The Effect of Competitive Advantage in the Survival of Small and Medium Companies in Kermanshah City

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ABSTRACT

Today, small and medium companies, many countries are a major contributor to the growth of the industrial structure, and those industries for many developing countries that seek to restore their economic structure, are very important. On the other hand, intense global competition, increased uncertainty and a growing demand for their products and services to a variety of causes that is, those industries seeking to create a sustainable competitive advantage in comparison with competitors with an emphasis on using their competitive advantage. All the knowledge, experience, skills, commitment to employees and their relationship with each other, and with external borders, or capabilities that the company has to show better performance enable competitors. The purpose of this article, the impact of competitive advantage, the survival of small and medium enterprises. The survey applications, and the data collection descriptive, correlational. The research consists of all companies are small and medium in Kermanshah. Shows results that, based on the competitive advantage to the business benefits, cost leadership and differentiation in these companies, and small and medium-sized companies, the competitive advantage based on cost leadership and differentiation benefit, survival and it is more lasting.

KEYWORDS: competitive advantage based, focus, cost leadership, differentiation, small and medium enterprises.

INTRODUCTION

Small and medium enterprises, the heart of the world economy today. The wave of industrialization and developing countries, competition for the creation of large-scale industry and mass production, and the same was formed in the first quarter of the twentieth century, reached its peak.

However, major industries, in order to benefit from the effects of large scale, range of products, experience and work organization, economic policymakers are still concerned, however, the advantages of small and medium companies, owing to the effects of transport, market size, effective choice and control, the industry in the production of goods is often the first choice made [1].

Today, small and medium enterprises, many countries are a major contributor to the growth of the industrial structure, and these industries for many developing countries, which are seeking to revive its economic structure, is very important. Many of these countries have found that, in order to speed up the industrialization process, priority should be given to the development of small and medium companies, not large industries. For this reason, we unprecedented enthusiasm, to small industries in many countries in the world [2].

In 2006, about 140 million small and medium-sized firms in the world, and about 60 percent of the workforce in these companies, have been working [3]. Intense global competition, increased uncertainty and a growing demand for products, and a variety of services on the other hand has made, those industries seeking to create a distinct competitive advantage in comparison with competitors with an emphasis on innovative marketing methods for products, services and manufacturing processes are. In fact, those industries, as well as the importance of a competitive advantage in the supply needs of customers better than the competition and thus more profitable, and have found their life. The strategy focuses on the limited and narrow, focused market that is attractive to private. Sometimes a focused strategy, a strategy called Penetration and infiltration, and is based on the assumption that the markets penetrable, are more effective or more efficient companies that can be of interest to serve, to those the level of competition is broader. Companies can pursue a focused strategy, focused strategy
focused strategy distinguish the cost or accept (Mick and Mick, 2010, p. 239). In this study, the importance of competitive advantage in the survival of small and medium-sized companies have been investigated.

Theoretical Foundations of Research

The definition of small and medium-sized companies in Iran

Small and medium enterprises, including small and medium enterprises in all, including industrial enterprises, service, commerce and agriculture. These firms, because of their special features has a unique functionality, which can be mentioned the following:

Employment, distribution of wealth in society, the development of marginal areas, providing products for countries, industries and training human resources required for large firms (Radfer and Khamse, 2008).

The importance and role of small and medium companies in Iran

Fortunately, the small and medium enterprises, including programs that, in developed and developing countries have experienced, and its proper implementation, those who have the power of creativity, degree of innovation, risk taking and you are, Relying on personal abilities and resources are limited, in addition to new business, create jobs for others. Graduates and young job seekers can, through proper training, new ideas to transform business. Brief look at the structure of the economy, the importance of our companies, and small and medium enterprises are more attentive. 93% of small businesses in the industrial units, up. On average, 45% of employment in the industrial sector, by small industries, and is expected during the fourth development plan, an additional 350 thousand jobs in this way, in the country to good growth, achieved in organizing small industries. These statistics are part of the small and medium enterprises, which is provided by the Ministry of Industries and Mines, are included. Organization of Iran Small Industries & Industrial Park, the only trustee platform and infrastructure needed for the establishment of small industries in the industrial towns. According to the above and accept the assumption that the size of businesses, in agriculture and services, on average, smaller than the size of the firms in the industry. It can be said that, overall, the share of small and medium enterprises, more than 50 percent of total employment.

