Retail matters: examining the relationship between resources and performance in small retail firms.

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STATEMENT OF CO-AUTHORSHIP

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ABSTRACT

Retailing is an essential economic, social and cultural activity, and a strong retail sector makes a significant contribution to local, state and national economies. Small retailers contribute to their local areas by providing a variety of goods, employment opportunities, and an alternative to offerings from multinational corporations. In a shrinking global market retailers, particularly small retail firms, operate in increasingly volatile and competitive trading environments. Although the challenges facing the retail industry have been widely addressed in both the academic and trade literature, the accumulated research in the area of retailing has concentrated on the performance of large retailers. There is a dearth of research focussing on *small* retail firms and only a limited number of studies examining the resources utilised by high performing small retailers.

Using the lens of R-A theory to address this gap in the research, this study aimed to empirically investigate the relationship between firm resources (informational, relational, physical, financial, human and organisational) and performance in small retail firms by identifying which resources are associated with higher levels of firm performance. This study further examined the effect of three mediating factors (strategic orientation, strategic planning capability and entrepreneurial orientation) and two moderating factors (customer orientation and environmental hostility) on the relationship between resources and performance.

This study used a quantitative methodology. Data were collected via a mail survey delivered to 2,013 small retailers throughout the island State of Tasmania, Australia. Completed surveys were received from 401 small retailers; with 322 surveys returned as undeliverable this provides a response rate of 23.7%.

The findings confirmed that two of the six proposed resources – informational (business) resources and access to financial capital – were important for firm performance. A third resource – informational (web) resources – was found to be negatively related to firm performance. Strategic planning capability was found to be positively related to firm performance, as well as to strategic orientation (a prospector orientation). Strategic planning capability positively mediated the relationship between informational

(business), physical, relational, and human and organisational resources and performance. The findings further show that a firm's strategic orientation is important for firm performance. While both a prospector orientation and a defender/analyser orientation were found to be positively related to performance, firms with a prospector orientation reported higher levels of performance. While no relationship was found between entrepreneurial orientation and performance, the study confirmed a positive relationship with a prospector orientation and with strategic planning capability. Similarly, customer orientation was not found to be related to firm performance; however, there was support for the moderation effect of customer orientation on the relationships between physical resources and two of the proposed mediators: a defender/analyser orientation and entrepreneurial orientation. No relationship was found between owner/manager perceptions of environmental hostility and firm performance; nor did environmental hostility moderate the relationship between resources and performance.

The findings have implications for both retail theory and retail practice. This research contributes to the small retail firm literature, and extends the use of R-A theory in the context of small and medium enterprises (SMEs) and retailing. Through the development of a conceptual model, this research contributes to the extant research on small retailer resources and performance by confirming specific resources related to higher levels of firm performance, and by highlighting the mediating or moderating effect of several factors on the relationship between resources and performance. From a practical perspective, the findings of this study have significant implications for the retailing industry by assisting small retail firms to identify which resources and strategies can lead to higher levels of firm performance.

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CHAPTER 1 | INTRODUCTION TO THE THESIS

1.1 | Introduction

Retailing is widely regarded as being vital to local and national economies (Findlay & Sparks, 2002; Reinartz, Dellaert, Krafft, Kumar & Varadarajan, 2011; Wrigley & Lowe, 2010). However, increases in the array and availability of products, the globalisation and expanding dominance of large retail chains, tremendous growth in internet sales, rapid advances in communication and distribution technologies, and turbulent economies, all contribute to a volatile and competitive environment for retailers, particularly small retailers (Bennison, Warnaby & Pal, 2010; Coca-Stefaniak, Hallsworth, Parker, Bainbridge & Yuste, 2005; Conant, Smart & Solano-Mendez, 1993; Evans, 2011; Megicks & Warnaby, 2008; Moore, 2005; Moore & Fairhurst, 2003; Nelson & Ratliff, 2005). Despite their limitations, such as inadequate resources, supply problems and relatively higher operating costs (Smith & Sparks, 2000), many small retailers are clearly successful (Megicks, 2007); indeed, it is often small retailers who are best-placed to respond to new opportunities in the retail landscape through initiatives in products, processes, strategy and business models (Morris, Kuratko & Covin, 2011). This is due in part to their smaller size which allows them the flexibility to proactively adapt their resources and strategies and innovatively address the vagaries and challenges of their trading environments (Berman & Evans, 1989; Conant & White, 1999; Davies & Harris, 1990; Lin, 1998; Megicks & Warnaby, 2008; Rogers, 2004; Verhees & Meulenberg, 2004). Given the importance of small retailers to local, regional and national economies, as well as to their local communities (Calderwood & Davies, 2012; Clarke & Banga, 2010; Paddison & Calderwood, 2007; Smith & Sparks, 2000), an understanding of the factors contributing to firm performance in a small business context is critical.

Whilst there are a modest number of studies examining small retailers (for example, Coca-Stefaniak, Parker & Rees, 2010; Megicks, 2007; Megicks & Warnaby, 2008; Moore, 2005; Quinn, McKitterick, McAdam, & Brennan, 2013; Runyan & Droge, 2008; Tajeddini, Elg & Trueman, 2013), there is very little research empirically examining the resources utilised by small retailers, in particular those resources which are important for performance. There is also a dearth of related research into the various factors that may impact the relationship between resources and performance in small retail firms. The purpose of this study, therefore, is to close this research gap and explore the specific relationship between resources and levels of performance in small retail firms by identifying which resources lead to higher levels of performance. Using the lens of Resource-advantage theory (R-A theory), which focuses on leveraging resources to enhance performance (Hunt, 1995; Hunt & Morgan, 1995), this study proposes a conceptual framework to explain the relationship between small retail firm resources and performance. The study also proposes that there are various factors which will affect the relationship between resources and performance by either mediation or moderation. Specifically, three factors are proposed to mediate the relationship between resources and performance, namely, strategic orientation, strategic planning capability and entrepreneurial orientation, and two factors are proposed to moderate the relationship, namely, environmental hostility and customer orientation.

While R-A theory has received favourable attention in the literature (Crittenden, Crittenden, Ferrell, Ferrell, & Pinney, 2011; Grawe, 2009), there has been little empirical research undertaken which employs the theory, particularly in the context of retailing and small to medium enterprises (SMEs). The present study therefore aims to utilise R-A theory to examine small retail firm resources and performance with the aim of contributing to both enhanced small retailer performance and the development of theory.

The objective of this chapter is to introduce the thesis. First, a discussion of the background to the research is provided; this is followed by a presentation of the context for the research. Succeeding an outline of the research opportunity and the proposed research questions, the contribution to theory and practice is discussed. A summary of the methodology used in the study is then provided. The chapter concludes with the definition of key terms, the delimitations of scope and an outline of the structure of the thesis.

1.2 | Background to the research

1.2.1 | *SMEs, retailing and small retail firm research*

SMEs are vital for growth across local communities and economies; they are also an important source of job creation and revenue generation, particularly in market economies (Henderson & Weiler, 2010; Valliere, 2006). SMEs often occupy niche markets and promote innovation, economic variety and integration, and social stability, as well as activating competition (Franco & Haase, 2010; Omri & Frikha, 2014). Barriers to entry in retailing are relatively non-substantial in many retail sectors, as demonstrated by the proliferation of new on-line businesses and the advent of ‘pop-up’ stores (operating for a limited time and often with lower operating costs than established stores). In addition, as well as providing various goods and services, many people rely directly or indirectly on small businesses for their livelihood (Bracker & Pearson, 1986). In this context, retailing is a vibrant and distinctive global activity (Reinartz et al., 2011). Retail activities are an integral part of the economy, and in many communities SME retailers are an important part of the social fabric and local culture (Findlay & Sparks, 2002; Tajeddini, Elg & Trueman, 2013; Wrigley & Lowe, 2010).

In their seminal work, Findlay and Sparks (2002, p.1) stated:

> Retailing can be seen as a reflection of culture … some would argue further that retailing is active in changing societal views and the very cultural environment it inhabits. Our understanding of the world can no longer be taken solely from an industrial perspective, but has to encompass this ‘retail’ view. The dynamism and diversity of retailing are also key aspects of the intrinsic interest of the subject, and help mark out retailing as distinctive from other industry sectors. They are the key challenges to retailers and to retail researchers.

This assertion is still valid today, 13 years later. Given the dynamic nature of the retail industry and the competitiveness of the small business arena, small retail firms continue to face myriad challenges. As stated earlier, western retailing is facing a rapidly changing economic and social landscape, with increases in product availability, globalisation of large retailers, and the growth of internet sales. The traditional strategic responses to increased competition (e.g., expansion of stores, increase in offerings, and adoption of technology) will not be enough for most retailers (particularly small retail firms) to survive in such a difficult environment. Instead, retailers must find new strategies to grow and remain sustainable (Evans, 2011).

Adding to the competitive environment faced by small business owners (and small retailers in particular) is the high probability of business failure. Entering into (and maintaining) a small retail business is not without risk and the small business literature is replete with studies identifying factors contributing to SME failure (Franco & Haase, 2010; Perry, 2001). The failure rate for small businesses in Australia of 40.3 per cent is higher than that for both medium (24.2 per cent) and large (25.7 per cent) businesses (DIISRTE, 2012). Four out of ten Australian businesses operating in June 2003 were no longer in business by June 2007 (ABS, 2008). The risk of business failure is particularly high for SMEs employing less than 200 employees, which represents the majority of Australian businesses (Wiesner & Millett, 2012). Both the associated academic and industry literature (as well as anecdotal evidence) highlight restricted cash flow or access to finance as one of the major contributors to SME business failure (Franco & Haase, 2010). Scarce access to financial resources is often the most significant factor in the lack of development and/or the closure of SMEs (Winborg & Landstrom, 2001).

Although retailing activity has taken place for thousands of years, the academic study of the practice of retailing is not particularly extensive (Findlay & Sparks, 2002). Retailing is very different from other economic activity, and the fact that it is such a diverse and rapidly changing industry, increasingly piques interest from academics, industry, practitioners, government and consumers. Indeed, while many traditional industries have disappeared, it can be argued that retailing continues to develop, flourish and provide an ideal platform for many entrepreneurial operators (Findlay & Sparks, 2002). It can be argued that small business owners embody the entrepreneurial spirit; starting up a new business and developing original and innovative products and services are the domain of many small business people. Further, research has shown that small retailers operate differently from large retailers (McGee & Peterson, 2000); findings from studies of large retail firms should not therefore be automatically applied to smaller firms. Some retail studies often ‘lump’ all retailers together, regardless of their size, which confuses the effect of firm size (Runyan & Droge, 2008). In addition to differences in size, firms within the same industry often differ considerably in terms of their management style, history and culture and this can lead to significant variations in their use of resources (Barney, 1991). Most studies examining firm behaviour within the retail industry have tended to focus on a single retail sector (e.g., grocery stores, pharmacies) rather than examining strategy across sectors within the industry (Moore, 2005).

The majority of retail research has traditionally been conducted in the United States (U.S.) and the United Kingdom (U.K.). From 1970 to 1990 retailing research in the U.K. concentrated on large retail organisations and concerned retail internationalisation and the adoption of new technologies; there was very little research devoted to small retailers and small retailer strategy (Bennison et al., 2010). During the 1990s, a shift occurred and the study of small retail firms and the issues associated with independent retailing (e.g., the effects of out-of-town developments, sustainability, social exclusion and urban regeneration) became the focus of academic research as well as government policy (local and national) (Bennison et al., 2010). Interest in small retailer research continued (for example, Baron, Harris, Leaver & Oldfield, 2001; Coca-Stefaniak et al., 2005), with a focus on small retailer *strategy* (for example, Byrom, Medway & Warnaby, 2003; Smith & Sparks, 2000). Megicks (2001) identified a taxonomy of competitive strategy types in response to the contrary view that U.K. small retailers were bereft of retail strategy and at the mercy of multiple chain stores. This was followed by research into the influence of different levels of strategy in small retail firms (Megicks, 2007; Megicks & Warnaby, 2008).

In the U.S., much of the retailing research has been conducted in a large retailer context (for example, Bloch, Ridgway & Dawson, 1994; Dant, Grunhagen & Windsperger, 2011; Eppli & Benjamin, 1994; Wakefield & Baker, 1998). However, a modest number of studies have been conducted over the past 30 years around small retail firms and the strategies used to increase levels of performance. An early study by Fiorito and LaForge (1986) investigated the marketing strategies of a group of small retailers and concluded that small firms need to develop strategies that will position them against other store types as well as provide differentiation for competing against stores of the same type. Conant et al. (1993) confirmed that retailers exhibiting superior marketing competencies were shown to out-perform their competitors who lacked emphasis and clarity. McGee and Peterson's (2000) work responded to the dominance of large discount chains and 'category killers' and measured the resources and capabilities of small retail firms (in this case independent drug stores), identifying which of these would lead to competitive advantage. Using the resource-based view, Runyan, Huddleston and Swinney (2007) conducted similar research focussing on the resources used by small firms to create competitive advantage. Barney, Wright and Ketchen (2001) also examined SMEs using resource-based theory.

In contrast with research conducted in the U.S. and the U.K., there is very little literature offering an *Australian* perspective on retailing, particularly small retailing. Whilst contributions from researchers in Australia (and other Asia-Pacific nations including New Zealand) are increasing (for example, Battisti, Deakins & Perry, 2013; Goodman & Coiacetto, 2012; Klan, 2007; McArthur, 2013; Minahan, Huddleston & Bianchi, 2012), the field is still in its infancy. The majority of *Australian* writing is found in industry magazines (e.g., *Inside Retail, Retail World, The ARA Retailer*) rather than in academic publications. The content mostly addresses more practical subjects, including: supply chain management; distribution and logistics; financial investments in large scale retail tenancies; human resources and education for retail managers, and planning and performance issues. In addition, as alluded to above, the existing literature is dominated by research on large retail firms or large planned shopping centres; research on small independent retail firms in Australia is significantly lacking.

1.2.2 | *Theoretical approaches to small retail firm performance*

An all-encompassing theory of retailing does not exist (Brown, 1988; Davies, 1998; Roth & Klein, 1993). There have been many concepts and theories developed, some short-lived, on a range of specific retailing dimensions, for example, store image, price-value relationships, location planning, institutional evolution (Hirschman, 1978). However, no overall body of theory exists that can describe, explain and predict the nature of retailing (Brown, 1988; Peterson & Balasubramanian, 2002). A number of theories have attempted to capture the process of change within retailing (but have not endured); the three most important are the 'wheel' of retailing (McNair, 1958), the retail 'accordion' (Hollander, 1966) and the retail 'life cycle' (Davidson, Bates & Bass, 1976).

As a result researchers have applied major theories drawn from the strategic management field to the academic consideration of retailing. Strategic orientation frameworks are regularly used in organisational research to examine the link between strategy and performance and a number of studies have focussed on applying existing strategic models (for example, Barney, 1991; Miles & Snow, 1978; Porter, 1980) to 'fit' in a retail context (Megicks, 2001). Porter's (1980) generic strategies framework (cost, differentiation, and focus) has been used extensively in retailing research (for example, Covin & Covin, 1990; Helms, Haynes & Cappel, 1992; McGee, 1987; Morschett, Swoboda & Schramm-Klein, 2006; Watkin, 1986). Other studies (e.g., Moore, 2005) have used the Miles and Snow (1978) strategic typology which classifies firms into one of four strategic types – prospector, defender, analyser and reactor.

In a contemporary sense, the most significant approach to examining retailing has been the use of resource-based theory. Resource-based theory contends that a firm should generate competitive advantage from its own set of unique resources and capabilities (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984, 1995). Under resource-based theory, the key to superior performance is for firms to be able to sustain their competitive advantage (Runyan et al., 2007); that is, to exploit (in the long term) the advantages from superior resources and capabilities which may include management skills, information and knowledge (Barney, 1991). In general terms, the ability for retailers to leverage their resources to enhance firm performance is a critical component of retail strategy, and resource-based theory has been applied extensively in retail research. Yet, again, much of the research has concentrated on larger firms rather than small retailers (Runyan et al., 2007). Only a few studies have empirically examined the different types of resources used by successful small retailers (for example, Billesbach & Walker, 2003; Brush & Chaganti, 1998; Edelman, Brush & Manolova, 2005; McGee & Love, 1999; Megicks, 2001, 2007; Megicks & Warnaby, 2008; Nelson & Ratliff, 2005). Of those studies, a number used only very small samples (e.g., Billesbach & Walker, 2003; Nelson & Ratliff, 2005; Runyan et al., 2007).

1.2.3 | *Resource-advantage theory*

R-A theory developed by Hunt (1995) and colleagues (Hunt & Morgan, 1995) to explain the process of competition, adapts and combines resource-based theory with Jacobson's (1992) Austrian economics and Alderson's (1957, 1965) heterogeneous demand theory. R-A theory was originally proposed as a theoretical perspective of competitive markets and provides a comprehensive alternative to resource-based theory (Barney, 1991, 2001a). R-A theory is used to explore the performance of organisations in the context of dynamic markets being disrupted through risk-accepting, proactive innovation (Hunt & Arnett, 2003). In essence, R-A theory focuses on the organisation's efficiency and effectiveness in creating, discovering, accessing, and exploiting heterogeneous resources to create superior need-fulfilling market offerings for specific target markets, as well as ensuring superior market position and competitive advantage. R-A theory has been applied across many disciplines and contexts (for example, Crittenden et al., 2011; Grawe, 2009; Hunt, 1997a, 2000, 2001, 2011; Hunt & Arnett, 2003; Hunt & Morgan, 1997; Morris, Schindehutte & Allen, 2005; Morris, Schindehutte & LaForge, 2002).

Under R-A theory, each firm possesses a unique set of resources that can lead to a comparative advantage in the marketplace (Hunt & Arnett, 2003). Resources are broadly defined as the inputs used by an organisation to produce efficiently and/or effectively, valuable products (Hunt, 2000). These resources are considered to be relatively heterogeneous and imperfectly mobile, and are classified (with associated examples within a retailing context) as relational (e.g., customer loyalty programs), informational (e.g., monitoring competitors), physical (e.g., store atmospherics), financial (e.g., access to financial capital), legal (e.g., patents and trademarks), human (e.g., skills and experience), and organisational (e.g., business reputation). Greater access to, and successful competition for, resources means greater comparative advantage, which results in greater firm performance. As small retailers are often regarded as having limited access to resources (Franco & Haase, 2010; McGee & Rubach, 1996/97), discovering which resources must be effectively and efficiently deployed to create a superior position in the target market is critical.

Whilst R-A theory as a concept has been largely well-received, there has been very little empirical work carried out which employs the theory, particularly in the context of SMEs or retailing generally. Four exceptions include studies by Jambulingam, Kathuria and Doucette (2005), who used R-A theory to examine entrepreneurial strategy and performance in the retail pharmacy industry; Hu and Wang (2009), who adopted a case study methodology to examine a single, leading retail company in Taiwan; Colton, Roth and Bearden (2010), who studied the performance of retail e-commerce firms using a conceptual framework based on R-A theory, and Chotekorakul and Nelson (2013), who examined the relationship between customer orientation and merchandising competencies and retailer financial performance. While these studies make a useful contribution to the field of retailing research, and to the application and extension of R-A theory, all four studies examined only limited aspects of firm resources, in a fairly narrow context. To date, there has been no large scale survey of retailers (particularly small retailers) which comprehensively applies R-A theory.

Despite the contributions made by prior research in the field of retailing and retail resources and performance, further research is required which is focussed specifically on small retailers, and on the resources necessary for firm performance, as well on the factors which may impact on this relationship. This study aims to contribute to the research gap by undertaking the first large scale survey of all sectors across the retail industry in a small retailer context.

1.3 | Research context

In OECD countries the retail industry makes a significant contribution to employment, business activity and GDP (Wrigley & Lowe, 2010), and in the last three decades there has been significant growth in the number of large retail organisations (as well as the 'globalisation' of many retailers). However, it is small retail firms (i.e., single stores with the owner as manager) that dominate the retail industry in many countries (Findlay & Sparks, 2002; Bennison et al., 2010). In order to set the context for the research, this section presents a discussion of the retail industry in Australia, and specifically the retail landscape in Tasmania where the research was conducted.

1.3.1 | *Australian retail industry*

From an industry perspective, retailing is Australia's second largest employer (the largest being the health care and social assistance industry), followed by construction and manufacturing (ABS, 2012). In 2010-11 the Australian retail industry employed 1.3 million people, or 10.9 per cent of the working population (Productivity Commission, 2011). Reflecting this, the retail industry also makes a significant contribution to Australia's economic output, generating $69.7 billion in economic output in 2012-13 (Productivity Commission, 2014). In 2012-13 there were 133,375 retail businesses in Australia and almost half of those employed four or fewer workers making them 'micro' businesses (Productivity Commission, 2014). The Productivity Commission (2011, 2014) reports that the retail industry in Australia is diverse, with considerable differences between retailers in terms of business size, format and offerings; these differences are further highlighted across different regions throughout the country.

Recently, there has been considerable commentary concerning the current competitive trading environment for retailers in Australia (Productivity Commission, 2014). The growth rate of retail sales has generally trended down over the past two decades, due to long-term structural changes in the economy and consumer behaviour, and retailers have been forced to learn to deal competitively with the growth in online retailing and the entry of large international retailers (Productivity Commission, 2011). Retailers in Australia must also deal with a number of regulations (for example, planning and zoning, trading hours, importer compliance legislation, and workplace relations) which often restrict their ability to operate in a strategic and competitive manner (Productivity Commission, 2011, 2014). There are, nonetheless, significant opportunities for retailers in Australia. In 2010 Kantar Retail (a global retailing consultancy) released the 2010-2015 Global Retail Opportunity Index Ranking, and Australia ranked number seven out of the top 34 countries (Badillo, 2010). The index is based on three factors: the size of the retail market; market risk, and inflation-adjusted growth forecasts. Of note, Australia's sustained growth resulted in a higher ranking than the U.K., France, Japan and Germany. The index also revealed retailing is more global than ever; retailers continue to trade across borders, opportunities vary by region and within regions, and large global retailers continue to compete with one another in the search for international growth (Evans, 2011).

1.3.2 | *Retailing in Tasmania*

The southern island State of Tasmania has a population of just over half a million (ABS, 2013a), concentrated in three main regions: Hobart in the South, Launceston in the North, and Burnie and Devonport in the North West. Compared with the majority of the mainland states, Tasmania has a relatively small population (with little population growth), high rates of unemployment, low socioeconomic status indicators, an aging population, and low rates of private and government investment (DIRD, 2012). The environment for small retailers is therefore challenging: there is a shortage of retail property available for rent/purchase, and retail rents are relatively high, particularly in shopping centres (Productivity Commission, 2011, 2014). Anecdotally, there are a distinct lack of shopping 'clusters' in local neighbourhoods and a trend toward 'big box' or anchored shopping centres (with associated high rents and competition from national retailers) (ABC, 2005; Clarence City Council, 2011; SGS, 2011). Despite this, barriers to entry in the industry are low, and many new small retail businesses have recently opened bricks and mortar stores, often on the fringes of the central business district or in suburban areas. Rents in these locations are often lower than those in shopping centres, arcades, malls and city areas (SGS, 2011).

The retail industry is the second largest employer in Tasmania. In 2011 (according to the latest available figures) 27,200 people (11.3 per cent of the working population) were employed in the retail sector (ABS, 2013a), and in 2014 the value of retail turnover in Tasmania was $464.3 million (ABS, 2015). In 2011 (again, according to the latest available figures) there were 38,767 (both employing and non-employing) businesses in Tasmania (ABS, 2013a); however, it is difficult to obtain data on the number of *small retail* businesses operating in the State. The *Yellow Pages* lists approximately 4,000 businesses classified as 'retailers' (Yellow Pages, 2013) but this figure includes all retailers – large, small, chain stores, franchises, online and commission-based. By refining the *Yellow Pages* data, just over 2,000 small retail firms which met the criteria for inclusion in the study were identified (see Chapter Four for a detailed explanation of the survey methodology). In this regard, Tasmania is a useful location for studying small retailers as the population of interest is defined in size and presents a good opportunity to gain a large representative sample.

