

15. Role of Strategy in Shaping the Flexibility of Resources in Small and Medium Entrepreneurships

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Unpredictable environment, shortened life cycles of products and global competitiveness, even on local markets strongly affects small and medium entrepreneurships. The article discusses importance of strategic management from the resources perspective in small and medium entrepreneurships. Article examines the problem how choice of strategy influences utilization of tools to improve flexibility of companies resources. In order to answer this question article shows results of research based on thirty interviews with managers, CEOs and owners of the companies. Because of length, complexity and need of perfect knowledge about the companies, sample was chosen in non-probability sampling technique "convenience sampling". That gave opportunity to conduct deep, honest interviews. Companies have been split in to three categories: manufacturing companies, trade companies and service companies. Result shows that there are differences in these aspects between companies of different types. The most significant differences are noticeable in terms of significance of resource and tools utilized to increase flexibility of the company. These findings affirm that flexibility is becoming important part of strategic management. Type of company strongly influences decision making process, which is correlated with strategy and significance of each type of resources.

Keywords: flexibility, resources, management, strategy

1. Introduction

All companies, including small and medium-sized, are now in a turbulent environment, which is associated with high level of risk involved in decision making process. The most important factors affecting the environmental variability may include, inter alia, the fast pace of technological change, and fast and easy access to information, including an economic nature. Today's small and medium-sized enterprises must also meet other challenges that arise from (Faulkner – Bosman 1996) globalization of markets, development of new technologies, the ongoing trend towards consolidation of entities, social change, increased sensitivity to environmental problems, changes on the political map of the world and other factors. One of the responses of the management of small and medium-sized enterprises to the challenges of doing business can be a conscious shaping of their flexibility, especially in the area of resources and strategies.

2. Literature overview

Flexibility is defined differently in the literature. Ansoff (1985) defines flexibility as an attribute that allows the organization to cope with changes in the environment, without trying to be influenced, but responding. Listed by him types of flexibility are: internal, defensive, offensive, and the outer. Eppink (1998, p. 84) defines flexibility as an *“ability of organization to be more resistant to external or unpredictable changes which puts it in a better position to be able to successfully respond to these changes”*. It is a component of the full capacity to respond to changes. Eppink distinguishes three types of flexibility: operating on the current activities of the company, competitive and strategic. Perfect flexible organization has the following characteristics (Eppink 2002, p. 391):

- the ability to keep up with changes in the environment and develop faster than their competitors,
- efficient customer feedback system for learning and responding to their expectations,
- short decision-making processes - flat structure validation executive employees,
- personnel accustomed to the changes (this point is the most difficult to achieve).
- To be able to implement the concept of management based on the flexibility of resources must be met several requirements. The organization must have the ability to control and make changes. That this condition is satisfied for an appropriate organizational culture and structure flexibility.

According to Sikorski (1999, p. 260) flexible organization organizational culture requires employees to readiness to change and innovation. It consists of:

- Ability to respond adequately in situations not routine. The employee should be able to take decisions in a state of uncertainty based on their knowledge and experience,
- creation of a dynamic network of cooperative relationships (an example can be task forces),
- orientation to the process and the results, focusing on the client,
- perception of the environment as a set of opportunities rather than threats
- empowerment of employees by favoring management style,
- trigger creativity among employees.

Flexible structures understood as the ability to adapt quickly or as natural variability is not a uniform phenomenon. Krupski has defined (2005 p. 76) five types of flexible

organizational structures. The first is the flexibility resulting from the modular organization. Examples of such structures are a holding-type organizations, divisional organization or network organizations. The flexibility of these forms due to the fact that the various elements have distinct boundaries enables to identify what is the effect of their action. The second type of flexibility is flexibility through the personal characteristics Chief Executive. Companies managed by cooperative presidents seek to exploit opportunities that often make changes faster than the employees are able to prepare for this. It is possible that in this case, organization is flexible at the strategic level while at the tactical or operational level is fossilized.

Incremental model of shaping organizational structures flexibility results from the ambiguity of internal organization. It occurs most often in the small businesses, for which the organization does not matter. This form of organization is often very entrepreneurial, focused on strategic success factors. Dynamic organization growth often results in changes in management model; the model of Greiner called it crisis of leadership.

