

Using Tools From Strategic Management To Help Micro-Entrepreneurs In Developing Countries Adapt To A Dynamic And Changing Business Environment

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ABSTRACT

Micro-entrepreneur industriousness is a significant reason for the unprecedented economic activity in the developing world over the last 20 years. Yet as the business environment in developing countries modernizes, micro-enterprises are increasingly threatened. This paper takes a strategic management perspective and argues that micro-entrepreneurs need to do four things to better cope with this changing landscape. To better understand their new complex and turbulent environment they need to 1) perform an external environment analysis, 2) perform an internal environmental analysis, 3) plan, and 4) network.

Keywords: micro entrepreneurship; micro finance; emerging markets; developing countries; SME strategy

INTRODUCTION

While many developing countries are industrializing at a rapid pace, large proportions of people in these countries are still mired in grinding poverty, and despite foundations and charitable organizations contributing extensively in these underdeveloped areas, the poverty remains, particularly in the rural areas. Development does occur in these less developed areas, and research reinforced by informal observations (Nevin 2004; Walusimbi-Mpanga 2006) suggests that much of the development that does take place occurs primarily as a result of the economic activity and industriousness of micro-entrepreneurs, hereafter MEs. A strong push for microfinancing and micro-credit are furthering this development of the financial support for associations of these entrepreneurs (Bornstein 2005). Khavul's (2010) recent article on microfinance provides a thorough literature review and shows the positive implications of microfinance on the world's poor. Additional research indicates that micro-credit membership can result in greater local and country-wide economic activity (Easterly 2006; Woller and Parsons 2002), greater profits (Copestake et al. 2001; Dunn 2001), job creation (Dunn 2001; Khandker et al. 1998; Wydick 2002) and school attendance (Wydick 1999).

The question regarding the opportunities for the world's one billion people who live in absolute poverty (defined as an income of less than \$1 per day) (United Nations 2010) has received much needed attention recently (Webb et al. 2010; Yunus, Moigeon and Lemmann-Ortegar 2010). Previous work calls for this focus on the bottom of the pyramid (Prahalad 2005), with both Anderson and Markides (2007), and London and Hart (2004) leading the charge with recommendations on how MEs can position themselves strategically in this new milieu. Our paper intends to extend this work and answer the call of Bruton (2010) who challenges management scholars to help address the challenges of MEs in geographies of deep poverty and Khavul (2010) who points out that scholars have an opportunity to directly affect so many through our research. We intend to address Khavul's direct call 'to apply management tools to design interventions that increase the impact of microfinance' (2010) by showing how the strategic activities discussed below can help MEs and how MEs can learn how to employ these tools.

It appears though that even though MEs are helping to drive the business growth in developing countries, the environment is changing in a way that can be considered threatening to micro-enterprises. As institutions, infrastructures and modes of transportation improve, more products become available to buyers from a more diverse set of outlets. Improved economies raise the standard of living of communities, and more people with disposable income can spend it in a greater variety of ways. This can put micro-enterprises at a disadvantage as their customers who used to buy exclusively from them now have viable alternatives and can choose from a greater selection of items and competitors. For example, a consumer may have only bought locally grown fruit from a micro-enterprise, but now can buy fruit, vegetables, and grains grown all over the world from a newly established grocery store. This development reduces market share for individual micro-enterprises. Arunachalam and Asha (2006), and Prasad and Tata (2006) have studied the saris industry in India and found that micro-enterprise owner/operators are threatened as a result of similar trends. These authors observe that demand has been falling for silk saris weavers in India because of changing customer tastes and expectations, supply chain problems, and competition from synthetics and cotton blend fabrics. Similarly in Central America, Pisani and Patrick (2002) have found that in most industries, informal sector micro-entrepreneurs are at a disadvantage compared to imports, and partially as a result, their revenues are falling.

It also appears that micro-entrepreneurs are poorly equipped to successfully navigate this dynamic, new environment. Pisani and Patrick (2002) have developed a model conceptualizing the problems confronting micro-entrepreneurs. According to this model, MEs have displayed poor efficiency and low productivity due to poor quality and inconsistently reliable supplies, obsolete and poorly maintained machinery, inadequately trained personnel, and an inability to take advantage of scale economies. In addition, the model indicates that MEs have had limited access to support from financial institutions and government and non-government agencies. McElwee (2006) also explored the situation facing micro-entrepreneurs and discovered that they have difficulty accessing capital, distribution channels, and business support. In addition, according to Arunachalam and Asha (2006), their social networks are limited, they are poorly educated, and their skills are usually limited to their crafts.