The important thing, according to the position of small and medium enterprises in the global economy, not only in our industry, and then only in small firms, an official in charge of specific context, and other sectors of the economy and Small and medium-sized enterprises, without any specific charge, have been abandoned.

The main advantage and the capacity of small and medium firms in Iran, can refer to the following:

1. High flexibility;
2. The development of entrepreneurship (in different age groups, gender, education, etc.);
3. The power of culture and creativity and innovation;
4. potential to absorb labor, and a significant share of employment in the country,
5. The supply of human resources experts, for large companies;
6. Low cost out of the industry the company, compared with large companies;
7. The low share of imports of raw materials, in whole consumables;
8) loss of income, and regional differences in the economic development;
9. Small Aggregation savings for investment, and use of local resources and raw materials;
10) role is being developed in many areas, and its implementation by local craftsmen [7].

- Competitive advantage

Competitive advantage, including factors or capabilities that the company has been showing better performance than the competition enables [21]. Porter's point of view, a company can use three different base, competitive advantages, which include: cost leadership, differentiation and focus

Competitive advantage based on cost leadership

The acquisition of these advantages lead in the race through the product, with the lowest cost compared to the competition. For this purpose, the method recommended by Michael Porter, produced
in high volume and low prices, the economies of scale called, is [22] one of the main reasons for the implementation of the strategy of vertical integration and horizontal integration is that, be the leader in cost benefits, and the benefits achieved. However, the phenomenon of leadership in costs, should be in line with differentiating products and services used. Many cost factors, the relative attractiveness of public strategies (generic), influence. They include: savings of scale, learning curve and learning experience, the percentage of capacity used, and the relationship between the suppliers of raw materials, and distribution products. Additional costs when choosing strategies should be considered, including potential share costs and skills, or knowledge within the organization, research and development costs related to production and product supply new or modifying existing products, labor costs, tax rates, energy costs and transportation costs (21). Generally, if a corporate strategy based on cost leadership, successfully implemented in a way, this can impact the entire organization, thus finding companies with very high performance, low overhead, tolerate waste, some fringe benefits, rigor in applying for funds, expand the scope of monitoring, reduce maintenance costs and the full participation of employees, in efforts to control costs will be.

Competitive advantage based on differentiation

Different strategies, different strategies to varying degrees, to create differentiation. To distinguish the product or service, it does not mean that the benefit of ensuring a competitive advantage, especially if the standard products in order to meet customers' needs large amounts, or if a rival company to a company that has distinct features is quickly resemble. Competing companies can not quickly produce and provide durable products. The purpose of offering distinctive products is successful, the company can supply the product, the greater the flexibility to adapt to changing business environment, the higher the costs will consume less, for the less maintenance costs, more comfort, and more features are. Product development strategy is an example of the company thereby take advantage of the implementation of the strategy, is based on differentiating their product. Only after a detailed study on the needs and tastes of customers, you should seek to implement the strategy based on differentiating the product or service development in this regard should be based on differentiating a product, a unique product, which is marketed, features target consumers. Company successful differentiation strategy in a manner, to implement can set a higher price than the competing company, since it relies on customer loyalty, and customers enthralled and unique features distinguish this type of product, will [23].

Competitive advantage based on focus

Its limited scope, to focus the available resources, and a competitive advantage over competitors is achieved. Companies to gain competitive advantage this kind can, on specific products or specific customers or specific objectives focus. The strategy is based on focusing on a specific group of customers, when making that part of the industry size and growth potential of the area is adequate, and finally, the success of major companies competing very important not. Strategies such as market penetration, and market development in a way that can benefit greatly from a focus on a specific group of customers who use this strategy based on cost leadership strategy, and distinguish the product in the mix. [21].

Survival of the company

The actual results and measurable effort. To measure the performance of different criteria, can be used. Depending on the company's performance, management thinking, philosophy and mission of the organization, the environment and much more, check measured. Organizational performance, the performance of the company, in the field of financial and non-financial. The dependent variable in the study of organizational performance. One of the most important structures discussed organizational performance in research management, and without doubt the most important measure of success, the company is considered commercial. But in general, about the variables and indicators of organizational performance are still full consensus among experts there. Overall indicators of organizational performance, is divided into two categories: objective and subjective. Objective indicators of organizational performance indicators that, as a very real and based on objective data, measured. Including objective indicators of organizational performance, profitability indicators such as return on assets can be; return on equity, return on investment, return on equity and earnings per share noted.
Subjective indicators of organizational performance indicators include that, based on the judgment of the interest groups are formed. Some of these indicators can be, customer satisfaction, employee satisfaction, the success of new products, and so on [25]. The other view of the company’s performance with regard to their ability to survive in the industry measured [26]. In this study, the performance of companies based on their ability to survive in the industry have been taken into account.