Consciously shaped organic relationship within the organization is another specified model. In spite of the similar effect as in the previous approach, in this case it is a conscious decision and not the result of neglecting organizational structure. Not everywhere it is possible to implement this model. These are often companies based on innovation and human capital, research-based, with innovation or advisory character.

There could be situation in which the organization goes through frequent changes of ownership, but among these changes is a typical functional organization. This type of flexibility is the simplest but also the most common. Not affecting company's strategy, but it causes a lot of interest in changes among the crew.

The last type is the flexibility is resulting from the specific nature of the industry, which causes the finished project after another has little in common with the previous one. Example could be the construction industry, where it is difficult to traced the reproducibility.

3. Research methods

There are still not many studies concentrated on flexibility of companies. This study took the form of a structured questionnaire. The answers were given by thirty people from mid to high management levels. Those who responded to the questionnaire were chosen by convenient selection. This made it possible to reach the people who have a lot of information about the functioning of the organization and the strategic actions taken by these

organizations. Respondents were divided in such a way that the study involved ten representatives of service companies, production companies and trade companies. This allowed comparison of results between different sectors.

The questionnaire consists of both open and closed questions. In total respondents answered twenty questions divided into three categories: corporate strategy, risk, corporate resources. This paper presents the results only part of the broader piece of research.

The results are a synthesis of the data collected from the thirty respondents, both divided by sectors and as well as the aggregate results for the entire sample test. This allows to compare the results.

Article focuses on two main issues: Factors influencing the choice of the strategy and its correction, and on the resources of the surveyed enterprises, their importance and utilization of tools that can increase the flexibility of the organization.

4. Strategy analysis

The first element of the strategy analysis of the surveyed enterprises was answering the question: "What Mr/Ms company takes into account in formulating its business strategy?" Respondents had to choose from a set of prepared answers. The results are presented in tabular form (Table 1).

Table 1 Factors taken into account in formulating business strategy

FACTORS	TOTAL	PRODUCTION	TRADE	SERVICE
Changes in the local market	23	5	9	9
Changes in the international market	9	4	3	2
Observed actions of competitors	22	8	9	5
The desire to reach your goals	21	6	8	7
Strengths and weaknesses of the company	14	5	3	6
Having place of social changes	2	0	0	2
Changes in regulations	11	3	1	7
Inspiration from foreign markets	10	7	2	1
Possible market opportunities	14	4	6	4
Other elements (what?)	0	0	0	0

Note: number of enterprises

Source: own calculation

In total, the most important factors to be considered are “changes on the local market”. The next answers in order of the most popular are “the observed actions of competitors” and “the desire to reach your goals”. Other factors of the respondents do not play such an important role. By sector, it can be seen that in this case the answers are quite similar. Both in

the case of service enterprises and trade enterprises “changes taking place on the local market” plays the most important role. Definitely a lower score of “changes on the international market” can be explained by the size of the surveyed companies, and thus a smaller scale of operations. For manufacturing companies “observed actions of competitors” took the most important role in the formulation of strategy. Only two companies in the service sector have recognized the "social changes that take place" as an important element which influences the strategy. In this case, it may be response to the high sensitivity of this sector to the ongoing dynamic changes that the market must respond quickly. Most of the surveyed companies formulate a strategy for a period of one to two years (Table 2).

Table 2 period for which the strategy is formulated

PERIOD	TOTAL	PRODUCTION	TRADE	SERVICE
Less than one year	7	2	4	1
From one to two years	10	3	2	5
From two to three years	4	0	2	2
Three to four years	1	1	0	0
From four to five years	3	1	1	1
More than five years	5	3	1	1

Note: number of enterprises

Source: own calculation

In this case, however showing a much greater variation due to the sector. Half of service companies indicated that the strategy is formulated for a period of one to two years. In the case of manufacturing and trading companies are, respectively, three and two companies. Four commercial companies formulate strategy for the period up to one year. In the case of manufacturing and service companies are two and only one company. Such a distribution of responses suggests that commercial companies operate in the most dynamic and unpredictable environment, therefore, avoid formulating the strategy in the long term. Respondents also pointed to factors affecting the correctness of the strategy in enterprises (Table 3).