This is a strategic problem for MEs (Singh, Garg and Deshmukh 2005, 2006). Their old markets are no longer supporting traditional strategies and skills to the degree that they used to. The environment has changed, as there is increased competition, the supply chain has become less predictable, and the infrastructure now supports a greater variety and more advanced activities than previously. A strategic management perspective would suggest that businesses need to make strategic changes in order to adapt to the altered environment in order to survive and thrive.

The idea that strategic management practices facilitate entrepreneurial effectiveness has been supported by such scholars as Barringer and Bluedorn (1999), Covin and Slevin (1991), Drucker (2001), Katz and Green (2007), Khavul (2010), Miller (1983), Murray (1984), Singh, Garg and Deshmukh (2005), and Zahra (1991). Lowe and Marriot (2006) argue that since most small organizations operate in environments where they are vulnerable to competitive actions, they need a strategy to determine how to compete. Drucker (2001) makes the point that large organizations typically have bad habits which can give strategically bright entrepreneurial organizations advantages, and Yoffie and Kwak (1989) have developed a strategic framework for how smaller niche businesses should compete against larger established competitors. Furthermore, there is evidence that specific strategic management practices enhance effectiveness for entrepreneurs, including planning (Duchesnesau and Gartner 1990; Heimstra, van der Kooy and Frese 2006), intra industry networking (Miller and Bessler 2005; Schmitz 1995) and building networks with non-industry entities (Arunachalam and Asha 2006; Ger 1999).

FOUR STRATEGIC MANAGEMENT CONSTRUCTS

We propose four general constructs from the field of strategic management to be particularly helpful in understanding the situation faced by MEs. The first is an external environment analysis. This entails understanding the proximate and distal situations a business faces, analyzing power relationships and identifying threats and opportunities. The second construct is an internal environment analysis. This entails an understanding of a company's present strengths and weaknesses and an identification of business skills necessary to survive in today's modern global environment. The third construct is planning and strategic goal setting. In light of environmental changes and the need to choose the skills to focus on, MEs need to think about possibilities, make choices given the

possibilities, and plan how to capitalize on the choices. The fourth important strategic management construct is networking. To be successful, the business owner needs to understand that success in business involves relationship building, which includes developing same industry coalitions to increase the entrepreneur's knowledge and power, finding individuals and institutions in the value chain and among stake holders who are both willing to partner with MEs and can help enhance ME success, and then building mutually beneficial relationships.

A. EXTERNAL ENVIRONMENTAL ANALYSIS

Insightful understanding of a company's environment and prompt and appropriate adaptation to environmental changes are essential for effective strategy formulation and performance optimization. Today's business environment is becoming increasingly turbulent driven by technological advances, an increased emphasis on innovation, hyper-competition, and globalization. This has resulted in industry blurring, time frame reductions, increased complexity, increased uncertainty, ambiguity, strategic discontinuities, as well as increased opportunities for small players (D'avani 1994; Hitt et al. 1994; Hitt, Keats and DeMarie 1998).

Kantor (2005) and Fillis (2002) are among those who have pointed out that environmental analysis and understanding are as important for small businesses as they are for large ones. For MEs, the effects of environmental changes are often quite concrete. In the handicrafts industry for example, Berma (2001) argues modernization and turbulence can mean increased competition from those who have the resources to introduce higher quality, more innovative and/or less expensive products or services to the market, which means reduced market shares for the ME. According to Singgih and Woods (2004), the effects of modernization in the fruit growing industry include a greater variety of competing products, greater need to access to formal credit, and more adversarial relations among value chain business owners, all of which can threaten local producer survival. Although the environment facing micro-enterprises is multi-faceted, two features are especially important: the market and the value chain.

A.1 Market analysis

It is critical to know and understand one's market to be able to promptly adapt to changing conditions and respond to unmet customer needs and buyer wishes. But it is especially important because these changes are more pronounced for developing world MEs who possess fewer assets. Researchers have argued that industries are expanding and becoming more complex (Cohen 1998); for example in the crafts industry, there is an increase in demand for items as souvenirs or decorations rather than for their utilitarian purposes (Berma 2001). Thanks in part to globalization, markets are also becoming more competitive and fragile (Lawrence 2007), thus it is increasingly important for MEs to be aware of customer wants.