1.4 | Research opportunity and research questions

The problem to be addressed in this research, using a large representative sample, is how identified resources contribute to firm performance in small retail firms, and how certain factors may impact this relationship. In order to be competitive, firms must access and exploit appropriate resources, and there is a gap in the literature regarding how small retailers can do this in order to enhance firm performance. Through the lens of R-A theory (Hunt, 1995; Hunt & Morgan, 1995) the study will examine the relationship between resources and performance in small retail firms. In addition to the lack of research on small retail firm resources and performance, to date there has been no large scale survey of retailers, or small retailers, which applies an R-A theory perspective. Nor has R-A theory been used for research conducted across a whole industry (e.g., retailing); rather than focussing on a single sector within an industry (e.g., pharmacies or grocers), this study aims to examine all sectors across the retail industry.

This thesis makes the argument that certain firm resources are positively related to performance, and that the relationship between resources and performance is influenced by a number of factors. A review of the literature identifies five factors, alluded to earlier, that may have an impact on this relationship, through either mediation or moderation. This study proposes three factors mediate the relationship between resources and performance in small retail firms: the strategic orientation of the firm; the propensity of owner/managers to undertake strategic planning, and the owner/manager's level of entrepreneurial orientation. This study also proposes two factors moderate the relationship between resources and performance: the perceived level of environmental hostility, and the degree of customer orientation exhibited by the owner/manager. A number of studies conducted in an SME or retailing context have examined the effect of strategic orientation (for example, Moore, 2005); strategic planning capability (for example, Brinckmann, Grichnik & Kapsa, 2010); entrepreneurial orientation (for example, Cotton & Cachon, 2007; Griffith, Noble & Chen, 2006; Tajeddini, Elg & Trueman, 2013); environmental hostility (for example, Cotton & Cachon, 2007; McGee & Rubach, 1996/97; Peterson & McGee, 2000) and customer orientation (for example, Boles, Babin, Brashear & Brooks, 2001; Tajeddini et al., 2013) on firm performance. However, an extension of the research which specifically examines the impact of these factors on the relationship between firm resources and performance in a small retail setting is a worthwhile endeavour.

In order to address the research problem, two research questions are posed in the study. The first concerns which resources are important for superior performance in small retail firms; the second examines the factors that impact the relationship between resources and performance. R-A theory categorises resources as physical, financial, human, organisational, informational, legal, and relational (Hunt, 1995). Using R-A theory, the first question explores which resources are the most important for small retailer firm performance:

Research question 1: What is the relationship between small retail firm resources and performance?

This research also proposes that the relationship between resources and performance will be impacted by strategic orientation, strategic planning capability, entrepreneurial orientation, environmental hostility, and customer orientation, which may act to either mediate or moderate the relationship. Whilst there have been a small number of studies which have examined the role of these factors individually in a retailing context, as stated earlier (for example, Cotton & Cachon, 2007; Moore, 2005; Tajeddini et al., 2013), no study to date has considered the role of these factors, taken together, in influencing the deployment of resources to create firm performance. Research question two therefore examines the impact of these factors on the relationship between resources and performance. Therefore:

Research question 2: What factors mediate and moderate the relationship between small retail firm resources and performance?

The findings of this study enhance current understanding of how small retail firms can utilise specific firm resources to contribute to higher levels of firm performance. The research provides an insight into what factors affect the relationship between resources and performance. Both the relationship between resources and performance, and the impact of various factors on the relationship, are relatively unexplored phenomena in the context of retailing, especially from the perspective of small retail firms.

1.5 | Contribution of the research

This research makes a number of theoretical and practical contributions. The overall aim of the study is to utilise R-A theory to provide a theoretical foundation for examining the intersection between firm resources and firm performance, as well as highlighting the impact of specific factors which mediate and moderate the relationship between resources and performance in small retail firms. Through this exploration, the research makes the following significant contributions to knowledge.

First, up until the 1990s, SMEs had been neglected in both an academic and public policy context; the focus has traditionally centred on large enterprises. More recently, academic attention has turned to SMEs and appropriate legislation has been crafted in many economies to address the specific challenges and difficulties faced by the small business sector (Franco & Haase, 2010). An investigation of small retail firms is therefore an important endeavour given their importance to the economy (in terms of their number, contribution to GDP, and to local employment). It is generally recognised in the literature that there are significant differences between small and large retail firms; small firms face severe resource constraints which impact on the availability of strategic options and the ability to compete (Fiorito & LaForge, 1986; Rubera & Kirca, 2012; Runyan & Droge, 2008). Small retail firms therefore are likely to have a very different strategic focus than their larger competitors (even in the same trading environments), and so an empirical study specifically examining small retail firms is an important contribution to small retailer research.

Second, the study extends the use of R-A theory. It is anticipated that the study will contribute to retailing research by specifically providing an application of R-A theory in the small retailer context, leading to a refinement of understanding of the types of resources that are most critical for performance in small retail firms.

Third, a study into the factors contributing to performance of small retailers, in an Australian context, will contribute to the general field of retailing because the Australian retailing landscape is different from retailing in other countries. In contrast to the U.K., U.S. and much of Europe, most Australian retailing is not dominated by high street retailing nor large scale shopping malls (such as those in the U.S.); nor are Australian towns and cities historically set up as market towns as is the tradition in Europe. Rather, Australian retailing features central business districts (many with a central outdoor shopping mall), suburban shopping centres, localised 'strip' shopping centres, numerous local unplanned shopping clusters and small retail groupings in rural areas (SGS, 2011). Small, independent retailers can be found in all these retailing spaces in Australia, but there is a distinct lack of research about the Australian retail environment for small retailers.

Finally, the practical knowledge garnered from the research should assist small retail business owner/managers to effectively identify and allocate resources to assist in increasing levels of firm performance, as well as recognise (and subsequently utilise) specific factors which may mediate or moderate the relationship between resources and performance. The ability to determine which resources relate to higher levels of performance is vitally important, not only for individual small retailers, but also for the retail industry in general. It can be argued that one of the keys to improving the competitiveness and overall performance of the small retail sector is to identify those resources that contribute to performance for specific firms. From a small business policy development perspective, the research has implications for policy makers at the regional, state and national levels by demonstrating the factors that are important for firm performance. In addition, the research should assist in the development of appropriate educational and management programs focussing on minimising the constraints on small retailer performance and highlighting measures to enhance performance. The findings of the research should also be useful for the retail industry in general, as well as for those organisations tasked with representing small businesses through providing advocacy, professional development and information services.

1.6 | Methodology

In order to address the two research questions identified earlier, this study adopts a deductive approach (in the sense that it draws on existing theory), and utilises a quantitative method (mail survey) to examine the relationship between resources and performance in small retail firms. As outlined in Chapters Two and Three, the research framework draws on existing theory (R-A theory) to examine small retail firm resources. The study uses established typologies and scales to examine the mediating and moderating effects of various factors that impact the relationship between resources and performance.

1.7 | Definitions

In the context of retailing research, a number of definitions of ‘retailing’, ‘retailers’, ‘small’ (for example ‘small business’ or ‘small retailers’) and ‘independent’ are commonly used in the literature. This section discusses the key definitions which will be adopted throughout the thesis.

1.7.1 | *'Retailing'*

There are many definitions of 'retailing' and 'retailers'. A commonly used definition is a merchant 'whose primary activity is to sell directly to consumers' (Rosenberg, 1993, p. 291). Another common definition is the 'sale of articles, either individually or in small numbers, direct to the consumer' (Findlay & Sparks, 2002, p4). This definition excludes the notion of 'services' being part of the retail experience. Some retailers provide services as part of their overall retail offering, but service (for example, after-sales service) is a small part of retailing; indeed, the services sector is a distinct industry which is usually classified separately from the retailing industry. The study is concerned with the retail industry; it does not examine the services industry.

Because the study is conducted in Australia, the Australian Bureau of Statistics (ABS) definition of retailing is used. This definition classifies 'retailers' and 'retail businesses' as units within its 'Retail Trade Division' as those operations which 'buy finished goods and then on-sell them to the general public' (ABS, 2013b). In addition, the ABS notes that retailers are generally those located in high-traffic areas; in premises designed to attract customers; with an appealing display of stock, and using some form of marketing/advertising to promote their business. Further, operations engaged in selling to both the general public as well as other businesses are included in the Retail Trade Division. For inclusion in the study, a retailer must operate a 'bricks and mortar' store-front, display merchandise to appeal to customers, and use marketing and advertising to attract trade (ABS, 2013b).

1.7.2 | *'Small' retail firms/retailers*

Globally, there are variations in the definition of a 'small' business which makes it difficult for researchers when comparing business data across countries or regions. The European Commission (2005) defines a small business as one with 50 or fewer employees (by head count) and turnover of €50m or less, and a micro business as one with 10 or fewer employees (by head count) and turnover of €2m or less. In contrast, defining a small business in the U.S. is complicated with different size classifications according to industry and a small business may still employ up to 500 people (SBA, 2014). In the Asia Pacific region (of which Australia is part) there are also differences across countries with employee numbers for small business ranging from less than ten to 50 or less. In addition, a number of countries (e.g., Vietnam, Singapore, Indonesia and Hong Kong) do not separate small businesses from the definition for SMEs (Abe, Troilo, Juneja & Narain, 2012), which further confounds the problem of comparing data.

In Australia there are also various definitions for 'small business' used by government, industry, law-makers, academics and non-government organisations. Definitions may be based on employee number, turnover, sales revenue, industry, or financial assets. In Australia it is inherently understood that differences between businesses are often based on their size (Forsaith & Hall, 2001) and classifying businesses according to their size is the most common method used in research and business reporting. A standard Australian definition of a small business is that described by Beddall (1990) – a business is small if it displays the following characteristics: the business is independently owned and operated; the business is controlled by owner-manager/s who contribute most or all of the operating capital, and the principal decision-making functions are the responsibility of the owner-manager/s. The current research uses the ABS definition which utilises the number of employees to categorise business size. The ABS classifies a 'small' business as an actively trading business with 0–19 employees (based on headcounts of employees), and a 'micro business' as a business with 0–4 employees (ABS, 2014). The study focuses on both small and micro retailers and will use the term 'small' business to encompass both small and micro businesses.

1.7.3 | *'Independent' retail firms/retailers*

Small businesses are typically 'independent', that is, the owner is usually also the manager and makes the primary decisions about the business. The owner/manager also tends to contribute to and control the majority of the business's financial resources. Independent retailers are those who 'operate single stores with shopkeepers who are both owner and manager' (Findlay and Sparks, 2002, p. 6). This study considers 'independent retailers' as those operating a retail business (with up to three store locations within a single State, in this case, Tasmania) where the owner may be also be the manager, or may employ someone else to manage the store.

1.8 | Delimitations of scope and key assumptions

This research contains some delimitations which are discussed in this section. The population (small retail firms) is restricted to retailers within the State of Tasmania in Australia. Tasmania is a regional economy in which 97.2 per cent of businesses are small (ABS, 2014). Tasmania also contains one of the most dispersed populations of any Australian State and arguably, due to a relatively small population base with low socio-economic status, presents a challenging environment for small businesses and in particular small retail firms. However, the retail environment in Tasmania is similar to many regional economies throughout the rest of Australia and the findings of this research should be applicable to small retailers in other regional locations.

A further delimitation is that the research focuses only on 'traditional' bricks and mortar retailers. Traditional retailers are those who meet the ABS criteria set out earlier in this chapter – those with a primary location which is a storefront designed to attract walk in customers. Traditional retailers may or may not have a web site as part of their business model, but they do not trade *exclusively* via the internet. Internet retailing is a distinct area within the retail industry and within retailing research; internet retailers are effectively 'location-free' (Findlay & Sparks, 2002, p. 6) and this makes studying them as a group particularly difficult in the context of a study of small retailers. Internet-only retailers do not meet the ABS criteria and therefore this category of retailers has been excluded from the research.

This research is focussed on independent retailers (as described earlier in this chapter), therefore franchise operations (both business-format and trade-name format) are not included. Business-format franchises are most often part of a large corporation or chain (Levy & Weitz, 2001), where the head office often prescribes the operations of each franchisee in terms of locating and building the store; product development and procurement; management training and advertising (Runyan & Droge, 2008), and where the business is 'bound by the image and policies of a parent company' (Litz & Stewart, 1998, p. 133). Trade-name franchise operations, although similar, are used by groups of small retailers in particular sectors (e.g., pharmaceutical, hardware, toys) who band together to trade under the name of the franchisor. Through collaboration, disparate firms seek to realise competitive advantage through brand name recognition (Litz & Stewart, 1998). Franchise operations are therefore excluded from the study because franchise owner/operators are mostly not responsible for strategic business decisions including resourcing the retail business.

1.9 | Thesis structure

This thesis consists of six chapters. This introductory chapter provides a background to the research, a statement of the research problem, and the two specific research questions. The chapter also includes the justification for the research, an overview of the methodology used in the study, definition of key terms and the delimitations of the scope of the research.

Chapters Two and Three present a detailed review of the literature related to the research topic. In order to establish the context for the research, Chapter Two commences with an overview of the history of retailing and a discussion on the study of retailing. Significant retailing theories are presented, as well as two major theories from the field of strategic management which have been applied in retailing research. A detailed discussion of R-A theory, a review of its application and its applicability as the theoretical framework for the study concludes the chapter. Chapter Three continues the review of the relevant literature related to small retail firm resources and performance. This is followed by a discussion regarding the literature related to the proposed factors which influence the relationship between resources and performance: strategic orientation; strategic planning; entrepreneurial orientation; environmental hostility, and customer orientation. Hypotheses are developed from the literature review and presented throughout the chapter. A proposed conceptual model developed from the hypotheses is presented and the chapter concludes with a summary of the study’s hypotheses.

Chapter Four details the methodology used in the study commencing with a discussion of the approach to the research. This is followed by a presentation of the sample frame and characteristics, a description of the survey instrument and survey procedure, and method of analysis. A brief explanation of the study’s ethical considerations is offered at the conclusion of the chapter.

Chapter Five presents the results of the analysis of the data. The chapter commences with an explanation of the data preparation undertaken, as well as the results of the preliminary analyses including tests for convergent and discriminant validity. This is followed by a presentation of analyses undertaken to test the proposed hypotheses. The chapter concludes with a table summarising the results of the hypothesis testing.

Chapter Six provides a detailed discussion of the research findings as they relate to the 25 proposed hypotheses and two research questions. Incorporating the findings of the study's hypotheses and the answers to the research questions, a revised version of the original conceptual model is presented and discussed. The chapter then details the theoretical contribution of the study, as well as the implications for policy and practice presented by the research. The chapter concludes with a description of the limitations of the study, and directions for further research in the field.

1.10 | Chapter summary

This chapter provided an introduction to the research topic and laid the foundations for the thesis. The background for the research was presented, along with the context for the research. The expected contribution to both theory and practice was discussed along with research objectives and specific research questions. A summary of the methodology used in the study was provided, as well as definitions of key terms used throughout the thesis, the delimitations of scope and key assumptions of the study. The chapter concluded with an outline of the structure of the thesis. The thesis now proceeds with Chapter Two which provides a detailed examination of the related literature in the field of small retailing, retailing theory, and theories from other fields which have been applied in small retail firm research. The chapter ends with a comprehensive discussion of R-A theory and its particular applicability to the study.

CHAPTER 2 | LITERATURE REVIEW PART I

2.1 | Introduction

Chapters Two and Three present a review of the study's theoretical framework and the extant literature on small retail firm resources, firm performance, and the five factors that are proposed to mediate or moderate the relationship between resources and performance. The main objective of this chapter is to provide a detailed discussion of the literature on retail resources and performance with a focus on small retailers. First, in order to provide context for the research, consideration is given to the domain of retailing and the evolution of modern retailing. This is followed by an examination of the study of retailing and traditional retailing theory, as well as two major theories from the field of strategic management (competitive advantage theory and resource-based theory) which have also been applied in retailing research. The chapter concludes with a comprehensive review of R-A theory, its application to retailing and suitability for this particular study. Following on from this chapter, Chapter Three presents comprehensive review of the extant literature on small retailing resources, performance and the five factors that are proposed to impact the relationship between resources and performance. A conceptual model of the research is presented at the conclusion of the literature review, along with a summary of the study's hypotheses.

2.2 | The domain of retailing

As stated in Chapter One, there are numerous definitions of retailing. For example, retailing is described as 'the sale of articles, either individually or in small number, directly to the consumer' (Findlay & Sparks, 2002, p. 5). In theory, this is a simple activity, but in practice retailing is a complex set of processes and relationships which change over time. This section briefly discusses a number of factors which make retailing a unique, dynamic and diverse endeavour.

Retailing encompasses a variety of management activities including resourcing, development of strategy and organisational structures, provision of products and services, logistics, consumer and supplier relationships. By its very nature, retailing is vastly different from other sectors of the economy. Through linking production and consumption activities, unlike other industries, retailing is a critical reflector of the culture and of the consumers in a particular locale, country or region (De Mooij & Hofstede, 2002; Findlay & Sparks, 2002; Merrilees, McKenzie & Miller, 2007). The size and scope of the industry has evolved, and retailers have developed new types of businesses, formats, trading locations, markets and methods of operation. These developments have increased the role of government (through provision of industry regulation and policies) and resulted in increased financial risk for retailers, entrepreneurs and financiers (Fels, 2009; Findlay & Sparks, 2002; Haskel & Sadun, 2012; Pilat, 2005).

The retail industry both reflects and conforms to the cultural norms of society. This results in significant differences across locations in government regulation (e.g., opening hours, advertising, availability of products), store formats (e.g., hypermarkets, clubs and franchises), locations (e.g., new shopping developments, malls) and service standards. Retailing must also respond to the changing patterns of consumer demand. For example, in response to developments in different economies and societies, consumer needs have resulted in retailing concepts such as fast food outlets, convenience stores, outlet malls, online shopping, organic and lifestyle offerings and discount stores (Findlay & Sparks, 2002). Indeed, retailing activity takes place in, and is shaped by, a variety of locations or settings. From the ubiquitous corner shop or market stall to a national chain in a suburban shopping mall, from a global enterprise in a major capital to an international e-tailer, the location and operation of retailing is incredibly diverse in response to consumer demand. The increased range of retail locations has occurred due to the decentralisation of many communities since the advent of motor vehicles, and some retailers (and retail developments) have become a destination in themselves (e.g., outlet malls, big box developments) (Findlay & Sparks, 2002). In remote or regional areas, the availability of online shopping has allowed consumers to access previously unattainable products and services. Globally, the industry is made up of various types of retailing operations including corporate retailers (e.g., Wal-Mart, Carrefour), cooperatives (owned by, and run for members not shareholders), franchises or buying groups (e.g., Spar, 7-Eleven, The Body Shop) and internet-only retailers (e.g., ASOS, Amazon). However, overwhelmingly retailing is dominated by single, small, independent stores which are most often managed by the owner (ABS, 2014), and in many locations clusters of small, independent retailers and local markets are the focus of retailing activity (Clarke & Banga, 2010).

The ability to source and distribute products (and increasingly services) to consumers requires progressively more complex technology and logistics for retailers, and the level of sophistication depends somewhat on the type and location of the retail enterprise. The array and availability of products demanded by modern consumers often dictates the offerings provided by retailers. While some stores offer a narrow, defined product range, other retailers offer a wide product mix. In addition, some stores specialise in exotic or non-locally produced products, whilst others offer a wide product assortment sourcing products locally, nationally and/or internationally. Many retailers (particularly grocery stores and department stores) increasingly provide private label products as part of their offerings in an attempt to drive sales and customer loyalty (Hyman, Kopf & Lee, 2010; Miranda & Joshi, 2003; Moore & Carpenter, 2010). Retailing is therefore especially reliant upon a network of relationships between the retailer, wholesalers, suppliers, and ultimately with customers. Relationships often extend to merchandisers, advertisers and specialist consultants (e.g., marketing, financial, legal, property and logistics). The association with suppliers and wholesalers is often driven by price, however many retailers and their suppliers are entering into more collaborative relationships which are often based on obtaining sourcing rights, high quality or unique products, or the co-development of products including private labels (Moore & Carpenter, 2010).

Marketing and merchandising are fundamental components of retailing, and the associated issues and activities associated with retailing differ from other industries. Retail store layout and service offerings vary enormously. Self-service in larger stores is a cost-effective and popular method which appeals to many customers. Alternatively, high levels of customer service performed by knowledgeable and skilled staff is attractive to other groups of consumers. Large, functional, warehouse-style stores (e.g., Ikea) vary dramatically from high-end, expensively furnished boutique stores (e.g., Sephora). Atmospherics – store layout, merchandising, lighting and sound, branding and display – as well as service standards are a result of retailers' responses to consumer demand, and this now also extends to online retailing (Wang, Minor & Wei, 2011).

This brief review of the major activities of retailing is designed to illustrate the complexity, distinctiveness and dynamism of the retailing sector. The next section provides a short history of the evolution of modern retailing which is followed by an examination of the study of retailing and the main research agenda.

2.3 | The evolution of modern retailing

> Although there will be clear differences (such as online shopping), the future of retailing will be much like its past: individual firms will seek out competitive advantages, adjust their merchandising practices, utilize appropriate technologies as they are introduced, look to obtain cost efficiencies, focus on loyal shoppers, strive to be convenient for their shoppers, emphasize value, and otherwise adapt their businesses to reflect changing marketplace conditions. And new retail formats will emerge, mature institutions will reinvent themselves, and some institutions will fade away (Evans, 2011, p. 3).

This section provides a brief overview of the evolution of modern retailing (from a Western perspective). In keeping with the quoted text from Evans (2011), this overview illustrates the cyclical nature of retailing throughout history. Retailing is dependent upon the recurring environment of the overall economy of the region or country in which the retail business operates as well as specific factors endemic to retailing (Evans, 2011). In response to challenging conditions inherent in the marketplace, retailers have been continuously required to adapt and evolve; the ubiquitous presence and independent organisation of a multitude of small local retailers gradually transformed into a more visible 'industry' through the advent of modern retailing practices.

Modern retailing can be traced to the beginning of the Industrial Revolution, however retailing-related activities have been in existence for millennia (for example, the agora of ancient Greece and the Jerusalem bazaar) (Jackson, 1996). A brief overview of the major developments in retailing (which is sourced primarily from Evans, 2011) is presented in Table 2.1 and is included in this section to illustrate the evolving nature of retail activity and the trading responses from retailers to societal changes.

Table 2.1 | Major developments in early and modern retailing

1600's	Market centres and market towns become important for the orderly exchange of merchandise.
1700's-1800's	General stores carry a wide range of goods but the stores themselves are small in size with a limited number of each item; some merchants carry their entire stocks in chests or boxes which are opened for customers as they appear.
Mid 1800's	Pharmaceutical, book, shoe and jewellery stores appear. Factory manufacturing starts to replace craftsmen and artisans. Speciality stores often offer goods at a greater discount than general stores as a result of product sourcing and specialist knowledge. Early discount stores emerge in the mid-1800s.
Late 1800's	The first department stores start operating with merchandise divided into departments; the development of packaging (paper boxes, small jars, cans, shoe boxes and coat hangers) allows shopkeepers to display their wares more efficiently and attractively; developments in delivery of goods allows retailers stocking large items, such as furniture and appliances, to locate their stores away from factories (Monod, 1996).
Early 1900's	Furniture and appliance retailers are able to offer customers delivery straight from the warehouse to their homes, as well as catalogue and telephone ordering; the first supermarkets open selling goods at high volume with low prices; stores are often located in large warehouses just outside central city areas (Appel, 1972).
Mid 1900's	Chain store retailing develops (particularly pharmacists and grocery stores) (Hollander and Omura, 1989); chains with larger stores expand and increase their share of total retail sales (Entenberg, 1967; Evans, 2005; Thomas, 1991).
1950's	Franchising of chain businesses grows in popularity; the most successful franchises tend to expand into neighbouring regions and countries with the same cultural characteristics (Hoffman & Preble, 2004).
1960's	Wal-Mart opens in 1962 in the U.S. (Evans, 2011), and at the same time superstores and hypermarkets grow dramatically (Thomas, 1991).
1980's	The growth of automobile use from the 1920s to the 1950s results in the establishment of suburbs outside central business districts, and by the 1980s shopping centres and shopping malls have become popular retail locations (particularly in the U.S.); this period also marks an intense interest in measuring retail productivity and performance, and retail mergers and acquisitions become commonplace (Kerin & Varaiya, 1985).
1990's	Changes in consumer demographics and consumer demand influence retail offerings; the advent of the internet assists retailers expand their businesses; globalisation of firms (aided by the internet) affects the retail industry.
2000's	The growth of the internet results in an emphasis on multichannel and then omni-channel retailing. Increasingly, for many retailers, the internet is an integral part of their offering not just an appendage to their bricks and mortar stores: 'consumers are now using a variety of

	channels in their shopping experience, in order to research their purchases and choose them before committing to buying' (McGoldrick & Collins, 2007, p. 140).