The majority of respondents indicated the “actions taken by competitors” as a factor that influences the correction of strategy. By sector, it can be seen that only in the commercial companies it was the most popular factor. In the case of manufacturing companies most respondents indicated reduction of the financial performance (trade and services at the five precepts, while in the case of service companies most respondents chosen unsatisfactory results of the implementation of the strategy (five precepts of manufacturing companies and three among the commercial).

Table 3 Factors affecting the correctness of the strategy in enterprises

FACTORS	TOTAL	PRODUCTION	TRADE	SERVICE
Unexpected changes in the market	13	5	5	3
Actions taken by competitors	21	6	9	6
Detection of errors in assumption strategy	8	4	0	4
The need to correct unrealistic goals	8	3	2	3
Internal developments taking place in the enterprise	8	2	2	4
Unsatisfactory results of the implementation strategy	16	5	3	8
Reduction of financial performance	18	8	5	5
Lack of customer satisfaction	9	3	2	4
Dissatisfaction employees	3	1	1	1
Other factors (please specify)	2	0	2	0

Note: number of enterprises

Source: own calculation

An interesting situation can be observed in the case of detecting errors in the assumptions of the strategy. Only respondents among trading companies did not indicate that factor, among other groups, 40% of respondents pointed to this item. You can find here the analogy to the results for the “period of the strategy formulation” (Table 2). Some of the trade companies formulating strategies for a very short period of time do not have time to detect errors in the assumptions.

Mostly production companies use a wide range of management tools available (Table 4). Manufacturing companies are characterized by a very complicated process, high technical sophistication, the need to appropriate management both in terms of efficiency and quality, and the use of logistics systems.

Table 4 Popularity of management tools

TOOLS	TOTAL	PRODUCTION	TRADE	SERVICE
SWOT	21	8	6	7
BCG Matrix	10	4	4	2
PEST Analysis	1	1	0	0
General Electric / McKinsey Matrix	1	0	1	0
Ansoff's Strategy Model	2	1	1	0
Balanced Scorecard	7	2	2	3
Porter's 5 forces .	12	6	4	2
Outsourcing	16	6	3	7
Benchmarking	11	5	2	4
Reengineering	1	1	0	0
Standardized management systems	22	8	6	8
Break-even analysis	13	5	5	3
Preparation of business plans	15	4	3	8
Analysis of the attractiveness of the sector	3	3	0	0
Other (please specify)	0	0	0	0

Note: number of enterprises

Source: own calculation

In total, manufacturing companies indicated fifty-four times the individual tools, service companies forty-four while trade companies thirty-seven. The most common tools are: SWOT analysis (eight indications by manufacturing companies, six indications by trade companies and seven by the service companies) and the use of standardized management systems (eight indications by manufacturing companies and six by service and trade). These tools are most frequently used by all surveyed companies. Their popularity may be effect of the ease of use and good effects (SWOT analysis) and the desire to improve services offered by the companies and to improve the company's image on the market (standardized management systems).

In terms of strategic actions there are noticeable slight differences among the various groups. Both in the case of what factors are taken into consideration in formulating strategies and for what period of time the strategy is formulated. The analysis also showed differences among these factors affecting the corrections of the strategy. In the case of utilization of management tools responses are quite similar.

5. Resources analysis

The methodology used to describe the resources of the surveyed enterprises is slight different than the one used to describe strategies. The questionnaire in the area of resource centered around two elements. The first one was a description of the characteristics of resources, the second one, tools used to improve resource's flexibility.

The characteristics of the resource consist of ranking the importance of individual characteristics based on the Likert scale from least to most important. Similarly, in the case of tools. The characteristics of the resources and the tools divided into human resources, financial resources, material resources and different resources (Table 5).