Market analysis is also particularly important to understand because comprehensive market understanding is one of the skills that many MEs lack. Fillis (2002) found respondents to lack market awareness and that it was a barrier to growth. Prasad and Tata (2006) reported that many of their interviewees seemed disconnected and unreceptive to market needs, while Berma (2001), Cohen (1998) and Lawrence (2007) found that MEs in their samples felt that the market was inaccessible, Cohen reporting that sophisticated competitors were partially responsible. According to Berma (2001), and Cohen (1998), the problem is more serious because MEs do not know how to access these elusive markets. What seems to be true is that market understanding is complicated, that MEs are not fully skilled at it, and that MEs are especially unskilled at knowing how to access their potential markets.

A.2 Supply chain awareness

Supply chain problems can cause serious difficulties for MEs. The literature suggests four sources for supply chain problems for the ME. The first is demand uncertainty, which is important because it makes it difficult to accurately estimate production and inventory levels (DeTomas 1978; Dyer and Nokeoka 2000; Prasad, Tata and Madan 2005) which in turn raises operating expenses and lowers profits.

The second major source of supply chain difficulties is unbalanced power between the small ME on one hand, and larger distributors and suppliers on the other (Arunachalam and Asha 2006; Cohen 1998; Prasad and Tata

2006). The unbalanced power situation that Arunachalam and Asha (2004) describe is not unusual. They report that distributors control the prices paid to ME producers, doing nothing when prices are high and buying only when prices hit rock bottom, then delaying payment for up to a year after delivery. This is an example of the bargaining power of distributors, and we note three potential reasons for power disparities. First, the ME is usually much smaller (e.g., as a percentage of the distributor's purchases) than other organizations in the supply chain. Second is the fact that the ME/artisan is often too far away from both the supply sources and the ultimate consumer in today's market place. Third, there is an information asymmetry as MEs are forced to provide confidential information to contractors but are dependent on buyers, brokers and suppliers for information about markets and raw materials (Prasad and Tata 2006).

A.3 Complexity

The third source of supply chain difficulties which has increased as supply chain members acquire the ability to choose among multiple options. Stephen (1991) discovered that in the treadle loom industry, value chain relationships have become increasingly confusing. Industries have become fragmented with various sized players at each link of the chain, some players occupying multiple links of the chain while others occupy just one, with the result being a marked increase in competitiveness. Also, McElwee (2006) suggests that as the environment modernizes it becomes complex due to increases in the number of available buyers and the amount of available and pertinent supply chain information.

A.4 Relationship Formality

The fourth source of supply chain difficulties is increased relationship formality, which represents an unwelcome change for many micro-entrepreneurs. Historically in most developing countries, supply chain relationships were built informally on reciprocity and mutual commitments (Holm, Eriksson and Johanson 1999; Cahn 2009; Peredo and Chrisman 2006). However, McElwee (2006) reports that such relationships are becoming more formal, as credit arrangements between supply chain partners become contractual, communication more impersonal, and packaging standards less flexible. Singgih and Woods (2004) report that the introduction of western style supply chains has challenged the socio-cultural norms in Indonesia, that an exclusive focus on quality represents a shift away from traditions where all products find a market and all members of the supply chain earn some income, and Cahn (2008) found a western-style profit distribution system in Samoa disrupted the reciprocity oriented entrepreneurial culture there. On the other hand there are benefits from today's more formal and modern supply chain arrangements. McElwee (2006) reports that today's business people have more choices and better supply chain understanding makes those choices clearer. He reports, for example, that farmers can broaden their endeavours through different production methods, tourism, forward or backward integration, food processing, or direct marketing. In addition, Lukens and Stares (2005) reports that for small businesses, identifying and networking with multiple supply chain members have resulted in improved financial returns, improved working conditions, and reduced waste.

