

Strategy-As-Practice to Reconcile Small Businesses' Strategies and RBV?

Daniel Degraevl
California State University, Northridge

How can small business benefit from the “Strategy-As-Practice” (SAP) approach to integrate their strategy and the resource-based view (RBV)? The paper, as a first step of research, explores some background and justification for this integration, provides “conceptual connections” between the RBV and strategy, as well as a brief description of future empirical research to test that integration. The objective is to demonstrate that using SAP offers a valuable opportunity toward this integration in small firms. The specific combination of small business settings, of the SAP approach, and of the idiosyncratic needs for the strategy-RBV integration fit to produce the right set of circumstances to progress toward this “integration” goal.

INTRODUCTION

Despite a significant effort of research within the resource-based view (RBV), little is known about the origin of competitive advantage in small business (Yu, 2001). The RBV, studied mostly in large businesses, could provide a powerful framework to small business for building their competitive advantage and for “strategizing based on their resources and potential”, which has not been fully exploited (Runyan, Huddleston & Swinney, 2007:390, 391).

Despite obvious strong ties, strategic management and the RBV have surprisingly developed quite independently from each other, and few models allow a conceptual and practical integration of the two perspectives - noticeable exceptions are Régner (2008), Döving and Gooderham (2008), Leask and Parnell (2005), and Sanchez and Heene (2004).

This paper presents a reflection to reconcile the RBV and strategic management activities within the organizational settings of small business, mobilizing the Strategy-As-Practice approach (SAP). Why the small business organizational settings? The paper addresses the intuition that because of specific attributes (Verreynne & Meyer, 2010; Kelliher & Reinl, 2009; Beaver & Jennings, 2005; Edelman, Brush, & Manolova, 2005; Rangone, 1999), small business settings offer potentially fruitful opportunities to reconcile strategy and the RBV (Leitner & Guldenberg, 2010; Ensign, 2008). SAP appears to be a tool that fits well with these attributes, and maximizes its power to understand, build, connect and improve strategy and the RBV in small business.

In the first section, SAP is described as a philosophy and as a method. A second section explores the linkage in the literature between strategy and the RBV. Following that, two relationships are explored: how do small business and strategy relate? (section three), and how do small business and RBV relate? (section four). Then, connections are suggested for reconciling strategy and the RBV for small business (section five). Finally, the fundamentals of future research design are presented, providing a simplified version of how SAP can address the integration of strategy and the RBV.

Before examining the SAP in the following section, let us briefly define the concept of small business. For our purposes, a “small business” as an organization that is, to a large extent, freely controlled by its owners/managers, who “know it intimately”. Birley and Norbun (1985:86) state that the owner “holds the firm in the palm of his/her hand”. This definition limits our scope to organizations in the 1-50 employee range, which exhibit specific attributes further described. These organizations recognize the centrality of the owner in their management, as well as his/her impact on the performance and the behavior of the firm. This relatively loose definition appears sufficient for the purpose of this paper, and is discussed again in the last section related to future research.

The following short synthesis of the literature, and discussed more in depth in sections three and four, allows us begin our study: small businesses have a specific approach to strategy, very different from large firms, characterized by short term horizons, intuition, informality, speed, instinctive and reactive decision making style, and survival constraints. They often lack capabilities and resources, which prove to be a critical factor for their success. Because everything revolves around the owner manager, psychological processes and cognition have to be considered as drivers of performance and strategy.

STRATEGY-AS-PRACTICE: A PHILOSOPHY AND A METHOD

We first define the SAP and explore some of its main attributes, then discuss four foundational concepts, and we finally examine some challenges associated with this perspective.

Definition and Main Attributes

Strategy-As-Practice (SAP), recently gaining momentum, focuses on “what people do”, on their activities and behavior.

SAP is philosophically based upon the desire to overcome the classic dualism between individualism and “societism”, and to reconcile three themes: 1) society, 2) individuality, and 3) the actors. Based on the work of philosophers such as Bourdieu, Certeau, Foucault, and Giddens, “SAP resists the choice between micro-detail and the larger society”, in an attempt to integrate in a coherent theory these three themes (Whittington, 2006:614-615). In the SAP, an explicit link exists between micro and macro phenomena, as well as between internal and external phenomena, the latter of which takes place in the wider societal environment (Jarzabkowski & Spee, 2009:70, 71).

The SAP does not consider only one level, but generally focuses on a multilevel analysis within and outside the firm. It accompanies a general movement of “re-humanization” of strategy, after some dissatisfaction among strategists and scholars about the classic strategic approaches (Jarzabkowski & Spee, 2009:69-70).

The SAP does not aim at “parsimonious models, but as the generation of practical wisdom”; one objective is to allow the practitioner to recognize underlying situation mechanisms and to identify with them. It contributes to the reflection of existing practices with “some accuracy, familiarity and veracity for practitioners” (Jarzabkowski & Whittington, 2008:282-283). SAP provides interesting tools to capture what people actually do in strategy: for example, a matrix articulating the practitioner’s level and location with the organizational level (micro, meso, and macro), or a grid of organizational and strategic outcomes (individual, group, strategizing process, organizational outcomes, and institutional outcomes) (Jarzabkowski & Spee, 2009:74, 87-88).

Foundational Concepts

Four foundational concepts characterize SAP: 1) Practitioners, 2) Praxis, 3) Practices, (Jarzabkowski & Spee, 2009:70, 72, 81, 82; Whittington, 2006:619), and 4) Professions (Whittington, 2007).

Practitioners are the people who are actually doing the work of strategy and carrying out all its aspects (Whittington, 2006:619; Jarzabkowski & Whittington, 2008:282).

Praxis is defined as the actual work that constitutes strategy, and includes activities such as meetings, talking, calculating, thinking, presenting, communicating, etc. These activities often take place in

sequences of episodes, and include formal and informal elements as well as routine and non-routine elements (Whittington, 2006:619; Jarzabkowski & Whittington, 2008:282).

Practices are “shared routines, behaviors, and procedures for thinking, acting, and using things” (Whittington, 2006:619). Jarzabkowski and Whittington (2008:282) define practices as “the social, symbolic and material tools through which strategy is done; theoretically and practically derived tools that have become the everyday lexicon and activity of strategy”. Citing Reckwitz’s (2002) work on “practice”, Jarzabkowski, Balogun and Seidl (2007:9) equate practices with “the routinized types of behavior which consist of several elements, interconnected to one another: forms of bodily activities, forms of mental activities, things and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge”. Practices are connected to “doing” because “they provide the behavioral, cognitive, procedural, discursive, and physical resources through which multiple actors can interact in order to socially accomplish collective activity”.

Finally, professions are “institutional fields” characterized by actors, by inputs, and by outputs (Whittington, 2007:1578).

Within these four foundational concepts, Whittington (2006:620) recognizes that “methodological bracketing” is possible: studying one element only, under the assumption by SAP of its interconnect- edness with the other elements.

Some Challenges, Though...

However, the SAP field is not exempt from challenges and difficulties. Hurtado (2010) highlights the existence of disagreements regarding some theoretical and empirical aspects of SAP. For example, multiple theoretical frameworks exist, as well as alternative formulations of the practice concept; researchers use different methodological orientations when studying SAP; finally, the characteristics that separate SAP from other fields do not rely on a consensus among SAP researchers. More fundamentally, Hurtado regrets the small extent to which Bourdieu’s work has been integrated into SAP, although claimed by SAP as one of its foundational contributions. He also notes variations in the assumptions used in research work.

