

A concept paper

Empirically Derived Strategy Types for SMEs in Developing Countries—

A Study of Knowledge in Action

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Abstract

The objective of this study is to better understand the interactions between with firm resources, SME strategy types, local rural marketing environment, and performance. SMEs play an important role in alleviating poverty and contribute towards the growth and economic diversification of developing economies. However to date, a strategy framework specifically for SMEs in developing countries has yet to be developed. Past studies have adapted the Miles and Snow (1987) strategy typologies or have developed strategy types for SMEs in developing countries only conceptually. Therefore, this study attempts to empirically derive a strategy typology for SMEs in a developing country based on a cluster analysis of theoretically relevant strategy dimensions, an extension of the modeling approach adopted by DeSarbo et al., (2005, 2006). The choice of clusters will also reflect a variation in performance terms, and the derived strategy type will be tested as mediator and moderator in its relationship with resources and performance. This study also examines how and to what extent objective and perceived dimensions of the external environment—munificence and hostility--impacts the resources-strategy-performance (RSP) links in rural SMEs, in effect testing the Resource-Based View (RBV) and the Knowledge-Based View (KBV) on smaller firms in a new context—that of rural areas in a developing country. This study also emphasizes the issue of resource limitations in strategy formulation, which has not been adequately addressed by past studies on SME strategy. The nature of key strategic resources in smaller firms, particularly non-financial resources like knowledge, is explored for its strategic and performance implications in relation to the rural external environment. Rather than through many individual people working in a firm, general resources and capabilities, knowledge-based resource, and in particular “tacit” marketing knowledge, is examined in an aggregated sense through the intuitive understanding within the one SME owner-manager.