There has been a modest but significant amount of research focussing on the history of retail firms, as well as the use of historical methods in the context of retail studies. Long-range historical studies may illuminate key future retailing issues (Hollander, 1986); indeed, an examination of American retailing over 300 years by Savitt (1989) identified specific themes and patterns, including: theories of retail change, retailing and economic development, and the progress of commerce. Historical research is often used to identify patterns as well as to collect data and records about specific retailers. For example, Alexander and Phillips (2006) detail the history of the contribution of the independent shopkeeper (1930-1945), and Pal, Medway and Byrom (2006) use a historical perspective in their consideration of a retail failure (A. Goldberg & Sons Plc). There have also been a number of historical studies into particular aspects of retailing (e.g., groupings of retailers, retail associations, and geographic phenomena). French (2008) examined the culture of service amongst Scottish grocers during the early 20th Century, and Sparks (1995) studied the American institution of convenience stores. In an Australian context, work by Miller and Merrilees (2000) which examines Gowings Department store in Sydney (established in 1868), is notable in that it uses retail historiography to provide a case study of the organisation as well as a framework based on strategic marketing and organisational capabilities. The authors first developed The Great Merchants Framework (an eight step methodology) to examine and understand retail success over time. They then tested the framework using the Gowings case study. The focus of the study was overall retail corporate strategy and the authors highlighted three integral components of a retail success factors framework: clear market positioning or overall retail strategy, distinct periods of expansion or modernisation, and appropriate support by the operational management of the retail mix (Miller & Merrilees, 2000).

This overview of the major developments in contemporary Western retailing as well as a flavour of the historical research in this area, highlight the evolutionary nature of retailing and the challenges presented to retailers by new economic conditions, developments in retailing practice, and demands from consumers. For small retailers, these challenges are magnified, and despite the incredible popularity of chain stores, independent retailers are significant players in the retail industry in developed and developing countries (Evans, 2011).

2.4 | The study of retailing and retailing research agenda

> The aim of retailers has remained relatively steady over time: attract shoppers through distinctive offerings, grow the business, control costs, be profitable, adapt as necessary, and survive in the long term … Retailing is extremely multifaceted in terms of business types, firm size, and so on. Over time, all formats and institutions must evolve in response to changing consumer needs and demographics, market saturation, new market opportunities, economic factors, and so forth (Evans, 2011. p. 27).

This section provides a brief discussion of major contemporary retailing research issues, illustrating the range of topics addressed by retail researchers. This is followed by a discussion of small retailer research which highlights the disparity between retailing research in a large retailer context and research focussing on small retail firms.

The development of the academic study of retailing reflects retailing practice through illustrating diversity and distinctiveness in research agendas, particularly within and amongst different countries. The range of retailing issues addressed in the literature is extensive and includes topics such as strategy, marketing and advertising, finance, management and human resources, logistics, information technology, consumer behaviour and so forth (Runyan & Droge, 2008). In the early 20th Century, retailing research contributions to the *Harvard Business Review* were significant. McNair's (1931) early work on trends in large-scale retailing published in the journal was noteworthy for attempting to theorise retail change and predict future developments. Mayer (1989) analysed contributions to the *Journal of Retailing* from 1949 to 1989 and concluded there were four distinct periods of retailing theory development highlighted in the journal: 1950s – how to do it; 1960s – transition and conceptual questions; 1970s – upgraded tools and philosophy development, and 1980s – strategic marketing.

Since the 1980s various reviews of major issues in retailing research have been conducted. Grewal and Levy (2007) reviewed the research contained in the *Journal of Retailing* and categorised contributions from 2002 to 2007 into nine major themes: pricing and promotion, product/branding, services, loyalty, consumer behaviour, channels, organisations, internet and miscellaneous (e.g., ethics, global retailing and retail formats). This assessment was subsequently expanded by Brown and Dant (2008a, 2008b, 2009) who concluded retailing research embraces a variety of methodological approaches – qualitative, quantitative, post-modernistic, relativistic and positivistic (Brown & Dant, 2006, 2008b). Around the same time, Dawson, Findlay and Sparks (2008) identified five key themes in contemporary retailing as: consumers and shoppers, retail branding and marketing, merchandising and buying, strategy, power and policy, and international retailing.

As retailing practice continues to evolve, and the retail industry experiences significant change, so retailing research will reflect this change with a focus on emerging issues. Significant emerging themes identified by Grewal and Levy (2009) include: growth of the internet and e-commerce, branding and customer loyalty, service success strategies, behavioural issues in pricing, and patronage. Other emerging issues include the growth of new markets (internationalisation of retail operations); the retailer as a brand (with the aim of protecting the retailer through legal procedures or through customer loyalty), and 'time' as a competitive dimension (i.e., retailing's response to other activities competing for a customer's limited time) (Burt, 2010). Innovation in retailing is a growing area of research which focuses on the dimensions of formats, branding, process, information technology, new media, customer experience, and order fulfilment (Reinartz et al., 2011).

Retailing research tends to be disjointed and not theoretically driven which results in a limited impact on both policy and practice (Brown & Dant, 2008a). Brown and Dant (2008a) define the criteria that make a contribution to the retailing literature 'significant', namely, objectivity, replicability, competence, intelligibility, efficiency, and importance. It can be argued that a significant contribution to the retailing literature should advance theoretical and/or methodological understanding of the relevant issues for retailers, and future retail research should be relevant to policy makers, have commercial impact, be carried out by independent researchers, and findings should be accessible to users (Clarke & Banga, 2010).

2.4.1 | *Small retail firm research*

Compared with the significant amount of research focussed on large retailers, there is a more modest amount of research concerning small retail firms. Despite the fact that small retailers differ from larger firms in many ways, it is clear from the research topics discussed in the previous section that many of the issues are relevant to retailers regardless of their size, yet retailing researchers often ignore small retailers. For example, a meta-analysis conducted by Pan and Zinkhan (2006) on retail patronage did not include small retail firms. Given the significant contribution made to the retailing industry by small firms, research into small firms is vitally important to the industry, practitioners and academia. The reasons that small retailers are not studied as extensively as larger firms relate to a number of factors, including the difficulty researchers have in initially identifying and contacting small firms, engaging the cooperation of small firm owners/managers, and collecting financial and other small firm data. This section provides a brief discussion of the major themes identified in contemporary small retailer literature.

Early research on small retail firms originated in the late 1920s and 1930s in the U.S. (for example, McGarry, 1929; Nystrom, 1930) and the U.K. (for example, Smith, 1937), and the flavour of much of the relevant work to the present day reflects this geographic concentration (for example, Dawson et al., 2008; Findlay & Sparks, 2002). Two perspectives have been identified in the small retailing literature – micro and macro factors affecting the small retail firm (D'Andrea, Lopez-Aleman & Stengel, 2006). Micro factors include the types of small retailers (Ellis & Calantone, 1994; Moore, 2005; Smith & Sparks, 2000), operational issues (Byrom et al., 2003; Lenartowicz & Balasubramanian, 2009; Spillan & Ziemnowicz, 2003), competitive challenges (Schmidt, Bennison, Bainbridge & Hallsworth, 2007; Serpkenci & Tigert, 2010), and strategic alternatives (Byrom et al., 2003; Byrom & Medway, 2004; Megicks, 2001, 2007; Megicks & Warnaby, 2008). Macro factors include the social contribution of small, local stores (Byrom et al., 2003; Paddison & Calderwood, 2007; Smith & Sparks, 2000), the impact of planning regulations and public policy (Findlay & Sparks, 2002; Pal & Byrom, 2005), and the impact of new forms of retailing (Fernie, Hahn, Gerhard, Pioch & Arnold, 2006; Findlay & Sparks, 2002; Peterson & McGee, 2000; Smith & Sparks, 2000).

Another approach to reviewing the small retailer research is to broadly categorise the literature into two groups: the first examining the problems facing small retailers, and the second focussing on the opportunities for retail growth and development (Quinn et al., 2013). The literature covering the problems facing small retail firms examines key issues, including those identified by Findlay and Sparks (2002) and Dawson et al. (2008): economic issues, locational difficulties, competition from larger firms, operating costs, supply problems, availability of capital, and management expertise and knowledge. In addition, the literature has focussed on the problems associated with implementing legislative changes, which may stem from a lack of awareness of legal responsibilities, as well as the costs associated with compliance (Schmidt et al., 2007; Smith & Sparks, 2000). Research in this area has also examined the problems faced by rural retailers from consumer 'out shopping' away from local providers, and toward new and different forms of retailing (Battisti et al., 2013; Byrom & Medway, 2004; Findlay, Stockdale, Findlay & Short, 2001; Paddison & Calderwood, 2007), as well as the lack of market orientation of some small retailers (Clarke & Banga, 2010; Kara, Spillan & DeShields, 2005; Megicks & Warnaby, 2008).

Despite the challenges facing small retailers, there are a number of studies focussing on the opportunities for growth and development of these firms (Quinn et al., 2013). Porter's (1980) work on competitive advantage and the generic strategies of cost leadership, focus and differentiation have been applied in small retailer research (Fiorito & LaForge, 1986; Megicks, 2008; Morschett et al., 2006; Watkin, 1986), mostly with a focus on differentiation. Studies in this area have investigated the marketing strategies of small retailers and concluded that small firms need to develop strategies that will position them against other store types as well as provide differentiation for competing against stores of the same type. McGee and Peterson (2000) addressed the dominance of large discount chains and 'category killers' by measuring the resources and capabilities of small retail firms (in this case independent drug stores), and identifying which would lead to competitive advantage. Similarly, using the resource-based view, Runyan et al. (2007) conducted a qualitative study of resources used by small firms to create competitive advantage.

Generic retailing ‘types’ have been identified in the small retailer literature (Conant et al., 1993; Ellis & Calantone, 1994; Megicks, 2001; Moore, 2005) providing scope for retailers to compete as ‘specialists’ (Conant et al., 1993; Fiorito & LaForge, 1986). Megicks (2001) identified a taxonomy of competitive strategy types in response to the industry and policy view that small retailers in the U.K. were bereft of strategy and at the mercy of multiple chain stores. He also examined the influence of different levels of strategy in small retail firms (Megicks, 2007). Further research found that small retailers exhibiting a strong customer strategy focus reported greater levels of success than their competitors who did not engage in these sorts of strategic activities (Megicks & Warnaby, 2008).

There is a body of research which is focussed on the strategic responses from retailers in remote and rural locations including diversification and differentiation strategies (Coca-Stefaniak et al., 2010; Paddison & Calderwood, 2007), and strategic development activities (Byrom et al., 2003). This area of research has highlighted issues such as social inclusion, regeneration and sector competitiveness (Bennison & Hines, 2003), and the vital economic and social role played by the small, local shop. Smith and Sparks (2000), for example, examined the function and role of independent small stores in Scotland, with an emphasis on differences in locational type. Ten years later, in response to the growing dominance of supermarket chains, Clarke and Banga (2010) reviewed the available U.K. evidence on the social and economic role of small independent stores and the value placed on them by the communities they serve. Whilst there have been a number of studies examining small retailer strategy and performance in a rural context, there are few studies focussing on small retailers in both rural/remote and urban settings.

Another emerging area of retailing research is innovation, with studies examining different perspectives of innovation in large retailers, including retail formats and business models (Reynolds, Howard, Cuthbertson & Hristov, 2007; Sorescu, Frambach, Singh, Rangaswarmy, & Bridges, 2011), pricing and promotion (Grewal, Aliwadi, Gauri, Hall, Kopalle & Robertson, 2011), barriers to innovation (Reynolds & Hristov, 2009), and market conditions for innovation (Reinartz et al., 2011). Literature on innovation in small retail firms is not as extensive, but researchers have highlighted that small retailers often take incremental approaches to innovation (Quinn et al., 2013), based on a number of factors including 'localisation' and close relationships with customers which are not easily replicated by larger retailers (Coca-Stefaniak et al., 2010; McGee & Peterson, 2000).

There is a small research stream examining horizontal groups (or alliances) in the context of small retailers. Joining in strategic alliance with other small retailers can lead to economies of scale for purchasing, marketing and support activities as well as reducing financial outlay and risk for small retail firms. However, the opportunities for forming alliances is fairly limited for the majority of small retailers (Ghisi, da Silveira, Kristensen, Hingley & Lindgreen, 2008; Ghisi, Martinelli & Kristensen, 2006).

Runyan and Droge (2008) extensively reviewed over 20 years of research on small retailers using seven journals identified by Findlay and Sparks (2002) as major retailing journals (*The Journal of Retailing; The International Review of Retail, Distribution and Consumer Research; The International Journal of Retail and Distribution Management;* and *The Journal of Retail and Consumer Services; The Journal of Marketing; The Journal of Consumer Research,* and *The Journal of Marketing Research*). Five categories of small retailer research were identified (noted to stem from traditional research streams in management and marketing, as well as retailing): strategy, structure, channels, patronage, and labour. Small retailer strategy was the largest topic and included research on location, technology adoption, promotion, pricing, planning, and competitive strategies. The most popular topic within the competitive strategy stream was Porter's (1980) competitive advantage framework. Small retailer structure research included research on strategic alliances, franchising versus independent, retailer growth studies, large versus small retailers, and local retailing. Channel research included the topics of consumer behaviour and retailer-supplier relationships. Store patronage research focussed on the topics of out-shopping, and consumption patterns. Small retail labour research included turnover, satisfaction among employees, service (especially related to performance), and productivity.

In terms of theoretical frameworks utilised in small retailer research, a number of studies use Porter's (1980) competitive advantage theory or resource-based theory (Barney, 1991; Barney et al., 2001; Wernerfelt, 1984). Additional theories used in retailing research include transaction cost analysis, market orientation, agency theory and social capital theory. Theory underpinning small retailer research is discussed in further detail later in this chapter.

2.5 | Retailing theory

No overall theory exists that can describe, explain and predict the dynamic nature of retailing (Brown, 1988). A number of theories have attempted to capture the process of change within retailing; three major theories are the wheel of retailing (McNair, 1958), the retail accordion (Hollander, 1966), and the retail life cycle (Davidson et al., 1976). For completeness and in order to provide a comprehensive review of retail theory, this section briefly discusses traditional retail theories and concepts that have influenced the study and practice of retailing. The discussion then focuses on two major theories drawn from the strategic management field which have been applied in a retailing research context. The section concludes with a detailed examination of theory drawn from the marketing field and adopted for this particular study – R-A theory.

2.5.1 | *The wheel of retailing*

Theories of retail change are dominated by McNair's (1958) wheel of retailing theory which describes patterns of development and change in retailing. The theory proposes that retailers follow a set pattern of growth, development, change and ultimately extinction, through a series of routine and orderly activities (Markin & Duncan, 1981). The wheel theory contends a new retail operator enters the market place as a low-price (low-status and low-margin) entity. Through low-prices, the operator's market share *and* competition increase. Over time, the operator acquires additional facilities and/or larger establishments with corresponding higher operating costs and greater investment. Eventually they reach maturity and emerge as high-cost, high-price, conservative merchants, susceptible to new operators who have entered the wheel, which still revolves (Brown, 1988, 1995; Davidson et al., 1976; Hollander, 1960; Markin & Duncan, 1981). Hollander (1960) argued that although there were many examples of conformity to the wheel pattern (amongst both U.K. and U.S. retailers), there were also a significant number of examples of non-conformity (most notably in undeveloped 'foreign' countries, as well as U.S. department stores and planned shopping centres), suggesting that the theory was simply not valid for all types of retailing.

The wheel theory has polarised academic debate. On the one hand, the theory has been lauded as the major contributor to the study of retailing, and indeed is an integral part of the academic introduction to the field of retailing and marketing. The theory has been characterised as one of the few conceptual contributions to the field that is distinctly retailing in its origin (Findlay & Sparks, 2002) and described as 'the dominant concept in retailing' (Greyser, 1976, p. iii). However, on the other hand, there is a protracted history of criticism of the theory which has resulted in a large number of publications. Brown (1995) argued that the resulting wheel theory literature could be broadly divided into four main categories: (i) application of the theory in U.S. retailing; (ii) consideration of its application in various non-U.S. contexts; (iii) examination of the causes of the practice of 'trading-up', and (iv) various attempts at modification or amendment of the theory as well as the development of alternatives to explain retail change. The theory has been generally criticised for being limited in scope and clarity, and lacking even the basic capacity to be regarded as a 'theory' (Brown, 1995). The model has also been criticised for failing to adequately account for the emergence of other types of retailing institutions (Etgar, 1984); for example, department stores do not usually start out as a low-price, low-service offering (Goldman, 1975).

2.5.2 | *The retail accordion*

A significant contributor to retail theory development, Hollander (1966), introduced the concept of the accordion pattern in retailing. Although conceding at the time that there was little empirical evidence on merchandise assortment, the theory contends that retailing is dominated by alternating patterns of general line, wide-assortment retailers versus specialist, narrow-line merchants (Hollander, 1966). Hollander recognised that the marketing literature increasingly showed a trend toward wide and scrambled assortments (for example, non-food items in supermarkets), which provided profitable opportunities for merchants and attractive benefits to the consumer. However, he also acknowledged that at the same time there was a counter-trend away from one-stop shopping and merchants who provided everything under one roof, towards increasing specialisation in merchandising. The general stores of the 19th Century made way for the specialised, single-line merchants of the 20th Century, which were later surpassed by superstores, mass merchants and hypermarkets of the post-war era, with the trend moving back to specialised stores (Brown, 1988). Indeed, Hollander noted (at the time) that specialist merchants represented the majority of retailers; that there were a number of factors influencing the trend towards contraction, including small merchants who prefer to maintain their size, fear of retaliation from competitors already supplying particular lines, restraint enforced by outside forces (for example, government regulation regarding certain product lines, restrictions placed by suppliers, shopping centre management planning, and informal agreements between town/centre retailers about competition). In addition, the limited capacity of new retailers to expand assortment (width and depth) and costs (especially to larger retailers) were other factors contributing to contraction (Hollander, 1966).

Hollander later modified the theory and likened the retail environment to that of an orchestra made up of several accordions (some compressed and some extended) (Markin & Duncan, 1981). That is, retailing included those merchants moving towards, and away from, offering various and wide assortments, as well as the contraction and expansion of assortments within existing firms (Hollander, 1966). In addition, some 'players' retire from the 'orchestra', while others (mostly with compressed instruments) join the 'orchestra' (Markin & Duncan, 1981).

2.5.3 | *The retail life cycle*

Davidson et al. (1976) argued that the wheel of retailing theory had two major limitations: (i) the theory assumed that all retailing institutions start out as low-cost concepts gradually maturing into high-cost concepts (this explanation does not fit a number of new retailing entities which are less price-driven, for example, convenience food stores), and (ii) the wheel theory failed to take into account the pace of the introduction of new retailing formats as well as the shorter time between the onset of a new retailing concept and the point at which it reaches 'maturity'. Davidson et al. (1976) therefore proposed a new concept which they believed would be more useful to retailers – the institutional life cycle in retailing. They proposed the life cycle explained a conventional sequence (made up of four stages) through which major retailers would pass: (i) innovation, (ii) accelerated development, (iii) maturity, and (iv) decline. The sequence is a natural, evolutionary process and little can be done by retail managers to thwart it; rather, efforts should be concentrated on planning to maximise profitability in each of the different phases (Davidson et al., 1976).

The retail life cycle theory predicts future retail developments/concepts and assists with marketing strategies. Under the theory, retailing managers should attempt to remain flexible (for example, use different management styles or groups); analyse risk and profit (for example, exhibit a greater degree of analysis and innovation); try to extend the maturity phase (as well as attracting new market segments and attempting to keep/win back existing customers), and commit to using market research to monitor successful concepts introduced by smaller, more entrepreneurial companies (Davidson et al., 1976).

2.5.4 | *Other retailing theory*

In addition to the major theories already discussed, additional theories have been proposed in the literature (Peterson & Balasubramanian, 2002). In order to provide a comprehensive review of the range and scope of retailing theory, three theories are briefly discussed in this section: the theory of retail market structure (Hirschman, 1978), the retail ecology model (Etgar, 1984), and the strategic life cycle theory (Brown, 1988).

Hirschman's (1978) theory of retail market structure was originally developed to address the 'structural and functional characteristics of the system of retail institutions operating within a market' (Hirschman, 1978, p. 30). The theory offered two major observations and propositions, and was developed to allow retailers to increase their awareness of the institutional systems within which they operated. First, the theory observed that four types of retail format exist in the majority of well-developed and competitive markets: traditional department stores, national chain department stores, full-line discount department stores, and specialty stores. Second, the three department store formats will control the market. The theory then proposed that among the three department store formats, competition is restricted to intra-level conflict (termed the principle of natural dominance), and the implications of the first proposition result in the three department store formats existing in a non-competitive, symbiotic and mutually supportive relationship (Hirschman, 1978). Developed in the late 1970s, the theory lost its relevance due to the changes in retailing that occurred later in the 20th Century, including the introduction of additional retail formats such as hypermarkets, wholesale clubs, big box stores and discount retailers.

Etgar's (1984) retailing ecology model was developed in response to the perceived lack of a comprehensive theory of retailing change. Although Etgar recognised that in the 1980s there was already a substantial body of work comprising theory, concepts and principles, the ecology model was designed to provide 'researchers with an integrative framework which can attempt to present jointly available knowledge' (Etgar, 1984, p. 295). Etgar acknowledged that the ecology model would also provide a platform for deductive empirical research, in place of the rather exclusive theoretical framework that had previously existed. Etgar also proposed that the model would provide a solution to reductionism – in this case the assertion that one model could account for all aspects of retailing change. Etgar's model postulated that retailing organisations were involved in an evolutionary process whereby those organisations that were best suited to their operating environment would survive, and those that did not fit in would grow weaker and eventually disappear. This process of 'natural selection' was considered to be made up of three sequential stages which each retailing organisation must pass: variation, selection, and retention, and at each stage the organisation may fail to survive (Etgar, 1984).

The strategic life cycle theory (Brown, 1988) proposes retail change is 'a consequence of the exploitation of environmental opportunities and the highly competitive nature of retailing' (Brown, 1988, p. 11). Retail organisations start out with a narrow offering of discounted goods and eventually expand to offer a wider range of merchandise. After a period, they then 'trade up' and are forced back to a narrow offering (shedding some lines) due to competition from new cut price merchants. Not every retailer follows this evolutionary path, and the end of the cycle is not necessarily the demise of the organisation. The strategic life cycle provides: a benchmark for measuring what is actually happening in the organisation; a tool for illustrating the dynamic nature of modern retailing; a way to predict future development, and a device to remind retailers of the possibility of failure (Brown, 1988).

Although acknowledged and utilised within the retailing and marketing fields, there is a distinct lack of empirical evidence supporting these theories and frameworks (Markin & Duncan, 1981). Indeed, these theories have been criticised for being too simplistic and for failing to explain how or why change takes place; they *describe* rather than explain the processes of change (Brown, 1988), and so are not useful as a foundation for prediction (Peterson & Balasubramanian, 2002). Rather than comprehensive theories providing the foundation for explanation and prediction, the 'wheel', 'accordion' and 'life cycle' theories are more like hypotheses with scant explanatory or predictive capacity. Any meaningful theory of retailing change must recognise that institutional change takes place in the broader context of culture and society and that retailers exist in a 'dynamic state of interaction with their environment … retailing institutions emerge, develop, and change in direct response to their market (environment) opportunities' (Markin & Duncan, 1981, p. 340). Academics and practitioners have therefore sought to examine retail change and development using theories and frameworks from other disciplines. In particular there is a significant body of retailing research using theory from the field of strategic management to explain the nature of competition and performance within and between retail institutions.