Table 5 Characteristics of resources and tools

	CHARACTERISTIC	TOOL
HUMAN	The level of internal rotation of employees	Contract work
	The use of flexible forms of employment	commissioned agreement
	The level of employee motivation	Futures
	Education and knowledge of workers	Telework
	Employee skills	Staff Leasing
	Experience of employees	Work on call
	The level of employee satisfaction with their work	Education in educational entities
	Professional development opportunities for workers in the enterprise	internal training
		external training
		Self-study
		Employees internships
		Rotation on positions
		Replacement planning
		Team work
Working in teams for creative problem solving		
Expanding the content of the job		
Making new features without promotion (for example, the coordinator , mentor)		
Coaching		
Mentoring		
TANGIBLE	The versatility of machines and equipment	Purchases of universal machinery and equipment
	The functionality of office space	Applying the principles of TPM (ensuring the availability of critical equipment and the desire to achieve a level of three zeros: zero accidents at work, no gaps, no failure)
	Modern hardware	Lean manufacturing
	Commodity storage capacity	The use of the rental/lease of tangible resources
	Specialist equipment	The use of borrowed material resources
	Adequacy of localization	Possibility of improving the system (eg. software update)
	The availability of transport services	Having an excess of resources in relation to the current needs
	Up to date software	Designing functional office
	Availability of expanding organization's head office	The use of free software
	The availability of housing for rent	The current renewal of hardware and software
		The use of external storage space
		Flexible supply chains of products
		Inventory reduction tools (eg. Just -in-time)
	FINANCIAL	Availability of own sources of funding
The availability of external financing		The issue of short-term securities
The balance between the resources allocated to investments and retained funds (financial surplus)		Sale of redundant assets
The ability to liquidate assets		Sales of unnecessary intangible assets (eg. Copyrights, patents)
The ability to liquidate intangible assets (eg. Patents)		Factoring (debt collection by an external institution)
The level of commitments with suppliers		operating leases
The balance of receivables		financial leasing
The value of cash on hand		Borrowing investment credits
		Borrowing operating credits
		External funding (for example, by the EU)
		long-term investments
		short-term investments
		Control inventory levels
		Control of state obligations to suppliers
	State control of receivables from customers	
OTHER	Expressive organizational culture	Procedures for rewarding creativity of employees
	Immutability of mission and vision of the organization	Shaping an effective organizational structure and counteracting inertia
	Positive image of the employer	The use of computer systems supporting management process
	The organizational structure gives leeway to employees	Participation in online databases (eg portals for companies in a particular industry)
	The efficiency of the management information processes, enabling the identification of risks and opportunities arising from the environment	Tools in the field of shaping the image of the employer in the labor market (employer branding)
	Availability of Supplies	Managing the organizational culture
	Existing relationships with other organizations	Stimulate knowledge sharing and organizational learning
	Reputation of the company in the market	Taking action in the field of CSR (Corporate Social Responsibility)
	Possibility of commercialization of intangible assets owned by the company (copyrights, patents, etc.)	Taking action in the field of CRM (customer relationship management)
	The state of organizational learning processes	Promoting behaviors and attitudes oriented on flexible way of working
		Preventing excess of formalization
		The use of internal and external consulting
		The use of external sources of information (business intelligence)
		Evaluation and selection of suppliers in order to ensure the safety of the organization
Liaise with competing companies		
Sale of patents and copyrights		

Source: own construction

Then was calculated the sum of the average for each pulled characteristics and tools. This made it possible to receive a synthetic indicator which allows comparisons between elements. For traders indicators are as follows (Table 6).

Table 6 Resources characteristics in trade companies

	TRADE		
	MINIMUM	MAXIMUM	RATIO
Human resources characteristics importance	0,375	3,25	8,666667
Other resources Characteristics importance	0,7	3,4	4,857143
Tangible resources Characteristics importance	1,1	3,2	2,909091
Financial resources Characteristics importance	2,142857	3	1,4

Source: own calculation

Evidently, by far the most important characteristics for this type of companies are human resources. In relation to financial resources it is a difference of more than six times. Other resources focusing on a group of intangible resources plays as well an important role. Much less is the importance of financial and material resources. Trade is largely based on building good relations with customers, customer support and the use of available opportunities; it could explain the very high score of these groups. Material and financial resources, in this case play a much smaller role. Utilization of tools shows some differences (Table 7).

