THE CONCEPT OF SHAPING THE COMPETITIVENESS OF SMALL BUSINESSES AND ITS ESSENCE

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Annotation: This article provides insights and comments on the concept of shaping the competitiveness of small businesses and its essence

In recent years, competitiveness has become a topic of interest among scientists, businesses and government agencies among enterprises. In this regard, Porter emphasizes that there are four levels of competitiveness, firm, industry and nation, and also considers competitiveness from the point of view of region and region. emphasizes. In addition, it is advisable to keep in mind corporate competitiveness in terms of price, quality of service, gross profit and ability to plan and achieve business goals compared to industrial competitors.

Competitiveness for industry refers to the ability to maintain or increase market share in terms of low cost or product characteristics compared to similar industries in different countries. There is also national competitiveness in practice, which is the competitiveness of the national economy to achieve and maintain high growth based on sustainable policies and institutions.

The concept of competitiveness refers to aspects such as competitive advantage, price competition, strategic management and other historical and socio-cultural aspects. Competitiveness can also be seen as an independent variable, an intermediate variable, or a completely dependent variable, depending on the approach of the research, and may consist of different dissimilar factors depending on the area of activity. In particular, the competitiveness of small and medium-sized hotels in the hotel industry can be seen in their competitiveness with competitors in terms of price, quality of service, gross profit, planning and achieving business goals.

The organizational structure of small business entities differs in capital capacity, labor, technology, ability to respond to the environment, management style and, most importantly, in fashion that competes with other enterprises. Therefore, competitiveness studies focused solely on large corporations may not apply directly to small businesses. The competitiveness of enterprises is seen as the degree of interaction between customer satisfaction groups and shareholder value through continuous improvement of service quality, capacity utilization, implementation or ability to respond through financial strength.

Research on the factors affecting the competitiveness of small businesses, which play an important role in the country's economy, has increased significantly in recent years. As Robinson points out, assessing the competitiveness of small businesses should be considered in a broader collaboration or in a constantly changing business environment, taking into account its ability to access capital resources as well as its internal capabilities. It is important to note that internal resources play a more important role than external factors in achieving a competitive advantage.

Based on the scope of the topic, based on data reliability and experience, this study is based more on Porter’s theory of enterprise competitiveness and competitive advantage. To develop conceptual and empirical research on enterprise competitiveness, many studies have been conducted

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

in terms of Porter's theory of competitiveness and competitive advantage. In developing his theory, Porter begins with the following ideas:

- the nature of competition and sources of competitive advantage are very different between industries and even between the same industry segments, and this can affect the acquisition of competitive advantage within a particular industry sector in a particular country;

- The globalization of competition and the emergence of transnational companies does not eliminate the impact of a particular country's competitive advantage, but may offer different competitive advantages for the company, whether it is a country of origin or a host country.

In this regard, Schumpeter notes that "competitiveness is dynamic." Innovation plays a leading role in this constant change and identifies companies that invest to stay in the market. Based on these principles, Porter relies on a system of determinants called "diamonds". Based on Porter's theories, it is possible to express a system of determinants that is the basis for gaining a competitive advantage (Figure 1).