2.7 | Strategic management theory and retailing

A significant thrust in the application of theory to the field of retailing has been about utilising broader management and marketing theories and applying them in a retailing context (Runyan & Droge, 2008). A review of the retailing strategy literature shows a significant number of studies that have used strategic management theory, as well as concepts and frameworks from outside the retail industry/sector.

2.7.1 | *Competitive advantage*

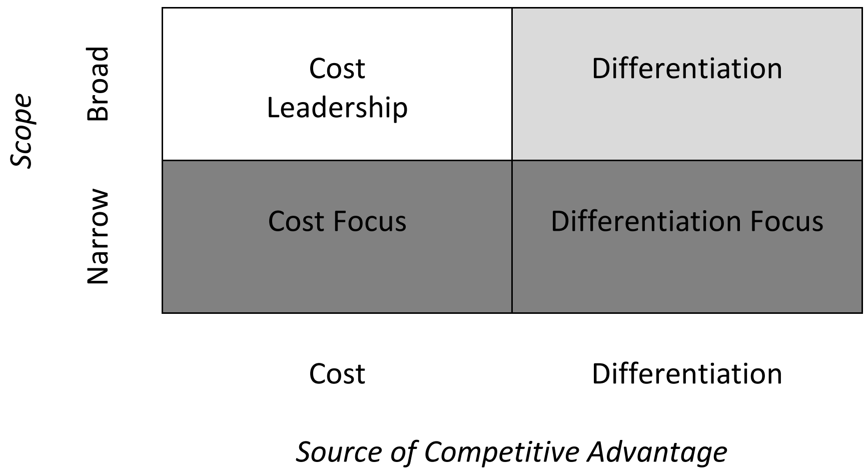
One of the most frequently applied approaches to retailing from the field of strategic management has been the work of Porter (1980, 1985) on competitive advantage. The term 'competitive advantage' (first used in the 1970s) (South, 1980) is the process through which a firm can identify, develop and then take advantage of a sustainable business edge over it competitors (Ellis & Kelley, 1992; Ellis & Calantone, 1994). As stated earlier, competitive advantage gained attention and popularity as a result of Porter's work (1980, 1985) in strategic management. According to Porter, competitive advantage is the result of a firm's ability to create value for its customers that exceeds the cost of creating the value (Ellis & Kelley, 1992; Ellis & Calantone, 1994). Porter (1980, p. 3) stated 'the essence of formulating competitive strategy is relating a company to its environment', and he developed the competitive strategy framework to help address the five basic competitive forces existing within different industries. The five forces driving industry competition (at varying intensities within individual industries) are: potential entrants (the threat of new entrants entering the industry); competitors (competition between existing firms in the industry); suppliers (bargaining power); buyers (bargaining power), and substitutes (the threat of substituted products and services). The five competitive forces determine the level of competition and profitability within each particular industry, and examining and understanding industry structure should be the first point in strategy analysis (Porter, 1980).

Porter's work on competitive strategy belongs to the 'positioning school' of strategic management. The positioning school holds that only a few key (or 'generic') strategies are necessary in a particular industry (as opposed to both the 'planning' and 'design' schools which place no limits on the number of strategies used by a firm in the economic marketplace). Further, the positioning school promotes the use of the appropriate strategies matched to industry conditions (economic marketplace) for each firm; this results in an analysis of the 'right' relationships between strategy and firm, and the use of frameworks for selecting the appropriate strategy (Mintzberg, Ahlstrand & Lampel, 2005).

Although a firm may have a number of specific strengths and weaknesses compared with its competitors, Porter (1980) maintained that there are in essence two basic types of competitive strategy to deal with the five competitive forces: low cost and differentiation. Either through a low cost proposition or through effective differentiation, a firm can pursue a broad target or focus on a narrow segment or need. On this basis, Porter (1980) suggested three generic strategies: overall cost leadership, differentiation, and focus (cost focus and differentiation focus) (Figure 2.1) which could be used either individually or in combination depending upon each firm's particular circumstances.

Cost leadership is typically associated with intense managerial supervision of cost reductions across each department (e.g., labour, distribution, control systems), as well as ensuring that the firm has low costs relative to its competitors (Ellis & Kelley, 1992; Porter, 1980). Although the aim of cost leadership is to run cost reductions throughout the firm, other aspects such as service and quality should not be ignored. Achieving and maintaining a cost leadership strategy usually depends on the firm possessing advantages in the industry such as market share, access to financial capital, purchase of specific equipment, and easy access to raw materials. Porter argues that once a firm has achieved cost leadership, it is usually able to command high margins and reinvest in state of the art equipment and processes which allow it to then maintain and sustain its low cost proposition (Porter, 1980).

Figure 2.1 | Three generic strategies



From: Porter (1980, p. 39).

A differentiation strategy is used by firms which seek to set apart their product or service from competitors, and offer something unique within the industry, preferably across several dimensions within the firm (for example, offering high quality products as well as a reputation for excellent customer service) (Day & Wensley, 1988; Wortzel, 1987). Pursuing a differentiation strategy does not mean that a firm can or should ignore cost; it means that cost is not its primary concern. Firms which achieve differentiation are likely to enjoy brand loyalty from customers (often with accompanying lower price sensitivity), and increased margins although such firms are not likely to achieve high levels of market share (as a result of perceptions of exclusivity) (Porter, 1980).

A focus strategy involves focussing on a narrow strategic target and serving it well (as opposed to the firm’s competitors who are usually competing more broadly in the marketplace). The focus strategy results in a firm meeting the needs of its particular narrow market target and therefore achieving low cost or differentiation (or both) (Porter, 1980).

Hall (1980) confirmed that one of two strategies – differentiation or delivery of a low-cost proposition – were utilised by high performing firms. In another study, Karnani (1984) developed and tested a model that showed a combination of cost and differentiation resulted in competitive advantage. An alternative method proposed by Day and Wensley (1988) adapted Porter's (1980) framework into two approaches to distinguish competitive advantage (Ellis & Kelley, 1992; Ellis & Calantone, 1994). Day and Wensley (1988) argued that while it is important for firms to identify and exploit skills and resources for competitive advantage, it is imperative that managers identify how to get the best performance for the minimum outlay, and that this requires assessing which skills and resources provide maximum leverage on current advantages and prospective performance. While Porter's framework explains how resources and skills are converted into advantage, Day and Wensley (1988, p.5) attempt to go further and provide a solution for the intermediate stage – the actual conversion of 'positional advantages into superior outcomes'.

Porter (1985) argued that sustainable competitive advantage is the key to long-term, above average performance, and that firms must choose one of the generic strategies to achieve and sustain competitive advantage. Often firms may become 'stuck in the middle', that is, the firm is unable to develop a strategy from one of the three generic strategy choices and usually suffers from low profitability (Porter, 1980).

Although Porter's strategies were not initially applied to the retail industry, a number of studies subsequently adapted and applied them in a retail context (for example, Alexander & Veliyath, 1993; Ellis & Calantone, 1994; Ellis & Kelley, 1992; Morschett et al., 2006). Critics of the application of Porter's competitive advantage framework to the retail industry argue that it is not particularly suited to retailing because it fails to allow firms to differentiate across all associated retail activities and relationships (Day & Wensley, 1988; Ellis & Kelly, 1992; Morschett et al., 2006).

2.7.2 | *Resource-based theory*

In contrast to Porter's notion of competitive advantage – that the sources of competitive advantage are external to firms and linked to a firm's market position – under the resource-based view, a firm's sustained competitive advantage comes from the internal resources possessed by the firm (Barney, 1991; Barney et al., 2001; Grant, 1991a; Penrose, 1959; Peteraf, 1993; Porter, 1991; Wernerfelt, 1984;), thus complementing the industrial organisation view (Bain, 1968). Following Penrose (1959), Wernerfelt (1984) proposed firms should be examined from the resource side, rather than the product side and introduced the term 'resource-based view'. Barney (1986a) extended this through recognising firm performance is not only affected by market competition, but also by the different resources each firm holds.

Grant (1991b) first replaced the term 'resource-based view' with 'resource-based theory' to emphasise how some firms are able to outperform their competitors by possessing strategic resources that cannot be imitated, that is, they have sustainable competitive advantage (Grant, 1991b). Resource-based theory is a term now commonly used within both the academic literature and management practice (Acedo, Barroso & Galan, 2006). Seminal contributions in the resource-based theory field have been made by Rumelt (1984), Barney (1986a, 1986b, 1991), Dierickx and Cool (1989), Conner (1991), Grant (1991b), Amit & Schoemaker (1993), Peteraf (1993), Conner and Prahalad (1996), and Teece, Pisano and Shuen (1997). Within the context of the competitive environment (Collis & Montgomery, 1995; Runyan et al., 2007), the key to competitive advantage is for firms to sustain the advantages gained from superior resources which are owned and controlled by the firm (Wernerfelt, 1984). Superior resources and capabilities may include management skills, organisational processes and procedures, skills, information and knowledge (Barney, 1991). These resources are seen as imperfectly mobile, and as strengths to be nurtured which should guide the choice of strategy. Since resource-based theory focuses on a firm's unique set of resources, identification of those resources is critical for survival for both large and small firms.

Resource-based theory has become one of the most influential and cited theories in strategic management (Barney et al., 2001; Barney, Ketchen & Wright, 2011; Galbreath, 2005; Kraaijenbrink, Spender & Groen, 2010; Peng, 2001; Runyan Huddleston & Swinney, 2006), and is used to describe and operationalise the constructs of competitive advantage (Runyan et al., 2007). Although the resource-based perspective is not new, interest in resource-based theory continues and the theory has received renewed interest in recent years, with a particular focus on how firm resources and capabilities influence performance (Andersén, 2011; Crook, Ketchen, Combs & Todd, 2008; Peteraf & Barney, 2003).

Resource-based theory further contends that, over time, firms are influenced in their selection of strategy by the opportunities afforded by the market, as well as constraints resulting from their specific firm factors (Barney, 1991; McGee & Thomas, 1986). In response to a dynamic environment, strategic decisions are often made on an evaluation of the available resources, and strategic alternatives may be constrained by the firm's existing resource base (Rumelt, 1984; Spanos & Lioukas, 2001). Indeed, resource-based theory contends the firm's unique resources and capabilities drive the choice of strategy (Rumelt, 1984) and specific firm resources are only useful in providing sustainable competitive advantage if they are aligned (or consistent) with the firm's strategic intent (Rangone, 1999). Thus, resource-based theory aims to explain why firms in the same industry show differences in performance over time (Barney, 2002; Hoopes, Madsen & Walker, 2003; Kraaijenbrink et al., 2010; Mahoney & Pandian, 1992; Peteraf & Barney, 2003) by assuming:

> … resources and capabilities can be heterogeneously distributed across competing firms, that these differences can be long lasting, and that they can help explain why some firms consistently outperform other firms (Barney, 2001b, p. 649).

Unlike Porter's competitive strategy framework, where the firm is viewed as a collection of activities, using the resource-based perspective, the firm is viewed as a collection of resources (Spanos & Lioukas, 2001). However, not all firm resources hold the potential for sustained competitive advantage; the central proposition is that the firm must acquire and control resources. There are four key attributes that a resource must have in order to yield a sustainable competitive advantage; the resource must be valuable, rare, inimitable, and non-substitutable (Barney, 1986a, 1991). In addition to this so-called VRIN (valuable, rare, imperfectly mobile and non-substitutable) resource framework, there must also be the organisation (O) in place that can absorb and apply the VRIN resources (Barney, 1995, 2002). The VRIO (value, rarity, imitability, and organisation) framework subsequently replaced the original VRIN framework for analysing the potential of a broad range of firm resources which may be sources of competitive advantage (Barney & Clark, 2007). This proposition is shared by a number of other related theories, including core competencies (Hamel & Prahalad, 1994), dynamic capabilities (Helfat & Peteraf, 2003; Teece et al., 1997), and the knowledge-based view (Grant, 1996).

A valuable resource is worth something and also 'exploits opportunities and/or neutralises threats in a firm's environment', (Barney & Clark, 2007, p. 57). A rare resource is unique, especially among the firm's competitors. If a firm's resources are valuable as well as rare, this will enable the firm to gain a competitive advantage (at least temporarily) (Barney, 1995). Competing firms may duplicate a resource by developing its own version of particular resource (for example, research and development skills) or firms may be able to substitute some resources with others that are not costly to develop (Barney, 1995). Yet firms with resources which are valuable, rare and costly to imitate may still lose competitive advantage if the firm lacks the organisation (for example, formal reporting structures, management control systems and compensation policies) to exploit the other resource factors effectively (Barney, 1995; Barney & Clark, 2007).

Resource-based theory also posits the firm's ability to sustain a profitable market position is contingent upon acquiring and using valuable resources rather than on the structure of the industry/market (Conner, 1991). Barney (1986b) views a firm's competitive position as reliant upon the cost of the resources utilised to achieve the firm's desired strategic orientation. That is, markets are imperfectly competitive in terms of the value of strategic resources. Dierickx and Cool (1989) describe the notion of imperfect strategic factor markets by highlighting that the non-imitability and non-substitutability of critical resources is contingent upon their specific accumulation process. Irrespective of how resources are acquired and accumulated, resource-based theory assumes there will be firm heterogeneity with regard to resource endowments (Spanos & Lioukas, 2001).

Various definitions and classifications of resources have been proposed in resource-based theory literature (for example, Amit & Schoemaker, 1993; Black & Boal, 1994; Grant, 1995). Some studies (for example, Azzone & Rangone, 1996; Grant, 1991b) divide resources into homogeneous classes, such as financial resources, physical resources (plant, machinery, equipment), human resources, technological resources, reputation, and organisational resources (for example, management systems and internal relationships). Contributions by Aaker (1989), Hall (1992), and DeSarbo, Di Benedetto, Song and Sinha (2005) distinguished between assets (something a firm possesses such as its brand or retail location) and skills (something a firm is able to do such as advertising or efficient manufacturing). Other studies (Barney & Mackey, 2005; Grant, 1991b; Newbert, 2007; Sanchez, Heene & Thomas, 1995; Verdin & Williamson, 1994) have extended the concepts of competence and capability, viewing them as a body of resources (technologies, skills, and organisational resources) as well as a firm's ability to manage, leverage and exploit them within the market (Rangone, 1999). Given the ambiguity of the concept of 'resources', stemming from the sheer number and variety of definitions used in the literature, it has been difficult for researchers to create and utilise an all-inclusive list of resources (Galbreath, 2005). Indeed, the differences in the way resources have been defined makes measurement and manipulation difficult for researchers. Priem and Butler (2001a) argue the establishment of contextual boundaries is problematic given a resource may be classed as anything associated with the firm; they cite Wernerfelt (1984, p. 172):

> … by a resource is meant anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm.

As alluded to in the quote above, one of the most common classifications used in the literature divides resources into those that are tangible or intangible (for example, Alvarez & Barney, 2007; Collis & Montgomery, 1995; Galbreath, 2005; Galbreath & Galvin, 2008; Hall, 1992; McKelvie & Davisson, 2009; Ngo & O'Cass, 2009; Zahra & Das, 1993). Firms are considered to be bundles of tangible and intangible resources, and owner/managers select their strategies based on consideration of the firm's unique resources (that cannot be imitated or purchased by their competitors) (Barney, 1991). Tangible resources include human, financial or physical resources. Intangible resources are often classified as assets or competencies, and may include the reputation of products and company, organisational know-how, business networks, the intellectual property rights (from copyright, registered design, trademarks, patents), contracts and licences, trade secrets, databases, and the culture of the organisation and its ability to respond to changes and challenges in the environment (Hall, 1993). Intangible resources are often referred to in the literature by a number of different terms including intangibles, intangible assets, intellectual property, intellectual capital, intellectual assets, knowledge capital, and knowledge based assets (Bontis, Dragonetti, Jacobsen & Roos, 1999; Kristandl & Bontis, 2007).

Within resource-based theory literature a distinction has also developed between resources and capabilities. A resource may be visible (but not necessarily tangible), for example, a brand, patent, licence or parcel of land. In addition, a resource can be valued and traded. A capability, on the other hand, is not visible (and therefore intangible), cannot be valued, and can only be handed on in its entirety (for example, a firm's logistics system or a particular management system) (Makadok, 2001). In addition, a capability may be valuable on its own or it may also enhance the value of a resource (Nelson & Winter, 1982; Teece, 1986; Tripsas, 1997). How resources and capabilities are measured varies extensively in the literature; indeed, research on capabilities has often been conducted as distinct from research on resources (Hoopes et al., 2003).

Resource-based theory is considered to offer immediate face validity with an appealing core message, making it easy to comprehended (Kraaijenbrink et al., 2010). Despite (or perhaps due to) its popularity, resource-based theory has been subject to extensive criticism. The critique by Priem and Butler (2001a, 2001b) and the subsequent response from Barney (2001a), as well as critiques from Foss and Knudsen (2003), and Kraaijenbrink et al. (2010), are notable in the literature. The scope of the principal critiques of resource-based theory within the literature are wide-ranging; only those criticisms that are applicable in a small firm or small retail firm context and therefore relevant to the study are summarised here.

The applicability of resource-based theory has faced major criticism in the literature. For example, Connor (2002) asserts resource-based theory applies only to larger firms (with their associated market power stemming from their size). The sustained competitive advantage of small firms is not a result of their static resources, which omits the relevance of resource-based theory for smaller organisations. This criticism is diluted somewhat when intangible resources are admitted, particularly given the importance of capabilities for generating competitive advantage in small firms (Kraaijenbrink et al., 2010). Another criticism of resource-based theory is its lack of applicability for firms which are stable in their competitive position, and therefore not striving to attain sustained competitive advantage (Kraaijenbrink et al., 2010). Further, Miller (2003) proposes a firm's 'sustainability-attainability' is reliant upon acquiring resources that are hard to access, and that only firms which already possess VRIN resources can acquire further resources in order to attain sustained competitive advantage. A counter argument to this is the scope of resources under resource-based theory includes those resources and capabilities first used by entrepreneurs establishing the firm (Kraaijenbrink et al., 2010).

The assumption explicit in resource-based theory that sustained competitive advantage is achievable and sustainable (despite the efforts of competitive firms to duplicate or eliminate it) has also been questioned (for example, Eisenhardt & Martin, 2000; Fiol, 1991, 2001). Fiol (2001, p. 692) argues 'both the skills/resources, and the way organizations use them, must constantly change, leading to the creation of continuously changing temporary advantages.' In this context, resource-based theory applies to dynamic capabilities as well as the other resources owned by the firm (Barney et al., 2001). However, given dynamic environments call for dynamic capabilities to lead to sustained competitive advantage (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007), it follows that the inclusion of dynamic capabilities results in *ex post* sources of sustained competitive advantage for the firm (Kraaijenbrink et al., 2010; Makadok, 2001).

Clearly resource-based theory provides the context and framework for small retailers to create strategies based on particular resources which will provide sustainable competitive advantage (Runyan et al., 2007). Identification of critical resources is vitally important for small firms. Yet little has been presented in the extant literature to uncover the resources which small retail firms possess and are able to utilise to gain competitive advantage (Runyan et al., 2007). Few studies apply a resource-based perspective to small retail firms (McGee & Love, 1999). The majority of studies in the field, focus on large firms (for example, Snow & Hrebiniak, 1980), non-retail industries such as manufacturing (for example, Acar, 1993), or small firms (but not small retailers) (for example, Edelman et al., 2005; Lerner & Almor, 2002).

Notable amongst those studies examining small retail firms within the context of resource-based theory is work by Runyan et al. (2007). This qualitative study confirmed community brand identity, local social capital, and responses to environmental hostility were important resources which enabled small retailers to compete in increasingly competitive environments. Some researchers have focussed on the role distinctive competencies and competitive advantage play within the context of resource-based theory. Conant et al. (1993) examined 599 small apparel retailers to determine if firms with clearly defined strategies as well as distinctive competencies exhibited higher levels of competitive advantage. The results showed organisations operating with clearly defined strategies as well as individual distinctive competencies displayed relatively higher performance than those firms lacking emphasis or clarity in terms of their strategy. Smart and Conant (1994) then measured entrepreneurial orientation, distinctive competencies and performance in the same group of small retailers. The findings indicated retailers with higher levels of entrepreneurial orientation also had higher levels of distinctive competencies and exhibited higher levels of performance. However, in both studies, the direct relationship between distinctive competencies and performance was not measured. Using a modified version of the distinctive competence measurement instrument developed by Conant et al. (1993), McGee and Finney (1997) studied the distinctive competencies and competitive advantage of 189 small retailers. The study explicitly addressed the direct relationship between distinctive competencies and competitive advantage and found a positive relationship between the possession of distinctive capabilities (or competencies) (in this case, merchandising practices and control of retail program activities) and better firm performance. McGee and Love (1999) examined the resources and capabilities of small independent retail pharmacies. The study focussed on the relationship between distinctive competencies and performance constructs to identify which resources and capabilities lead to competitive advantage for small retailers. The study utilised an adapted version of the distinctive competencies measure originally developed by Conant et al. (1993) and also used by McGee and Finney (1997). The results of the study confirmed a customer-focussed strategy clearly contributes to competitive advantage for small retailers.

These specific studies using resource-based theory show that a number of resource (and capability) types may be identified as important for performance. This indicates that adopting this broad theoretical framework can produce useful outcomes for small retail firm research.

2.8 | Resource-advantage theory

As alluded to earlier, the application of resource-based theory in the marketing literature has grown exponentially since the early 1990s (Barney, 2014; Kozlenkova, Samaha & Palmatier, 2014), and resource-based theory is often coupled with marketing theories (for example, Jap, 1999; Palmatier, Dant & Grewal, 2007). Resource-based theory has been described by marketing and management researchers as offering a 'unifying paradigm … which synthesizes diverse literature across different perspectives' (Palmatier et al., 2007, p.189), and as a 'theory of theories' which unifies other theories in a single framework (Mahoney & Pandian, 1992; Peteraf, 1993). Recently, marketing academics have used resource-based theory as a 'theoretical lens' through which to examine marketing strategy (Day, 2014). Agency theory, transaction cost economics and R-A theory are most commonly used along with resource-based theory in marketing research. In addition, various marketing theories (for example, brand equity theory, customer lifetime value theory, retail patronage theory, segmentation theory, service quality theory) have also been applied in a limited capacity in the retailing literature (Brown & Dant, 2009).

The ubiquitous nature of resource-based theory has resulted in the development of other related theories in the marketing literature, one of the most notable being Hunt and Morgan's (1995) R-A theory (Kozlenkova et al., 2014). Originally referred to as the comparative advantage theory of competition, Hunt and Morgan (1995, 1996) extended the resource-based view (Barney, 1991, 1996) and combined it with Jacobson's (1992) Austrian economics and Alderson's (1957, 1965) heterogeneous demand theory specifically integrating marketing and consumer needs. R-A theory is a dynamic process theory of competition (Hunt & Arnett, 2003); originally proposed as a theoretical perspective of competitive markets. The theory provides a more comprehensive alternative to resource-based theory (Hunt & Arnett, 2003) to explore the performance of organisations in the context of dynamic markets being disrupted through risk accepting, proactive innovation. As it draws on a variety of other theories and research traditions, Hunt (2002) argues that R-A theory is *toward* a general theory of marketing.

Marketing researchers who adopt the resource-based theory framework often utilise R-A theory (Jap, 1999; Palmatier et al., 2007) because it provides an insight into the ability for firms to leverage their organisational activities (i.e., the 'O' in VRIO – discussed earlier in this chapter) (Kozlenkova et al., 2014). R-A theory has a broader perspective than resource-based theory, for example, by specifically illustrating what constitutes a competitive advantage. As Table 2.2 shows there are a number of synergies between resource-based theory and R-A theory. Both R-A theory and resource-based theory consider firms as 'combiners of heterogeneous and imperfectly mobile resources – which is the fundamental tenet of the resource-based view' (Hunt, 2002, p.277). Yet it is also evident that there are differences between the two.