Jarzabkowski, Balogun and Seidl (2007:14, 18) emphasize two challenges for SAP: 1) the “so-what?” question for the outcomes of SAP research, considering that “a focus on empirical detail through which strategy is constructed may lack an outcome”, and 2) the risk for SAP of providing explanation “un- consequential in a wider situation”, because SAP “drills deep and micro”. Outcomes definitions differ between SAP and the classic firm-level analysis; for the SAP, it relates to the survival of the group, of the organization, or of the industry.

This aspect is interesting because it shows that SAP challenges the classic theoretical basis of the existing explanations; although several theories nourish the SAP, the problem that it attempts to explain defines SAP more than any theory.

Synthesis

As a synthesis of this short review of the literature of SAP, let us extract some comments:

- 1) The existence of variations in the definitions, assumptions, and methodologies related to SAP can be a problem, but also a positive as long as researchers are aware of their assumptions and preferences, and state them.
- 2) The fact that one component of the four SAP foundational concepts acts as a dominant attractor in empirical research recognizes the complexity of strategic topics and allows one to focus on a single aspect considered as the most important by the researcher.
- 3) The depth and the micro size of the “SAP’s drilling” should be considered as a positive for the understanding of small business, characterized by the centrality of the manager/owner, and for the study of the RBV, characterized by its complexity and by the need to explore its micro-mechanisms.

- 4) The fact that SAP is defined less by theory and more through the problems it tries to solve, fits with small businesses, which themselves function on a more “problem-fact-hands-on managerial perspective”.
- 5) The challenge of the “ultra-specificity” of the SAP findings and the associated change in the definition of outcomes implies a change for researchers who must look at organizational phenomena through a different lens; I believe that it enlarges the scope of the theoretical system and enriches it.

A WEAK LINK IN THE LITERATURE BETWEEN RBV AND STRATEGY

What do we learn from the literature about the link between strategy and the RBV? This question appears as too large to be addressed in this paper, and necessitates a deeper research. However, an analysis of the managerial literature and of the small business related literature proves to provide useful insight and material. We will review this material in five sections, looking at the linkage between the RBV and strategy on different angles: 1) a global approach, 2) the explanation of the impact of the RBV on a firm’s performance, 3) conceptual links between RBV and strategy, 4) the mediation of a third perspective, and 5) conclusions.

An Acknowledged Need for Integration of RBV and Strategy

In fact, the literature specialized in small business, and in management, both recognize and claim the importance of strategy and RBV.

Studying entrepreneurship, Alvarez and Busenitz (2001) note the weak integration of strategy and the RBV, and the fragmentation of the field, despite the foundational role of resources in firms’ competitive advantages.

The RBV and strategic management are seen as complementary, and should be combined and integrated in the implementation aspect of the strategic process, with the acquisition, the improvement, the dismantling, and the leveraging of capabilities (Javidan, 1998). Moreover, the RBV is considered as one of the theories of strategic management (Raduan et al., 2009). Similarly, Kelliher and Reinl (2009) emphasize the need for micro firms to embed the RBV into the design, the development, and the implementation of strategy. Leitner and Guldenberg (2010) claim the same necessity of alignment of the RBV with small businesses’ strategies.

Direct and Indirect Impact of RBV on Firm Performance

For Edelman, Brush, and Manolova (2005), strategy associated with resources produce performance for small businesses, and in particular the specialized resources tied permanently to firms, since these firms are facing specific challenges. They add that performance is generated by the use of resources rather than by their simple possession. A firm’s portfolio of resources drives its performance, calling for flexibility and the existence of an organizational resource slack (Su, Xie, & Wang, 2011).

The RBV provides the inputs and the understanding for the strategic game of matching opportunities and internal organizational resources, impacting a firm’s performance. The strategic value of a resource derives from the quality of its exploitation, from the response to customer needs that such resource generates, and from the integration of change that it makes possible (Javidan, 1998). Strategy must accumulate and maintain resources over time through different types of capabilities, and in particular “fluid capabilities” (Ensign, 2008:35).

Conceptual Links Between RBV and Strategy

Industry key success factors, a fundamental concept in strategy, are defined in terms of capabilities, and in terms of the internal attributes of managers (Mole, 2007). More broadly, firms can enhance their competitive advantage through the identification and the manipulation of organizational resources, capabilities, and systems. The RBV provides conceptual guidelines toward this objective (Raduan, Kagak, Haslinda, & Alimin, 2009).

Studying the link between strategic growth and the RBV, Petts (1997:555-558) identifies six “meta-skills” that constitute what he calls the “core competence engine”, a construct close to the well-known concept of “dynamic capabilities”: 1) self-identification, 2) learning, 3) knowledge embedding, 4) rapid deployment, 5) restructuring, and 6) innovation. This core competence engine provides insights on strategic decisions such as alliance and market positioning, though a capability lens. For example, the RBV exposes to view the differential of learning between the firm and its alliance partners, the risk of the firm’s knowledge leak, the interpretation of the signals from the environment, and the development of the firm’s capabilities.

The Link RBV – Strategy for Specific Strategies or Strategic Components

Focusing on the diversification strategy in small accountancy firms, Döving and Gooderham (2008:845) define the link between diversification and the RBV: dynamic capabilities form the basis of the diversification strategy, through the human resources system, and the “internal development of routines devoted to the acquisition, the development, the integration, the recombination and broker knowledge from internal and external resources”.

Leask and Parnell (2005:461, 462) study the linkage between the strategic group analysis and the RBV in the UK pharmaceutical industry. Strategic group analysis fails to capture the tacit elements of strategy which are “by nature learned and not readily perceptible in firm’s accounts”, but exhibits relationships with the RBV: 1) the concept of mobility barrier, basis of the strategic group analysis, has characteristics similar to the model of resources attributes (called the VRIN-model) in the RBV, 2) firms with similar resource bases are likely to develop similar views and therefore similar strategies, and 3) managers tend to construct similar strategies when facing similar problems and objectives.

The same authors, studying the similarities and differences between strategic group analysis and the RBV, recognize their complementarity. Strategic group analysis “aggregates firms into groups based on similarity between strategies, linking inputs and realized strategy in terms of firm’s activities, whereas the RBV understands the elements combined in the crafting of strategy and the understanding of micro processes to build competitive advantage”.

Conceptualizing the link between the two perspectives, Leask and Parnell state that “the RBV is sterile without the link to realized strategy that stems from the application of the firm’s activities to revenue generation” (product sales). An embryo of the model of the strategy-RBV link emerges, assigning the RBV to the “big picture of strategy”, to the activities, to the micro-processes, to the underlying resources, and to realized strategy (Leask and Parnell, 2005:460-467).

The Link RBV – Strategy Mediated by a Third Perceptive

Several authors add another critical factor to the RBV system: managers and decision makers’ representations of that system. Firms’ resources are the fruit of their managers’ actions and acumen, of managerial insight and entrepreneurial capabilities, and success proceeds from the association of managerial competence and attributes with the development of stable assets as the organizational resource base (Connor, 2007). Managers’ roles in regard to the RBV, includes their perceptions, representations, and mental processes for decision-making (Leask & Parnell, 2005; Petts, 1997).

Synthesis

A consensus exists about the importance of the linkage between the RBV and strategy, but that relationship remains weakly addressed in the literature. Although it intrinsically belongs to strategic management, the RBV is episodically and partially connected to strategic management, but surprisingly without an understanding of the global picture and a systematic integration of the two perspectives’ concepts and components. The existing guides to “manage” resources and capabilities do not connect with strategy processes, and the still young dynamic capabilities approach does not provide such a connection. Strategy still considers implicitly the RBV as the dominant tool only for its “internal analysis” component, reinforcing paradoxically its entrenchment into the classic Industry/Organization paradigm.

