penetrating into the already narrow niche of numerous competitors. In a small business, less investment is needed, but small enterprises receive less income. The less income, the fewer ways for the further development of the company. Small business does not have as many financial resources as large. Therefore, one of the main tasks of small business is to increase profitability and proper financial management. This allows you to increase the financial resources of the business for its development.

Being closer to the client is important for business success, and small business is often much closer to a client than a big one. A small business can more often meet with a client and develop more personal relationships than a large company. A large company has many levels and departments, and often there are procedures that prevent close contact with the client. Customer complaints can be processed faster and on a more personal level in a small company, which makes relationships with customers more long-term and more profitable. Large enterprises work hard on the creation of a brand name and achievement of a bigger share of a market as well as getting a bigger client base; however, they usually fall flat at personalization, which is probably the main component of nowadays customer satisfaction and return. People are often attracted to the idea of getting something unique from a smaller, independently owned business, but are used to the larger selection a chain store can offer. In your marketing and advertising messages, highlight the originality of your stock as compared to the universal stock a chain store offers.

In contrast to large enterprises, where bureaucratization and the enormous scale exclude full awareness and provoke irresponsibility, SMEs get the most out of the opportunity to give their company any direction of movement and flexibility. The feeling that the resource base of the company is constantly behind ingenious development plans does not leave SMEs,

which encourages the use of the main resource – people, who are not only employees but also customers.

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