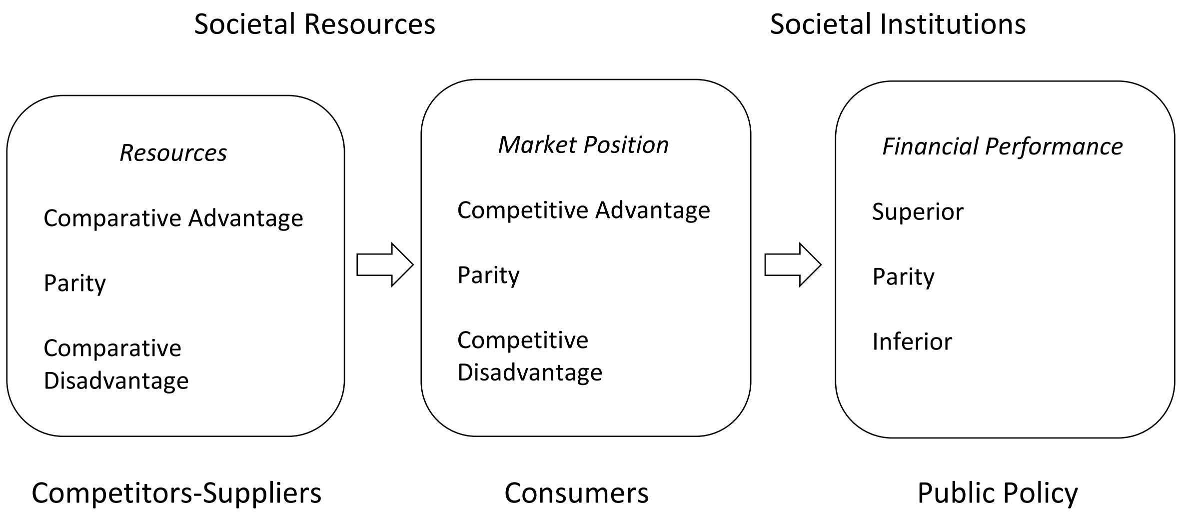
Table 2.2 | Connecting resource-based theory to R-A theory

Theory	*Key ideas*	*Similarities to Resource-based theory*	*Complements to Resource-based theory*	*Key difference from Resource-based theory*
R-A theory (Hunt & Morgan 1995)	Competition is a constant struggle among firms for a comparative advantage in resources that yield competitive marketplace positions and, consequently, superior financial performance.	R-A theory relies on assumptions of resource heterogeneity and imperfectly mobile and inimitable resources.	Provides an explanation for why managers fail to optimise resources, namely, because they (1) lack the capability and necessary information, (2) exhibit opportunism, or (3) are constrained by morality/ethics (Hunt, 1997b).	In R-A theory, innovation is endogenous, whereas in resource-based theory, it is viewed as exogenous.

From: Kozlenkova et al. (2014, p. 16).

R-A theory clarifies competitive advantage and proposes it may occur in three ways: an efficiency advantage, an effectiveness advantage, or an efficiency-effectiveness advantage (Hunt, 2007). An efficiency advantage occurs when a firm is able to be more efficient at producing value than its competitors. An effectiveness advantage occurs when a firm is able to efficiently produce more value than its competitors. An efficiency-effectiveness advantage is when a firm is able to more efficiently produce more value than its competitors (Kozlenkova et al., 2014). In essence, R-A theory focuses on the organisation's efficiency and effectiveness in creating, discovering, assessing, and exploiting heterogeneous resources to create superior need-fulfilling market offerings for specific markets. It concerns the organisation's ability to exploit organisational learning and innovation to create superior market position and competitive advantage. As Figure 2.2 illustrates, the overall outcome of financial performance is set in the context of societal resources, societal institutions, competitors, suppliers, consumers, and public policy (Hunt, 2000).

Figure 2.2 | A schematic of resource-advantage competition



Adapted from: Hunt and Morgan (1996, p. 108).

R-A theory has been well received in both the marketing and non-marketing literature (for example, Falkenberg, 2000; Lusch, 2000; Peterson & Balasubramanian, 2002; Savitt, 2000; Schlegelmilch, 2002). Given its complementarity with resource-based theory, R-A theory has more recently been applied in a variety of studies, including new product creativity (Bicen, Kamarudin & Johnson, 2014), natural resource scarcity (Bell, Mollenkopf & Stolze, 2012), green marketing performance and resource commitment (Richey, Musgrove, Gillison & Gabler, 2014), competence resource specialisation (Hansen, McDonald & Mitchell, 2012), academic productivity (Runyan, Finnegan, Gonzalez-Padron & Line, 2013), and outsourcing (Unal & Donthu, 2014). Table 2.3 illustrates the foundational propositions of both neoclassical theory and R-A theory. Neoclassical theory contends that resources are components of production and restricted to capital (considered to be tangible resources such as plant and equipment, inventory), labour, and land. Resources thus allow a firm to access a production function and thereby produce a product (Hunt, 1995). Firms, under neoclassical theory, all have access to the same technology; no firm uses superior technology or organisational form, and only tangible resources have value in the production process. Neoclassical theory has thus been criticised for ignoring the real-life conditions that influence economic analysis, for not providing substantiated empirical results, and for being biased toward a particular moral/political norm (Deligonul & Cavusgil, 1997).

Table 2.3 | Foundational propositions of the neoclassical and resource-advantage theories of competition

	Neoclassical theory	*R-A theory*
Demand is	Heterogeneous across industries, homogeneous within industries, and static	Heterogeneous across industries, heterogeneous within industries, and dynamic
Consumer information is	Perfect and costless	Imperfect and costly
Human motivation is	Self-interest maximisation	Constrained self-interest seeking
The firm's objective is	Profit maximisation	Superior financial performance
The firm's information is	Perfect and costless	Imperfect and costly
The firm's resources are	Capital, labour, and land	Financial, physical, legal, human, organisational, informational, and relational
Resource characteristics are	Homogenous and perfectly mobile	Heterogeneous and imperfectly mobile
The role of management is	To determine quantity and implement production function	To recognise, understand, create, select, implement, and modify strategies
Competitive dynamics are	Equilibrium seeking, with innovation exogenous	Disequilibrium provoking, with innovation endogenous

From: Hunt and Morgan (1997, p. 76).

In contrast to neoclassical theory, R-A theory proposes that resources (both tangible and intangible) are the inputs that are available to a firm allowing it to produce, efficiently and/or effectively, products with value for particular market segments (Hunt, 1995, 2000). Under R-A theory, intangible resources are just as important as tangible resources in allowing a firm to compete and perform better than its competitors. Another key difference is that under R-A theory, all resources are considered to be heterogeneous and imperfectly mobile within firms across industries, and it is not necessary for the firm to own resources, rather they just need to be available to the firm (Hunt & Arnett, 2003).

R-A theory utilises a realistic approach to the process of competition, incorporating the realities of the marketplace that are often either ignored or discounted by other theories. The theory also allows for the fact that social structures and social relationships can have an impact (positive and negative) on competition (Hunt & Arnett, 2003). Within the marketing field, R-A theory is consistent with both conventional marketing and entrepreneurial marketing. In terms of entrepreneurial marketing, R-A theory provides a realistic set of conditions for explaining competition; indeed, R-A theory is 'an evolutionary, process theory of competition in which each firm in an industry is a unique entity in time and space as a result of its history' (Hunt & Morgan, 1996, p. 78). The link between R-A theory and entrepreneurial behaviour is illustrated through the notion that 'superior financial returns flow to those firms that are able either to create value more efficiently or to efficiently create more value for customers' (Morris et al., 2002, p. 9).

R-A theory proposes that all firms seek superior financial performance. As Darroch, Miles and Paul (2005) note, interest in the firm's ability to create firm-specific superior performance (or 'rents') has increased over time (for example, Hunt, 2002; Hunt & Arnett, 2003; Hunt & Morgan, 1995, 1996, 1997; Lewin & Phelan, 2000). A competitive position matrix proposed by Hunt and Morgan (1996) (Figure 2.3) shows that firms can be distributed throughout all nine cells, with firms seeking the superior financial performance position of cells 2, 3 and 6. However, given the nature of superior performance, not all competing firms can achieve and maintain this simultaneously, therefore, there will be firms occupying a position of competitive disadvantage (cells 4, 7 and 8) and these firms must attempt to neutralise or overtake competitors through acquisition or innovation (Hunt, 1997b). This can be achieved ‘by better managing existing resources, obtaining the same or equivalent value-producing resource, and/or seeking a new resource that is less costly or produces superior value’ (Hunt & Morgan, 1996, p. 109). In this way, R-A theory proposes that through occupying an inferior position firms infer they have a comparative disadvantage in resources which serves to motivate them to innovate and become more competitive (Hunt, 1997b). In this way R-A theory views innovation as endogenous (Hunt & Davis, 2008).

Figure 2.3 | Competitive position matrix

		Relative resource-produced value		
		Lower	Parity	Superior
Relative resource costs	Lower	1. Indeterminate Position	2. Competitive Advantage	3. Competitive Advantage
	Parity	4. Competitive Disadvantage	5. Parity Position	6. Competitive Advantage
	Higher	7. Competitive Disadvantage	8. Competitive Disadvantage	9. Indeterminate Position

From: Hunt and Morgan (1996, p. 109).

Whilst acknowledging Hunt and Morgan’s (1995) contribution to the marketing literature with their proposed alternative theory of dynamic disequilibrium and theory of competition (the comparative advantage theory), Dickson (1996b) argued Hunt and Morgan’s theory was not dynamic enough and lacked explanatory power. According to Dickson, the theory also failed to adequately focus on higher-order learning processes as a fundamental construct, and did not satisfactorily explain path dependencies and endogenous growth models. Having already offered his own alternative theory of dynamic disequilibrium – the general theory of competitive rationality – Dickson (1992; 1996a) conceded his support for Hunt and Morgan’s disequilibrium paradigm, but maintained that his own theory provided a more satisfactory explanation of the efficiency of competitive markets and how firms could use the dynamic paradigm to improve their key competitive processes.

Hunt and Morgan (1996) rejected Dickson's denunciation of R-A theory and refuted each of the main criticisms outlined; concluding that the R-A theory schematic originally included in the 1995 article did not adequately illustrate the underlying complexity (and dynamism) of the theory. An updated version of the schematic was included to show the sources of competitive dynamics, as well as how higher-order learning processes are one of a number of different resources that firms might use to gain competitive advantage. The updated schematic also illustrated that firms learn as a direct result of a competitive marketplace (not all firms master higher-order learning, but every firm does learn). In relation to path dependencies, Hunt and Morgan (1996) argued although they are empirically rare, R-A theory does make provision for the possibility of path dependencies. They also outlined five aspects of R-A theory which showed how the theory related to endogenous growth models (see Hunt & Morgan, 1996, p. 112) and concluded by acknowledging that work on the theory was still progressing.

Deligonul and Cavusgil (1997) proposed three main criticisms of the comparative advantage theory of competition (R-A theory). First, the comparative advantage theory of competition was offered as a replacement to the neoclassical theory of perfect competition (proposing also that comparative advantage theory of competition was too ambitious in its scope). Second, a challenger to the neoclassical theory of perfect competition must come from a new paradigm, and Hunt and Morgan had simply proposed a group of statements in a complementary form to neoclassical theory (see Table 2.3), thereby adopting a heuristic language which resulted in 'semantic confusion' (Deligonul & Cavusgil, 1997, p. 72). Third, comparative advantage theory of competition was not a replacement for neoclassical theory because both theories were 'offshoots of the exchange paradigm' (Deligonul & Cavusgil, 1997, p. 72). Deligonul and Cavusgil (1997) conceded, however, that the acceptance of new theory occurs only through social acceptance over time.

Hunt and Morgan (1997) responded to Deligonul and Cavusgil (1997). Their main contention was that the comparative advantage theory of competition was never offered to 'replace' neoclassical theory, thereby rendering Deligonul and Cavusgil's (1997) thesis redundant at the outset. Hunt and Morgan argued their original paper offered two distinct submissions. They first set out the foundations of the theory and contributions of R-A theory in explaining why market-based economies show greater levels of innovation and productivity than command economies. They also proposed that market orientation could be considered as a firm resource. Noting that the creation and submission of a new theory requires much more space than a journal article (or journal edition), Hunt and Morgan acceded to the editor's direction that many related issues would have to be addressed in other future fora. They also rejected the premise that R-A theory was a member of an exchange paradigm, noting that R-A theory did not even meet the requirements of Deligonul and Cavusgil's (1997) posited exchange paradigm; they also questioned the usefulness of paradigm-level analyses. Hunt and Morgan (1997) also refuted the arguments provided around how R-A theory addressed process theory, organisational learning, equilibrium and socio-political institutions. Concluding R-A theory was still a work in progress, they argued to date the theory had contributed to the literature on a number of issues, including explanations of firm diversity (Hunt & Morgan, 1995), explanations of some of the differences between market-based and command economies (Hunt, 1995; Hunt & Morgan, 1995), and provision of a theoretical foundation for relationship marketing (Hunt, 1997a).

2.8.1 | *Categorisation of resources*

As discussed, under R-A theory each firm possesses a unique set of resources that can lead to a comparative advantage in the marketplace (Hunt & Arnett, 2003). Greater access to, and successful competition for resources means greater comparative advantage, which results in greater firm performance in the targeted market. As small retailers are often regarded as having limited resources (McGee & Rubach, 1996/97), discovering which resources should be effectively and efficiently deployed to create a superior position in the targeted market is critical. Drawing on the work of Barney (1991), Day and Wensley (1988) and Hofer and Schendel (1978), Hunt (1995) categorised firm resources as relational, informational, physical, financial, legal, human, and organisational. Relational resources include relationships with competitors, suppliers, and customers; informational resources include knowledge about consumers, competitors, and technology; physical resources include plant, raw materials, and equipment; financial resources include cash reserves and access to financial markets; legal resources include trademarks, patents and licences; human resources include the skills and knowledge of individual employees; and organisational resources include competencies, controls, policies, and culture (Hunt, 1995). These resources are relatively heterogeneous and imperfectly mobile and they broadly consist of organisational culture, product assets, intellectual property, capabilities, competencies, and organisational skills that are deployed to create a value proposition for the firm’s customers.

Many of the non-economic resources under R-A theory are replicable (as opposed to scarce), and:

> … therefore, a comparative advantage in an intangible resource, such as a new organizational form or competency, can yield a marketplace position of competitive advantage … thus, rewards flow to firms that successfully create new resources (e.g., competencies), which provides them with a powerful motivation to innovate (Hunt & Morgan, 1996, p. 79).

Competition between firms results in marketplace positions based on the efficiency and effectiveness of each firm; disadvantaged firms are able to assess if they need to acquire additional resources or to more effectively or efficiently use the resources they already possess (Morris et al., 2002).

Under R-A theory, firms can also facilitate the creation of new resources (as well as enhance the productivity of existing resources) through marketing. In addition, marketing can assist firms to innovate through creating new combinations of resources, provide leadership and support for innovation within the firm (including products, services and process innovations), and seek new markets in which the firm’s resources can provide comparative advantage. Firms can also adjust their resource portfolio if they find themselves in a position of comparative disadvantage (Morris et al., 2002).

2.8.2 | *Resource-advantage theory and retailing*

While R-A theory has been applied in a variety of contexts, there has been very little empirical work carried out which applies the theory to retailing, or to small retail firms. As noted in Chapter One, four exceptions are studies by: Jambulingam et al. (2005) who used

R-A theory to examine entrepreneurial strategy and performance in the retail pharmacy industry; Hu and Wang (2009), who adopted a case study methodology to examine a leading retail company in Taiwan; Colton et al. (2010), who studied the performance of retail e-commerce firms using a conceptual framework based on R-A theory, and Chotekorakul and Nelson (2013) who examined the relationship between customer orientation and merchandising competencies and retailer financial performance.

Using R-A theory, the study by Jambulingam et al. (2005) developed a taxonomy of retail service providers (noting that retail pharmacies offer both goods and services) based on each firm's ability to utilise intangible resources for entrepreneurial activities. Noting that intangible resources are an important resource for creating a competitive advantage, the authors argued that some intangible resources (for example, entrepreneurial orientation) can help firms stay competitive in the long-term. The dimensions of entrepreneurial orientation in the study included a firm's ability to display innovativeness, proactiveness, autonomy, competitive aggressiveness, risk taking and motivation. In addition, firms will have different levels of intangible resources. The traditional classification for retail pharmacies has grouped businesses according to type (for example, independent, chain, mass merchandisers), but using R-A theory, the classification scheme identified six groups of pharmacies (competitive aggressor, ambitious, proactive-innovator, true entrepreneurs, low-risk entrepreneurs, anything but entrepreneurs) according to the level of entrepreneurial orientation of the business. The firm's emphasis on intangible resources such as innovativeness, proactiveness, risk-taking, motivation, autonomy, and competitive aggressiveness was an indication of its propensity to develop strategies to gain a competitive advantage in the marketplace. The authors noted that their proposed taxonomy was partially consistent with the Miles and Snow (1978) strategic typology of prospectors, analysers, defenders and reactors (used in this study and discussed in Chapter Three). There were similarities between their entrepreneurial groups and the Miles and Snow (1978) groups – true entrepreneurs paralleled prospectors, anything but entrepreneurs paralleled defenders, and low-risk entrepreneurs, ambitious, and competitive aggressors paralleled analysers (Jambulingam et al., 2005). Using R-A theory, the researchers were able to illustrate how intangible resources can be used to classify firms within a single industry.

Drawing on R-A theory to examine the core competencies related to corporate social responsibility and performance, Hu and Wang (2009) studied a leading Taiwanese retailer, PCSC. Using Hunt's (1995, 2000) resource groups (financial, physical, legal, human, organisational, informational, and relational) the authors measured selected variables for each resource group to determine the perceived importance and perceived performance of corporate social responsibility and its relationship with other management factors. Out of 44 possible variables, 21 were found to be core resources, including corporate social responsibility. Although the managers surveyed considered corporate social responsibility to be only somewhat important, the authors concluded that this core resource nevertheless provided PCSC with a competitive edge over its rivals, particularly in the context of retail industry norms in Taiwan (Hu & Wang, 2009). Of the top four variables found to be perceived as important, the first was an organisational resource, the second and third were physical resources and the fourth was an informational resource.

Under R-A theory, firm performance is affected by resources and firm orientation (Hunt & Morgan, 1995; Lumpkin & Dess, 1996). However, Colton et al. (2010), in their study of retail e-commerce firms, proposed that the relationship between firm orientation and performance is not direct, but rather it is mediated by the resources the firm creates. Using a combination of R-A theory and resource-based theory, the study developed a conceptual model of firm orientations, strategic resources, and financial performance. Specifically, the authors identified three firm capabilities – market orientation, entrepreneurial orientation, and foreign market orientation – which influence a firm's brand strength and supplier relations (both considered important 'e-tail' firm resources). They also considered how brand strength and supplier relations mediate the effects of the three firm capabilities on firm performance. R-A theory places importance on the firm's ability to leverage important resources (e.g., assets, knowledge and processes) to enable the development and implementation of successful strategies efficiently and effectively (Hunt, 2000) and the study confirmed how unique resources and capabilities are related to each other to create competitive advantage for the firm (Colton et al., 2010).

A recent study by Chotekorakul and Nelson (2013) examined the relationship between customer orientation and fashion merchandising competencies with firm financial performance amongst small fashion retailers in Bangkok. Noting that R-A theory is rarely used in small retailer research, the study aimed to determine which strategic orientation (customer orientation or fashion merchandising competency) has a stronger relationship with firm financial performance. Financial performance was measured using retailer subjective financial performance, return on investment, and probability of business survival. The study found a positive relationship between merchandising competencies and firm performance, but no relationship between customer orientation (measured as customer service activities and customer relationship activities) and firm performance.

While these studies make a useful contribution, they only examined aspects of firm resources in fairly specific contexts (i.e., one single retailer, pharmacy retailers). To date, there has been no large scale survey of small retailers which comprehensively applies the R-A theory perspective and the current study aims to fill this gap.

2.9 | Chapter summary

This chapter provided a detailed review of the literature in the field of retailing with an emphasis on small retailer research. The chapter commenced with a discussion about the importance of the retailing industry (again with an emphasis on small retailers) to local and national economies, an overview of the history of retailing and a review of the related retailer research. This was followed by a discussion on traditional retailing theory, and a review of the two major strategic management theories most applied in retailing research. The chapter concluded with a detailed discussion of R-A theory, a review of its application in the literature, and a justification for its suitability as the theoretical framework for this retailing study. The thesis now proceeds with Chapter Three which continues a review of the small retailer literature with an emphasis on resources, firm performance and the five proposed factors which may impact the relationship between small retailer resources and firm performance.

CHAPTER 3 | LITERATURE REVIEW – PART II

3.1 | Introduction

Following Chapter Two which provided the context and theoretical basis for the study, Chapter Three provides a comprehensive review of the literature specifically in the field of small retail firm resources and performance, as well as the literature on the five factors proposed to impact the relationship between resources and performance. The chapter commences with an examination of small retail firm resources and firm performance. This is followed by a detailed discussion of the three factors (strategic orientation, strategic planning and entrepreneurial orientation) proposed as mediators, and the two factors (environmental hostility and customer orientation) proposed as moderators, of this relationship. Hypotheses are developed and included in relevant sections throughout the chapter. The chapter concludes with a summary table of the proposed hypotheses along with a conceptual model of the research.

3.2 | Small retail firm resources and firm performance

As Penrose (1959) suggested, the returns earned by firms are associated with the resources they hold. Indeed, competitive advantage is achieved when a firm's strategies are used to successfully leverage its resource base (Hitt, Ireland, Camp & Sexton, 2001). Operating in increasingly hostile environments, it is important for small retail firms to acquire and retain resources (as well as exhibit certain competitive behaviours) in order to attain a competitive advantage (Covin & Slevin, 1989; McGee & Rubach, 1996/97; Runyan, 2006). Despite their limitations (Smith & Sparks, 2000), many small retail firms are successful (Megicks, 2007). As stated in Chapter One, small firms may have greater flexibility and agility to respond to their trading environment (Megicks & Warnaby, 2008). Conversely, their smaller size may limit their access to resources (Rubera & Kirca, 2012), and some researchers using the lens of the resource-based view (for example, Runyan et al., 2007) argue that resources which are both non-economic and immobile may offer the greatest benefit to small retail firms.

The core of R-A theory (and resource-based theory) is the importance of resources in leveraging competitive advantage leading to firm performance (Barney, 1991; Hunt &

Morgan, 1995). The firm's competitive advantage (and subsequent performance) is therefore dependent upon its resources, as well as on the alignment of resources with the firm's strategic intent (Rangone, 1999), and an assessment of firm resources is a sound starting point for strategy formulation (Andrews, 1987). The ability for small retailers to leverage their resources to enhance firm performance is clearly a critical component of retail strategy, yet there are only a small number of studies focussing on the relationship between firm resources and financial performance in small retail firms. Much of the research in this field is focussed on the relationship between strategy types and performance rather than examining which particular firm resources contribute to performance.

Only a few studies have empirically examined the different types of resources used by successful small retailers (for example, Billesbach & Walker, 2003; Brush & Chaganti, 1998; Megicks, 2001, 2007; Megicks & Warnaby, 2008; Nelson & Ratliff, 2005). A number of these studies used small samples. Billesbach and Walker (2003), in their study of 58 retail businesses, identified ten resources (and capabilities) used by successful small retailers: customer service training; product knowledge training; adding higher quality products; adding merchandise lines; developing broader merchandise selection; adding unusual merchandise; improving store displays; dropping merchandise lines; adding different types of merchandise, and adding special customer services. A similar study by Nelson and Ratliff (2005) was also limited in the number of firms (*n*=six) surveyed. The study confirmed small retailers utilise many of the resources already identified in the literature: excellent customer service; quality products; focus on customer satisfaction; innovativeness; risk taking; high community values; product knowledge; advertising; aggressive pricing, and flexibility in responding to new trends. The study also identified strategies not previously discussed in the literature such as membership of buying groups, an emphasis on careful hiring of staff, ensuring a low staff turnover, and creating the firm's culture. Runyan et al. (2007) utilised the resource-based view to determine which resources are utilised to create competitive advantage and improve performance. Again, the study was limited by the small number of firms surveyed (*n*=35). Noting the importance of non-economic and immobile resources, the small retailers surveyed identified two non-economic resources – community brand identity and local social capital – as important in creating competitive advantage. Whilst brand identity was significant regardless of the trading environment, social capital was used more when the environment was considered hostile. Access to financial capital is also considered an important resource (Cooper, Gimeno-Gascon & Woo, 1994), and it is not only *ownership* of financial resources that is important, but also *access* to the resource (Stevenson & Jarillo, 1990) that enables firms to develop. Wiklund and Shepherd (2005) used a subjective measure of the small business manager's satisfaction with access to financial capital, arguing that when the firm's resources are sufficient for business development, the small business owner is more likely to be satisfied with access to financial capital. They also found that access to financial capital positively influences small business performance.