Petts (1997) notes the absence of a RBV frame of reference for managers, and the absence of any holistic model, worsening the gap between academic discourse and practices and managerial realities. Definitions are too narrow and do not contribute to the construction of processes for managers (Javidan, 1998).

Exploring the question of whether the RBV is a practical organization theory (“the extent to which research results are operationalizable through concrete action”), Arend and Levesque (2010:913, 914) conclude “not really”; the “RBV appears deceptively practical for managers to use”. “The RBV is of little value for practicing managers” (Connor, 2007:128). In fact, few models or methods guide the implementation of capability-related concepts within a strategic perspective.

Arend and Levesque’s results (2010:914, 927, 929) support a “watered-down version of the RBV, where a resource with relatively low levels of critical characteristics provides a firm with statistically significant sustained superior performance”. “Deflating the theory’s practical value, the RBV provides a checklist of factors potentially influencing firm performance”. The authors doubt that managers can identify the capabilities they should invest in to ensure success, and point to the confusion that exists in the area.

HOW DO SMALL BUSINESS AND STRATEGY RELATE?

A Limited Knowledge

We know that small firms are not “little” big businesses (Edelman, Brush, & Manolova, 2005), and small business research is limited in the strategic field (Woods & Joyce, 2003; Beaver & Jennings, 2000). For example, Verreyne and Meyer (2010:400) recognize the “lack of a strong theoretical base in small firm strategy making research”, with a literature on strategy making in small firms “sparse” and “commonly exploratory”.

We can assume that small firms which exhibit strategic specificities require an adequate way to manage their strategic design and implementation.

Let us consider some of these strategic specificities.

Attributes of Strategies Adopted

Small firms focus on a very limited number of products and markets (O’Neil & Ducker, 1986), without reputation or cushion to absorb bad decisions (Beaver & Jennings, 2000). They traditionally lack resources, which limits their range of possible strategic options. For example, limited assets and low barriers to entry render differentiation difficult to implement (Edelman, Brush, & Manolova, 2005).

Characterized by flexibility, adaptation, and an ability to react within a short term horizon, they seek fast returns and a quick implementation of strategy (Beaver & Jennings, 2005; 2000; Wasilczuk, 2000). Small firms define their strategy in relation to their competitors and customers’ feedback, and examine a limited number of strategic options (Birley & Norbun, 1985).

Despite the fact that innovation is generally perceived as excellent for business, Edelman et al. (2005) suggest that high quality customer-oriented strategies are more likely to be successful, as well as building capabilities, rather than innovation strategy for small firms (Edelman, Brush, & Manolova, 2005).

Studying small businesses’ strategic options, Leitner and Guldenberg (2010) show the necessity of a strategy for them, and the weakness of pure tactical efficiency improvement. However, they explain that the absence of strategy does not imply poor performance because many reasons can justify that absence; combination strategies (multi-goal strategies) appear to generate as much performance for small firms as single-goal strategies.

Attributes of Strategic Process

Most small firms exhibit very weak or nonexistent strategic management and planning activities (Woods & Joyce, 2003; Wasilczuk, 2000; Sexton & Van Auten, 1982).

Lacking time and skills for analysis, they react to perceived opportunities in small niches, with a concern for operational issues, in a style characterized by bold moves and intuition, and little separation

between strategy design and implementation (Beaver & Jennings, 2000; Birley & Norbun, 1985). Verreynne and Meyer (2010:401-402) qualify this type of strategic process as “simplistic”, and well suited to small firms, because they do not have the “time and resources to spend on complicated, drawn-out processes”, even though other types of strategic processes can be employed by these firms (for example, the adaptive strategy-making type).

The same authors, citing different contributions, characterize strategic making in small businesses as “informal, unstructured, irregular, incomprehensive, short term, and reactive”, and as having an “overwhelming preoccupation with a single goal, a strategic activity, a department or worldview”, and focused on the strategies of past success and organizational internal aspects only. It is “top down in nature, driven by top management, special and frequently unique”. Similarly, Ensign (2008:29, 32) depicts small business strategies as “inexplicit, short horizon, intuitively derived, and reactions in unplanned and piecemeal fashion to the environment”, bounded by path dependency and receptacles of “period of imbalance (tension between inertia and stress)” which result in organizational renewal. Small firms practice strategy instinctively in an informal manner, which is strongly influenced by the entrepreneur’s personality, experience and skills (Beaver & Jennings, 2000).

Centrality of Entrepreneur – Owner and Psycho-Cognitive Aspects

The owner’s resources appear critical because of the centrality of his/her role and the concentration of power (Edelman, Brush, & Manolova, 2005). Everything in small businesses “revolves around the preferences, attitudes, and prejudices of the entrepreneur/owner, who builds and implements strategy as the extrapolation of his/her personality” (Beaver & Jennings, 2005; Miller & Toulouse, 1986; Birley & Norbun, 1985:84, 87). His/her absolute power cannot be challenged by stakeholders (Beaver & Jennings, 2005:14).

The very perception and definition of success, growth, and performance are linked with highly subjective variables such as the entrepreneur’s characteristics, psychological attributes, motives, goals, and attitudes (Reijonen & Komppula, 2007), making organizational success more complex than the simple financial performance. Moreover, entrepreneurial cognition is based on beliefs, and non-classic heuristics and methods, not always linear and fact-based (Alvarez & Busenitz, 2001: 758-759), as well as institutional constructions of myths, rules, and assumptions for management “based on avoided tests rather than on actual outcomes”, imposing meanings on variables and influencing behaviors (Keats & Bracker, 1988:48-49).

Models of entrepreneurial success and of entrepreneurial beliefs characterize variables such as subjectivity, cognition, and psychological processes as critical factors for small business strategy and capabilities (Baron & Henry, 2010; Felin & Zenger, 2009:128; Foss, Klein, Kor & Mahoney, 2008; Kor, Mahoney & Michaels, 2007). Psychological variables and cognition are direct drivers of small business strategy (Kor, Mahoney & Michaels, 2007; Alvarez & Busenitz, 2001; Yu, 2001; Covin & Slevin, 1991).

Synthesis

Small firms exhibit specific qualities that differentiate them from larger businesses.

The literature suggests that small firms tend to use a limited set of simple and hands-on strategies, rooted in daily-activities, characterized by short-term horizon and strong adaptability to a powerful environment, and by a unique goal. Their strategic making process is depicted as reactive, informal, intuitive, based on perceived opportunities, unstructured, unique, and built within a craftsmanship mode. The owner’s role determines everything in small firms and requires that all components of the firm’s life and behavior be examined through the lens of that individual, including psycho-cognitive aspects.

HOW DO SMALL BUSINESS AND RBV RELATE?

Two dimensions emerge from the literature that structure that relationship. First, some small firms’ strategic specificities call “conceptually” for the RBV; second, the RBV proves to be an excellent perspective for capturing strategy because of its methodological attributes, which fit well with small

business strategies. Let us examine these two dimensions, called conceptual fitness and methodological fitness.

Conceptual Fitness

A Lack of Resources

Small firms' lack of resources in many areas, such as finance or human resources (Cooper, 1981; Birley & Norbun, 1985) increases the difficulty of running operational activities and of simultaneously forecasting and planning (McMillan, 1975). Owners/managers try to adjust on a permanent basis a limited amount of resources to the needs of the markets (Beaver & Jennings, 2005).

Source of Competitive Advantage: Assets and Capabilities

Because of an overall domination of their environment and that lack of resources, small firms must rely on their internal assets to develop competitive advantage (Alvarez & Busenitz, 2001). In other words, their success comes from the inside, which frames all business themes as amenable to the development and deployment of their capabilities and assets (Duh, 2007), rendering the RBV central in the understanding of strategy and performance. The RBV conditions their long term survival and their uniqueness through their capability-based offerings to the market (Kelliher & Reinl, 2009), and allows them to capture and understand these assets (Runyan, Huddleston, & Swinney, 2007).