Conceptual model
Conceptual model, the combination of the two models offered by Nye Do et al. (2010), China Hiivang et al. (2008), and Maidio Alivars and Lado (2003) is, 26, 27 and 28.

Hypotheses
1. International Competitive Advantage to focus, and the survival of small and medium companies in Kermanshah, there is a significant positive relationship.
2. The competitive advantage based on cost leadership, and the survival of small and medium companies in Kermanshah, there is a significant positive relationship.
3. The competitive advantage of differentiation, and survival of small and medium-sized companies in Kermanshah, there is a significant positive relationship.

RESEARCH METHODOLOGY
The survey applications, and the data collection descriptive, correlational. The research included 456 small and medium companies active in Kermanshah, selected. First, using Cochran, we estimate the sample size. For this initial example, we choose the size 30:

Average sample \( n = 30(\bar{Y}) \), to the 0192/16 and Varayans this example (\( S^2 \)), is equal to 4/949.

The \( 456N = \) and \( d = 0/02 \) and \( Z_\alpha \) is 1.96 is. The sample size should be selected from the classes, according to the Formula, is:

\[
\begin{align*}
n &= \frac{456 \times 4.949 \times (1.96)^2}{456 \times (0.02)^2 \times (16.0192)^2 + 4.949 \times (1.96)^2} \\
    &= \frac{131.71 \pm 132}{Z_\alpha^2} = \frac{N S^2 Z_\alpha^2}{\sqrt{2}} \nonumber \end{align*}
\]

In this study, five floors below that are shown in Table 1. To select the sample, each of the classes of proportional allocation method we use. In this method, the sample size of classes, class size is proportional. If the total amount of \( N \), overall sample size of \( n \), class size \( N_h \), and sample size selected for the class \( I \) with my \( h \) will \( n_h \) display.

\[
n_h = n \times \frac{N_h}{N}, \quad h = 1, 2, ..., 9
\]
Table 1. Sample size

<table>
<thead>
<tr>
<th>The sample size ($N_n$)</th>
<th>Class size ($N_i$)</th>
<th>Floors</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>53</td>
<td>Machinery and equipment</td>
</tr>
<tr>
<td>6</td>
<td>22</td>
<td>Contacts</td>
</tr>
<tr>
<td>8</td>
<td>21</td>
<td>Chemicals</td>
</tr>
<tr>
<td>8</td>
<td>28</td>
<td>Packaging</td>
</tr>
<tr>
<td>21</td>
<td>71</td>
<td>Food</td>
</tr>
<tr>
<td>10</td>
<td>33</td>
<td>Production of raw materials</td>
</tr>
<tr>
<td>6</td>
<td>19</td>
<td>Wood</td>
</tr>
<tr>
<td>31</td>
<td>105</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>27</td>
<td>99</td>
<td>Other industries</td>
</tr>
</tbody>
</table>

The selected size of the classes is equal to 132.

And information for the analysis of a questionnaire is used. The questionnaire survey, based on a five-point Likert range designed by top and middle managers of small and medium enterprises was completed in Kermanshah. Questionnaire to assess the validity, professors and advisors were under investigation, and the necessary reforms in the questionnaire was applied. Cronbach's alpha to measure the reliability of the method used. Analysis of data using statistical software SSPS, and Amos both descriptive and inferential statistics were used.

Research hypotheses

Normality test variables

In this study, to evaluate the normality of the variables, the Kolmogorov-Smirnov test was used. The table below shows the results of the normality test variables show.

Table 2. Results of Kolmogorov-Smirnov test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Competitive advantage based on cost leadership</th>
<th>Competitive advantage based on differentiation</th>
<th>Competitive advantage based on focus</th>
<th>Survival of the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z score value</td>
<td>0.811</td>
<td>1.185</td>
<td>1.523</td>
<td>1.859</td>
</tr>
<tr>
<td>significant</td>
<td>0.526</td>
<td>0.120</td>
<td>0.019</td>
<td>0.002</td>
</tr>
</tbody>
</table>

Given the significance reported in the above table are significant for all variables, except variables based on competitive advantage and survival of the company is greater than 0.05, the null hypothesis of normality of the data, will be accepted. This means that the competitive advantage based on cost leadership variables, and competitive advantage are based on normal differentiation and competitive advantage based on variables, and survival of the company is not a normal distribution.