Notable among the very few studies in this field are those by Brush and Chaganti (1998) and Megicks (2001, 2007). Acknowledging prior research into differences in entrepreneurial performance, and noting small retail (and service) firms often operate in industries with low barriers to entry as well as easily imitable competitive advantages, Brush and Chaganti (1998) sought to explain small firm performance as a direct result of the capabilities of the firm and the competences of the owner, rather than as a result of strategy. The study surveyed small retail and service firms focussing on human and organisational resources as the core dimensions underlying performance. Noting that prior research has confirmed human resources as critical to higher levels of success (for example, Birley & Westhead, 1990; Chandler & Jansen, 1992; Cooper & Gimeno-Gascon, 1992; Westhead, 1995), the study selected two types of human resources: the owner-founders' human capital (that is, their industry experience and business education), and the owner-founder's attitudes about running their business. Long range planning, staff skills and reporting systems were classified as organisational resources and two types of focus strategy variables were measured: focussed cost leadership and focussed differentiation. The study confirmed human and organisational resources had a greater impact on certain performance outcomes than did strategy. The research demonstrated that resources should be tailored to business objectives and there are certain contexts in which resources are more important than strategy.

Distinguishing between retail operations items and retail strategy items, Megicks (2001) developed a taxonomy of competitive strategy types within the U.K. retail sector. Based on an analysis of the various resources used by small retailers, the study identified six retail operations groups: merchandising and range; service and quality lines; active marketing; low prices and incentives; local involvement, and unique products. Seven retail strategy groups were also identified: low cost base; focus; diversified growth; channel management; specialist positioning; buying group membership, and consolidation. In a further study, Megicks (2007) also categorised resources into two groups: retail functional items and retail business items. Seven functional strategies were identified based on the nature of the various resources loaded on each strategy: high quality merchandise and service; store operations and product uniqueness; product range and low price; online and direct marketing; sales promotion; local involvement, and merchandising and support. Six business strategies were also identified, again based on the various resources loaded on each: customer service focus; channel expansion; cost reductions and efficiency savings; specialisation; low cost, and diversification. As can be seen, Megicks' (2001, 2007) work begins a classification of small retail firm resources, which is then picked up and extended under R-A theory. But, few studies explicitly use the R-A theory classification. As discussed in Chapter Two, R-A theory categorises firm resources into the following groups: relational, informational, physical, financial, legal, human, and organisational.

While small firm resources may be measured by self-assessment according to certain classifications, the measurement of *performance* in small retail firms is more problematic. Measurement of performance of large retailers, and large firms generally, can be carried out relatively easily using objective data such as profit and loss statements, share performance information, annual report figures, and so forth. However, in Australia (as in many other countries) there are very few objective financial information sources for small firms, and because small firms are not required to publicly provide this information, this data is generally very difficult for researchers to access (ASIC, 2014; Chotekorakul & Nelson, 2013; Holmes & Kent, 1991). Compounding the problem of lack of information is the fact that small firms are often unwilling to provide financial information (Fiorito & LaForge, 1986), mainly due to concerns about confidentiality (Chotekorakul & Nelson, 2013). Many studies therefore offer anonymity to respondents in order to encourage not only a higher response rate, but also more accurate reporting of financial performance information. In addition to the problems associated with accessing financial data, any small firm objective financial information which may be available is often difficult to interpret, especially when comparing data between firms and across industries (Covin & Slevin, 1989). Interpretation of data in studies may be influenced by differences in the definition and measurement of individual items (Chaganti, Chaganti & Mahajan, 1989). Small firm financial performance data may also be affected by industry-related factors (Miller & Toulouse, 1986), and low-profit reporting or operating losses may not be the result of poor management, but rather may be the result of significant product and/or market investment (Cooper, 1979).

Despite the fact that the multifarious nature of performance measures is problematic in small business research (Chandler & Hanks, 1993; Liao, Chang, Wu & Katrichis, 2011), financial performance is often used as the dependent variable and measured in a variety of ways in retailing and small business studies. Given the restrictions in obtaining objective performance measures, some researchers have suggested that in measuring small firm financial performance, subjective performance measures are appropriate (for example, Cooper, 1984; Dess & Robinson, 1984; Gupta & Govindarajan, 1984). Indeed, it is now widely accepted in the literature that in the absence of objective performance data, subjective measures provide a sound alternative (Galbreath & Galvin, 2008; Venkatraman & Ramanujam, 1987), and a variety of measures are used to extract information. Common approaches to subjective measurement, using self-reporting, are to measure owner satisfaction with firm performance and to measure firm performance relative to competitors (Chandler & Hanks, 1993; Jaworski & Kohli, 1993).

The most commonly employed relative measures used in the retailing literature include: change in sales (McGee & Love, 1999; McGee & Peterson, 2000; Megicks, 2001; Moore, 2005; Moore & Fairhurst, 2003); change in net profit (McGee & Finney, 1997; McGee & Love, 1999; McGee & Peterson, 2000; Megicks, 2001); change in return on the capital employed (Megicks, 2001); return on investment (Kara et al., 2005; Megicks, 2007; Megicks & Warnaby, 2008; Moore, 2005; Moore & Fairhurst, 2003); return on assets (Moore, 2005; Moore & Fairhurst, 2003); general profitability (McGee & Love, 1999; McGee & Peterson, 2000; Moore, 2005; Moore & Fairhurst, 2003); sales per square foot (Moore, 2005; Moore & Fairhurst, 2003); effectiveness of cost control (Moore, 2005; Moore & Fairhust, 2003); sales per employee (Moore, 2005; Moore & Fairhurst, 2003); overall company performance

(McGee & Finney, 1997; McGee & Love, 1999; McGee & Peterson, 2000; Megicks, 2007; Moore, 2005; Moore & Fairhurst, 2003); customer retention (Megicks, 2007; Megicks & Warnaby, 2008); cash flow (Brush & Chaganti, 1998), and change in employee size (Brush & Chaganti, 1998). A number of studies ask respondents to evaluate their firm's performance against other similar retailers in their trading area (Conant & White, 1999) using subjective items, for example profitability, sales per employee, and total sales growth over the past three years (Conant & White, 1999).

Whilst the use of subjective measures in SME research certainly overcomes problems associated with data availability and confidentiality, they are reliant upon the 'beliefs' of key informants (Pelham & Wilson, 1996). Another approach, therefore, is to use semi-objective measures and employ broadly defined categories (including average annual sales turnover, net worth, earnings including salary of the owner) designed to overcome some of the problems in extracting financial information from business owners (Chandler & Hanks, 1993). Additionally, a small number of studies use the concept of business survival as a measure of firm performance (for example, Brush & VanderWerf, 1992; Chotekorakul & Nelson, 2013). Chotekorakul and Nelson (2013) note business survival should be considered as an indirect measure of a firm's financial performance because an owner/manager's perception of the likelihood of survival may be based on additional concepts such as switching costs, capital reserves and profit expectations, and these concepts may differ amongst firms (Bates, 2005; Gimeno, Folta, Cooper & Woo, 1997).

The literature pertaining to retail firm (as well as small retail firm) financial performance is significantly lacking (Chotekorakul & Nelson, 2013). Owner/managers of small retail firms are diverse and accordingly they seek various kinds of performance outcomes from running their business (Brush & Chaganti, 1998) including financial and non-financial outcomes (Birley & Westhead, 1990; Jarvis, Curran, Kitching & Lightfoot, 2000). Small retail firm performance research therefore employs a range of performance measures.

Runyan and Droge (2008) conducted a review of twenty years of retailing literature (up to the year 2007) and found only a small number of studies focussing on small retail firm performance (for example, Conant & White, 1999; Megicks, 2007; Moore & Fairhurst, 2003).

Studies in this area, conducted since the 2008 review, include those by Megicks and Warnaby (2008) and Chotekorakul and Nelson (2013). Megicks and Warnaby (2008) found a customer strategy focus was a key determinant for firm success (measured using four subjective measures including ROI and customer retention) in a study of 305 U.K. small retail businesses. Using business survival as a measure of performance, the study by Chotekorakul and Nelson (2013) found small fashion retailers (*n*=275) with superior merchandising competencies reported higher levels of firm performance.

From the few studies focussing on small retailer resources as well as the relationship between resources and performance, there are variations in how performance is measured. In addition, much of the research in the small retailer field has examined firm resources through the lens of the resource-based view; only a small number of studies have utilised R-A theory (as discussed in Chapter Two). This study proposes that retailers with greater access to resources will show higher levels of performance. This is supported by the general proposition of R-A theory that access to resources is core to firm performance (Hunt & Morgan, 1995). Therefore, it is proposed:

Hypothesis 1	*The performance of small retail firms is positively related to resource advantage.*

3.3 | Mediating factors

Small retailers rely on resources to achieve competitive advantage; however, due to their size, they are often disadvantaged by lack of opportunity to access and exploit certain resources (Covin & Slevin, 1989; Edelman et al., 2005; McGee & Rubach, 1996/97). They must therefore rely on other ways to remain competitive, and this study proposes the relationship between small retail firm resources and firm performance is influenced by a number of factors, with some factors mediating the relationship and others moderating the relationship.

This study proposes three factors that may mediate the relationship between resources and performance in small retail firms: the strategic orientation of the firm, the propensity of managers to undertake strategic planning, and the firm's level of entrepreneurial orientation. Frazier, Tix and Barron (2004, p. 116) define a mediator as 'a variable that explains the relationship between a predictor and an outcome' (see also, Hayes, 2013; Preacher & Hayes, 2004). This section reviews each of the three factors in turn, and provides a detailed discussion of the conceptualisation and measurement of each construct as well as a review of the associated research for each factor in a small retail firm context.

3.3.1 | *Strategic orientation*

Within the retailing literature there are a number of studies examining the strategic behaviour and performance of retail firms (for example, Alexander & Veliyath, 1993; Carroll, Lewis & Thomas, 1992; Conant et al., 1993; McGee, 1987; Megicks, 2001, 2007; Moore, 2005); however, there is a dearth of research into the strategic orientation and performance of *small* retail firms with only a few studies in this area (for example, Byrom et al., 2003; Coca-Stefaniak et al., 2010; McGee & Peterson, 2000; Megicks, 2001, 2007; Megicks & Warnaby, 2008).

The choice of competitive strategy is one of the most important decisions firms make, and for small firms in particular, the strategic orientation of the organisation can be a vital ingredient for success (Borch, Huse & Senneseth, 1999). A generic typology (for example, Miles & Snow, 1978; Porter, 1980) provides a common set of business strategies which can be used to understand how firms select the most appropriate strategy to suit their business and their trading environment (White & Hamermesh, 1981).

Strategy is the intended or unintended action organisations take to match their environment (Mintzberg, 1978; Segev, 1987a). In a retail context, some retailers respond to intensely competitive environments by deploying their resources in an ad-hoc and random fashion. They often use a variety of 'tactics' in quick response to stimuli rather than a conscious strategic approach. Inevitably the resources (and tactics) unite and result in an unintended strategic stance (Ellis & Calantone, 1994). Strategic group analysis is a methodological concept which can explain how resources (and tactics) eventually form to become a strategy (Ellis & Calantone, 1994), and firms within a particular industry form a strategic group if they follow specific similar strategies on key decision variables (Porter, 1979). Strategic groups can be identified by the use of classification schemes, taxonomies and typologies which offer order to complex business problems. Within the competitive strategy literature, seminal contributions include strategy typologies from Miles and Snow (1978), Mintzberg (1979), Porter (1980), Miller (1990), and taxonomies from Miller and Friesen (1978), Galbraith and Schendel (1983), and Ketchen, Thomas and Snow (1993). As discussed in Chapter Two, Porter (1980) developed a set of generic strategies (cost leadership, differentiation, and focus). In addition, Miller (1990) developed high-performance gestalts (craftsman, builder, pioneer, and salesman), and Treacy and Wiersema (1995) presented three strategic types (operational excellence, product leadership, and customer intimacy) (Hambrick, 2003).

Miles and Snow (1978) studied small, local, American firms across four industries: electronics, food processing, health care, and textbook publishing. As a result of their research, they proposed a strategic typology aimed at classifying organisations into one of four strategic types. The first study of 16 textbook publishing firms resulted in post-hoc identification of particular patterns in the product-market strategies of firms in the industry. This was followed by further correlational research examining 52 electronics and food processing firms and 19 voluntary general hospitals (Snow & Hrebiniak, 1980). The typology classified different strategic approaches to organisational adaptation of firms within the same industries, and the rate at which organisations change their product or markets (Parnell & Wright, 1993).

The Miles and Snow (1978) typology is centred on three premises. The first premise is that organisations develop systematic and identifiable approaches to changes in their environment. This is illustrated by the 'adaptive cycle' which represents 'a general physiology of organization behaviour … (and) provides a means of conceptualizing the major elements of adaptation and of visualizing the relationships among them' (Miles & Snow, 1978, p. 27). The adaptive cycle was developed to provide a starting point for studies of organisational adaptation and for use in organisational strategic planning (Ketchen, 2003a). The strategic-choice perspective of organisations contends organisational structure and process are determined by the choices made by top managers, rather than as a result of environmental conditions (Miles, Snow, Meyer & Coleman, 1978). The adaptive cycle illustrates the attempts organisations make to address three organisational problems: the entrepreneurial problem (market-product domains), the engineering problem (technical systems), and the administrative problem (structure and processes) which must be solved simultaneously in mature organisations (Miles et al., 1978). While other typologies (Miller, 1990; Mintzberg, 1979; Porter, 1980; Treacy & Wiersema, 1995) consider the firm to operate in a static context, the Miles and Snow (1978) typology views organisations as dynamic entities within their environment. Organisations can adapt their strategy, structure and processes in response to the adaptive challenge (Ghoshal, 2003; McDaniel & Kolari, 1987).

The entrepreneurial problem focuses on the definition of the firm's product and market domain (Parnell & Wright, 1993). In new firms, the focus of the entrepreneurial problem is on selecting specific goods or services as well as the target market or market segment. As the firm matures, attempts at the next entrepreneurial 'thrust' may become more difficult. The solution to the entrepreneurial problem is evident when the firm commits the resources required for the particular product-market domain; externally this commitment may be shown through the projection of the organisation's image (defining both its market and its orientation toward it) (Miles et al., 1978). The engineering problem concerns the selection of technologies to be used for production and distribution (Parnell & Wright, 1993), and the creation of systems and processes to solve the entrepreneurial problem. Systems and processes selected by management will produce and distribute the firm's products and services. The organisation then moves through the administrative problem phase, and the structure (or configuration) of the organisation may change during this phase (Miles et al., 1978). The administrative problem involves the selection and development of the appropriate organisational policies and structure (Conant, Mokwa & Varadarajan, 1990), and the focus is on stabilisation and rationalisation of the activities which solved the entrepreneurial and engineering problems. During this phase the organisation reconciles its relationship with the environment as well as coordinating and controlling internal operations (Miles et al., 1978).

Previous research has focussed on testing the entrepreneurial, engineering and administrative elements of the typology. The administrative cycle has received the most attention in the literature. This cycle has eight dimensions: composition of the top management team; functional orientations of the top management team; the age and tenure of top executives; bases of power among the strategic types; managerial beliefs and goals; implications of business-level strategy for human resource practices; implications of fit among the elements of the adaptive cycle for organisational performance, and association between strategic types and attributes of corporate control systems (Zahra & Pearce, 1990).

The second premise of the Miles and Snow (1978) typology is that on the basis of the adaptive cycle, general patterns of competition can be identified (that occur again and again) across different industries (Ketchen, 2003b). Organisations within a particular industry exhibit certain types of behaviour, and using the typology, they can be classified into one of these four competitive strategy types depending on the firm's response to the competitive environment (Moore, 2005; Pleshko, 2007; Pleshko & Nickerson, 2006). Miles and Snow (1978) thus proposed four types of organisations – prospectors, analysers, defenders, and reactors.

Prospector organisations are characterised by risk-taking and innovation, and they respond rapidly to changes in their market. They are likely to be pioneers and leaders in their industry, launch new products and identify opportunities in their environment (Andrews, Boyne & Walker, 2006; DeSarbo et al., 2005). Prospectors are:

> … organizations which almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, these organizations often are the creators of change and uncertainty to which their competitors must respond. However, because of their strong concern for product and market innovation, these organisations usually are not completely efficient (Miles & Snow, 1978, p. 29).

The prospector's focus on innovation and entrepreneurial activity is similar to Porter's differentiation strategy (Ghoshal, 2003). In order to invest in a range of broad technologies (Blackmore & Nesbitt, 2012), the prospector organisation 'develops multiple technologies for its different products' (Miles & Snow, 1978, p. 58). Prospector organisations perceive their environment as dynamic and uncertain and this leads to the development of flexibility to meet environmental change; indeed, prospectors have 'the capacity to monitor a wide range of environmental conditions, trends, and events' (Miles & Snow, 1978, p. 56). In addition, prospectors tend to be characterised by a fairly loose structure with low formalisation and centralisation, and a low division of labour (Parnell & Wright, 1993). Blackmore and Nesbitt (2012) note that prospectors do not compare their performance with their competitors, and they carry out less marketing and advertising related activities than their competitors. However, they do undertake a level of formal business planning to enable them to scan their environment and recognise environmental opportunities as they arise. Given their strength in identifying and exploiting new product and market opportunities, Miles and Snow (1986) later referred to prospectors as 'designers'.

Defender organisations are almost the opposite of prospectors (Parnell & Wright, 1993). Defenders seek to find and maintain (defend) a niche in a stable product area, they are not leaders in their particular industry, they are usually late adopters of product/service innovations once they have been tried and tested by the competition, and they focus on efficiency and improvements in order to cut costs (Andrews et al., 2006; DeSarbo et al., 2005; Slater & Narver, 1993). Defender organisations are conservative in their outlook and approach, and using a focus on core activities and offerings, defenders strive to protect their share of the market. Defenders are:

> … organizations which have narrow product-market domains … as a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of their existing operations (Miles & Snow, 1978, p. 29).

Given their focus on a well-defined and narrow market, their strategy is similar to Porter's cost leadership strategy (Ghoshal, 2003), and they strive to create and maintain a stable domain through cost efficiency measures (Borch et al., 1999). Defenders tend to view their environment as inherently stable and certain; their strength lies in seeking to control their environment through efficient operation and a high degree of concentration on a particular market segment (Parnell & Wright, 1993). Defender organisations are not likely to engage in marketing activities involving promotion and research, nor undertake research and development; they do, however, engage in intensive business planning (Blackmore & Nesbitt, 2012).

Analyser organisations often share the traits of prospectors and defenders. Analysers are:

> … organizations which operate in two types of product-market domains, one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through formalized structures and processes. In more turbulent areas, top managers watch their competitors closely for new ideas, and then they rapidly adopt those which appear to be the most promising (Miles & Snow, 1978, p. 29).

Analysers' strength lies in their ability to exert control over existing operations while at the same time allowing for loose control for new undertakings (Parnell & Wright, 1993). Analysers may simultaneously defend their position whilst pursuing new product or market opportunities, and they often adopt a second-but-better strategy (DeSarbo et al., 2005). Analysers are usually complex organisations; in stable business contexts they operate more as defenders and compete on efficiency and low cost, and in dynamic business contexts they operate more as prospectors and continually search for innovation (Ghoshal, 2003). In this sense, the source of innovation is often imitation (Borch et al., 1999). These types of organisations explore new opportunities while at the same time maintaining their core skills, products and customers (Slater & Narver, 1993). Analysers deal with the entrepreneurial problem by maintaining their product offerings and customers, and by only entering new markets once they have been proven viable. They solve the engineering problem by selecting and maintaining a balance between the demands made from both the dynamic and stable segments of products and services. They resolve the administrative problem by creating organisational structures and processes to accommodate both the dynamic and stable areas of operation (Brunk, 2003). Analysers undertake a limited amount of formal business planning, and they rely on advertising and marketing activities in order to establish their existing products/services into new markets (Blackmore & Nesbitt, 2012).

In contrast to the other three strategic types, reactor organisations do not have a consistent or substantive stance (Andrews et al., 2006; Parnell & Wright, 1993). As the name suggests, reactor organisations simply 'react' (Matsuno & Mentzer, 2000). Lacking a coherent strategy (or even an absence of strategy) (Inkpen & Chaudhury, 1995), reactors are:

> … organizations in which top managers frequently perceive change and uncertainty occurring in their organizations but are unable to respond effectively … (the organization) seldom makes adjustment of any sort until forced to do so by environmental pressures (Miles & Snow, 1978, p. 29).

In addition, they are highly responsive (particularly in the short-term) and when they do respond to environmental pressures, it is often because they are forced to do so. The resulting response is often inappropriate or ineffective (DeSarbo et al., 2005; Ghoshal, 2003), and reactors therefore fail to prosper (Hambrick, 2003). Indeed, 'the reactor is a *residual* strategy, arising when one of the other three strategies is improperly pursued' (Miles et al., 1978, p. 557). The lack of strategic consistency can be due to the failure of management to develop an organisational strategy; lack of a link between technology, structure, process, and strategy, or managers using a strategy that does not effectively meet the challenges of their trading environment (Miles & Snow, 1978).

A number of researchers (Blackmore & Nesbitt, 2012; McDaniel & Kolari, 1987; Shortell & Zajac, 1990) have reported difficulty in finding reactor organisations across different industries, and this may be due to the fact that reactor firms are often non-responsive and/or no longer trading (Moore, 2005). Some studies have found the reactor type could not be clearly identified (for example, Slater & Narver, 1993; Wright, Kroll, Chan & Hamel, 1991), and in other studies the reactor type has been excluded altogether (for example, Hambrick 1982, 1983b; McDaniel & Kolari, 1987; Matsuno & Mentzer, 2000; Tan, 1995). Other studies have examined only defenders and prospectors (Zahra & Pearce, 1990).

The third premise of the Miles and Snow (1978) typology proposes that the three *viable* strategic types – prospectors, defenders and analysers – are offered equally as the ideal type for maximum effectiveness and performance provided they are implemented successfully (Doty & Glick, 1994; Miles & Snow, 1978). Support for this proposition is mixed. Some studies support this position (Slater & Narver, 1993; Smith et al., 1989), but not others (Hamrick, 1983b; Zajac & Shortell, 1989). Indeed, prospectors, defenders and analysers may experience poor performance if they do not exhibit effective organisational capabilities, or if they are operating in a hostile environment (Slater & Narver, 1993). In addition, the typology proposes prospectors, defenders and analysers will outperform reactors, as reactors are regarded as responding to the challenges of their environment in an unstable, transient and uneven manner (Conant et al., 1993). Empirical studies have confirmed this position (for example, Andrews et al., 2006; Conant et al., 1990; Hawes & Crittenden, 1984; Shortell & Zajac, 1990; Smith et al., 1989; Snow & Hrebiniak, 1980; Woodside, Sullivan & Trappey, 1999). However, the reactor organisation is not always associated with poor performance. In a study across four different industries, Snow and Hrebiniak (1980) found reactors outperformed the other types in highly regulated industries. Whilst prospectors may be overly eager to take risks, and defenders reluctant to change under pressure, reactors are unconstrained by their strategic posture and can therefore be more flexible (Andrews et al., 2006). Emery and Trist (1965) proposed firms operating in environments which are placid, randomised and with a low degree of change, often use processes and tactics on a case-by-case basis rather than formulating and executing a *grand* strategy (Pearce, 1982); findings about reactor organisations' performance should be viewed within this context (Zahra & Pearce,1990).

