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Editorial Introduction: The Changing Opportunities and Challenges of SMEs in Contemporary Business

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1.1 Book Context and Theoretical Foundations

The role and importance of small and medium-sized enterprises (SMEs) have largely remained unchanged over many decades, and SMEs, diachronically, have been characterized by scholars, practitioners and administrators as economic drivers, major employers and innovators. The identity of SMEs, along with their characteristics, attributes and

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competencies, had been considered to be distinctly different from that of their much larger counterparts. And, consequently and irrevocably, their strengths and limitations, as well as their opportunities and threats, were linked to their size and its natural pros and cons. The twenty-first century, however, combining significant technological and communications advancements with intense globalization and significant sociopolitical changes, has changed the identity and role of SMEs, substantially broadening their opportunities and the challenges they need to overcome. Roles traditionally held by larger companies are increasingly undertaken by SMEs; markets that used to be considered simply inaccessible to SMEs are now just one click of the mouse away; relative notions such as ‘adaptability’, ‘agility’, ‘flexibility’ and ‘reflexivity’ are recognized as key to survival and growth, and SMEs are, by nature, best at these; and consumers are becoming more demanding and more specific in their requirements, with SMEs being all the more capable of satisfying them effectively and efficiently. Simply, even simplistically put, the world is changing fast, and SMEs can make their oyster.

In an increasingly competitive global environment, SMEs exert a significant impact on the economies of countries (Genc et al. 2019). Especially in emerging countries, SMEs contribute significantly to economic growth (Ongori and Migiro 2009) and act as a catalyst for development to drive innovation, competitiveness, ground for employment and future growth (Ng and Kee 2017), so that they are considered as the backbone of economic growth in all countries (Ng and Kee 2017). Even though the size and market share of SMEs are relatively small, they obtain a competitive advantage depending upon their characteristics (Stefanovic

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et al. 2009). SMEs are far more dynamic through a fast decision-making process and risk-taking, flexible in responding to market opportunities (Stefanovic et al. 2009) and responsive to frequent changes that arise in the contemporary global environment (Bresciani et al. 2013) compared to the large firms. While large-scale enterprises and multinational businesses often hog the limelight (Ongori and Migiro 2009), researchers acknowledge that SMEs are critical to rebuilding the national economy from an economic crisis (Ballestar et al. 2020). According to Pasricha (2005), the world has become a global marketplace where national boundaries are thrown open to everyone. As markets open up and become more integrated, technology narrows down the distances between markets (Christoforou and Melanthiou 2019) and lowers the scale advantages of large firms by making all markets accessible (Sadiku-Dushi et al. 2019), consequently creating new sources of competition (Thrassou and Vrontis 2008).

Together with globalization of markets, rapid technological advances (Ocloo et al. 2014) and the changing needs and demands of consumers (Shams 2018), SMEs face ever-increasing competition not only at the domestic level but also at the global level (Coviello and McAuley 1999). Such a change in the global environment has increased competitive pressures on SMEs (Belyaeva 2018) and forced them to compete at global standards of multinational enterprises (Chen and Liu 2019). The competitive environment that SMEs face today has forced them to look for different ways (Sadiku-Dushi et al. 2019) to improve their innovativeness and hence competitiveness (Thrassou et al. 2018). Therefore, in order to compete in local and international markets, innovation has become an essential requirement for SMEs (Zahra and George 2002; Genc et al. 2019). Given that innovation is critical to SMEs' competitiveness in global markets, only one half of SMEs are adapted to some sort of innovation (Ozer and Dayan 2015; Genc et al. 2019).

In addition, the growing globalization of world markets has also influenced SMEs (Gurău and Ranchhod 2006; Genc et al. 2019) and driven the attention to opportunities offered by internationalization (Thrassou and Frey 2017). For SMEs, getting access to international markets (Thrassou and Vrontis 2008) has become a strategic resource for their competitiveness and further development (Bagheri et al. 2019).

Internationalization can help SMEs to realize their potential for high growth, and is crucial for the strategic move in large investments (Bagheri et al. 2019). Moreover, gaining access to international markets can propose a number of business opportunities like possibilities to make use of technological advantages (Chen and Liu 2019) and upgrading of technological capabilities (Karagouni 2018), and expansion to larger and new niche markets (Coviello and Munro 1997; Young et al. 1989; Genc et al. 2019). Although their size can put SMEs at a disadvantage compared to large multinational enterprises (Ng and Kee 2017), this characteristic allows SMEs to be nimble and flexible (Paul et al. 2017); accordingly, they can develop new products rapidly and customize them to niche markets (Ormazabal et al. 2018). In addition to the market expansion benefits, performing international activities can lead firms to obtain several skills and competencies (Ng and Kee 2017), which may, in turn, make them more innovative and support their growth and development (Ormazabal et al. 2018).

