

Firm resources of small and micro fashion enterprises in West Virginia and Appalachian Region

Debanjan Das, West Virginia University, USA

Keywords: Firm Resources, Small firms, Microenterprises, Fashion Business

Small and medium-sized enterprises (SMEs) and microbusinesses have become the backbone of the US economy. Statistics from the U.S. Small Business Administration (SBA) indicate there were 30.2 million small businesses in the United States in 2018, making up 99.9 percent of all businesses. SMEs employing fewer than 500 employees accounted for 99.7 percent of businesses in United States, and SMEs with fewer than 100 workers accounted for 98.2 percent of all U.S. businesses. A particular subset of small businesses are microenterprises, which specialize in the sale and manufacturing of highly customized or personalized goods and services. Microbusiness made up 89.0 percent of all businesses in United States. (US Census Bureau, 2016). SMEs and microbusinesses are important drivers of U.S. economic growth. They employed 59 million people in the United States in 2018 and accounted for about 48 percent of the private workforce.

SMEs and microbusinesses offer inclusive growth and provide products and services tailored to locals (OECD, 2017). They occupy otherwise vacant storefronts and provide places for neighbors to meet. They stimulate an inflow of community resources. The formation of microbusiness is highly local, where owners rely heavily on local financial and network resources. Studies have shown that better access to global markets and knowledge networks have positively impacted and strengthened SMEs' and micro businesses (Giuliani, 2007). Trade and investment barriers undermine SME and microbusiness participation, and poor physical, informational and communication technology (ICT) infrastructure prevents SMEs from operating efficiently and accessing international markets at competitive costs (Nikolic et. al., 2015). SMEs and microbusinesses are also not uniformly distributed across communities. Poor communities often lack these critical local resources, preventing promising micro-entrepreneurs from succeeding, and robbing communities of the benefits of the ideas and efforts of thousands of promising entrepreneurs (U.S. Census Bureau, 2017). Southwell (2004) argue that not enough attention has been given to SMEs and micro business regarding their role in community engagement and regional development. SMEs and microbusiness are also found to generates a similar number of jobs as multinational corporations (MNCs) while fostering a more equitable distribution of economic opportunities across communities. Yet little has been done to uncover the resources which small and micro firms possess or utilize to gain competitive advantage

Barney (1991) stated that competitive advantage can only be generated and sustained by firm-level resources that are valuable, rare, inimitable and non-substitutable. These resources can be physical, financial, human, knowledge, and organizational. While small businesses possess fewer resources than do their larger competitors, little research exists in the extant literature regarding how these resources help small retailers to compete with these big box retailers. The Resource Based View (RBV) of the firm focuses on a firm's unique set of resources, identification of those resources is tantamount to survival for small firms (Peteraf, 1993). The RBV of the firm provides a framework for small firm owners to strategize based on those resources which will provide the basis for a sustainable competitive advantage.

A qualitative study was designed to explore the firm resources of micro fashion businesses. In-depth interviews were conducted with the owners or managers of 14 micro retail firms in West Virginia and Appalachian region of the United States of America from January 2020 to February 2020. Each interview took 45 to 60 minutes and was conducted in a location preferred by the participants. The data were transcribed and analyzed for recurring themes.

The firm resources described by the participants were found to be (i) unique firm identity through “the way we conduct business and the variety of product we retail makes us really unique and cannot be copied by anybody”; (ii) community identity “being part of the downtown business community, I feel that I am supported by the local community” (11 out of 14); (iii) location “the downtown to me is sort of like the focal point which drives business.... located in downtown brings more awareness” (10 out of 14); (iv) valued price “the price has to match customers' expectations..... our pricing is based on the expected value of the products” (9 out of 14); (v) customer satisfaction “as a boutique, we always work with our clients to find the best product” (9 out of 14); (vi) reputation “being a known business is important... we get clients from other counties because they have heard of us” (7 out of 14); (vii) skilled employees “as a small business it is important to have knowledgeable employees who can handle the customers” (6 out of 14); (viii) finances “having financial stability is important for our success..... we can weather slow seasons and turn around our business” (5 out of 14); (ix) customer loyalty “having a loyal clientele of customers is a boon for us....” (5 out of 14); (x) customer service “the customer knows us.... we go out our way to satisfy customers with alterations, and repairs and other services” (5 out of 14). To achieve and sustain these firm resources, the participants shared (a) social capital(11 out of 14), (b) human resource capital (8 out of 14), (c) physical infrastructure (6 out of 14), and (d) unique product development and design processes (3 out of 14) as the key themes. The social capital was found to be obtained through associations, networking, and community structure. The human resource capital constituted, employee

training and employee wellbeing. Physical infrastructure was developed through location advantage, specialized machinery, and consumer return reduction. Product development and design skills were obtained through experience, consumer preference knowledge and trend forecasting skills.

The findings have important contributions and implications in small business research within academia and the industry. Consumer, product and service advantages were found to be key competitive capabilities of small and micro retail firms, showing that the small businesses now seem to be concerned in developing their organizational knowledge and learning resources. The business model these small retail businesses were operating had a unique product and customer base competitive advantage. The competitive resources developed by these small retailers are dependent on domestic market. Future research should examine the small retail businesses and their competitive resources using a quantitative methodology. Further research is recommended to investigate the impact of social capital on the small retail businesses.

References

- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-121.
- Giuliani, E. (2007). The selective nature of knowledge networks in clusters: evidence from the wine industry. *Journal of Economic Geography*, 7(2), 139-168.
- OECD. (2017). *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practices*. Retrieved December 10, 2019, from Organisation for Economic Co-operation and Development: <https://www.oecd.org/cfe/smes/2090740.pdf>
- Peteraf, M.A. (1993), The cornerstones of competitive advantage: a resource-based view, *Strategic Management Journal*, Vol. 14 No. 3, pp. 179-91.
- SBA. (2018). *Small Business Profile: West Virginia*. Retrieved December 15, 2019, from U.S. Small Business Administration: Office of Advocacy: https://www.sba.gov/sites/default/files/advocacy/West_Virginia.pdf
- Southwell, C. (2004). Engaging SMEs in community and social issues. In J. Spence, *Responsibility and Social Capital: the World of Small and Medium Sized Enterprises* (pp. 96-111). U.K: Macmillan, Basingstoke, Hampshire.

U.S. Census Bureau. (2017). *Census.gov*. Retrieved December 2, 2019, from County Business Patterns: 2017: <https://www.census.gov/data/datasets/2017/econ/cbp/2017-cbp.html>

US Census Bureau. (2016). *Annual Survey of Entrepreneurs (ASE) - Characteristics of Businesses*. Retrieved November 2, 2019, from U.S. Census Bureau Economic Indicators: <https://www.census.gov/data/tables/2016/econ/ase/2016-ase-characteristics-of-businesses.html>