As discussed earlier, the Miles and Snow (1978) typology is centred on the 'ideal type', that is, the typology is intended to 'provide an abstract model, so that deviation from the extreme or ideal type can be noted and explained' (Blalock, 1969, p. 32). Additionally, the foundation of the Miles and Snow (1978) typology is the *planned* pattern of strategic orientation of the firm, and the rate at which the firm responds to changes in its environment, that is, the rate at which the firm changes its products, services or markets to align with its environment (Karimi, Gupta & Somers, 1996; Matsuno & Mentzer, 2000). The comprehensive nature of the Miles and Snow (1978) typology distinguishes it from other strategic orientation categorisation methods. The typology allows for the identification of strategic type, as well as offering insights into improvement processes, functional strategies, firm structure and strategic decision making (Ketchen, 2003b). The nuance of each of the four basic types may differ depending on the type of firm and nature of the industry (Hambrick, 2003; Karimi et al., 1996). The typology remains one of the most comprehensive, insightful and useful methods for firms to both understand, and respond to the challenges they face in their trading environment (Ghoshal, 2003). Indeed, the typology has been extensively supported (and extended) in the literature (for example, Conant et al., 1990; Hambrick, 1983b, 1984; McDaniel & Kolari, 1987; McKee, Varadarajan & Pride, 1989; Meyer, 1982; Ruekert & Walker, 1987; Shortell & Zajac, 1990; Snow & Hambrick, 1980; Webster, 1992; Zahra, 1987), and has also been shown to be a predictor of firm effectiveness (for example, Doty, Glick & Huber, 1993; Snow & Hrebiniak, 1980).

Table 3.1 | Measure of strategy type

Which one of the following descriptions most closely fits your organization compared with other firms in the industry? (Please consider your division or company as a whole and note that none of the types listed below is inherently 'good' or 'bad').	
Type 1	This type of organization attempts to locate and maintain a secure niche in a relatively stable product or service area. The organization tends to offer a more limited range of products or services than its competitors, and it tries to protect its domain by offering higher quality, superior service, lower prices, and so forth. Often this type of organization is not at the forefront of developments in the industry – it tends to ignore industry changes that have no direct influence on current areas of operation and concentrates instead on doing the best job possible in a limited area.
Type 2	This type of organization typically operates within a broad product-market domain that undergoes periodic redefinition. The organization values being 'first in' in new product and market areas even if not all of these efforts prove to be highly profitable. The organization responds rapidly to early signals concerning areas of opportunity, and these responses often lead to a new round of competitive actions. However this type of organization may not maintain market strength in all of the areas it enters.
Type 3	This type of organization attempts to maintain a stable, limited line of products or services, while at the same time moving out quickly to follow a carefully selected set of the more promising new developments in the industry. The organization is seldom 'first in' with new products or services. However, by carefully monitoring the actions of major competitors in areas compatible with it stable product-market base, the organization can frequently be 'second in' with a more cost-efficient product or service.
Type 4	This type of organization does not appear to have a consistent product-market orientation. The organization is usually not as aggressive in maintaining established products and markets as some of its competitors, nor is it willing to take as many risks as other competitors. Rather, the organization responds in those areas where it is forced to by environmental pressures.
In the previous question you selected a particular description of your organization. Which description (i.e. Type 1, 2, 3 or 4) best fits your organization for the period: • 1-3 years ago • 1-3 years from now	

From: Snow and Hrebiniak (1980, p. 336).

Snow and Hambrick (1980) outlined four approaches used for identifying the Miles and Snow (1978) typology – self-typing, objective indicators, external assessment, and investigator inference. In order to measure strategy within the typology, Snow and Hrebiniak (1980) developed descriptive paragraphs (based on Miles & Snow, 1978) for the strategies of the four different types of organisation (prospector, defender, analyser, reactor) (see Table 3.1). This approach thus uses a nominal scale, and responding firms are classified on their self-assessments.

Some studies (for example, Conant et al., 1990; McDaniel & Kolari, 1987; Shortell & Zajac, 1990; Snow & Hrebiniak, 1980) have used this self-typing paragraph approach to measure strategic adaptation. Under the approach the respondent is asked to read the four short (and unlabelled) paragraphs (which may be modified for the specific industry being studied), and then identify which paragraph best describes their firm (James & Hatten, 1995). Some researchers consider this approach to be weak, in that it measures *intended* rather than actual strategy (Snow & Hambrick, 1980), and respondents are sometimes not instructed sufficiently regarding the difference between intended, realised or emergent strategies (Zahra & Pearce, 1990). In addition, some respondents are said to be reluctant to assess themselves as reactors (Conant et al., 1990). Hambrick (1984, p. 28) criticised such general classification schemes for not being methodologically sound: 'typologies represent a theorist's attempt to make sense out of non-quantified observations … they may serve well for descriptive purposes but have limited explanatory or predictive power'.

In response to the criticism regarding the self-typing paragraph method, some researchers have attempted to operationalise the measures through the use of a scale to identify strategy type. Segev (1987a) compared the Miles and Snow (1978) typology with the Mintzberg (1973) typology and developed a multiple-item measure to reflect the Miles and Snow (1978) strategic types and Mintzberg's (1973) three modes of strategy-making (see Table 3.2). Segev's (1987a) study involved students playing a simulated retail game (using virtual companies), and within these constraints, found the Miles and Snow (1978) typology offered a better fit than the Mintzberg (1973) typology for data generated.

Table 3.2 | Measures of strategic type

Defender	
D1	The firm tries to locate a safe niche in a relatively stable products domain.
D2	The firm tries to maintain a safe niche in a relatively stable products domain.
D3	The firm tends to offer a narrower set of products than its competitors.
D4	The firm tries to protect the environment domain in which it operates by stressing higher quality than its competitors.
D5	The firm tries to protect the environment domain in which it operates by stressing lower prices than its competitors.
D6	The firm concentrates on trying to achieve the best performance in a relatively narrow product-market domain.
D7	The firm places less stress on the examination of changes in the industry that are not directly relevant to the firm.
D8	The firm tries to maintain a limited line of products.
D9	The firm tries to maintain a stable line of products.
Prospector	
PR1	The firm leads in innovations in its industry.
PR2	The firm operates in a broad product domain.
PR3	The firm product domain is periodically redefined.
PR4	The firm believes in being 'first-in' in the industry in development of new products.
PR5	Not all the firm's efforts invested in being 'first-in' in the industry in development of new products prove to be profitable.
PR6	The firm responds rapidly to early signals of opportunities in the environment.
PR7	The firm's actions often lead to a new round of competitive activity in the industry.
PR8[1]	The firm doesn't maintain market strength in all the areas in which it operates.
Analyzer	
AN1	The firm adopts quickly promising innovations in the industry.
AN2	The firm tries to maintain a limited line of products.
AN3	The firm tries to maintain a stable line of products.
AN4	The innovations which are chosen by the firm are carefully examined.
AN5	The firm often reacts to innovations in the industry by offering similar, lower-cost products.
AN6	The firm carefully monitors competitors' actions in the industry.
AN7[1]	The firm only seldom leads in developing new products in the industry.
Reactor	
R1	Compared to its competitors in the industry, the firm is aggressive in maintaining it product/market domain.
R2	The firm takes many risks.
R3	The firm responds to areas in which pressure is made on it by its environment.
R4[1]	During the game the firm maintained a consistent product/market definition.

NOTE Response range is from: (1) 'the characteristic doesn't suit my firm at all', to (7) 'the characteristic suits my firm to a very high degree'. [1] Item was dropped because it lowered the internal consistency of the scale.

From: Segev (1987a, p. 576).

The Segev (1987a) scale has been used by other researchers, either in full or in a modified form, who have increased or reduced the number of items, combined with it other measures, or modified the questions to suit specific research settings (for example, Conant et al., 1990; Moore, 2005; Pleshko & Nickerson, 2006). A study of 101 U.S. retail organisations (both SMEs and large, bricks and mortar stores) by Moore (2005) applied the Miles and Snow (1978) strategic typology to the retail sector. The study used a reduced scale tailored specifically for the sector, adapted from the 25-item Segev (1987a) scale. The Segev (1987a) scale was selected over the Snow and Hrebiniak (1980) self-typing scale because it provided a multiple-item approach as well as an interval scale providing greater flexibility for statistical analysis (Moore, 2005). Moore's original adapted scale comprised 23-items but was reduced to a 14-item scale (see Table 3.3) as a result of poor factor loadings, or cross loadings, over a number of iterations (Moore, 2005). In addition, during the preliminary analysis phase, the defender and analyser items were found to load on one common factor, and so they were collapsed into a single factor.

Table 3.3 | Measure for strategic orientation (reduced scale)

Prospector items	*Defender/Analyzer items*	*Reactor items*
P1. Is an innovation leader in the retail industry.	D1. Maintains a safe niche using a traditional store format.	R2. Always takes advantage of industry trends.
P3. Frequently moves into new markets.	D2. Stick with using current store type (format).	R3. Is known for frequently taking risks.
P4. Is known for being 'first in' the industry for developing new ways to retail.	D5. Concentrates on improving current ways of retailing rather than developing new methods.	
P5. Does not mind risking profits for developing new stores/formats.	D8. Researches only trends that impact our business directly.	
P7. Is a leader in developing new ways to retail.	A1. Adopts industry innovations only after lengthy consideration.	
P8. Continuously adopts new technology.	A3. Focuses first on serving current customers and second on capturing new customers.	

From: Moore (2005, p. 703).

Despite the findings of Moore's study, which supported the existence of the strategic types, as well as a link with retail performance, some researchers have argued that the link between the strategic types and performance is not necessarily straightforward (Zahra & Pearce, 1990). For example, some studies have found specific variables that confound the link: environmental attributes (Hambrick, 1983b), company size (Smith et al., 1989), and the fit between strategy type and organisational process (Segev, 1987a, 1987b). Zahra and Pearce (1990) argue that the reason for these contradictory findings may be due to the lack of appropriate controls for the effect of the variables, or differences in the implementation processes of the four strategic types.

The Miles and Snow (1978) typology has been criticised for the limited number of industries and capabilities used in the original study (DeSarbo et al., 2005). Hambrick (1983b) argued the model is limited, and ignores differences in environment and across industries with little consideration given to the environment-strategy link. Although Miles and Snow (1978) stressed the three main strategic types would all perform equally well in any industry (if properly implemented), the typical view in the literature is that certain environments suit particular types of strategy (DeSarbo et al., 2005).

Yet, despite scrutiny of the typology (numerous tests across a range of settings), it remains one of the most enduring and insightful schemes with strong and consistent support for its validity (for example, Blackmore & Nesbitt, 2012; Hambrick, 1981; James & Hatten, 1995; Ketchen et al., 1993; Segev, 1987b) (Hambrick, 2003). Support for the typology affirms the comprehensiveness of the framework across strategic orientation, management processes and organisational features (Ghoshal, 2003), and it is considered to exhibit innate parsimony and an 'industry-independent' nature (DeSarbo et al., 2005).

Given the typology was designed to examine and explain strategy phenomena at the business-level rather than the corporate-level (Hambrick, 1983b), it is generally considered appropriate for small business strategy (Aragon-Sanchez & Sanchez-Marin, 2005; Blackmore & Nesbitt, 2012; Gimenez, 2000; O'Regan & Ghobadian, 2006). The typology is therefore suitable for an examination of the strategic orientation of small retail firms. In an Australian-

SME context, Blackmore & Nesbitt (2012) confirmed the strategic types, using an objective approach which identified measures from existing data capturing the strategic dimensions of the typology.

Some researchers have suggested a similarity between Miles and Snow's (1978) typology and Porter's (1980, 1985) cost leader and differentiation categories (Segev, 1989; Shortell & Zajac, 1990). Ellis and Calantone (1994) sought to explain competitive advantage using a retail typology which combined Porter's (1985) competitive advantage framework and Miles and Snow's (1978) strategic group classification. Using empirical evidence, the study examined the differentiation tactics (for product, promotion, service, location and pricing) used by 157 chain and independent retail pharmacies. The study sought to categorise retailers according to the Miles and Snow (1978) strategic typology, acknowledging firms in the same industry utilise different strategies. The main findings revealed that the target population clustered into one of the four Miles and Snow (1978) strategic groups – reactor, defender, prospector or analyser. Only a small number of stores were reactors; these were small in size, independent, well-established businesses. The reactor stores competed through store location and service quality, and charged high prices resulting in modest profit through low sales. That said, the largest number of independent stores identified as defenders; these stores competed primarily through high levels of customer service and competitive pricing which resulted in medium sales levels with high profit margins. Prospector stores sought to maintain high sales while seeking out new markets. Analyser stores were positioned between defenders and prospectors; they charged higher prices whilst being aggressive in all strategic areas. The study concluded that analysers may not need to reduce prices to remain competitive as long as they show strong differentiation (Ellis & Calantone, 1994). Through combining Porter's main components of competitive advantage with the Miles and Snow (1978) strategic typology, the study produced a framework to explain how strategies emerge and how they influence performance.

As discussed, the study by Moore (2005) provided an empirical test of the Miles and Snow (1978) typology in a retail setting. Moore (2005) examined the link between strategy and performance, in particular how the Miles and Snow (1978) typology can explain retail strategy in an actual retail environment as opposed to a controlled environment (for example, as conducted by Segev,1987). The findings confirmed the Miles and Snow (1978) framework is effective in explaining retail types within the retail industry (as well as confirming similar, previous, research in other industries). Although the scale utilised was a reduced version, it still identified significant dimensions within each strategic type. The findings upheld the Miles and Snow (1978) premise that three types – defender, prospector, and analyser – perform consistently, and that the reactor type performs inconsistently. However, the prospector organisation had a stronger and positive relationship with performance, followed by the combined defender/analyser construct (the defender and analyser constructs were collapsed during preliminary analyses); there was a negative relationship between the reactor type and performance (Moore, 2005).

As discussed previously, much of the research using the Miles and Snow (1978) typology has focussed on the business level strategy of large firms or small businesses (not necessarily small retailers). This research therefore aims to extend the Miles and Snow (1978) typology (within the R-A theory context) by examining the effect strategic orientation has on the relationship between resources and firm performance in a small retailer context. A review of the strategy literature reveals there are few studies examining the nature of strategic behaviour within the *retail* industry (for example, Conant et al., 1993; Hawes & Crittenden, 1984; Lewis & Thomas, 1990; Segev, 1987a), and even fewer focussing on the strategy (and performance) of small retailers. Many of the studies examine a single retail sector (for example, grocery stores) rather than using multiple sectors within the retail industry.

Drawing on the small number of studies using the Miles and Snow (1978) typology in a retail setting, this study proposes that higher performing small retailers are those adopting a prospector orientation or a defender/analyser orientation (following Moore, 2005), and that the reactor orientation is negatively related to firm performance. Thus:

Hypothesis 2a *A prospector orientation is positively related to performance in small retail firms.*

Hypothesis 2b *A defender/analyser orientation is positively related to performance in small retail firms.*

Hypothesis 2c *A reactor orientation is negatively related to performance in small retail firms.*

In addition, it is proposed (also following Moore, 2005) that a prospector orientation will result in higher levels of firm performance than an analyser/defender orientation. Thus:

Hypothesis 2d *A prospector orientation is a stronger predictor of small retail firm performance than a defender/analyser orientation.*

It is also proposed that strategic orientation will mediate the relationship between resources and performance in small retail firms. In this regard, a prospector and a defender/analyser orientation will facilitate the successful leveraging of resources for firm performance (Hunt & Morgan, 1995). Further, it is proposed that a prospector orientation will be a stronger mediator (in line with Hypothesis 2d), therefore:

Hypothesis 2e *A prospector orientation positively mediates the relationship between firm resources and performance.*

Hypothesis 2f *A defender/analyser orientation positively mediates the relationship between firm resources and performance.*

Hypothesis 2g *A prospector orientation is a stronger mediator of the relationship between firm resources and performance than a defender/analyser orientation.*

3.3.2 | *Strategic planning capability*

There has been interest in the relationship between organisational planning and performance since the late 1960s (Robinson & Pearce, 1984; Rue & Ibrahim, 1996, 1998), and in the early 1970s researchers started empirically examining the relationship between formal strategic planning and performance (for example, Ansoff, 1991; Ansoff, Avner, Brandenburg, Portner & Radosevich, 1970; Herold, 1972; Mintzberg & Waters, 1985; Thune & House, 1970). Early studies examining planning and performance simply categorised firms into planners and non-planners and then compared their performance (for example, Herold, 1972; Thune & House, 1970). Two distinct streams of research emerged – one concerned with the detail and content of plans, and the other with the actual process of planning.

With a focus on financial performance as a consequence of using the 'tools' or content of formal strategic planning (e.g., SWOT analysis, market research, intelligence gathering on competitors, written plans, modelling, and planning meetings), rather than an examination of the relationship between performance and the *skill* of planning, the findings of early studies were often inconsistent and contradictory (Pearce, Freeman & Robinson, 1987; Schwenk & Shrader, 1993). Whilst some studies found a positive relationship (for example, Robinson, 1982; Sexton & Van Auken, 1985), other studies found no relationship or a negative relationship (for example, Greenley, 1986; Lyles, Baird, Orris & Kuratko, 1993; Mintzberg, 1990; Robinson & Pearce, 1983). In an early review of the research Shrader, Taylor and Dalton (1984) found there was no evident relationship between long-range planning and performance. Although (at the time) there were more studies showing a positive relationship between planning and performance than those showing a negative (or no) relationship, positive relationship findings were often rejected due to methodological problems across studies (Armstrong, 1982, 1986; Foster, 1986; Pearce et al., 1987; Pearce, Robbins & Robinson, 1987; Rhyne, 1986).

Empirical evidence regarding the planning and performance relationship is therefore mixed (Conant & White, 1999). Much of the literature on the value of planning is focussed on how planning should be undertaken, with earlier research in the field using a conceptual approach (for example, Greenley, 1988; McDonald, 1992). In addition, the measurement of planning differs across studies; although planning itself entails a number of tasks, it is usually the formality or comprehensiveness of planning which is used as the measure. This therefore negates much of the informal planning that often takes place in small firms (Mazzarol et al., 2009), a point to be returned to later in this section. In terms of measuring how firms plan, the Guttman (1944) scaling procedure is one of the most common methods used to measure planning formality (for example, Conant & White, 1999; Robinson &

Pearce, 1983, 1988; Shrader, Taylor & Dalton, 1984; Venkatraman & Ramanujam, 1986; Wood & LaForge, 1979, 1981). The scale provides a number of descriptions of planning activity levels and asks respondents to select the level that best describes their firm's planning process (for example, 'no written strategic plan' to 'comprehensive written strategic plan).

The differences in findings mentioned above may also be due to the fact that many researchers have concentrated on the financial outcomes of planning while effectively ignoring the other non-financial benefits resulting from the planning process (Conant & White, 1999; Ramanujam & Venkatraman, 1987). Despite mixed findings in the literature, a meta-analysis of existing studies conducted by Schwenk and Shrader (1993) confirmed that, on balance, planning was positively associated with firm growth, and academic interest in formal planning for *small* business has been advanced through the evidence of a positive relationship between planning and performance in larger firms (Mazzarol, 2001; Tapinos, Dyson & Meadows, 2005).

In a small business context, Robinson and Littlejohn (1981, p. 45) describe planning as:

> … a rational, decision making process for determining an appropriate course of action to achieve specific objectives effectively and economically within a specified time period. It is rational that it involves the owner/manager systematically talking with key people inside and outside the firm, rather than relying solely on his or her own knowledge.

The findings of research on the relationship between planning and performance, in a small business context, have also been mixed. Some studies have found a positive relationship between planning and performance in small firms from different industries and different regions (for example, Brinckman et al., 2010; Gibbons & O'Connor, 2005; Griggs, 2002; Gruber, 2007; Lussier & Pfeifer, 2001; Masurel & Smit, 2000; Mazzarol & Reboud, 2009; Miller & Cardinal, 1994; Perry, 2001; Schwenk & Shrader, 1993). Other studies confirmed the lack of planning, or inadequacies in the planning process, lead to business failure in a small business context (for example, Gaskill, Van Auken & Manning, 1993; Kraus, Harms & Schwarz, 2006; Miles, White & Munilla, 1997; Perry, 2001; Rue & Ibrahim, 1996) and in a small retail context (for example, Gaskill et al., 1993; Gaskill, Van Auken & Kim, 1994). But other studies have found no relationship between planning and performance (French, Kelly & Harrison, 2004; Gibson & Cassar, 2005). The differences in findings may be due to the various measures of ‘planning’, the focus on different aspects of planning, or on the way performance is measured (Kraus et al., 2006).

Differences in findings may also, in part, be because small retailers (like many other small firms), report that they lack the time, expertise, staff, and funds to engage in formal planning for their business (Ackelsberg & Arlow, 1985; Clarke & Banga, 2010; Conant & White, 1999; Gable & Topol, 1987; Logan, 1995; Mazzarol, Reboud & Soutar, 2009; Robinson & Pearce, 1983; Woods & Joyce, 2003). As discussed earlier in this chapter, small firms often have limited access to resources. In addition, uncertainty and a lack of planning procedures and structures may contribute to the absence of planning (Brinckmann et al., 2010). Some small business owners perceive planning activities to be associated only with large businesses (Aram & Crowne, 1990; Gibcus & Kemp, 2003; Kraus et al., 2006; Mazzarol, 2001). Indeed, there is a perception (amongst some researchers and practitioners) that SMEs are often too focussed on operational business issues to engage in formal or strategic planning activities (Wiesner & Millett, 2012), or that formal planning activities are the domain of large organisations which can dedicate staff and departments specifically tasked with strategic planning (Beaver & Prince, 2004; Gibcus & Kemp, 2003; Matthews & Scott, 1995). In a study of independent grocery stores, Robinson, Salem, Logan and Pearce (1986), reported that managers surveyed overwhelmingly state that operational planning was much more important than strategic planning. Some studies have shown that when smaller firms try to duplicate the strategic planning techniques used by large firms this has a negative effect on their business (O’Gorman & Doran, 1999; Scarborough & Zimmerer, 1987). Another factor contributing to the lack of research on small retail firms is that whilst performance data on large firms is readily available, the same information for small firms is not easy to access.

Even given the perceived barriers to planning, small businesses will increasingly be required to respond to environmental and social pressures with even more sophisticated methods of strategic planning (Brinckmann et al., 2010; Miles et al., 1997). Robinson et al. (1986, p. 19) note that ‘logically, planning should emerge as an essential management function in a resource constrained business organization', and it is clear from the existing literature that strategic planning (either formal or informal) is an important activity for many small retailers to ensure that the firm can survive business decisions. This is particularly true for undercapitalised small firms, where bad decision making through a lack of planning can result in dire consequences for the business (Conant & White, 1999). Conant and White (1999) found that the intermediate process benefits (e.g., market knowledge and marketing program effectiveness) that result from planning, mediate the relationship between planning and performance. In addition, there is a positive relationship between process benefits and financial performance. Eddleston, Kellermanns and Sarathy (2008, p. 32) suggest that 'greater strategic planning should assist firms in better integrating and deploying their resources', making the firm more efficient and effective.

In addition to general planning or strategic planning, *marketing* planning has been found to be positively associated with firm performance (Glen & Weerawardena, 1996; Gruber, 2007; Keh, Nguyen & Ng, 2007; Robinson et al., 1986; Smart & Conant, 1994). Marketing planning activities are similar to more general strategic planning activities (but with a focus on the firm's target market and competitors), and include analysing customers and competitors, setting goals and objectives, budgeting and controls (Keh et al., 2007; Robinson et al., 1986; Varadarajan, 1985). In addition to marketing planning, marketing *budgeting* has been confirmed as an important activity in planning-oriented small businesses (Ackelsberg & Arlow, 1985; Bracker, Keats & Pearson, 1988; Lyles et al., 1993) that also contributes to firm performance (Robinson et al., 1986).

In Australia, Mazzarol (2001) found a positive relationship between firm size (number of employees, sales turnover) and planning. However, the relationship between planning and performance was not clear. Mazzarol's (2001, p. 43) study of small businesses provides a glimpse into the value of planning in terms of a strategic process, concluding that 'overall the process of planning rather than the plan itself is likely to be more important'. Mazzarol (2001, p.32) also notes:

> … by its nature formal business planning requires organisation, analysis, discipline and a willingness to make a commitment (at least to paper) of a particular course of action in a given direction. All of these elements are

> commonly found with the average small business owner-manager, with the possible exception of the commitment to writing down the plan.

A further study by Mazzarol et al. (2009) confirmed small firms utilising formal, written business plans also reported stronger support for network partnerships, formal quality assurance and the ability to lead change amongst firm employees.

