Choice of Business Aims and Strategies by Small Business Enterprises in Developing Countries

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Abstract

This paper aims to examine the choice of business aims and strategies by small business enterprises particularly in developing countries. This paper presents a part of the framework indicator; the business aims and strategies (growth strategy, cooperation strategy, alliance strategy, and lifestyle strategy) developed by the researcher in the study of Internet adoption of marketing by small business enterprises in developing countries. Adopting a qualitative approach, fifteen field interviews were conducted with owners or managers of Malaysian and Bruneian small business enterprises. The interviews are constructed on the basis of semi-structured interviews and supporting by the literature review. The finding highlights that growth strategy is the most business strategy chosen by small business owners to expand the growth of their businesses. This study contributes to the literature on business aims and strategies by small business enterprises and the choice of business aims and strategies give the impact to the business directions as a whole.

Keywords: business aims and strategies, small business enterprises, developing countries

1. Introduction

Small business enterprises (SBEs) are widely recognized in contributing the economic development and creating more employment opportunities. SBEs are the drivers of economic growth and innovation (Kotelnikov, 2007). As Kazmi and Farooquie (2000) noted, SBEs play an important role in the overall production in developing countries. This is supported by Stephenson & Arinaitwe (2006) who indicated that the potential growths of SBEs are the medium social and economic development in less-developed countries around the world. Nevertheless, SBEs particularly in developing countries often lack of managerial and competency skills (Karanosias, 2008). Schaper, Volery, Weber, & Lewis (2011) in their studies of differences between larger and small businesses summarized that small businesses less likely to use formal management improvement and planning techniques to enhance the firm’s performance compare to larger businesses.

Strategic planning often related to long-term business goals, the implementation of goals, and the allocation of resources in realizing the goals (O'Regan & Ghobadian, 2004; Stonehouse & Pemberton, 2002). According to Wang et al. (2007) strategic planning leads to better business performance. However, SBEs are typically lacking in strategic planning and long-term vision (Mazzarol, 2004). Thus, SBEs may not achieve their complete planning goals and full performance and the survival of their business might be placed at risk when they neglect strategic planning for their potential growth (Berry, 1998).

This paper attempts to present a part of the framework (business aims and strategies indicator) developed by the researcher in the study of the Internet adoption for marketing by small business enterprises in developing countries. Four attributes of business aims and strategies indicator; growth strategy, cooperation strategy, strategic alliance, and lifestyle strategy were proposed in this study to be tested (refer Figure 1).
2. Literature review

2.1 Growth strategy

A growth strategy is one approach that can be employed by small businesses owner/managers who are interested in expanding the size and scope of their businesses. Previously, many businesses obtained the way to growth by separately developing and managing a business portfolio. However, recently that strategy is no longer suitable for the changing environment in respect of the economic pressure that does not encourage large capital expenditure (Irvin, Pedro, & Gennaro, 2003). Irvin et al. (2003) added that such businesses need to stimulate growth by searching for synergies between previously different sections of their business. Instead of buying new business opportunities and market channels, Irvin et al. suggested that businesses develop new opportunities from inside the former business, and transform the less performing sections of the business into synergistic businesses.

A study by Hashi & Krasniqi (2011), on the similarities and differences in the growth patterns among two groups of SMEs in two areas at different stages of transition (three advanced transition economies, Poland, Hungary and the Czech Republic and three laggard economies, Albania, Macedonia, and Serbia and Montenegro), focused on three factors that influence SME growth – innovation and innovation activities, firm characteristics, and business environments. The findings indicated that although both groups of countries are at different stages of transition, and experienced organizational obstacles, they share similar characteristics and the role of entrepreneurship – SMEs in both areas are significantly affected by technological and organizational innovations. The decision of growth strategy is also related to the organizational resources and capabilities (Zou, Chen, & Ghauri, 2010). Zou et al. (2010) suggested that managers need to consider the current resources of their businesses before selecting a growth strategy.