Table 7 Tools utilization in trade companies

	TRADE		
	MINIMUM	MAXIMUM	RATIO
Other resources tools	1,0625	3,1875	3
Financial resources tools	3,533333	2,533333	0,716981
Tangible resources tools	3	2,076923	0,692308
Human resources tools	3,368421	2,052632	0,609375

Source: own calculation

Clearly dominated by the use of tools, to support other enterprise resources. They have both the highest maximum rate and lowest minimum rate. These results show that in the case of trade companies other resourced might be considered as the most important resources. They shape the use of the various tools, and of how and taking into account what the company will develop. It is widely understood relationships will be determinant of behavior, and

whether the company has reached the expected growth. Relatively similar shape indicators of service companies, however, are also some important differences (Table 8).

Table 8 Resources characteristics in service companies

	SERVICE		
	MINIMUM	MAXIMUM	RATIO
Human resources characteristics	0,375	2,875	7,666667
Other resources Characteristics	0,5	2,5	5
Financial resources Characteristics	2	3,25	1,625
Tangible resources Characteristics	2,6	2	0,769231

Source: own calculation

Both here and in the trading companies’ human resource characteristics of the respondents are the most important. However, in service companies is almost tenfold advantage in relation to the least significant material resources. While nominally the result is lower than in the trading companies in a percent’s this resources plays an even greater role. In second place again, there are other resources with the higher score in relation to commercial companies. Financial and material resources are by far the least important in this type of business. There are major differences in the rates for the use of particular tools (Table 9). In the case of commercial companies, again in the first place are the tools associated with other resources but there are important differences in the results.

Table 9 Tools utilization in service companies

	SERVICE		
	MINIMUM	MAXIMUM	RATIO
Other resources tools	2,4	2,1875	0,911458
Human resources tools	3,421053	1,684211	0,492308
Financial resources tools	4,4	1,666667	0,378788
Tangible resources tools	3,076923	1,153846	0,375

Source: own calculation

Advantage of other resources tools is 0.3 point in this case and 2.4 point in trading companies. In services companies human resources tools are at second position and has slight advantage over financial and tangible resources. Analysis indicates that in services companies the most important type of resources is human resources. According to responders this type is very significant and quite often used.

Manufacturing companies differ in nature from the other two types. Analysis of the strategy and resource indicators shows a different perception of management. Analysis of the characteristics of resources did not shown one dominant resource type (Table 10). As in other

cases, other resources and human resources and are located on the top of the rankings, but the difference between the financial and human resources are just 2,96point. This is twice less than in the case of commercial companies and three times less than in the case of service companies. The importance of tangible resources has been pointed out here much higher than in other cases.

Table 10 Resources characteristics in manufacturing companies

	MANUFACTURING		
	MINIMUM	MAXIMUM	RATIO
Other resources characteristics	0,6	3,3	5,5
Human resources characteristics	0,75	3,75	5
Tangible resources characteristics	0,7	3	4,285714
Financial resources characteristics	1,75	3,25	1,857143

Source: own calculation

Indicators on the use of the tools also differ from what is shown by the analysis of other types of companies. Tangible resources tools are most commonly used among manufacturing companies. These indications are twice higher than in trading companies and nearly five times than in the service (Table 11).

Table 11 Tools utilization in manufacturing companies

	MANUFACTURING		
	MINIMUM	MAXIMUM	RATIO
Tangible resources tools	2,076923	2,769231	1,333333
Other resources tools	2,125	2,4375	1,147059
Financial resources tools	3,2	2,466667	0,770833
Human resources tools	3,631579	1,789474	0,492754

Source: own calculation

Such a result is certainly not surprising. That type of company are much more associated with material resources than intangible and therefore tangible resources may be considered in the case of manufacturing enterprises as their key resource.

6. Conclusion

The present study shows the differences between the various types of businesses, both in the development of the strategy and in the perception of the use of resources and tools to increase their flexibility. Depending on the different types of resources and tools results vary

greatly, but it possible to identify key resources. Appropriate use of resources greatly increases the chances of achieving satisfactory results. Strategy cannot be built without relying on the identification of key resources.

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