
# A MODEL FOR INCREASING THE COMPETITIVENESS OF SMALL BUSINESSES AND A MECHANISM FOR ITS PRACTICAL APPLICATION

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**ABSTRACT**

*In the context of an increasingly competitive environment, the sustainable development of small business entities is directly dependent on their level of competitiveness. Since small business entities operate in conditions of resource constraints, technological changes and market uncertainties, it is urgent for them to develop mechanisms for effectively managing their capabilities and gaining strategic advantages. There is a need to form a scientifically based model aimed at increasing the competitiveness of small business entities. This model serves as a methodological basis for identifying the system of factors affecting competition, assessing them, identifying priority areas and making strategic decisions. The model creates an opportunity to correctly direct the potential of small business entities, optimally allocate resources and harmonize innovative approaches.*

Today, the issue of increasing the competitiveness of small businesses is directly related not only to the stability of the domestic market, but also to international integration, export potential, and innovative development. In this process, it is important to form not only individual factors, but also their integrated and regionally coordinated system (Figure 1).

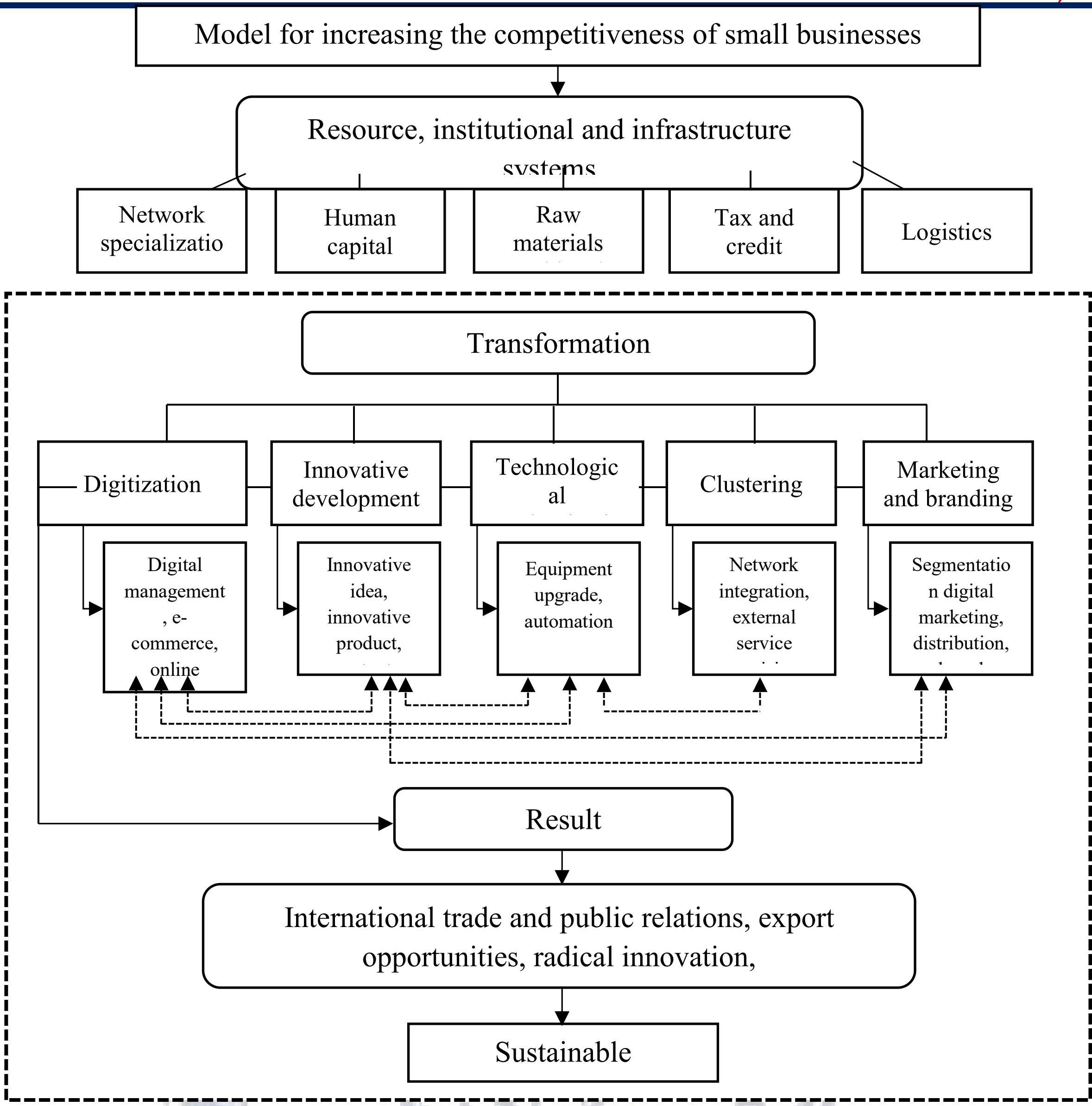


Figure 1. Conceptual model for increasing competitiveness based on a transformational approach

The main practical outcome of the model is to expand the export opportunities of small businesses, create branded products, build innovative competitive advantages, and establish sustainable industry partnerships, thus maintaining competitiveness in the digital economy.