2.2 Cooperation strategy

Cooperation strategy is defined as “the attempt of organizations to realize their objectives through cooperation with other organizations rather than in competition with them” (Child, Faulkner, & Tallman, 2005, p. 1). The authors stressed that a cooperation strategy of sharing with others that possess the skills and assets could benefit those organizations that are lacking the competencies and resources, thereby providing better access to new markets, and greater opportunity for mutual synergy and learning. Cooperative strategies are especially critical for the survival and growth of small businesses, which require these strategies more than larger organizations (Suarez-Villa, 1998). This is because many small businesses suffer from a relatively limited resource base (Jarillo, 1989), especially in vital areas, such as research and development and international marketing, and consider their own resources as being limited to compete in the global market (Koivisto & Vesalainen, 1994). The cooperative strategy can be either formal (for example joint ventures, licensing or management contract) or informal (Haahti, et al., 2005).
In their studies on the influence of culture and size upon inter-firm marketing cooperation for the salmon farming industry in Scotland and Chile, Felzensztein & Gimmon (2007) found that small businesses in that industry in Scotland were more proactive in building inter-firm cooperation for international marketing activities. In contrast, Chilean businesses faced constraints in building social networking with inter-firm cooperation due to their ‘micro size’, and, consequently, they were unable to afford membership in the national salmon-trade association, which facilitated cooperation and interaction among its members. According to Ussman & Franco (2000), the Portuguese textile and clothing sector was monopolized by SMEs, and the majority were family businesses. Due to size, availability, technology, purchasing and marketing activities and financial constraints, SMEs faced difficulties in maintaining the development of their business strategies and cooperation could be one of the alternative solutions for them to explore the market opportunities, necessary resources and know-how, which they are unable to achieve alone. The results obtained also show that the level of cooperation agreements between Portuguese SMEs was quite limited due to certain reasons, such as lack of knowledge concerning the incentives offered by the firms involved in the cooperation process, lack of trust in potential partners and a refusal to share resources and/or knowledge with others. Ussman & Franco (2000) argued that although the cooperation process is difficult and complex, it also has some positive results that can be useful to businesses to improve competitiveness.

2.3 Strategic alliance

Strategic alliances are “purposive arrangements between two or more independent organisations that form part of, and are consistent with participants’ overall strategies, and contribute to the achievement of their strategically significant objectives that are mutually beneficial” (Pansiri, 2005, p. 1099). A strategic alliance can provide opportunities for businesses to tap into the resources, knowledge and skills of their immediate partners (Todeva & Knoke, 2005). Kauser & Shaw (2004) demonstrated that behavioural aspects of international strategic alliances have a greater impact on the performance of managers’ satisfaction with international strategic alliances.

A strategic alliance strategy can be an important tool for attaining and maintaining competitive advantage (Elmuti & Kathawala, 2001). Additionally, the strategic alliance concept can appeal to businesses because of the potential cost savings in executing operations, looking for the best quality or technology and identifying the cheapest labour or production costs. A survey by Jaouen & Gundolf (2009) on the patterns and governance modes of alliances in South France found that micro businesses not only sought financial benefits through their cooperation in order to achieve a greater market share, but also sought to access complementary resources in helping them to overcome their shortcomings. A high degree of harmony, loyalty and sincerity is also shown to have a positive impact on international strategic alliances (Kauser & Shaw, 2004). Kauser & Shaw (2004) also added that communication in terms of quality of information transmitted, the extent of information shared and participation of both parties in the planning of goals and activities is crucial for the success of an international strategic alliance. This is supported by Pansiri (2008) who identified commitment and capability as the indicators that influence the satisfaction, market share and profitability, and overall alliance performance.

According to a study on New Zealand wineries conducted by Bretherton & Chaston (2005), the key success factor in a strategic alliance strategy is having a clear strategic intent, combined with adequate capital, which allows ownership and control of key resources and capabilities. There has been a long tradition in the wine industry of using strategic alliances to access resources and capabilities in order to deliver final products (Bretherton & Chaston, 2005). Strategic alliances are an innovative tool for SMEs to market their products and services. This is supported by O'Dwyer, Gilmore, & Carson (2011) who revealed that SMEs engage in strategic alliances for innovative marketing purposes to accomplish two different outcomes: (1) to accomplish different organizational goals, and (2) to counter existing obstacles, such as limited resources.

2.4 Lifestyle

There are a number of small business enterprises that are looking for a lifestyle reason for running their businesses, which impacts on their strategic aims (Levy & Powell, 2003). Levy & Powell (2003) in their study of SME Internet adoption towards a contingent model indicated that one of the participants who practiced his business for lifestyle reasons revealed that he was not looking for business growth and only markets his products locally.
Deakins & Freelo (2003) described owners of small businesses who run the business on a lifestyle basis “normally called sole traders, employed few or no people and their major objectives were likely to be concerned with survival and ensuring that the business provided them and their family with sufficient income…in other words, the owner is only concerned with maintaining a lifestyle that he or she may have been accustomed to in a previous form of employment” (p. 277).