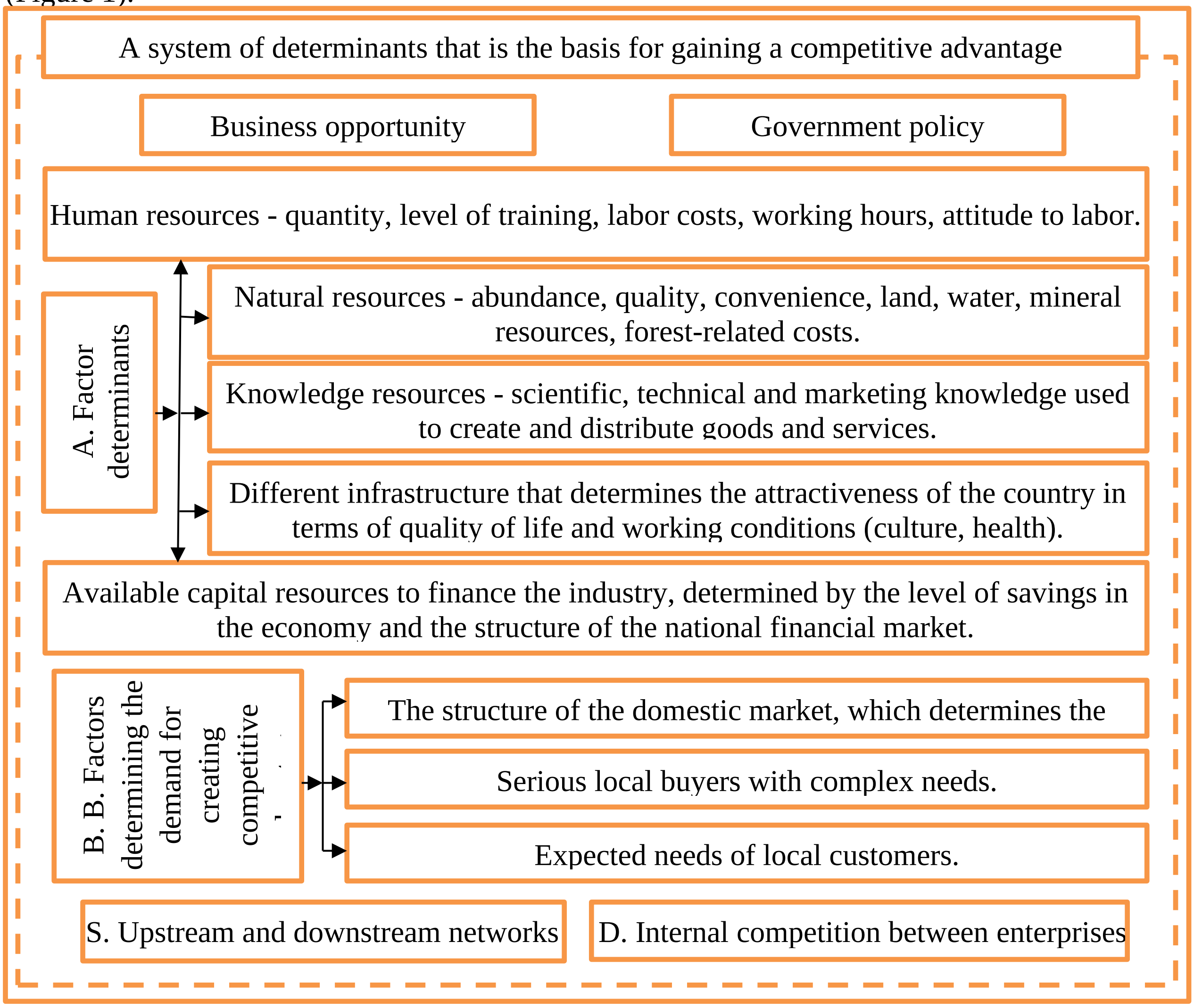

Figure 1. A mechanism to ensure that small businesses have a competitive advantage

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

As shown in Figure 1, we explain the system of determinants that are the basis for small businesses to have a competitive advantage as follows. In the figure A) factor determinants - whether the country is provided with factors; B) factors determining demand - the characteristics of the domestic market; C) upstream and downstream networks; D) strategy and structure of small business entities and competition between them - internal competition; These four factors are significantly influenced by two other factors: opportunity and government policy. All of these determinants are interconnected. According to Porter, the countries where “the national diamond is most useful” are succeeding. No matter how complex and dynamic the country’s economic environment is, some businesses will fail if they do not adequately capitalize on the requirements of this environment.

A. Factor determinants represent the starting point required to enter competition. Classical economic theory defines labor, land, and capital as factors of production. Porter’s theory suggests that even factor supply is undoubtedly important, an important element of a country’s competitiveness is the creation of new factors and the improvement of existing ones. A competitive advantage must be created, it will not be inherited. In general, it is advisable to divide the factors of production into the following categories:

1) human resources - quantity, level of training, labor costs, working hours, attitude to work;

2) natural resources - abundance, quality, convenience, land, water, mineral resources, forestry costs;

3) knowledge resources - the provision of scientific, technical and marketing knowledge used for the creation and distribution of goods and services. This knowledge is located in universities, research institutes, information systems, data banks, commercial associations, etc .;

4) capital resources - the level and value of capital available to finance industry, determined by the level of savings in the economy and the structure of the national financial market, capital markets vary from country to country, even though we are involved in globalization;

5) Infrastructure - includes not only transport systems, postal, communication, payment systems and systems used for money transfers, but also various infrastructure elements that determine the attractiveness of the country in terms of quality of life and working conditions (culture, health).

Given the current conditions in which the mobility of factors of production is constantly increasing, direct access to them is less important, especially in increasing their economic and financial efficiency in their distribution and use. There are two categories of factors of production in this regard:

a) Primary factors (including natural resources, climate, geographical location, skilled or unskilled labor) occur in all countries, but in different proportions.

b) advanced factors (modern informatics infrastructure, highly skilled workforce, competitive research institutes). Many of these factors are created with significant investments in a timely manner. At present, these factors are also the most important for achieving a competitive advantage. However, it should be noted that often advanced factors are based on underlying factors. As another classification of factors of production, the factors are divided according to their specificity:

-generalized factors (transport and communication system, banking system, educated and motivated labor) can be applied in many industries that exist in many countries;

- Specialized factors located in a limited number of economic sectors (highly skilled labor, special infrastructure). Their creation implies large investments with a high level of risk, starting from

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

the presence of generalized factors. They are rare, but critical to creating and maintaining different forms of competitive advantage.