Source of Competitive Advantage: Specific Types of Assets and Capabilities

Within the large family of assets and capabilities, the literature emphasizes precise types of resources as sources of competitive advantage for small firms. For example, the ability of small firms to learn and change faster than the environment (Kelliher & Reinl, 2009), "noneconomic and immobile assets", such as identity and reputation (Runyan, Huddleston, & Swinney, 2007), managerial capability and uniqueness of the offering (Kelliher & Reinl, 2009), or a particular context of operations (Beaver & Jennings, 2000). For other authors, competitive advantage relies on a various number of capabilities with extreme cases and intermediary cases, calling for RBV analysis (Rangone, 1999), and strongly on entrepreneur-related attributes and capabilities, such as "alertness, insights, and the ability to coordinate resources" (Alvarez & Busenitz, 2001:756). Indirectly, cognitive mechanisms appear as a source of competitive advantage, since entrepreneurial opportunities live because of the "existence of different agents' beliefs about the relative value of resources when converted from inputs to outputs", as well as the use of creativity and exploration activities (Alvarez & Busenitz, 2001:756).

Methodological Fitness

Focusing on family business, Duh (2010:48) considers that the RBV constitutes an appropriate way to analyze their performance, because 1) these firms' competitive advantage relies on the "f-factor" or "familiness" defined as a unique bundle of resources owned by a firm through the interaction between the family, individual members, and the business, and 2) because these family firms encompass a variety of goals. The family and a unique bundle of three categories of resources (human capital, social capital, and physical and financial capital) create performance.

Given the complexity of family firms' bundles of intangible resources, Habberson and Williams (1999:3, 8, 17, 18) affirm that the RBV provides the appropriate means to analyze these resource bundles because it offers established models and a framework to study the relationships between processes, strategy, assets, and performance. It also allows for a more "intimate and systematic integration of organizational phenomena and economic indicators"; social phenomena and behaviors must be understood through the lens of a capability perspective, as well as the competitive environment.

Finally, the same authors provide a list of the benefits that the RBV offers in the case of family business analysis: 1) a consistent language for analysis, 2) measurable variables antecedents to superior performance, 3) impact of processes on family firms' behavior, 4) the role of intangible resources in the development of competitive advantage, and 5) a better connection of family firms with their strategies.

HOW COULD STRATEGY-AS-PRACTICE CONTRIBUTE TO RECONCILE STRATEGY AND RBV FOR SMALL BUSINESS?

To explore that reconciliation, we build on the three previous sections where we examined three bilateral relationships. Each of the three relationships, respectively 1) RBV and strategy, 2) small business and strategy, and 3) small business and RBV, shows connections or conceptual links that demonstrate a parenting relationship. In fact, small businesses exhibit specific characteristics in regard to strategy, as well as in regard to the RBV, that point directly to the SAP as a response to these needs; SAP's attributes make small businesses good candidates for the mediation of SAP.

SAP as a Response to Small Businesses' Strategic Needs

The Centrality of the Owner Calls for a Cognitive and In-depth Approach

In small business, strategy and capabilities are "aggregated" around the dominant stakeholder (owner, manager, or entrepreneur), in a quite invisible and informal way: everything takes place in the dominant stakeholder's mind. The centrality of the dominant stakeholder and the size of the organization contribute to the importance of the psychological, the cognitive, and the micro-mechanism aspects related to the RBV and strategy. Resources and capabilities mostly tangled and embodied within the owner, are difficult to capture because, although different, they tend to confound with his/her skills. The very definition and perception of performance varies and implies to delve into the owner's motivations, goals, and psychological attributes, for an in depth understanding (Reijinen & Komppula, 2007).

Specific Strategic Options Call for In-depth Approach and Activity Analysis

Small firms may find a limited set of open strategic options, because their size and their relationship to their environment limit their power. For example, literature shows that high quality product and customer-oriented strategies are more likely to be successful, as well as building capabilities, rather than innovation strategy, for small firms (Edelman, Brush, & Manolova, 2005). Therefore, most of the strategic efforts should focus on the less glamorous tasks of quality improvement and customer satisfaction, present in the daily activities, which require again an analysis of practices and praxis that classic cross sectional analyses can hardly provide. In any case, successful strategies are built around the use and the deployment of capabilities and assets.

Consequently, the SAP can respond to these strategic needs because it explores internally what people do, therefore offering a tool to study the micro-mechanisms that constitute the basis of strategic activities and capability management. The useful concept of "core micro-strategies", developed by Salvato (2003:92), is defined as a "relatively stable bundle of interconnected organizational routines and resources".

Small Business Attributes Call for a Broad and Complex System Analysis Focusing on Actions

Ensign (2008:37) emphasizes the power of a dynamic approach of strategy to understand the multiple variables integrated into the strategic system. Citing Harrington et al. (2004), Ensign asserts that this "strategic system should be as intricate as its environment". Following the Leitner and Guldenberg (2010) study, SAP can be valuable in understanding the complexity of the strategic system and the many variables involved, to capture combination strategies, and to capture the necessary long-term horizon of development.

SAP can more easily reunite strategy and RBV in small business, because its perspective and methodology enable us to understand better and more in-depth the organizational actions and mechanisms in connection with social phenomena, in a "simpler organizational setting". According to Rouleau (2005), the value of strategic assets creation lies in details, and looking at strategic sense-making and sense-giving roles provides deeper understanding of how, in practice, managers contribute to the formation of strategy. SAP would be valuable for the analysis of individual and collective learning, so critical in micro-firms (Kelliher & Reinl, 2009), or for the understanding of entrepreneurs' "capacity to excel" through their "deliberate practices", (Baron & Henry, 2010:60) that "directly influence their cognitive resources, such

as perception, memory, metacognition, and intuition”. “Behavioral measures” offer a window to understand small firms’ entrepreneurial posture and entrepreneurs’ actions (Covin & Slevin, 1991). Similarly, the limitation of possible strategic options underscores the need for more emphasis on methodological and human aspects of resources (Edelman, Brush, & Manolova, 2005).

Literature “Ideal Strategic Process” for Small Business Calls for Attributes Exhibited by the SAP

Building on Pettigrew (1992), Van de Ven (1992), and other authors, Ensign (2008:36-37) describes the attributes of an ideal process for strategic analysis: 1) embodiment of the strategic phenomena, implying different levels of analysis, 2) action and context are considered as explanatory variables on their own, 3) holistic explanations are preferred to lineal explanation rooted in rationality and relative stability, 4) a need to link process analysis to the location and explanation of outcomes, and 5) temporal interconnectedness, the integration of past, present, and future time in analysis.

These ideal attributes imply: the study of 1) a multi-series of activities and decisions rather than a single event, associated with the underlying mechanisms explaining the sequence, 2) the internal and external context, drawing on phenomena at vertical and horizontal levels, as well as their connections, 3) a necessary predictive power of explanation, based on ex ante prediction verifiable against ex post results, 4) the reintegration of human action and agency, and 5) a time-based perspective where research focuses on “progressions of activities and actions”, “catching reality in flight”.