Correlation assumptions

Given that assumption variables, do not have a normal distribution, so to evaluate the correlation test, Spearman correlation test was used.

Hypothesis 1: $H_1$ = the competitive advantage of focus, and the survival of small and medium companies in Kermanshah, there is a significant positive relationship.

Table 3. The results of the test is a significant correlation between competitive advantage, based on the concentration and viability of companies

<table>
<thead>
<tr>
<th>Test result</th>
<th>Level of error</th>
<th>Significant level</th>
<th>Deal</th>
<th>Correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission $H_1$</td>
<td>5%</td>
<td>.000</td>
<td>.801*</td>
<td>Spearman</td>
</tr>
</tbody>
</table>
The results of the Spearman correlation coefficient, with (** 0/801) and the significant level of 0/000 = Sig, suggests the hypothesis H1 is accepted, meaning that Sig amount equal to 0/000. And given that this amount is smaller than 0/05, the ratio of the correlation coefficient was significant, meaning that the competitive advantage, based on the concentration and affect the survival of the company, and this effect is positive.

Hypothesis 2:
H1 = the competitive advantage based on cost leadership, and the survival of small and medium companies in Kermanshah, there is a significant positive relationship.

Table 4. The results of the test is a significant correlation between competitive advantage based on cost leadership and survival of the company

<table>
<thead>
<tr>
<th>Test result</th>
<th>Level of error</th>
<th>Significant level</th>
<th>Deal</th>
<th>Correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission H1</td>
<td>%1</td>
<td>.000</td>
<td>.796</td>
<td>Spearman</td>
</tr>
</tbody>
</table>

The results of the Spearman correlation coefficient, with (** 0/796) and the significant level of 0/000 = Sig, suggests the hypothesis H1 is accepted, meaning that Sig amount equal to 0/000. And given that this amount is smaller than 0/05, the ratio of the correlation coefficient was significant, meaning that the competitive advantage based on cost leadership, corporate survival is impressive, and the impact is positive.

Hypothesis 3:
H1 = the competitive advantage of differentiation, and survival of small and medium companies in Kermanshah, there is a significant positive relationship.

Table 5. Test results significant correlation relationship between differentiation and competitive advantage for the survival of the company

<table>
<thead>
<tr>
<th>Test result</th>
<th>Level of error</th>
<th>Significant level</th>
<th>Deal</th>
<th>Correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission H1</td>
<td>%1</td>
<td>.000</td>
<td>.808</td>
<td>Spearman</td>
</tr>
</tbody>
</table>

The results of the Spearman correlation coefficient with (* 0/808), and the significant level of 0/000 = Sig suggests the hypothesis H1 is accepted, meaning that the Sig amount equal to 0/000. And given that the amount is smaller than 0/05, the ratio of the correlation coefficient was significant, meaning that the competitive advantage of differentiation is affecting the survival of the company, and this effect is positive.

Structural equation
Confirmatory factor analysis (AMOS)
Variable factor analysis of competitive advantage first

Figure 1. The first factor analysis variable competitive advantage
Factor analysis shows that the first-order competitive advantage variables, all the questions have been appropriate loadings, and well able to measure the desired variables. The values obtained are significant. Indicator model, in the table below, which shows the model is a good fit.

### Table 6. indicators fitted to first-order factor analysis variables competitive advantage

<table>
<thead>
<tr>
<th>Index</th>
<th>GFI</th>
<th>NFI</th>
<th>IFI</th>
<th>CFI</th>
<th>RMR</th>
<th>X²</th>
<th>Χ² Index model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.92</td>
<td>0.93</td>
<td>0.96</td>
<td>0.96</td>
<td>0.93</td>
<td>0.92</td>
<td>Index model</td>
</tr>
</tbody>
</table>

Factor analysis first variable survival of the company

![Figure 2 first-order factor analysis variable survival of the company](image)

Factor analysis shows that the first order variable survival of the company, all the questions have been appropriate loadings, and well able to measure the desired variables. The values obtained are significant. Indicators that the model in the table below shows the model is a perfect fit.