B. B. Demand-determining factors play an important role in creating competitive advantages. They mix domestic demand and influence the achievement of competitive advantage. If domestic demand is so strong, countries will gain a competitive advantage if they force companies to innovate faster than foreign competitors in order to stay in the market. There are three characteristics that affect the competitive advantage of domestic demand:

- The structure of the domestic market, which determines the level of product quality;
- Serious local buyers with complex needs;
- Expected needs of local buyers. In a large country with a large domestic market, development is encouraged and investment can be made to produce goods on a large scale, while in a small country with a shrinking domestic market, there is only one chance to achieve a large-scale economy. being international. The domestic market can develop competitive advantages by internationalizing domestic demand and bringing national products to the international market. When there are foreigners among the buyers, their needs are heavy whether they are occasional buyers (tourists or businessmen) or regular buyers, this situation forces national enterprises to improve their goods. The bottom line is that the domestic market can determine to have a competitive advantage based on its characteristics. But its effect depends on other determinants of the "diamond".

C. Upstream and downstream networks are another crucial factor in achieving a competitive advantage if they have a strong position in the international market. If it has a more concentrated and specialized horizontal and vertical industry, it can be a competitive country where more information, innovation can lead, but the determinants of demand are the growth of international productivity among sectors of the economy and consequently a competitive advantage. depending on.

D. The strategy and structure of small businesses, the competition between them is the fourth decisive factor in the diamond determinant, which affects the international competitiveness of the country with the organization and management of the company, the proposed goals and strategies applied. Of course, there are differences between countries in terms of education level, goals, work style, and managers 'approaches. Goals and strategies depend on the form of ownership, the motivation of the owners, and the motivation of the managers. In order to have a competitive advantage, it is important to coordinate the goals of small business owners with the goals of shareholders, managers.

Individual motivation of employees is important in improving professional training to gain and maintain competitive advantages. Achieving and maintaining competitive advantages is closely linked to the presence of real and strong competition in the domestic market, which encourages small businesses to open new markets to promote new products in the market and stimulate growth. Domestic competition is at least as important as international competition, as the presence of many competing companies is convenient because national companies are as strong as foreign competitors.

The adoption of certain normative documents by the government that encourage the establishment of new enterprises will determine the growth of competition and thus help maintain a competitive advantage. As mentioned above, these four determinants of the “diamond” evolve closely with two other factors: opportunity and government policy. Opportunity - Porter points out that in the evolution of many industries with competitive advantages, wars, major changes in international financial markets, changes in the cost of factors of production have played a significant role.

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

Government policy can influence the achievement of competitive advantage, as this is the most important decisive factor. This is due to the fact that the government can influence the local market through subsidies, investments in education, regulation of the internal market, creation of competitive infrastructure to reduce the cost of access to factors. The state is also an important buyer for some industries such as defense industry, aeronautics, telecommunications. It is important to approach the system of conditions of competition with the consistent action of the state in order to create or improve national competitive advantages.

Experience has shown that small business entities that have only a functional “diamond”, some elements of which are mutually positive, have a long-term national competitive advantage, which in turn helps to achieve international competitiveness. It should be noted that no country is competitive in all areas. This, in turn, means that it is impossible to achieve competitiveness among enterprises in all areas. Only small businesses that have overcome the first strong internal struggle can create international competitiveness.

National economies go through several stages of development, which reflect both the country’s sources of dominance in international competition and the nature and size of successful industries. Based on the above considerations, we can cite four stages in the development of competitive advantages in the evolution of the economy:

- factor supply-based advantage stage;
- stage of investment-based benefits;
- stage of advantages based on innovations;
- stage of advantages based on national wealth. In the first stage, factor-based supply advantages, internationally successful industries believe that their advantages depend almost exclusively on key factors of production. At this stage, the country's economy becomes very sensitive to world economic cycles and changes in exchange rates, which determine demand and relative prices.

The advantage of national competition in the next stage of investment-based growth is based on the desire and ability of the country and its enterprises to invest in large areas. In the third phase of innovation-based growth, the country’s competitive advantages come not only from adapting and improving new technologies and production methods, but also from creating new ones.