B. INTERNAL ENVIRONMENT ANALYSIS

Coping in increasingly complex and turbulent environments may be difficult, but today's business vitality attests to the fact that many thrive, and modern strategic theory stresses internal environmental analysis and organizational competency identification as an important key to the navigating that turbulence (Dess and Picken 1999; Hitt, Keats and DeMarie 1998; Kantor 2003). Nonaka and Takeuchi (1995) argue that knowledge and skills are a company's means to gain competitive advantage because they will help in developing various competencies for sustaining market position. At first glance, it may not be clear that internal analysis is very important to smaller business, but Yoffie and Kwak (2002) suggest that there are ways for smaller firms to manage effectively in the face of stronger competitors, and Tai and Huang (2006) and Yoffie and Kwak (2002) suggest that smaller firms identify market niches and capitalize on skills which smaller businesses can use to develop products or services valued by customers in those niches. As for developing world MEs, many know their customers and what appeals to them; have a comprehensive understanding of their product or service, what constitutes quality, and how to develop it. However, most do not understand how important their skills are or which are the most valuable in the global market place. The value of the skills should be determined by a well done external environmental analysis. How well an

ME can deliver that skill is determined by an internal analysis. A properly done internal environmental analysis should identify the ME's strengths as well as any potential weaknesses. This information can lead to a better exploitation of company strengths and provide strategies for addressing important weaknesses.

It is important that MEs understand the value of two kinds of skills. The first are the skills ME's already possess. An ME needs to identify which of these skills are the strongest and which are the most marketable, as a way of deciding which to emphasize in a new, more modern market place. The second are general business skills perhaps unnecessary in the traditional less developed business environment, but somewhere between very important and vital in the global business environment of today.

B.1 Identifying and transferring already established competencies

Many researchers believe that skill identification and adoption is a key success factor for today's businesses. Kerr (2006) argues that small businesses need to know, develop and manage their competencies to facilitate sustainable operations, and strategic theorists such as Hitt, Keats and DeMarie (1998) and Tai and Huang (2006) argue that a business in the midst of a changing environment needs to identify its key skills and adapt them to a new milieu. Miller, Russell, and Foote (2002) argue that the key to sustaining competitive advantage is to identify and build on asymmetries, that is, a company's already established unique knowledge, relationships, nascent skills, experiences, or assets. These skills include knowledge (McElwee 2006; Miller, Russel and Foote 2002; Zahra, Nielsen and Berger 1999; Zack 1999), cooperation (McElwee 2006), international awareness, (Singh, Garg and Deshmukh 2005), and flexibility (Hitt, Keats and DeMarie 1998; Kuo, Li and Wang 2006; Yaffee and Kwak 2002).

Zahra, Nielsen, and Berger (1999) identify knowledge as especially important in turbulent environments. They argue that continuously generating knowledge is among the major determinants of a firm's ability to develop and sustain core competencies even when the competitive landscape undergoes radical change. Zach (1999) suggests that organizations categorize and map their knowledge, which reflects a company's uniqueness that is oriented towards its strategy. He also believes that is useful for a company to also classify strategically targeted knowledge that it should possess but does not. The result is a knowledge gap, a gap which helps to direct a company towards gaining the important strategically targeted knowledge which it lacks.

There isn't a great deal of literature that focuses on skill development for small businesses in developing countries, but Dawar and Frost (1999), Ger (1999), Khanna, Palepu, and Sinha (2005), and Nonaka and Takeuchi (1995) advocate that local businesses take advantage of what they can do that multinationals cannot. Ger (1999) stresses local competitor authentic identity and culture. Khanna, Palepu, and Sinha (2005) specify what kinds of knowledge that multinationals need that local competitors already have. They use the term 'soft infrastructure' which includes the customer and market familiarity which can lead more effective marketing and customer service, infra-structure and supply chain understanding which can lead to smoother factory establishment and logistics, and cultural fluency which can help in managing people in any part of the supply chain. These authors (Khanna, Palepu, and Sinha 2005) direct their comments towards multinational firms suggesting what these companies need to learn in developing countries. The point here is that local small competitors have local familiarity that they might be able to use for competitive advantage.

Dawar and Frost (1999) have developed a model that helps local competitors respond when resource rich multinationals want to compete on their local turf. The model asks companies to take a detached inventory of its assets and abilities. With this self-examination, most local firms will realize that they have attributes that give them advantage over multinationals. These attributes include some of the 'soft infrastructure' skills mentioned above, but also include long standing relationships with loyal customers, government officials, and distributors. These are abilities that will take a long time for a newly arrived multinationals to acquire. The model then asks two questions: First, how strong are the pressures to globalize in your industry? In many industries global pressures are strong, in that products and customer wants are fairly uniform, for example in industries such as cell phones and computer network servers. Second, how internationally transferable are your company's assets? If globalization pressures are weak, meaning that local traits are advantageous, and company assets are not transferable, then the company should defend its turf. If globalization pressures are weak and company assets can be transferred, then the company can, in addition to defending its turf, extend its assets and compete elsewhere.