### Table 7. Indicators first fit factor analysis variable survival of the company

<table>
<thead>
<tr>
<th>Index</th>
<th>GFI</th>
<th>NFI</th>
<th>IFI</th>
<th>CFI</th>
<th>RMR</th>
<th>Χ²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.00</td>
<td>2.39</td>
</tr>
</tbody>
</table>

Test research hypotheses using structural equation

### Table 8. shows the results of the study hypothesis test

<table>
<thead>
<tr>
<th>Test result</th>
<th>t-value</th>
<th>Standard rate</th>
<th>The text of the research hypotheses</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rejection</td>
<td>0/450</td>
<td>0/3</td>
<td>The competitive advantage of focus, and the survival of small and medium-sized companies in Kermanshah, there is a significant positive relationship.</td>
<td>Sub-first</td>
</tr>
<tr>
<td>Confirm</td>
<td>3/660</td>
<td>0/23</td>
<td>The competitive advantage based on cost leadership and the survival of small and medium companies in Kermanshah, there is a significant positive relationship.</td>
<td>The second sub</td>
</tr>
<tr>
<td>Confirm</td>
<td>5/128</td>
<td>0/31</td>
<td>The competitive advantage, differentiation and survival of small and medium-sized companies in Kermanshah, there is a significant positive relationship.</td>
<td>Sub-third</td>
</tr>
</tbody>
</table>

**Conclusion**

Today, small and medium enterprises, many countries are a major contributor to the growth of the industrial structure, and those industries for many developing countries that seek to restore their economic structure, are very important. Studies have also shown that small and medium enterprises through the four channel entrepreneurship, innovation, technological change and the creation of job opportunities, the impact on the global economy is from other hand, intense global competition, rising confidence and the growing demand for diversified products and services has led to, those industries seeking to create a sustainable competitive advantage in comparison with competitors with an emphasis on innovative marketing methods are. The results showed that the changing competitive advantage, based on the variable survival of small and medium companies in Kermanshah, is not impressive, and
the path coefficient equal to (3%), respectively. Given the lack of significant path coefficient, so the competitive advantage, based on the survival of small and medium companies in Kermanshah, there is a positive relationship. This means that no matter how competitive advantage, based on the concentration is higher, the survival of small and medium companies in Kermanshah, most will not. Changing competitive advantage based on cost leadership, the variable survival of small and medium companies in Kermanshah, effective and path coefficient equal to (23%), respectively. Due to significant path coefficient, so the competitive advantage based on cost leadership, and the survival of small and medium companies in Kermanshah, there is a positive relationship. This means that no matter how competitive advantage based on cost leadership is more, the survival of small and medium companies in Kermanshah, more is more.

Changing competitive advantage, based on the survival of small and medium-sized variable distinction in the city of Kermanshah, influential, and path coefficient equal to (31%), respectively. Due to significant path coefficient, so the competitive advantage based on differentiation, and survival of small and medium companies in Kermanshah, there is a positive relationship. This means that no matter how competitive advantage based on greater differentiation, survival of small and medium companies in Kermanshah, more is more. The purpose of this paper is to examine competitive advantage in the survival of small and medium enterprises, respectively. The aim of this study was defined primarily to small and medium companies, and the importance and the role of small and medium companies in Iran and explained. In the face of limited economic growth, and there is very strong competition, combined with the large, medium and small companies, combined with innovation and pioneering, acceptance of the structures, strategies and cultures flexible to compete.

This study, in order to study the impact of competitive advantage to the survival of small and medium enterprises, with a mix of two and three Nye Do et al. (2010), China Hiivang et al. (2008), and Maidio Alivars and Lado (2003). The study among top and middle managers of these companies have been carried out. The purpose of this study was to evaluate the impact of competitive advantage, the survival of small and medium companies in Kermanshah, respectively. As the results show, the top and middle managers of small and medium companies in Kermanshah, a competitive advantage to competitive advantage based on competitive advantage based on cost leadership, differentiation and competitive advantage is based. The results of the study hypothesis with the results of Maidio Alivars and Lado ado (2003), China Hiivang et al (2008) is consistent. In addition, small and medium companies, the competitive advantage based on cost leadership and differentiation benefit, it is more likely to survive and survival. The results of the study hypothesis with the results of the Nye Do et al (2010), and Maidio Alivars and Lado ado (2003) is consistent.

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