SAP as a Response to Small Businesses’ Capabilities and Assets Management Needs

Small Businesses’ Sources of Performance Call for a Focus on Capability and Human Management

Performance comes from better use of resources rather than pure possession, where small firms are at a disadvantage when compared to their larger counterparts (Edelman, Brush, & Manolova, 2005), calling for more emphasis on the phenomena around resources use and management in general, and built around the SAP notion of activities. In the case of family firms, a need exists to understand the family involvement in management, to differentiate the effects of family from other influences, and given their long term orientation, to allow for a significant period of analysis to capture their strategies (Duh, 2010). Alvarez and Busenitz (2001) list several challenges to understanding the relationship between entrepreneurship and the RBV that point directly to the SAP as a response. SAP, thanks to its “deep and micro digging” and specific inquiry methods, explores mental phenomena, the links between different levels of explanation, and multi-actor relationships, and helps to understand complexity, causal ambiguity, and difficult observations.

Small Businesses’ Sources of Performance Call for Renewed Methodological and Logical Frames

The SAP can complement the RBV (especially the dynamic capabilities approach) through an explicit multi-level analysis, integrating several types of actors, and the individual agencies as well as the structural forces (Régner, 2008).

Several types of rationality and logic in strategy making can be captured through the SAP, including micro-mechanisms of capability generation, creativity in strategy design, change antecedents and consequences, and inductive as well as deductive strategy making methods (Régner, 2008).

Small Businesses’ Sources of Performance Call for an In-depth and Broad Scope of Analysis

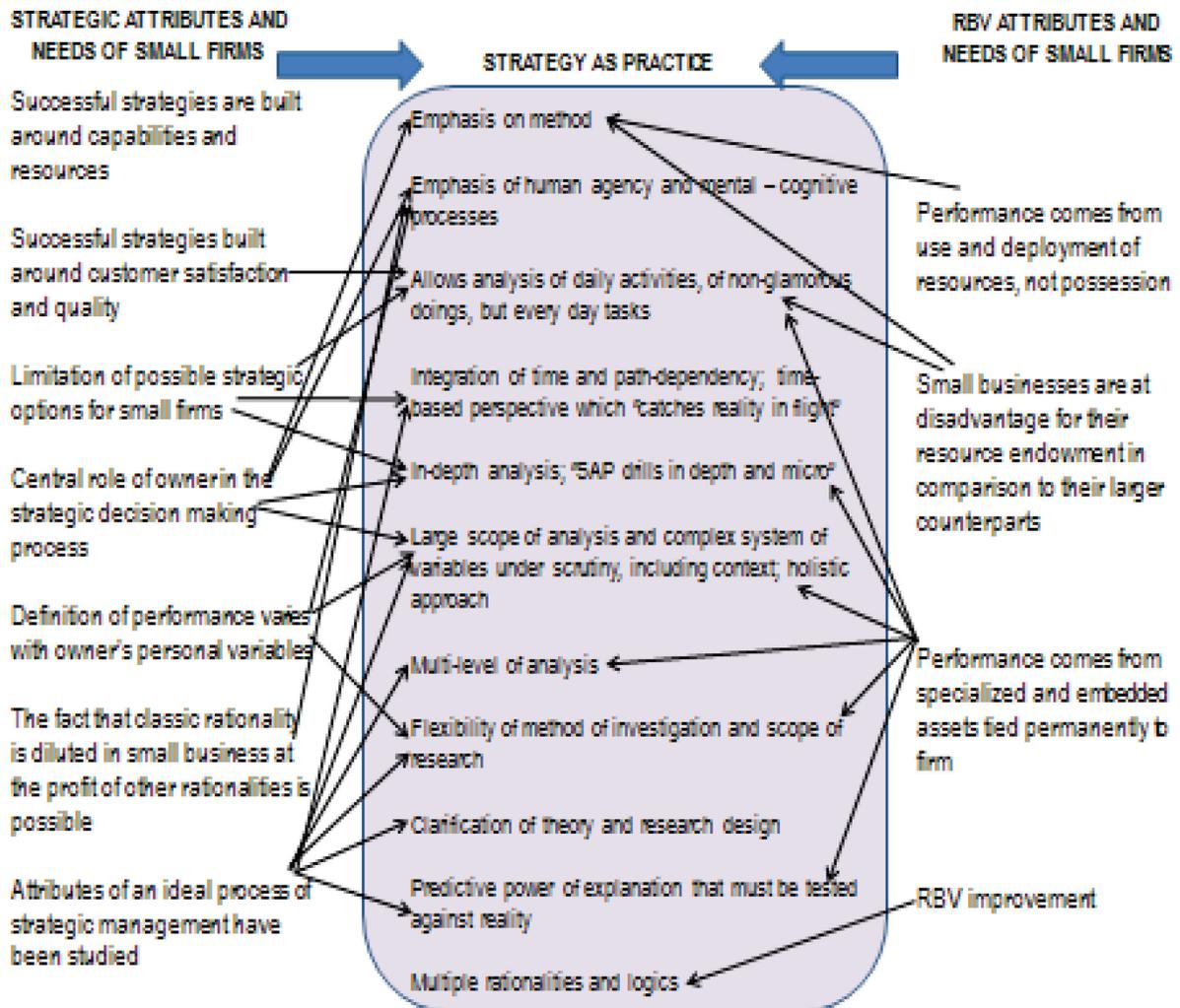
Only specialized resources tied relatively permanently to the firm are likely to form the base for competition (Edelman, Brush, & Manolova, 2005); these assets are likely to be in-depth resources deeply embedded in the firm that classic cross-sectional analysis seems inadequate to explore.

Hitt and Tyler (1991:345), studying the strategic management process, conclude that although rationality dominates, other variables such as industry characteristics, manager’s personal attributes, and cognitive complexity may affect the process, rendering that process “incredibly complex”. We could assume (which should be empirically verified), that the centrality of the owner in small firms “dilutes” rationality impact in that setting and magnifies the managerial cognitive and mental components of the process –that Hitt and Tyler call the “strategic choice” perspective. The validity of that hypothesis would

render SAP even more valuable in its ability to explore that aspect of the strategic decision making process. A broad scope of analysis must be envisioned to understand strategy making; in particular, contextual factors such as social and cultural contexts can be integrated in the analysis through the SAP (Régner, 2008).

Figure 1 “Small businesses attributes and needs and the SAP” presents a list of strategic attributes and RBV attributes of small firms and their links with SAP that were discussed in that section.

**FIGURE 1
SMALL BUSINESSES ATTRIBUTES AND NEEDS AND THE SAP**



SAP as a Response to General Needs in the Management Field

A Need for “Re-Humanization” of Strategy and RBV

Many authors note that the RBV suffers from the same “de-humanization” as strategy does. Therefore, SAP is seen as a way to study its social complexity and its causal ambiguity and to “unpack the dynamism” that is the foundation of the dynamic capabilities approach (Jarzabkowski & Spee, 2009:69-70). SAP facilitates the consideration of the centrality of human aspects in small firms and the dominance of the main stakeholder.

A Need for a Methodological Response to Small Business Specificities

Small firms' specific characteristics call for methods adapted to their particular situation (Edelman, Brush, & Manolova, 2005). SAP can provide such a fit because of its adaptability and of its attributes, which allow for a deep understanding of small firms. More generally, researchers need to adopt a contingency view of their tools and perspectives to use the right methodology for the object of their research. This importance of the methodology is magnified for the particular strategic process followed by the owner because that process influences organizational performance: in other words, the way strategy develops might be as important as its contents (Ensign, 2008). SAP would be valuable in a study in organizational settings where a reciprocal influence of praxis and practices exists around the central role of the strategy practitioner (the owner) (Whittington, 2006).

A Need for a Methodological Response to Ultra-Theorized, Non-Operational Findings, and a Growing Gap Between Academia and Practitioners

Many authors acknowledge that SAP development emerged from management researchers' dissatisfaction with conventional strategy research that does not allow us to understand in-depth the activities, actions, and context, or different levels of analysis (Jarzabkowski & Spee, 2009). In fact, researchers often argue for strong operationalization and more practicality to improve the RBV field, where confusion, vagueness, and ultra-theorization dominate.