The lifestyle determines the business growth that the owner of the small business wants to have (Bridge, et al., 2003). This is supported by McMahon (2001) who indicated that lifestyle businesses typically exist to support the source of income and employment of the owners-managers of the businesses. The businesses are often operated in a manner consistent with the lifestyle preferences of the owners-managers. Lewis (2004) suggested that in lifestyle businesses associated with a lifestyle strategy the owners-managers “desire to live their life in non-economic terms”. The research findings by Lewis (2004) in the study of New Zealand SME owners “lifestyle” revealed that most of the owner-managers involved desired to grow the business but within certain limits, such as to maintain their lifestyle and concentration on the family.

3. Research methodology

3.1 Selection of participants

This paper is concentrated solely on Malaysian and Bruneian SBEs and specifically discusses on business aims and strategies indicator which are; growth strategy, cooperation strategy, strategic alliance, and lifestyle strategy. Malaysia and Brunei are presented as examples of developing countries. Fifteen small business owners/managers were selected to participate in these interviews. The participants were selected from urban and rural areas in order to gain comprehensive findings for revising the framework. The criteria used in selecting the participants were the enterprise also needed to fulfil two other conditions in order for them to be eligible in this study:

- have less than 20 employees
- independent business that does not belong to another company or subsidiary

In order to avoid language bias, the interviews were conducted either in the Malay Language or English, whichever was preferred by the participants. A total of 30 invitation emails and 31 invitations were sent to Malaysian SBEs and Bruneian SBEs. Only 13 positive responses received from Malaysian SBEs and 6 positive responses received from Bruneian SBEs that were willing to participate in the interview sessions. Overall, 10 interviews were conducted with Malaysian SBEs and five interviews with Bruneian SBEs respectively. As Brunei is a small country with a total land of just 5,765 sq km (Borneo Bulletin Yearbook, 2011) when compared with Malaysia, thus it is appropriate to conduct only five interviews in Brunei. Table 1 presents a summary of Malaysian and Bruneian response rate.

| Table 1: Summary of Malaysian and Bruneian response rate |
|---------------------------------|-----------------|-----------------|-----------------|
| **Malaysian SBEs**              | **Bruneian SBEs** |                 |                 |
| Items                          | Quantity        | Items           | Quantity        |
| Number of invitation emails sent | 30              | Number of invitation emails sent | 31              |
| Positive responses received     | 13              | Positive responses received | 6               |
| No response                    | 12              | No response     | 20              |
| Invalid email addresses        | 5               | Invalid email addresses | 5               |
| Actual interviews performed    | 10              | Actual interview performed | 5               |

3.2 Profile of participant

**Malaysia**

In this research, five rural and five urban SBEs were selected to be interviewed. The selected SBEs were from Peninsular Malaysia.

For rural areas, two different areas were selected: Terengganu and Johor. Rural areas in Terengganu were situated about 114km outside of Kuala Terengganu (capital of Terengganu).
The selected location for rural areas in Johor was situated approximately 124 km from Johor Bahru (capital of Johor). Urban areas involved one respondent from city of Terengganu, three from Kuala Lumpur, and one from Selangor. As observed, participants from urban areas were based in the city. All the urban locations could be accessed by air or land. Meanwhile, the rural locations could only be accessed by land.

Brunei

As Brunei is a small country, these participants were randomly selected either from urban or rural areas. Brunei is divided into four districts: Belait, Brunei-Muara, Tutong, and Temburong. For this research, participants were from Brunei-Muara (four participants), and Temburong (one respondent). Brunei-Muara is the northern-most district of Brunei with over half of Brunei’s population. Brunei-Muara is also a bustling district as it is the state capital; Bandar Seri Begawan presents the centre of all business activities. Temburong district is separated by Malaysia and Brunei Bay. The Temburong District is rich in unspoiled natural heritage, including the Ulu Temburong National Park (formerly the Batu Apoi Forest Reserve).

Table 2 displays the profile of selected Malaysian and Bruneian SBEs that consists of their location, type of business, the category (urban or rural) and their ID, which will be used later in the discussion.