If globalization pressures are strong, a local competitor will likely be at a disadvantage the multi-national competitor. If its assets are transferable, then the company may want to begin to compete globally. If industry globalization pressures are strong and the company's assets work only at home, then the company needs to restructure around its strongest skills and concentrate on those specific links of the value chain where the company is most like to succeed. Many MEs, for example a cell-phone distributor or TV retail outlets face this last contingency. Their assets are not transferable and pressures for globalization are not weak. It is for this contingency that honest detached skill examination is important with goal of determining what skills are strongest and which ones those are important to leverage in their local but still more modern market place.

Which skills to leverage depends on the individual company, and there is no consensus among researchers as to how to proceed. Arunachalam and Asha's sari weavers (Arunachalam and Asha 2006) organized marketing cooperatives, and both sari weavers from Arunachalam and Asha's sample and the Malaysian handicraft producers (Berma 2001) transferred from utilitarian sales only to commercial and tourist sales. Ger (1999) believes that local competitors should draw upon local culture and offer something that MNCs cannot. He wants local competitors to out localize the multinationals. He offers three concrete suggestions. First, he suggests identifying customer segments most likely to respond positively to company attributes and offerings, and invest in those attributes. Second, he suggests that the company provide symbolism promoting the fact that the company is local. Third, he suggests the company form partnerships with other local concerns to strengthen the local image.

B.2 Acquiring business skills

While capitalizing on the skills a company already has is vital for most MEs, there are skills required in a more modern environment that many MEs lack. Usually these are management, technological, and financial skills. Many scholars specify the kinds of skills important for MEs to possess. For example, Schaper, Campo, and Imukuka (2005) promote functional skills which can be taught to gain immediate practical utility, Ger (1999) and Okiech (2005) believe that financial management skills are very important, and Brau and Woller (2004) advocate computer mastery, Berma (1999) recommends that MEs learn pricing and marketing, while Kantor (2005) also stresses the importance of market understanding. Arunachalam and Asha (2006) and Ger (1999) recommend that business owners' work on relationship and alliance building, and Ger (1999) suggests that MEs gain skills in customer service. Houque (2004) believes that MEs need to learn to manage growth, primarily by focusing on entrepreneurship and avoiding a focus on administrative details such as record keeping.

Skills that many MEs lack and are very important to acquire, perhaps the most important in a more modern market place, are technological skills. In most of today's industries, low cost production, the introduction of innovative new products, or both are strategies that lead to competitive advantage and it is technological sophistication that helps companies keep production costs low and help companies introduce new products. Berma (2001), Chanaron and Jolly (1999), Fillis (2002), and Woodworth (2000) are among those that believe acquiring such skills is a key to success for the ME, and there is considerable evidence available to support their arguments. Singh, Garg, and Deshmukh (2006) found that that a majority of small plastics firms in India used information technology to optimize their decisions, which correlated positively and significantly with organizational performance. Larson et al. (2005), found that when micro-enterprises gained technological sophistication, the information quality disparity and the resulting power imbalance between micro-enterprises and their larger trading partners was reduced. Singh, Garg, and Deshmukh (2006) found that the utilization of information technology enhanced organizational performance for Indian plastics firms, and the Faisalabad, Pakistan textile owner cluster thrived due to technological innovation diffusion which resulted in outsourcing arrangements and extensive exporting (Kahn and Ghani 2004). In addition, Deichman et al. (2004) found that among Mexican manufacturers, new technology adoption enhanced both productivity and access to markets. In contrast, at least in three articles reviewed (Arunachalam and Asha 2006; Berma 2001; Hoque 2004) poorer outcomes were reported when micro-entrepreneurs did not adopt modern technology. A high percentage of the Indian sari weavers (Arunachalam and Asha 2006), Malaysian handicraft producers (Berma 2001), and El Salvadorian fishermen (Hoque 2004) failed in part because they did not adopt newer technologies for undertaking their businesses. Therefore, technology skill acquisition may be a necessary condition for success in many industries regardless of company size or location. Larson et al. (2005) found that when MEs gained technological sophistication, information quality disparity and the resulting power imbalance between micro-enterprises and larger trading partners were reduced.