The speed of the evolution of the environment, the increasing complexity of the strategic system, the rise of innovation, the collapse of the classic internal organizational boundaries in regard to the strategic process, decentralization, the collapse of the classic strategic time frame, the focus on making strategizing a chronic organizational feature (Johnson, Melin, & Whittington, 2003), and the growing importance of micro-phenomena can hardly be captured with the classic large sample cross-sectional statistical analysis. They are more likely to be understood through the SAP, which is flexible enough to capture these evolutions.

Finally, SAP allows scholarship and practice to come together (Meyers, 2009:14), because of the nature of the findings, and because SAP is looking for some familiarity of the results and practical use, at developing practical wisdom rather than developing parsimonious theoretical models.

A Need for an Improved and More Adapted Methodological Perspective on the Dimensions of Levels, Time, History, and Clarity

SAP allows the reconciliation of levels and dimensions that classic economic-driven approaches hardly capture: the micro and the macro levels, organizational vs. environmental effects (such as the wider practices of society). This capacity appears as valuable because small businesses extract their competitive advantage from intangible assets and exchanges with their environment; therefore, we can assume that integrating several levels of analysis can reveal proportionally more than for larger firms.

Path dependency is a critical factor in performance and strategy making. Moreover, path dependency and feedback are components of the recursive strategy making process (Ensign, 2008). Therefore, researchers are invited to employ longitudinal methodologies to 1) apprehend phenomena on a longer period of time, and especially relevant for strategy and the RBV, and 2) to capture the effects of the past on the present and on the future, visible through the SAP exercise.

Finally, Ensign (2008), building on Van de Ven (1992), emphasizes the importance of the clarification of the theory mobilized and the quality of the research design to observe processes, and to define their meanings of process, a clear focus of the SAP.

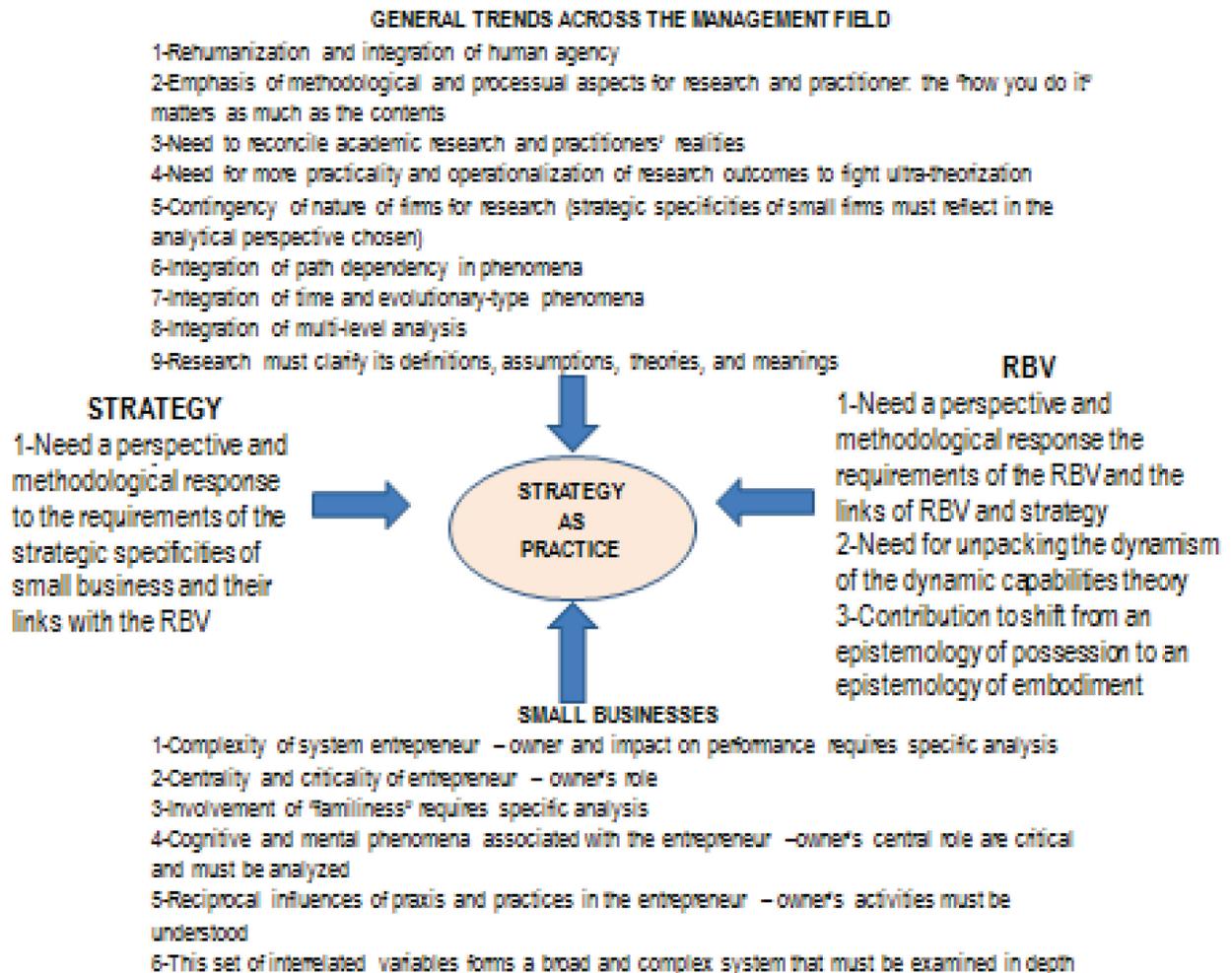
SAP as a Young Field that Offers Methodological Support

SAP offers methodological support: where the classic RBV appears fundamentally positivistic and aiming at generalization, with strategy de facto embedded inside the Industry/Organization paradigm, the SAP aims at the generation of practical wisdom, helping practitioners to recognize underlying mechanisms and reflect actual practices with some accuracy, familiarity and veracity, offering an alternative to the relevance – rigor trade-off. SAP offers practical tools such as grids of analysis as a

framework to implement the work, in a small business context where individual and aggregate actor levels seem to blend together, as well as small and large strategic objects (strategic episode vs. strategic patterns or program).

Figure 2 “Small businesses, management, strategy, RBV, and SAP” suggests links generated by their attributes and needs, as discussed in that section.

**FIGURE 2
SMALL BUSINESSES, MANAGEMENT, STRATEGY, RBV, AND SAP**



DEMONSTRATING “IN PRACTICE” THE VALUE OF SAP FOR OUR OBJECTIVE

Let us review what we have discussed so far, reframe the research question, and then detail the components of a future research design.

So Far...

We have extracted some attributes of small businesses, described SAP, the RBV, and strategy attributes in small business settings. We first have shown the weakness of research in regards to the relationship between RBV and strategy, calling for stronger research in that area. We have created conceptual relationships between the constructs-variables of each of RBV and strategy theories, and the

construct-variables of SAP, by identifying the needs of small business in RBV and strategy, and assessing how SAP constructs respond to these needs. These conceptual relationships, although interesting and meaningful, represent a simple form of demonstration, since the connections which exhibit similarity and parenting inductively emerge from the attributes of each theory. Additional work is needed in this demonstration.

I believe that further research about the linkage strategy and the RBV is important and critical. It can provide an opportunity to 1) contribute to the understanding of small business management and strategy making, 2) discover different assumptions and facts in the complex realities of small business, 3) contribute to both fields of strategy and RBV and their integration, 4) test in practice the SAP and enrich its conceptual foundations and tools, and 5) improve small businesses' strategy making awareness and performance.