In addition to opportunities globalization offers SMEs to act successfully (Ocloo et al. 2014) and be effectively involved in global markets (Baporikar 2014), it also poses challenges and threats for SMEs (Belyaeva 2018). Although globalization enriches SMEs' market opportunities, it also increases the number of challenges and level of competition in a global market (Dana et al. 1999; Genc et al. 2019). Since choosing not to join in global markets is no longer an option (Belyaeva 2018), the basic competitive challenge for SMEs is to strategically decide on how to participate in global markets, which will lead to continuous profitability in the emerging global environment (Chimucheka and Mandipaka 2015). SMEs, therefore, must foresee, respond and get used to the competitive environment the world over (Belyaeva 2018). In response to competitive pressure, many SMEs adapt technology to strengthen their business strategy (Li et al. 2016; Cenamor et al. 2019). However, continuous technological changes pose a great challenge to SMEs (Chege and Wang 2020) and many small businesses are still unfamiliar with new technologies, particularly those in the less developed countries (Chege and Wang 2020).

With the advancement of technology, digital platforms enabled SMEs to homogenize, manage and spread data across the globe (Yoo et al. 2010;

Cenamor et al. 2019). In fact, in implementing digital platforms SMEs may face unique challenges because they may lack the required skills, resources and commitment (Giotopoulos et al. 2017; Nasco et al. 2008; Cenamor et al. 2019). Digital platforms, thereby, can be challenging in transforming the way SMEs build a competitive advantage (Kazan et al. 2018; Cenamor et al. 2019). As more and more SMEs are now struggling to compete in highly dynamic environments (Chan et al. 2019; Cenamor et al. 2019) because of the enormous pressure created by both globalization (Kaufmann et al. 2019) and the competition from large multinational enterprises (Bagheri et al. 2019), it is important to be acquainted with the changing opportunities and challenges for SMEs in contemporary business in order to ensure long-term sustainability (Vrontis et al. 2006).

Concluding this theoretical contextualization of contemporary SMEs, we propose that while changes in the wider business environment have been constant, their intensity and pace over the last couple of decades have been profound by any historical standard. And though SMEs are hardly the only ones to have been affected, they do appear to be provided with opportunities and challenges that are disproportionately greater to those of other organizations across the typological spectrum. This book, therefore, brings together a collection of scholarly works that present these contemporary issues through different case studies, perspectives, industries and markets, and individually and collectively add to our knowledge and understanding of SMEs in today's business and socio-economic context, along with the opportunities and challenges that lie ahead.

1.2 Book Content and Structure

In the spirit of this intention, this book comprises a (further) 11 works/chapters that aim at bringing together scholarly thinking and scientific analysis with managerial rationale and practical applications. The works purposefully cover an array of theoretical, industry and geographic contexts, and individually and collectively aim to shorten the gap in knowledge regarding SMEs and their role, opportunities and challenges in contemporary business, and to deliver insights into these.

Chapter 2, ‘Exploring SMEs’ Risk Management in Southern Germany’ by Bernd Britzelmaier, Susanne Schmidtmeier, Carolin Weidler and Chiara Crovini, concentrates on the implementation of risk management practices in German SMEs. The authors follow a qualitative research approach to gain a clear picture of the phenomenon. They collected the data and information through semi-structured expert interviews with nine companies and applied qualitative content analysis to interpret the findings of the work. The chapter argues that limited financial resources and the increasing cross-sectoral dynamics of the risk landscape give SMEs a reason to consider risk management as a worthwhile investment in the future. On the managerial side (for SME managers and owners), the work strengthens the fundamental role of risk culture, consciousness and knowledge, stressing the importance of improving employees’ and management’s skills, and enhancing the information and communication system within the organization.

Subsequently, Chap. 3, ‘The Medical Clinic of Proximity: Business Controversies and Medical Challenges’ by Larisa Mihoreanu, addresses the increased significance of the health sector in maintaining a balance between the aging population and a health-active workforce. The chapter suggests offering the right combination of health coverage within a sustainable and responsible business model, such as a network of medical proximity clinics, with fair prices and balanced profit, which could become the expected entrepreneurial solution.

Chapter 4, ‘The Role of Digitalization in SMEs’ Strategy Development: The Case of Sweden’ by Daniella Fjellström, Aihie Osarenkhoe, Tobias Pettersson and Daniel Tadesse, aims to understand how digitalization affects SMEs’ marketing strategy. Through a qualitative approach, specifically semi-structured interviews, it was found that digital marketing tools demand few resources and have a positive effect on competitive advantage. The chapter contributes to our knowledge of how small enterprises develop strategy, showing that they focus on customer preferences. Combining theory with empirical findings, the chapter additionally shows the benefits of SME digital marketing where digitalizing an enterprise’s marketing activities helps to reduce costs and increase dynamic capabilities to maintain competitive advantage.

Subsequently, Chap. 5, 'EU Public Procurement—The SME Perspective' by Antonios Maniatis, focuses on competition among enterprises, due to the fact that public contracting is intrinsically related to free competition of potential contractors, to promote public interest. The vertical dimension of this complex phenomenon is particularly analysed from a legal point of view. The chapter presents some aspects of directive (EU) 2015/2302 on package tourism, in correlation with public procurement of normativity, as the EU has a steady focus on socio-economic and ecological priorities, and ends with some critical remarks on EU public procurement, particularly in correlation to SMEs.