Table 2: Profile of selected Malaysian and Bruneian SBEs

<table>
<thead>
<tr>
<th>Location</th>
<th>Type of business</th>
<th>Category</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Besut - Terengganu</td>
<td>Inbound Travel Agent</td>
<td>Rural</td>
<td>MR – Tour (01)</td>
</tr>
<tr>
<td>Merang - Terengganu</td>
<td>Resort</td>
<td>Rural</td>
<td>MR – Resort (02)</td>
</tr>
<tr>
<td>Kuala Terengganu</td>
<td>Bakery</td>
<td>Urban</td>
<td>MU – Bakery (01)</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>Photography Studio</td>
<td>Urban</td>
<td>MU – Photo (02)</td>
</tr>
<tr>
<td>Batu Pahat - Johor</td>
<td>Snack retailer</td>
<td>Rural</td>
<td>MR – Snack retailer (03)</td>
</tr>
<tr>
<td>Batu Pahat - Johor</td>
<td>Caterer</td>
<td>Rural</td>
<td>MR – Caterer (04)</td>
</tr>
<tr>
<td>Paka - Terengganu</td>
<td>Photo shop</td>
<td>Rural</td>
<td>MR – Photo (05)</td>
</tr>
<tr>
<td>Shah Alam - Selangor</td>
<td>Wedding Boutique</td>
<td>Urban</td>
<td>MU – Wedding Boutique (03)</td>
</tr>
<tr>
<td>Petaling Jaya - Selangor</td>
<td>Mother and baby products</td>
<td>Urban</td>
<td>MU – Baby Apparel (04)</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>Apparel</td>
<td>Urban</td>
<td>MU – Apparel (05)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Type of business</th>
<th>Category</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei-Muara</td>
<td>Bakery</td>
<td>Urban</td>
<td>BU – Bakery (01)</td>
</tr>
<tr>
<td>Brunei-Muara</td>
<td>Inbound travel agent</td>
<td>Urban</td>
<td>BU – Tour (02)</td>
</tr>
<tr>
<td>Brunei-Muara</td>
<td>Bakery</td>
<td>Urban</td>
<td>BU – Bakery (03)</td>
</tr>
<tr>
<td>Brunei-Muara</td>
<td>Baby gift shop</td>
<td>Urban</td>
<td>BU – Baby gift (04)</td>
</tr>
<tr>
<td>Temburong</td>
<td>Apparel</td>
<td>Rural</td>
<td>BR – Apparel (05)</td>
</tr>
</tbody>
</table>

3.3 Data analysis

In this study, content analysis was used for the data gathered from the field interviews. It was performed after each of the interviews had been carried out and the data was then allocated in the electronic spreadsheet for analysis. Then all the interview data was analysed to identify themes emerging across all of the interviews. Consequently, the researcher decided to use thematic analysis as a part of the data analysis. Thematic analysis aims to identify the themes within the data (Ezzy, 2002, p. 88). Thematic analysis is more conducive than content analysis as the categories into which themes are categorized are induced prior to coding the data (Ezzy, 2002). Joffe & Yardley (2003) also indicated that thematic analysis shares many principles and procedures of content analysis; with the conceptualisation of thematic analysis the term ‘code’ and ‘theme’ are used interchangeably. Thus, this study used emerging themes to match the content analysis.

4. Result and discussion

Based on the initial framework, the listed business aims and strategies are growth strategy, strategic alliance strategy, cooperation, and lifestyle strategy. All of the listed business aims and strategies were proposed based on the literature and findings from the previous data collection on the initial framework. Not all of the listed business aims and strategies were applied by SBEs.
Malaysia

All participants had short-term and long-term business aims except MR-Tour (01), which only had short-term business aims. Most participants had a business growth strategy to achieve their business aims. Among the short-term and long-term business aims were:

“I plan to settle the bank loan that I made to buy this resort” (Short-term business aim)

“I want to improve the resort, such as every 10-15 years we need major maintenance to be done”. (Long-term business aim)

MR-Resort (02)

“I want to train my workers who know how to bake. I am also in the process of improving my chocolate” (Short-term business aim)

“I plan to open another branch in the city”. (Long-term business aim)

MU-Bakery (01)

“I want to expand my business to Singapore and Brunei. I also want to be one of the major suppliers to other businesses that will buy my products in bulk”.

(Short-term business aim)

“I plan to have better business premises in the future”. (Long-term business aim)

MR-Snack retailer (03)

“I am in the process of improving my items and transaction system as I think it is still not really proper yet” (Short-term business aim)

“I would like to produce my own brand and have my own dealers. I am also thinking of franchising this business so more people will know about my business” (Long-term business aim)

MU-Baby apparel (04)

All participants had a plan to grow their business in the future. However, not all participants had a strategic alliance with other businesses. Some participants had a cooperation strategy, particularly with their suppliers or their business networks. For example, MR-Tour (01) was an inbound tour operator that managed reservations to the local islands. MR-Tour (01) had a cooperation strategy with businesses that operated boat services to the islands. Other example was MU-Photo (02), who cooperated with Japanese artists in relation to his artwork. This cooperation strategy assisted both parties to discuss and improve their artwork. It involved knowledge sharing such as the techniques to set up portrait shoots, lighting for indoor/outdoor photo shoots, and hardware and software to soften the images. MU-Photo (02) and Japanese artists also collaborated in presenting their artwork at the national level by entering international photography competitions. MU-Wedding Boutique’s (03) owner stated that she did not have any proper cooperation with other businesses. She suggested that her clients refer to her colleague’s business for other services, such as hairdresser or photographer. All participants agreed that the use of computers and the Internet assists them to achieve these business aims and strategies.