Framing the Research Question

Our study question is framed as the “power of the SAP to unite two theories (strategy and the RBV) in a small business setting”. But the two theories we aim to reconcile (strategy and the RBV) belong to the larger strategy field. The question becomes, then, to reconcile two paradigms within the strategy field, namely the Resource paradigm, and the classic Industry/Organization paradigm (I/O), and to position the SAP in regard to these two paradigms.

Following Poole and Van de Ven (1989:563), this question of reconciliation of strategy and RBV via SAP can be framed as a paradox defined as “something that grabs our attention, a puzzle needing a solution”. Why are RBV and the classic strategy perspectives so weakly integrated, considering their conceptual parent, a common goal of explaining and managing the drivers of a firm's performance, and the enormous amount of research in both areas? This central question provides the global framework within which we can examine the role of SAP in small business settings. Four ways are described by Poole and Van de Ven to address paradoxes that would fit with this study: 1) opposition between the two terms of the paradox, 2) spatial separation, 3) temporal separation, and 4) synthesis through a new perspective or new concepts that eliminate the tension in the paradox. We will come back to these elements for the practical design.

The answer might not be dichotomous, but contingent on the topic involved; that is, SAP may allow us to reconcile some aspects of RBV, whereas classic I/O strategic perspectives may facilitate this reconciliation for other aspects of the RBV.

Figure 3 “Framing the research question” exhibits a simplified version of the research question.

Components of the Research Design

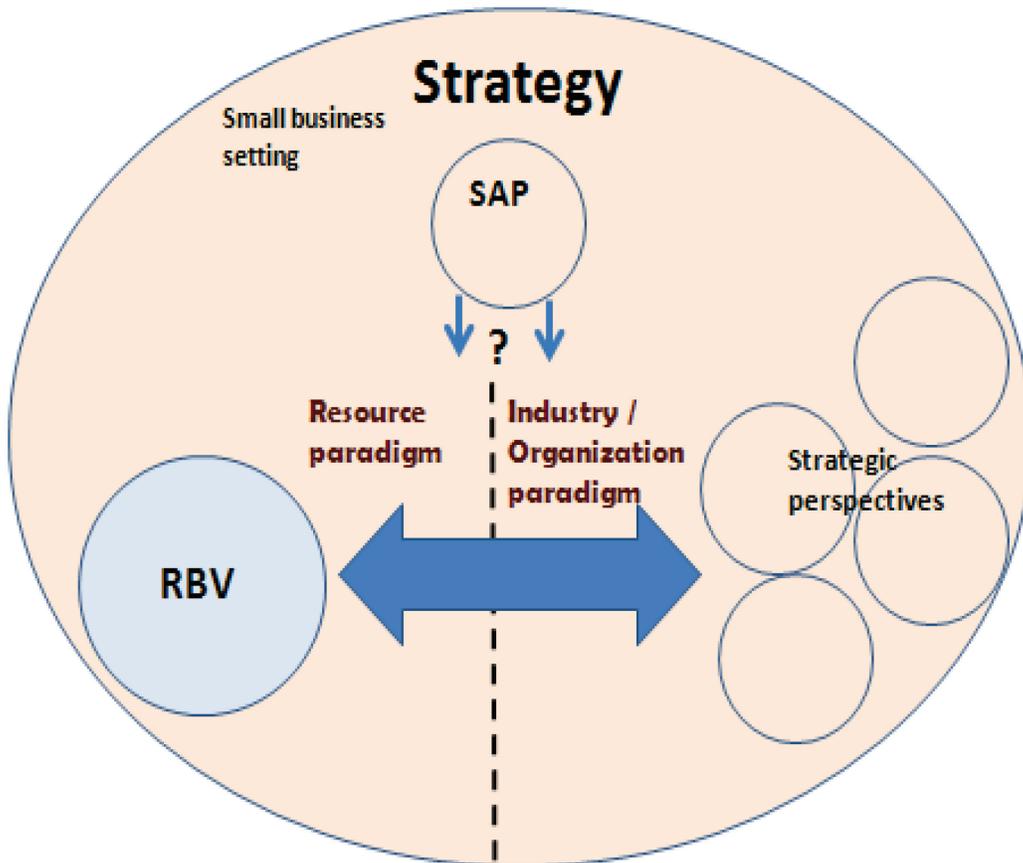
The object of study, defined as the reconciliation of two paradigms, implies operationalization into constructs and variables, and their relationships across theories. The boundaries of the reconciliation construct must be determined; in particular, the level of analysis, and the business scope of application.

Several assumptions have to be made: 1) the SAP constitutes one of the perspectives of the strategy field, and is relevant to capture strategy phenomena under certain conditions, 2) the SAP can be clearly identified within the strategy field, 3) the researcher can access a group of firms that meet certain criteria (for example, the centrality of the owner), across different families of businesses such as micro-firms, small businesses, and family businesses, 4) the “reconciliation” of paradigms can be defined as a concept and “operationalized” or at least made “observable”, 5) the quality of the reconciliation potential of SAP can be assessed against a theoretical “ideal” or benchmark, and 6) only the RBV portrays the Resource paradigm; all the other perspectives belong to the I/O paradigm (a disconfirmation of that assumption would not change the principle of the demonstration, but only the strategic perspectives components of the two paradigms).

Challenges exist for this research: 1) strategy I/O and RBV are complex paradigms, composed of several perspectives and conceptual streams and ramifications, that render the task more difficult, 2) the RBV is still debated and an object of disagreement among academics, which obliges us to make choices and selections, 3) the SAP has developed recently and is still in search of its conceptual and practical

positioning within the strategic field: this situation offers conceptual flexibility but also requires more definition and precision in the demonstration, 4) the method and status of how and who evaluates this reconciliation matter since SAP has been designed to analyze strategizing in practice, being de facto practitioners' privileged tool.

**FIGURE 3
FRAMING THE RESEARCH QUESTION**



In Practice...

This study affirms that SAP offers a better opportunity for SAP-strategy I/O reconciliation than other perspectives in the strategy field. The central object of study becomes the “reconciliation” of two paradigms, and relies both on a theoretical demonstration, and on an empirical testing.

Theoretical Demonstration

The theoretical demonstration, which also serves as a preparation for the empirical phase, would comprise:

- 1-The definition of the boundaries of the RBV and of I/O strategic perspectives, and the identification of a “minimum body of meaning” for each of these paradigms, to construct a starting base.
- 2- The discussion of the desirability of the reconciliation of RBV and strategy I/O, as well as its contribution to the management field.

3- From this basis, the identification of the meaning of reconciliation along the continuum that moves from simply counting the number of connections identified between the two paradigms to the development of an entire coherent conceptual framework for small business.

4-The definition of several perspectives within the RBV, such as the classic RBV, the Knowledge-based view, and the Dynamic capabilities view.

5-The definition of several perspectives within the strategy I/O, differentiated enough to be tested empirically, such as a typology that could be built on Mintzberg et al.'s (2005) classic ten schools of thought in strategy (the design school, the positional school, the entrepreneurial school, the cognitive school, the configuration school, etc.), from which a smaller number of "meta-perspectives" could be identified.

Empirical Testing

Qualitative research, comparative in nature, manipulates and works on concepts and meanings, and seems to fit the objective extremely well. Especially relevant to understanding what people do and what they say, within the social and cultural contexts (Meyers, 2009:5), it includes many methodologies for research in entrepreneurship and small business.