C. PLANNING AND GOAL SETTING

Awareness of the environment one faces and an analysis of one's internal environment is not enough to secure success. A successful business person has to act on that awareness, and thoughtful planning can help an entrepreneur decide how to act in the face of one's environment. For de Lauwere et al. (2002), strategic planning is a critical success factor and includes objectives, performance measurement, sales and growth projections, financial resource management, policy formulation, and social orientation. A plan is not crucial for the smallest of businesses, as many successful businesses such as Holiday Inn and Dell did not use formal plans when they first started out, however, planning is extremely important for external legitimacy with MEs. When seeking outside support, a planning document signals professionalism and a sense of seriousness about the business and its future (Hall and Hofer 1993; Shepard and Zacharakis 2003).

Planning has been found to be beneficial for businesses, as research across industries reveals a positive relationship between planning and performance (Delmar and Shane 2003; Schwenk and Shrader 1993). In addition, Duchesneau and Gartner (1990) found that among small businesses in the United States, the more successful firms spent considerably more time planning than less successful firms. Fletcher and Harris (2002) explored the features of planning among English micro-enterprises that were most beneficial. They found that a structured exploration of important issues and structured meetings especially with important stakeholders were especially important.

There has been research assessing planning's contribution to developing country micro-entrepreneurial success, as well. Heimstra, Van der Kooy, and Frese (2006) found that small store owners in Vietnam who developed opportunistic plans were much more likely to succeed than those who created reactive plans or no plans at all, and Yusuf (1995) found that among 220 entrepreneurs in the South Pacific, the factor considered most critical for success in small business was good management, which as defined by the survey authors included the ability to develop and effect good business plans.

D. NETWORKING

Planning helps the ME rationally decide what to do and provides a basis for action, but other steps are important to implement action. Networking is one of those steps. Networking makes action easier and helps action result in favorable outcomes (Hoque 2005; Jones, Ashalak, and Jones 2004; and Schaper, Campo, and Imukuka 2005). Networking to facilitate competitive advantage is relatively new to the field of strategic management, as in the past, conventional wisdom among businesses was to go it alone. But globalization, advances in communication technology, and greater worldwide business opportunities have made strategic networks and partnerships fundamental to competing effectively.

D.1 Associations

Today, businesses develop relationships with a variety of organizations, including like-industry industrial associations. Industrial associations are not new; examples of long standing industrial associations include associations of manufacturers, members of the chemical industry, and accounting firms. Like networks in general, it is only recently that such associations have been considered vehicles for competitive advantage. The idea was most prominently initiated by Porter (1998), who referred to these groupings as clusters and described them as geographic concentrations of interconnected companies in a particular field encompassing linked industries and other entities important for competition. Cluster membership can, but does not have to, include companies in the same industry from different specialties. For example, the textile industry cluster in Pakistan described by Kahn and Ghani (2004) include firms that either gin, spin, weave, finish, cut, or package, plus some firms that perform combinations of the above. In contrast, most of the individual firms from a cluster in the same kind of industry in India described by Arunachalam and Asha (2006) do all of the aforementioned functions, and thus the cluster is somewhat more homogenous.

Porter (1998) says that clusters can enhance the competitiveness of its members and improve member ability to innovate, an argument also posed by Pardo (2008) and Peredo and Chrisman (2006). Other potential benefits of associations include influencing trade negotiations (Arunachalam and Asha 2006; Hoque 2004;

Malewicki 2005; Pisani and Patrick 2002), facilitating cost reduction (McElwee 2006), fulfilling community and social needs (Cahn 2009; Luna and Tirado 2008) helping members to gain confidence (Peredo and Chrisman (2006) and helping them to recognize opportunity (Webb et al. 2009). Clusters can promote idea and problem sharing (Piani and Patrick 2002), and transferring conventional technical knowledge (Luna and Tirado (2008). Jones, Ashalak, and Jones (2004) argue that partners succeed and gain competencies collectively by working on joint projects and learning from one another's skills, and Luna and Tirado (2008) argue that associations take on a life of their own and rise above short term, particularistic interests of their members. A subtle advantage for networking involves attention. MEs are more likely to attain marketing organization attention and NGO assistance when they function in associations or networks (Cahn 2008).