Chapter 6, 'The Impact of Economic Austerity Measures on Corporate Performance: The Case of an SME-Dominated Construction Industry' by José Manuel Pereira, Humberto Ribeiro, Bruno Ribeiro, Amélia Silva, and Sandra Raquel Alves, aims to analyse the performance of the SME from the civil construction sector, between the years 2010 and 2014, the time during which Troika was present in Portugal, imposing a series of reforms and policies to contain the financial crisis. An analysis of the economic and financial ratios of the construction sector is conducted aiming to present the financial and economic performance of SMEs in the civil construction sector, as a result of some reforms implemented by the country due to Troika's requirements. Findings show the negative impact of the economic environment experienced by Portugal and the anti-crisis policy adopted on the financial economic indicators of the sector.

Chapter 7, 'Digital Transformation as a Source of Innovative Growth for Small and Medium Enterprises in Russia' by Tatiana Kokuytseva and Oksana Ovchinnikova, moves us to technological trends in order to explore the main aspects of digital transformation in SMEs and to determine its impact on the innovative development and competitiveness of SMEs. The chapter highlights the key positions of innovative development and competitiveness based on the study of the possibilities and consequences of digital transformation of the SMEs. Through a qualitative comparative analysis with fuzzy sets (fsQCA), the work suggests that SMEs that experiment with business models are more innovative and high-performing, and therefore have free resources for further transformations of their business models.

The changing role of SMEs in global business continues in the context of Brexit in Chap. 8, ‘Critical Success Factors for SMEs in the UK Chemical Distribution Industry: The “Brexit” Effect’ by Evripidis Lampadarios and Niki Kyriakidou. The purpose of this research is to investigate the impact of the Brexit British referendum on the critical success factors (CSFs) for SMEs in the UK chemical distribution industry. Through theoretical and primary quantitative research, a distinct shift is noted and certain factors, namely the political environment, financial resources and internationalization, previously not considered critical are now deemed to be highly influential in the success of small businesses in the chemical distribution industry. Regulatory compliance and human capital remain critical but with their importance reinforced.

Chapter 9, ‘Integrating Business Model Innovation and Corporate Governance in Family-Owned SMEs: A Dynamic Capability Perspective’ by Paolo Di Toma, focuses on the innovation of a business model and its interaction with the corporate governance process. The chapter addresses the question of how SMEs innovate their business models over time. It investigates the role that corporate governance practices can play in developing dynamic capabilities, which in turn enable business model innovation. Based on a dynamic capabilities perspective, and on theories focusing on corporate governance in family-owned SMEs, this research was conducted using a single case study to investigate the processes by which a family-owned SME holding a patented raw material built an exclusive know-how which enabled a developed dynamic capability of business model innovation. The findings show how both the board and the CEO contributed to the development of dynamic capabilities. The implications for theory and practice on business model innovation in SMEs are discussed.

Geographically shifting to the paradigm of Romania, Chap. 10, ‘The Competitiveness Challenge for SMEs: The Case of Târnave Wine Cluster, Romania’ by Valentin Cojanu and Liane Tancelov, adopts a stronger industry perspective and deeper analysis. The chapter illustrates this business perspective with the case of the Târnave wine cluster. The authors developed the case along two organizing themes: the incentives that

brought a revival of the Romanian wine industry and the role of SMEs in cluster formation. The chapter findings draw on literature research, sector statistics and face-to-face interviews with cluster representatives and officials from the Romanian Ministry of Agriculture and Rural Development.

In a different geographic context, Chap. 11, 'Indigenous Entrepreneurship in Australia: Theoretical Elucidations and Research Avenues' by S. M. Riad Shams, reviews literature at the intersection of indigenous entrepreneurship, socio-economic capacity-building and stakeholder relationship management to explore insights into how the capacity-building concept could strategically influence indigenous entrepreneurs' cause and consequence of relationships and interactions with their non-indigenous stakeholders. The analysis presents a precis for a research direction to influence indigenous and non-indigenous entrepreneurs' relationships to enable non-indigenous entrepreneurs to co-create value in association with their non-indigenous stakeholders, in order to progress with their SMEs.

Finally, and from an industrial perspective, Chap. 12, 'The Role of SMEs in Electricity Markets' by Felicetta Iovino, centres on energy, electricity and gas companies to analyse the role played by SMEs in this sector. Therefore, the purpose of this chapter is to analyse the financial performance of energy companies and draw appropriate conclusions about the function of SMEs. To this end, the author focused on the case of Italy and its electricity-generation companies. Secondary data were retrieved from the AIDA database to analyse some financial ratios, both financial and economic, and to proceed to a descriptive statistical analysis and ANOVA in order to verify the potential of SMEs in the energy sector.

In conclusion, the assortment of internally and externally balanced works, in terms of science and practice, offers a valuable collection of insights into the changing opportunities and challenges for SMEs. The book does not claim to offer any final solution to the contemporary issues and questions regarding SMEs, or a definitive model or direction for theoretical works or managerial implementation. It does, however, suggest fresh and alternative perspectives, and offers equitable paradigms of contemporary theories and applications that should stimulate knowledge and provide solid foundations for further research to develop.

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