The case study approach, based on interview and observations, and the use of hermeneutics as a way to understand meanings, seems an adequate method for an in-depth understanding and description of social and organizational situations, and for sense-giving to "human situations", embedded in the owner's perceptions and beliefs, and characterized by contradictory interpretations. Case study research uses empirical evidence from real people in contemporary real-life organizations, and "asks how and why questions" (Meyers, 2009:73).

Similar studies based on SAP have produced interesting findings: micro-strategies of resources and routines in two Italian firms (Salvato, 2003:104), four micro practices in Canadian clothing manufacturers (Rouleau, 2005), and the relationship between local business environment, brand identity and social capital in four small retailers in Midwestern states (Runyan, Huddleston & Swinney, 2007).

This case study would address the ability of SAP to reconcile strategy I/O operationalized through few classic strategic perspectives and the RBV in small businesses.

At this stage, we would possess a more precise definition of the scope of research (the firms), of the object of research (the concept of reconciliation), and of the broader paradigms of strategy I/O and RBV. We could then collect RBV-related data on a small sample of firms in an industry, in groups of two or three firms. Each group is then studied according to a specific meta-perspective in strategy I/O, and then studied through the SAP, to extract its reconciliatory power. The hypothesis to test is that SAP has significant and valuable reconciliatory power for I/O and RBV. In fact, we would test "reconciliation" through SAP for each couple composed of the RBV and a specific strategic perspective belonging to the I/O paradigm.

Naturally, the classic methods for ensuring validity in qualitative research apply, such as long-term study, rich data, respondent validation procedures, searching for discrepant evidence, triangulation of methods and settings, and comparison (multi-site, multi-time, and multi-case) (Maxwell, 2005:110-113). In this case, the definition of constructs and the associated validity (construct validity) should be carefully conceived, using convergent validity and discriminant validity to assure that the definition of concepts is clear enough to compare broad and sometimes not completely bounded theories. Similarly, the types of relationships between constructs must be delineated through empirical adequacy, where some variation in the object of study must be observable. The usefulness of the findings can be shown through their explanatory potential and through their predictive potential, as well (Bacharach, 1989).

The detail of the envisioned research is provided in Figure 4 "Research design", adapted from Maxwell (2005) and Myers (2009).

CONCLUSION

Contribution

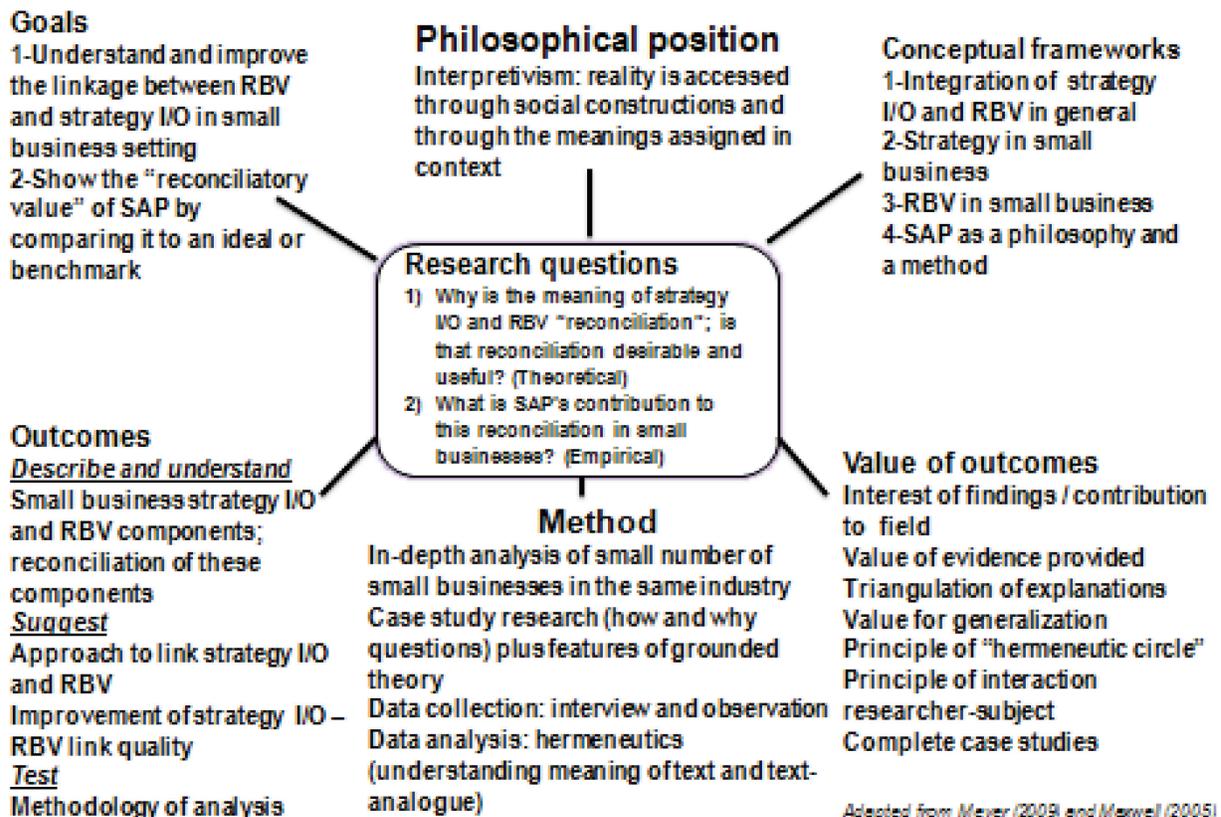
This paper has shown the current weakness of the integration between RBV and strategy, and explored in the literature the connections between the RBV and strategy in small businesses, through the medium of the SAP.

It offers a set of linkages that make the SAP likely to offer rich potential to produce or facilitate such integration, based on several streams of literature related to small firms, entrepreneurship, micro-firms, family firms, and naturally strategy and the RBV.

It leads to a contribution for future research exploring in practice how the connections between different meta-perspectives in strategy I/O and the RBV can be tested to extract SAP's potential for their integration.

The purpose of the paper was modestly to start the conceptual work to extract the potential of the SAP. I believe that it fulfills this goal, and also shows its potential, as well as the difficulty of the exercise. Neither strategy I/O nor RBV will accept this integration easily. The desire and agreement of owners to open the doors of their small business, the difficulty of navigating inside the large and complex theories of strategies and the RBV, and the operational differentiation between perspectives within the strategy I/O paradigm for an in-depth analysis all contribute to the set of challenges inherent in the proposed effort.

FIGURE 4
RESEARCH DESIGN



However, the analysis of future reconciliation between the RBV and strategy I/O can contribute in several ways to managerial knowledge: 1) questioning and elaborating on the general connection between strategy and the RBV, 2) understanding this connection in small business settings, providing insights into their strategy and RBV processes, 3) exploring the value of SAP and contributing to the definition of its own boundaries, and 4) contributing directly to managerial knowledge in small businesses.

Limits and Potential to Study

This paper mixes different contributions to the literature - from family business, small business, entrepreneurship, and micro business, which are all relevant, because the literature does not, to the best of my knowledge, specifically consider the type of small business that I emphasize. However, more precision should be brought to the definition of the settings of research and of small businesses. This paper considers the topic at a broad level of analysis and appears relevant with this level of detail.

Several needs rise from general new orientations in management that are not specific to the SAP; however, SAP responds to them with particular high accuracy. These elements transversal to management would also apply to strategic meta-perspectives other than SAP, and should be isolated in future research.

Beyond these limitations, this paper offers a conceptual and an empirical contribution to the field of strategy: the SAP seems to be a great way to reconcile strategy I/O and RBV in small businesses.

And the potential outcomes are worth the required effort.

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