The "Differential Adaptation Index" (DMI) is calculated using the following formula.

$$DMI = \sum_{i=1}^{n}\left(\frac{I_i}{R_i}\cdot w_i\right)$$

Here:

$I_i -$ The direction of transformation of small businesses in increasing their competitiveness (quantity); $R_i -$ the existing opportunities of the direction (volume); $w_i -$ koeffitsiyenti (ahamiyatlilik darajasi).

DMI>1 – overload; DMI =1 – optimal approach; DMI <0.7 – weak.

The Differential Adaptation Vector (DAV) diagram, developed for this purpose, compares the real resource reserves and current activity levels for each transformation direction (digitalization, innovation, clustering, marketing) in a vector format in accordance with the Differential Adaptation Index. For each direction, the degree of adaptation, the need for strategic shifts, and priorities are visually analyzed through the length and direction of the vector located in the diagram. This allows for the planning of transformation policies with territorial and cross-sectoral precision (Figure 2).

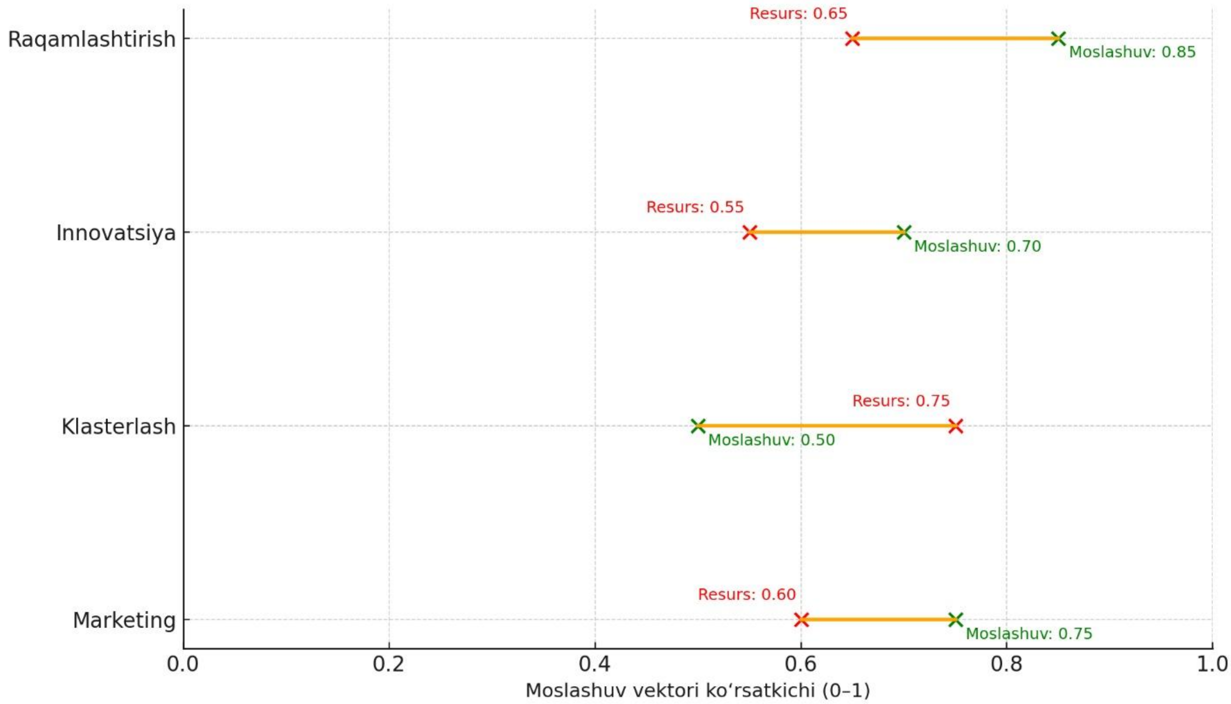


Figure 2. Differential Adaptation Vector Diagram along Transformation Directions

The vector diagram above clearly illustrates the gap between the available resource provision and the level of real adaptation (implementation) of small businesses in four selected strategic transformation areas - digitalization, innovation, clustering, and marketing. The analysis prepared for the sample shows that in the direction of digitalization, the level of adaptation (0.85) is higher than in the direction of resource provision (0.65), which indicates that practical activities in this direction are relatively effective. In the directions of innovation and marketing, the difference between the indicators of resources and adaptation is also relatively small, indicating an increase in adaptability to changing competitive conditions. However, despite the significant resources in clustering (0.75), the low level of adaptation (0.50) indicates that there are problems in the formation of practical integration, cooperation networks and synergies in this direction.

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