There is considerable evidence, both observational and empirical, that micro-enterprises do in fact benefit from being members of associations. The MEs observed by Arunachalam and Asha (2006) belong to a well organized and large association. As a result, these micro-entrepreneurs obtained needed skill training, loans for improved equipment, and lower prices for raw materials. They were able to organize exhibits for buyers and have been able to influence government policy. Malewicki (2005) found that the associations she studied facilitated entrepreneurial vitality, broader networking opportunities, and international market entry. Successful examples of networking include a Sino's Valley Brazil shoe manufacturer co-op that was able to raise export levels from .5 to 12.3% in 20 years (Schmitz 1995), an association of Santa Ana, Mexico textile weavers who were able to buy yarn in bulk thereby increasing member profits (Cohen 1998), and a network of Pakistani textile firms who were able to diffuse innovations across their entire association (Kahn and Ghani 2004). Two studies compared results from networked micro-entrepreneurs with those lacking network membership. Miller and Bessler (2005) found that small businesses who were members of voluntary organizations had higher sales than businesses that were not members and were significantly more likely to achieve owner goals and strategize to accommodate employee, customer and community concerns, and Dunn (2001) found that association clients showed greater profits and fixed assets than non-association clients.

Khan and Ghani's observations (2004) are instructive and provide a benchmark for industry association accomplishments. As indicated above, firms in this network represented various tasks in the textile chain. The cluster was large and local, centering in one town, Faisalbad, Pakistan. There was collaboration, trust, and yet strong rivalries between members of the supply chain, who maintained the flexibility to experiment together. There were high standards and a common shared goal of exportation. These entrepreneurs took advantage of the need of foreign marketers to outsource to efficient producers and innovated to gain further efficiencies. In the process, these entrepreneurs leveraged their own skills into new technologies and improved upon these skills, and they used their network and visible accomplishments to influence other private sector institutions to improve infrastructure to the benefit all concerned.

By studying two networks where one was more successful than the other, Cohen (1998) was able to observe the negative features of a dysfunctional cooperative. This less successful program ignored or excluded businesses that did not meet association standards, thus failing to represent community variability and allowing the members who conformed closest to norms to control and exclude. Dominant members also marginalized the poorest sectors of the community. They were not innovative as they accommodated the kin based social network and ignored merit and creativity. Cohen (1998) further pointed out however that he was studying a cooperative that was losing in a competition with a cooperative from another community, and that perhaps the dysfunction resulted from the competitive failure rather than vice versa.

Since it is believable that some networks are more successful than others, it would be helpful to distinguish between association properties that yield success from those which do not. Two studies are available that help address this issue. However both are from the developed world and conclusions from them may not transfer to poorer cultures. Malewicki (2005) performed a study attempting to make such a distinction between successful and unsuccessful networks using American association member entrepreneurs as subjects. She found that association service performance was influenced by participation, instrumental commitment, and trust, that normative commitment was positively related to instrumental commitment and participation, and that affective commitment was not important. This suggests that to gain commitment, associations should encourage participation and promote the potential for service to result in instrumental outcomes, and that relationship building is less important. These

results are similar to but not the same as observations from Toyota's supplier network. According to Dyer and Nobeoka (2000), normative commitments were gained primarily from instrumental issues and participation was more than encouraged (it was for all practical purposes required), but in the case of Toyota suppliers, relationship building was important and encouraged.

D.2 Networking with other entities

Networking with like-industry partners yields problem solution and innovation sharing and power enhancement for micro-enterprises, but networking with entities other than like-industry partners can also be beneficial to MEs. These 'other' entities can be supply chain partners, investors, creditors, promoters, governments, non-government organizations, universities (Conlon and Humphreys 2007), merchants, employers' unions (Alas 2007) larger manufacturers or service providers. There are numerous reasons for MEs and their associations to build relationships with other entities. Many of these purposes involve learning, especially about new developments and technologies. Others entail the obtaining and sharing of information, services, or resources, influencing others, or obtaining reliable supplies or outlets for products. All of these help business activities to become smoother and more controllable for MEs. MEs can network with financial data banks and other information sources to find out about trends, discover the existence of potential partners, obtain financial information, and obtain information about services, markets and supplies.