Brunei

All participants have short-term and long-term business aims. They were enthusiastic about growing their business. Some of the examples of the short-term and long-term business aims were:

“I want to complete the big project from Ghanim International” (Short-term business aim)

“I want to expand my factory” (Long-term business aim)

BU-Bakery (01)

“I want to be patient and survive in this business” (Short-term business aim)

“I would like to expand the business and have more business networks and get more sub-contracts” (Long-term business aim)

BU- Tour (02)
All participants agreed that they would like to develop and expand their businesses in the future. Several participants have built a cooperation strategy with suppliers or business networks. For example, BU-Bakery (01) has a cooperation strategy with suppliers, in order to get the raw materials for manufacturing in stock. BU-Tour (02) had a cooperative relationship with related networks in the tourism industry, such as transport services, hotels and businesses offering ‘rainforest’ packages. According to BU-Tour (02), the main reason for her to develop a cooperation strategy with other tour operators was that she could easily arrange any tour package based on the tourist’s request and pass it on to other tour operators if it was beyond her company capabilities, such as a rainforest package. None of the participants had developed any strategic alliance strategy for their businesses.

4.1 Discussion

Based on the results gathered from Malaysian participants, most of them have short-term and long-term business aims, except MR-Tour (01) who only has short-term business aims. All participants stated that they applied a growth strategy for their betterment and business growth in the future. Several participants also applied a cooperation strategy. They cooperated with their suppliers and business networks to expand and strengthen the businesses in the market. Bruneian participants were enthusiastic in growing their businesses in the future. They applied a growth strategy and several of them also applied a cooperation strategy for their businesses. None of the participants applied an alliance strategy or lifestyle strategy in their business.

Cooperation networks by Malaysian and Bruneian participants are often related to their business market. For instance (MR-Tour 01), which is an inbound tour operator, built a cooperation strategy with a boat service operator. This cooperation strategy strengthened the market and provided more opportunities for the business. This is supported by Pesamaa & Hair (2007) who claimed that the formation of cooperative networks could be one of the solutions for small businesses to survive in the marketplace. Pesamaa & Hair (2007) also indicated that a cooperative strategy is needed as relatively small businesses face difficulties in competing in the market due to business locations located in remote geographical areas.

A minor alteration is considered on attributes of the business aims and strategies indicator. Based on the particular business environment (country’s economic growth is considered) many SBEs had not yet reached where a strategic alliance is seen as one of the options for business strategies. Thus, both cooperation strategies and strategic alliances attributes will be merged into one strategy. The findings also indicated that lifestyle strategy is not supported as a business aims and strategies. It was more of a reason for the owner-manager of SBEs to get into the business. It was supported by Lewis (2008) on lifestyle and business growth of small business owners in New Zealand found that small business owners had desires to grow their businesses but with certain limits. Typically their limits for business growth were related to their lifestyle and family oriented routines. It was decided to remove the lifestyle strategy from the indicator. Figure 2 shows the business aims and strategies indicator based on findings from the interviews.
5. Conclusion

Overall, the results gathered from the field interviews with Malaysian and Bruneian participants indicated that most of them have short-term and long-term business aims and strategies. Most of the participants considered a growth strategy as a main driver to boost the business and also a cooperation strategy to sustain operations in the market. The growth strategy relies on the enthusiasm of small business owners or managers to enhance their business development. This supported by Burke & Jarrat (2004), based on an empirical study on SBEs in Australia, indicates that strategy is an explicit plan and an implicit pattern of behaviour.

It is related to the attitudes and decisions of the owners or managers of the SBE’s, and, thus, influences the growth strategy of the business. Majumdar (2008) suggested that motivation of the owners or managers of SBEs governs the attitude and decision concerning growth. A growth strategy might vary amongst SBEs even if they operate in similar markets (Matthews & Scott, 1995). This study contributes to the body of knowledge in respect of choice of business aims and strategies by SBEs in developing countries. For the future, this study could be extended by focusing the research areas into certain sector of SBEs, such as tourism, manufacturing, retail or others instead of generalising the study as a whole.

References