These stages of competitive economic growth include the continuous improvement of competitive advantages and are associated with the steady growth of economic well-being. In contrast to these stages, the stage of economic growth based on national wealth is the stage that eventually leads to the recession. A wealth-based economy that has been realized in the past cannot sustain itself because the motivation of investors, managers, and individuals shifts sustainable investment and innovation in other directions. Goals are social goals that take precedence over other goals, including those that support economic development. In this regard, Fota Constantin notes that "countries, as a rule, cross these stages one by one, but it is not excluded that some stages will be suppressed or further extended."

Gaining a competitive advantage equally predicts the risk of losing it. Porter argued that if the “national diamond” does not encourage innovation and investment in a market-driven direction and the industry does not properly understand demand, national dominance will be lost. Studies show that some changes that occur at the national level lead to the loss of competitive advantage. Including:

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

- Unexpected damage of factor determinants and non-compliance of domestic needs with world demand;
- Lack of broader and more complex needs of domestic buyers than foreign buyers;
- technological change due to certain factors or supporting industries, such as lack of human capital and inefficient or non-existent infrastructure;
- Limited investment rates and loss of flexibility of enterprises in achieving the set goals;
- high concentration in the domestic market, reduction of competition as a result of government intervention to protect non-competitive competitors;
- deterioration of the competitive environment and the emergence of unpredictable situations that have a profound effect on political and economic stability (in which case there is an opportunity for other competitors). Like any other theory, even the theory of competitive superiority has its proponents and opponents. This, in turn, leads to shortcomings in the theory of competitive advantage.

Critics of this theory list that the concept of competitive advantage is not sufficiently substantiated and is associated with confusion between enterprises and the nation. In this regard, it can be argued that the theory of competitive advantage emerges at once, in which case the model of comparative advantage does not correspond to economic reality and has negative consequences for countries lagging behind in economic competition. Thus, while classical theory is closely linked to the existence of factors of production, many critics argue that the theory of comparative advantage is related to the underdevelopment of many resource-rich countries.

However, research suggests that the presence of factors of production in Porter’s theory provides the basis for new industrial and trade policies. Competitive superiority allows enterprises and small businesses to find the best solutions to the problems they face and to move forward on the path of economic development and wealth, taking into account the current conditions of regionalization and globalization.

It should be noted that the concept of competitiveness has been developed at three levels across the enterprise, industry and the country, and it is the basis for the development of many small businesses. It is advisable to apply the theory of competitiveness and competitive advantage to study the factors that contribute to the competitiveness of enterprises. In this sense, we believe that it is appropriate to include a leadership factor in Porter’s “diamond” determinant system, which is important in increasing the competitiveness of small businesses. Therefore, in the context of the Republic of Uzbekistan, it is necessary to conduct research to form a comprehensive view of the leadership factors affecting the competitiveness of small businesses. Managers of small businesses play an important role in shaping business goals, strategies and decisions. In this regard, Clarke, Asree et al., “Leadership skills are recognized as key factors in business success”.

The leadership process means creating social influence to ensure the voluntary participation of subordinates in the implementation of the organization’s vision, goals, and mission. Leadership is a combination of knowledge, skills, experience, behavior and attitudes to turn organizations or enterprises into a single body to ensure successful competition in the market. As for small businesses, managers play an important role in increasing competitiveness and employee income, creating jobs, and mobilizing social resources to invest in business development.

However, the leaders of most small businesses, even those with higher education, do not have in-depth knowledge in economics, business administration, business law and other important areas.

ISSN2277-3630 (online),PublishedbyInternational journal of Social Sciences & Interdisciplinary Research.,January-2022 https://www.gejournal.net/index.php/IJSSIR

On these limitations, Chawla et al argue that “businesses’ perspectives, goals, strategies, and ability to deal with risks have a significant impact ”. It should be noted that due to its small size, small businesses are particularly vulnerable to an unfavorable business environment and competition. In fact, it is possible to cite small businesses that have been suspended or bankrupted in the country every year (in particular, 10.6% of newly established enterprises in 2020 were liquidated enterprises).

In this regard, one of the main reasons is the weakness of human resource management, especially the low leadership skills of the management team and managers, which leads to the need to develop it. Insufficient attention to this aspect leads to difficulties in small business development. As the CEO of an enterprise, the head of a small business entity must carry out leadership activities that are comprehensive and practical. In addition, it must directly carry out the production process and business operations, as well as take the lead in human resource management.

In order to effectively fulfill their role, it is desirable for a small business leader to have strong leadership skills, sufficient knowledge and skills, attitude and qualities to effectively manage not only himself but also the team and the whole organization. This serves to ensure the competitiveness of the small business, to achieve the ultimate goal, which is to maintain and develop the position of the enterprise in the market and to obtain a legitimate income for stakeholders and the leader himself.

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