There is evidence from the developing world that building relationships with other entities is beneficial for MEs. Arunachalam and Asha (2006) found that buyer-seller meets resulted in increased exports and a 57% increase in income. Luna and Tirado (2008) found that connections between a strawberry producer association and a national research center in Mexico helped farmers deal with a viral outbreak. Ger (1999) reported that when rubber trappers and forest residents formed a partnership with progressive international entrepreneurs to market Brazil nuts to northern consumers, the result was a lucrative market for all parties of the partnership. The textile association from Pakistan was able to partner with large manufacturers to outsource unwanted aspects of their businesses and procure the assistance of maintenance contractors who understood how to maintain the new technology the association had just acquired (Kahn and Ghani 2004). Jones, Kashalak, and Jones (2004) observed that when groups of MEs collaborated with private sector investors, outcomes in four Latin American countries were mutually beneficial. There is evidence that ME-governmental relations are also beneficial. Luna and Tirado (2008) report that a national research center was able to help to eradicate a virus for an association of strawberry farmers, Cahn (2008) reports that the national government was able to provide incentives for Samoan mat weavers, and Rogerson (2007) reports that the government was able to bring about market information, financial resources and support systems to small tourist businesses in South Africa.

It is important for established relationships with non-association entities to be good ones. Some scholars point to qualities of ME relationships that make them effective. According to Prasad and Tata (2005) there should be good power balance and all parties should have easy access to relevant information. Holm et al. (1999) point to the importance of all parties having strong commitments with long term perspectives and a willingness to commit significant resources, and Anderson and Weitz (1992) theorize about the process whereby a good relationship develops. Their theory posits that each firm is influenced by perceptions of commitments of others. By making pledges and following up, each firm influences others to make pledges and increase commitments. This establishes a reinforcement and reciprocity cycle where all benefit over time (Anderson and Weitz 1992; Holm, Eriksson, and Johanson 1999; Cahn 2009; Peredo and Chrisman 2006).

DISCUSSION

This paper focuses on a complex and rapidly changing sector of the world economy, and one in which many businesses are failing. Most probably this represents a norm as business environments modernize, that is become more complex, globalize, and improve technologically. When this happens some smaller businesses succeed and others fail. This happened in 19th century Europe and in the last half of the 20th century in Taiwan and South Korea, is happening in east and south Asia now and is beginning to occur in Africa. This article is relevant today not because of phenomenon, but for two reasons. The first is the advancement of strategic theory. The ideas that skill identification, networking and supply chain management are strategic issues has gained acceptance. That such

concepts can be used to help micro-entrepreneurs makes sense. The second is technological. Previously the poorest of us did not have access to scholarship applications. Thanks to the many ways we communicate worldwide and thanks to many institutions that can deliver scholarly information, including universities, governments and NGOs, MEs have access to and can utilize the kind of information contained in this paper.

The fact that the situation facing MEs is rapidly changing presents a dilemma for those who want to study their evolution. Designing formal rigorous research studies may be feasible and valuable, but it is expensive and time consuming and it is likely that the focal population is not particularly receptive to experimentation and perhaps not literate enough to participate according to accepted research standards. In addition, before there is enough formal research to base conclusions on, conditions for an ME will probably change. Still, research is needed in this field. Those studying and trying to help MEs need to understand conditions facing MEs and what the MEs are trying to do to make things better for themselves. Observational and case studies have helped enormously in these endeavors, especially those that have tracked and analyzed successes or failures. More of these are needed.

It should be clear from this paper that developing world MEs are facing a threatening business environment. Looking through the lens provided from strategic management research, we have identified and discussed four well understood tools and how they could be leveraged into the specific environment of MEs. In the process of outlining strategic direction, we've identified opportunities, for example identifying and seeking new customers, learning to leverage special competencies, picking up information technology skills. Capitalizing on these opportunities, however, change the ME's situation profoundly. Examples include asking the formerly independent entrepreneur to network, asking the formally local business person to find contacts so he can export, and suggesting that the basically illiterate ME to learn computer skills. These changes can formalize relationships and control activity in ways the entrepreneur is not used to. We have cited research that describes these changes, e.g., McElwee (2006), and their effects. More is needed to describe the changes, to identify recommend strategies for coping.

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