Evidence from some early studies suggested that as well as potentially resulting in improved financial performance, the process of planning can result in additional benefits for the small firm, such as increased awareness of competitors, trading environment and customer needs, identification of new products and services, and gaining marketing program knowledge (Ramanujam, Venkatraman & Camillus, 1986a, 1986b; Sinha, 1990). Robinson and Pearce (1984) conducted a review of over 50 empirical studies on small firm planning. Their review was divided into four major research 'thrusts': the presence or absence of strategic planning practices; the value of strategic planning; specific features of the planning 'process', and the 'content' of strategies in small firms. The authors noted that existing research was limited in all four areas but was becoming more empirical and focussing on both process and content issues. They concluded that most small firms do not plan in a formal sense, and that a number of studies had supported a positive relationship between planning and firm performance. In addition, the planning process and strategy content were important issues for small firms, particularly the process of informal planning which is beneficial for small organisations with constraints on the time, personnel and financial resources required for planning activities.

There is limited evidence to confirm if there is a difference in performance between firms with formalised plans (for example, written long-range plans, goals and strategies and evaluation of progress toward achievement of strategies and goals) and firms with non-formalised plans (Rue & Ibrahim, 1996). Many small enterprises are said to plan intuitively, rather than utilising planning instruments or more formal planning processes (Ackelsberg & Arlow, 1985; Mazzarol, 2001; Stonehouse & Pemberton, 2002). That said, some authors suggest that firms that have some form of structured planning in place perform better than those firms without structured planning (Bracker et al., 1988; Burt, 1978; Kraus et al., 2006), and that structured planning is more thorough and allows firms to access a greater range of strategic tools and processes (Lyles et al., 1993). While some studies show small business managers believe that a formal planning process (and not just the resulting plan) is an important factor contributing to firm performance (Mazzarol, 2001; Robinson & Pearce, 1984), other studies show that while planning leads to higher levels of performance, the level of formalisation of the planning does not affect the level of performance (Ackelsberg & Arlow, 1985). Robinson and Pearce (1983) found that in small firms, formal or non-formal planning resulted in the same planning processes with only one difference – firms with formal plans had a greater emphasis on formulating goals. Kraus et al. (2006) concluded that a positive relationship between planning and performance could only be identified for the degree of formalisation, that is, increases in formalisation resulted in increases in performance. Wiesner and Millett (2012) also found that 90 per cent of SMEs reported strategic planning as either vitally important or important to the success of their business.

Given the constraints on the time, skills and resources of small retail firm owner/managers, many small retailers may undertake only a limited amount of planning. As discussed earlier, planning may comprise various activities including formal or informal strategic planning, marketing planning and marketing budgeting activities. On balance, the research reviewed in this section indicates that strategic planning activities are important for SMEs and have been found to contribute to firm performance (for example, Boyd, 1991; Brinckman et al., 2010; Gruber, 2007; Miller & Cardinal, 1994; Wiesner & Millett, 2012). Thus:

Hypothesis 3a *The performance of small retail firms is positively related to strategic planning capability.*

The nature of the activities that comprise strategic planning (i.e. forecasting, analysing customers and competitors, setting goals and objectives) may be considered to be similar to some facets of the prospector orientation. For example, prospectors undertake a degree of formal business planning (Blackmore & Nesbitt, 2012) which allows them to focus on innovation and entrepreneurial activity (Ghoshal, 2003). Hence:

Hypothesis 3b *In small retail firms, the relationship between strategic planning capability and a prospector orientation is positive.*

By considering planning as a catalyst to the deployment of firm resources, the study proposes strategic planning capability acts as a mediator of the relationship between resources and performance, that is, the act of planning facilitates the translation of firm resources into firm performance (Conant & White, 1999; Eddleston et al., 2008). Therefore, the following hypothesis is proposed:

Hypothesis 3c *Strategic planning capability in small retail firms positively mediates the relationship between firm resources and performance.*

3.3.3 | *Entrepreneurial orientation*

The field of entrepreneurship, which gained prominence in the late 1970s, has amassed a significant body of literature (both conceptual and empirical) and definitions of entrepreneurship abound. Hitt et al. (2001, p. 480) define entrepreneurship as 'the identification and exploitation of previously unexploited opportunities'. Entrepreneurship can also be described as 'the process by which organizations renew themselves and their markets by pioneering, innovation, and risk-taking' (Miller, 1983, p. 770). Entrepreneurship research continues to generate interest (Anderson, Kreiser, Kuratko, Hornsby & Eshima, in press; Ireland & Webb, 2007; Kuratko, 2005) across a number of different contexts including: non-profit organisations (Austin, Stevenson & Wei-Skillern, 2006; Morris & Joyce, 1998; Morris, Webb & Franklin, 2011); institutional settings (Battilana, Leca & Boxenbaum, 2009; Maguire, Hardy & Lawrence, 2004); political settings (Schneider & Teske, 1992); family-run firms (Miller & LeBreton-Miller, 2011; Short, Payne, Brigham, Lumpkin & Broberg, 2009; Zahra, 2005), and internationally (Bruton, Ahlstrom & Obloj, 2008; McDougall & Oviatt, 2000; Oviatt & McDougall, 2005). Researchers have also examined variants of entrepreneurship including international entrepreneurship, academic entrepreneurship, social entrepreneurship, policy entrepreneurship and institutional entrepreneurship (Morris, Webb & Franklin, 2011).

Within the field of entrepreneurship and strategy, there is a rich stream of research on the topic of entrepreneurial orientation (Covin & Lumpkin, 2011; George & Marino, 2011; Slevin & Terjesen, 2011). The entrepreneurial orientation concept is now widely acknowledged

(Slevin & Terjesen, 2011), and seminal contributions to the field include those by Miller and Friesen (1982), Miller (1983), Covin and Slevin (1989, 1991), Lumpkin and Dess (1996), and Wiklund and Shepherd (2005). Entrepreneurial orientation has also been referred to in the literature as 'entrepreneurial mode' (Mintzberg, 1973), 'entrepreneurial style' (Khandwalla, 1976/77), 'entrepreneurial posture' (Covin & Slevin, 1989), and 'entrepreneurial proclivity' (Matsuno, Mentzer & Ozsomer, 2002).

If entrepreneurship is viewed as a process utilised by firms to combine resources to recognise and exploit opportunities in the market, then entrepreneurial orientation is 'the process by which firms notice opportunities, and act to creatively organize transactions between factors of production so as to create surplus value' (Jones & Butler, 1992, p. 735). In short, entrepreneurial orientation is a 'firm's strategic posture towards entrepreneurship' (Anderson et al., in press). Wiklund and Shepherd (2005) suggest a firm's strategic orientation encapsulates specific entrepreneurial components of firm methods, practices, and decision-making styles. Dess and Lumpkin (2005, p. 147) refer to entrepreneurial orientation as 'a frame of mind and a perspective about entrepreneurship that are reflected in a firm's ongoing processes and corporate culture'. Empirical research and theory formation within the entrepreneurial orientation realm has also incorporated other disciplines in addition to entrepreneurship, namely, strategic management, marketing, organisational behaviour, and operations (Dess, Pinkham & Yang, 2011).

Lumpkin and Dess (1996) clarified the concept of 'entrepreneurial orientation' as an attribute of the firm involving the process and corporate culture of entrepreneurship and innovation. Indeed, firms with a strong entrepreneurial orientation and a strong corporate culture are likely to undertake activities involving high levels of risk and innovation as well as aggressively pursue new market opportunities (Dess & Lumpkin, 2005). Lumpkin and Dess (2001, p. 432) make the distinction between entrepreneurial orientation and entrepreneurship; they suggest entrepreneurship refers to the '*content* of entrepreneurial decisions by addressing *what* is undertaken', whereas entrepreneurial orientation 'represents key entrepreneurial processes that answer the question of how new ventures are undertaken'.

Emerging from the strategy-making process literature (for example, Mintzberg, 1973), entrepreneurial orientation is therefore made up of the organisation's practices and processes that provide the foundation for entrepreneurial decisions and activities (Miles & Arnold, 1991; Morris & Paul, 1987; Smart & Conant, 1994). Entrepreneurial orientation may therefore be viewed as 'the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage(s)' (Rauch, Wiklund, Lumpkin & Frese, 2009, p. 763).

Originally, entrepreneurial orientation was conceptualised as representing an innovative individual in an organisation (often the owner/manager) who makes decisions on behalf of the firm (for example, Cole, 1946; Hartman, 1959; Redlich, 1949). Acknowledging the vital role of the single entrepreneur, Miller (1983) nonetheless argued that the entrepreneurial role can also be performed by organisations. For example, in simple firms run by owner/managers, entrepreneurial process may be developed by the owner/manager as a traditional entrepreneur. In larger firms, entrepreneurship may be the province of a senior department (often the projects or planning department), and in other firms entrepreneurship may be performed in junior departments (marketing, R&D, engineering). The focus is not *who* has responsibility for entrepreneurship, but rather the *process* of entrepreneurship within a firm. Small firms, with a simple structure (small retail firms are an example of this type of firm), are usually run by an owner/manager, operate in a homogenous, competitive, and often hostile, environment. Miller (1983) notes that in small firms, there is little formal strategy making, with most planning being short-term and focussed on operational rather than strategic matters. In these firms, the entrepreneurship process is characterised by three factors – personality (locus of control), power (centralisation), and store of knowledge (ideas gleaned from environmental scanning and discussions with technocrats). As well as controlling the level of entrepreneurial activity, the small firm owner/manager can stop the entrepreneurial process when necessary. Miller (1983) found that in simple (small) firms, it is the entrepreneurship focus of the owner/manager that is the driving force of innovation in the firm; the personality, power and knowledge (information) of the owner/manager is not influenced by the trading environment, firm structure, nor decision-making style. In these firms entrepreneurship is more a result of the leader's character than of the external environment and outside influences.

The fundamental tenet of the entrepreneurial construct is that entrepreneurial firms are different from other types of firms (Kreiser et al., 2002). Early research on entrepreneurial orientation confirmed that entrepreneurial firms tended to take greater risks, seek out new business opportunities and engage in new product innovation more than non-entrepreneurial firms (Khandwalla, 1977; Miller & Friesen, 1982; Mintzberg, 1973). The construct of entrepreneurial orientation, therefore, was essentially developed to capture the essence of entrepreneurial orientation. Firms that create new resources, or combine existing resources in new and unique ways, or move into new markets, or offer new products/services are considered to have an entrepreneurial orientation (Ireland et al., 2001).

Entrepreneurship is an important element of R-A theory (Hunt, 2000), and a firm's entrepreneurial orientation can influence its key resource bases (physical, human, organisational, information, relational, financial, and legal). Small, entrepreneurial retailers may innovatively combine their resources to gain competitive advantage (Griffith et al., 2006). Indeed, small retail firms undertaking entrepreneurial actions are often focussed on creating new resources or combining existing resources in new ways in order to market new products and find new customers and markets (Ireland, Hitt, Camp & Sexton, 2001).

Drawing on the existing literature in order to conceptualise entrepreneurial orientation (Cole, 1946; Cooper, 1973; Kets de Vries, 1977; Miller & Friesen, 1978; Mintzberg, 1973; Schumpeter, 1934, 1950), Miller (1983) and Miller and Friesen (1983) identified three dimensions – innovativeness, risk-taking, and proactiveness. Innovativeness is a firm's willingness and ability to support innovation and creativity in new products/services and processes. An innovative firm is one with an organisational culture that encourages experimentation and the development new ideas (Hurley & Hult, 1998; Lumpkin & Dess, 1996). Schumpeter (1934, 1950) was one of the first to acknowledge innovation being at the core of the entrepreneurial organisation; other scholars (Covin & Miles, 1999; Jennings & Young, 1990; Zahra, 1993b) have also recognised the importance of innovation to corporate entrepreneurship. Covin and Miles (1999, p. 47) considered innovation the single most important factor for corporate entrepreneurship, 'innovation, broadly defined, is the single common theme underlying all forms of corporate entrepreneurship'. Acknowledging the other two dimensions (which they considered to be antecedents, consequences or correlates of innovation), Covin and Miles (1999, p.49) nonetheless argued 'without innovation there is no corporate entrepreneurship regardless of the presence of these other dimensions'. Lumpkin and Dess (2001, p. 431) describe entrepreneurial innovation as the 'willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes'. Similarly, Zahra (1993b, p. 47) argued a 'distinguishing characteristic of an entrepreneurial company is its strong commitment to creating and introducing new products to the market, especially well before the competition'.

Risk-taking is the extent to which a firm ventures into new and unknown markets, and the extent of borrowing to finance new ventures (sometimes with unknown consequences and/or the potential for significant loss) (Lumpkin & Dess, 1996; Miller & Friesen, 1978; Wiklund & Shepherd, 2003). Risk-taking has long been considered an important attribute of entrepreneurship (Brockhaus, 1980), and entrepreneurs often view business situations as posing less of a risk than non-entrepreneurs (Palich & Bagby, 1995). In addition, entrepreneurs tend to have a more positive outlook on business matters than non-entrepreneurs, and they are also more confident in their decision making processes (Busenitz, 1999).

Proactiveness refers to a firm's actions in being the first to introduce new products or services, taking steps to anticipate future demands in the market and trends in the trading environment, and pursuing change ahead of competitors (Covin & Slevin, 1989; Lumpkin & Dess, 2001). Lumpkin and Dess (2001, p. 431) describe proactiveness as an:

> … opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment.

The concept of proactiveness has received less attention in the entrepreneurial orientation literature than innovation and risk-taking (Kreiser, Marino & Weaver, 2002); nevertheless, studies have shown that the concept of proactiveness has two distinct attributes – aggressive activities aimed at competitors, and the pursuit of favourable business opportunities (Knight, 1997; Lumpkin & Dess, 2001; Stevenson & Jarillo, 1990).

Each of the three dimensions (innovativeness, risk-taking, proactiveness) represent a facet of entrepreneurship, but for a firm to be truly entrepreneurial, all three dimensions, it is argued, must be part of a firm's posture (Covin & Slevin, 1989; Miller, 1983). Thus:

> … an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch. A non-entrepreneurial firm is one that innovates very little, is highly risk averse, and imitates the moves of competitors instead of leading the way (Miller, 1983, p. 771).

At the same time Miller (1983) acknowledged the entrepreneurial process (with different emphases on each of the three dimensions) would vary for different firm types (and within different contexts). For example, in small firms risk-taking would be emphasised, while innovation may be more prevalent in a high-tech firm, and a large firm might be more likely to exhibit proactiveness (Miller, 2011).

Drawing on prior research (Burgelman, 1984; Hart, 1992; MacMillan & Day, 1987; Venkatraman, 1989), Lumpkin and Dess (1996) proposed two additional dimensions contributing to entrepreneurial orientation – competitive aggressiveness (how intensely a firm responds to threats from competitors), and autonomy (the extent to which the entrepreneurial leaders in a firm develop new ventures and bring them to fruition). Although some studies have considered competitive aggressiveness and proactiveness as identical concepts (for example, Covin & Covin, 1990, Covin & Slevin, 1989, 1991), Lumpkin and Dess (2001) consider they are two separate dimensions. Consistent with findings from Miller and Friesen (1978) and Venkatraman (1989), proactiveness allows a firm to meet future demand by shaping its environment and introducing new products, services or processes ahead of the competition. In contrast, competitive aggressiveness is characterised by a forceful, competitive posture designed to defend a firm's position in the market or aggressively enter a new market. Proactiveness and competitive aggressiveness may occur sequentially (firms first establish their niche position and then seek to defend it) or simultaneously (both dimensions are concerned with a firm's future-oriented posture) (Lumpkin & Dess, 2001).

In terms of retailing, the five dimensions of entrepreneurial orientation (innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy) can be used by retailers (particularly small retailers unencumbered by the bureaucratic structures of larger retail firms) to develop and position firm resources to gain maximum competitive advantage (Griffith et al., 2006). These five dimensions can be further expanded using a retail perspective. Innovativeness in retailing may be manifested through the firm's understanding of its customers, competitors, suppliers and trading environment in order to facilitate the development of new products and services (Cooper, 1979; Lumpkin & Dess, 1996). It may also result in developments in pricing strategies (e.g., a low pricing strategy) or in new retail formats (e.g., superstore, category killer). Risk-taking is endemic in the retail industry; as discussed in Chapter One, just over 40 per cent of Australian small businesses fail (DIISRTE, 2012). Proactiveness in retailing is evidenced by the ability of retailers to recognise opportunities in the marketplace as well as entering new markets (Lumpkin & Dess, 1996). While the majority of small retailers engage in competitive behaviour, competitive aggressiveness is an amplification of activities designed to intensively target competitors and a willingness to use unconventional methods to penetrate and engage competing firms (Lumpkin & Dess, 1996; Macmillan & Jones, 1984). Autonomy within retailing is evidenced by the level of support shown by management for staff to engage in innovative and creative business activities (Griffith et al., 2006).

The dimensionality of entrepreneurial orientation has been debated in the literature. Some authors argue that entrepreneurial orientation is unidimensional or composite (for example, Covin & Slevin, 1989; Knight, 1997; Miller, 1983), and therefore the various dimensions of entrepreneurial orientation will each have the same impact on performance. The unidimensional view demands that a firm exhibits all three primary dimensions – risk-taking, innovativeness, and proactiveness – to be considered entrepreneurial. Statistically, entrepreneurial orientation is therefore the common or shared variance among the three dimensions (Covin & Lumpkin, 2011). Other scholars have argued entrepreneurial orientation is a multidimensional construct with the various dimensions of entrepreneurial orientation combining in different groupings (for example, Covin et al., 2006; Lumpkin & Dess, 1996, 2001), and consequently relating in different ways to firm performance (for example, Stetz, Howell, Stewart, Blair & Fottler, 2000), (Rauch et al., 2009). In the multidimensional view, the entrepreneurial orientation construct is constituted through a set of independent dimensions (e.g., risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy) (Lumpkin & Covin, 2011).

Kreiser et al. (2002) found the unidimensionality of the Covin & Slevin (1989) entrepreneurial orientation scale achieved significantly better fit when modelled with three sub-dimensions (innovation, proactiveness, and risk-taking). Their findings prompted them to question the five-factor dimension (innovation, proactiveness, risk-taking, competitive aggressiveness, and autonomy) proposed by Lumpkin and Dess (1996). However, whilst the three dimensions of entrepreneurial orientation appeared to be related (confirming a single construct), the sub-dimensions sometimes varied independently from one another (Kreiser et al., 2002). Covin and Lumpkin (2011) argue both conceptualisations of the entrepreneurial orientation concept (unidimensional and multidimensional) are valid for providing theoretical and practical contributions to the literature; both types of conceptualisation, however, should have their own separate definitions and measurements.

Miller and Friesen (1982) were the first to use specific items to measure entrepreneurial orientation; they distinguished between entrepreneurial and conservative firms using five items measuring risk-taking and innovation. Such firms were characterised by their propensity to 'innovate boldly and regularly while taking considerable risks in their product-market strategies' (Miller & Friesen, 1982, p. 5). Incorporating the work of Khandwalla (1976/77) and Ginsberg (1985), Morris and Paul (1987) developed a 13-item scale to measure entrepreneurial orientation. Covin and Slevin (1989), drawing on Khandwalla (1976/77) and Miller and Friesen (1982), subsequently developed a nine-item scale (see Table 3.4) which has since become the most commonly used operationalisation of entrepreneurial orientation (for example, Covin, Prescott & Slevin, 1990; Lumpkin & Dess, 1996, 2001; Miles & Arnold, 1991; Naman & Slevin, 1993; Richard, Barnett, Dwyer & Chadwick, 2004; Wiklund & Shepherd, 2003).

Table 3.4 | Entrepreneurial orientation items

Innovativeness	
EO1	*In general, the top managers of my company favour:* (1)…a strong emphasis on the marketing of tried and true products or services (7)…a strong emphasis on R&D technology leadership and innovations
EO2	*How many new lines of products or services has your company marketed during the past five years?* (1)…no new lines or products or services (7)…very many new lines of products and service
EO3	*Changes in product or service line have:* (1)…been mostly of a minor nature (7)…usually been quite dramatic
Proactiveness	
EO4	*In dealing with its competitors, my firm:* (1)…typically responds to actions which competitors initiate (7)…typically initiates actions which competition then respond to
EO5	*In dealing with its competitors, my firm:* (1)…is very seldom the first business to introduce new products/services, administrative techniques, operating technologies etc. (7)…is very often the first business to introduce new products/services, administrative techniques, operating technologies etc.
EO6	*In dealing with its competitors, my firm:* (1)…typically seeks to avoid competitive clashes, preferring a 'live and let live' posture (7)…typically adopts a very competitive, 'undo-the-competitors' posture
Risk-Taking	
EO7	*In general, the top managers of my firm have:* (1)…a strong proclivity for low risk projects (with normal and certain rates of return) (7)…a strong proclivity for high risk projects (with changes of very high returns)
EO8	*In general, the top managers of my firm believe that:* (1)…owing to the nature of the environment, it is best to explore it gradually via timid, incremental behaviour (7)…owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives
EO9	*When confronted with decision-making situations involving uncertainty, my firm:* (1)…typically adopts a cautious, 'wait-and-see' posture in order to minimize the probability of making costly decisions (7)…typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

From: Covin and Slevin (1989, p. 86).

Originally used in a study of small manufacturing firms, the scale focuses on the three firm activities identified by Miller (1983) as being critical to assessing a firm's entrepreneurial posture (i.e., innovativeness, proactiveness and risk-taking). Together, the three dimensions are said to 'comprise a basic, unidimensional strategic orientation' which should be aggregated together in entrepreneurship research (Covin & Slevin, 1989, p. 79). The first three items of the scale measure the level of innovation; the second three items measure the level of proactiveness, and the final three items measure the propensity for risk-taking. The mean ratings on each score represent the respondent's (or the firm's) entrepreneurial posture – the higher the score, the more entrepreneurial the firm.

George and Marino (2011) examined 54 empirical studies using measures of entrepreneurial orientation and found that the Covin and Slevin (1989) scale (or a modified version) was used in 34 studies. The nine-item scale has been used in numerous studies (for example, Barringer & Bluedorn, 1999; Becherer & Maurer, 1997, Dickson & Weaver, 1997) and exhibits high levels of validity and reliability. A number of studies have dropped one or more of the items from the Covin and Slevin scale (an eight-item scale is most commonly used) due to consistent findings that one of the items (measuring innovativeness) showed low reliability (for example, Anderson, Covin & Slevin, 2009; Dickson & Weaver, 1997; Hansen, Deitz, Tokman, Marino & Weaver, 2011; Tang, Tang, Marino, Zhang & Li, 2008; Tang, Tang, Zhang & Li, 2007; Weaver, Dickson, Gibson & Turner, 2002). Additionally, modified versions of the scale have been used in studies when the research warrants an adapted version (George & Marino; 2011), for example, some studies drop particular items from the scale if they are not appropriate for the study (for example, Kreiser et al., 2002; Marino, Strandholm, Steensma & Weaver, 2002.

Entrepreneurial orientation is increasingly used in international studies, and this has prompted some researchers to examine the applicability of the items used to measure entrepreneurial orientation across different cultural (or country) settings. Some studies (for example, Antoncic & Hisrich, 2001; Hansen et al., 2011; Kemelgor, 2002) concluded that there is variability between different countries (George & Marino, 2011). However, others have found that the scale has a high degree of cross-cultural validity (for example, Knight, 1997; Kreiser et al., 2002). For example, Kreiser et al. (2002) examined over 1,000 firms from six countries to measure the dimensionality and cross-cultural validity of the scale. Initially using the original nine item scale during a pre-test in Norway, the authors found a significant cross-loading between two items (one measuring the adoption of a bold and aggressive posture and the other measuring willingness to engage in bold, wide-ranging acts). The item measuring bold posture (item 9 in the original scale) was dropped and this ensured the scale maintained parsimony and avoided redundancy. The modified eight item scale was used for data collection in the remaining five countries (Kresier, Marino & Weaver, 2002). In addition to the criticisms about cross-cultural applicability, other researchers have proposed that the entrepreneurial orientation scale does not take different entrepreneurial contexts into account, for example, Morris, Webb and Franklin (2011) argue that the entrepreneurial orientation scale is rarely (or minimally) adapted to recognise and reflect differences in entrepreneurship across the different contexts of non-profit and for-profit organisations. The authors propose the non-profit sector should be viewed differently from the for-profit sector and developed a typology of non-profit organisations based on levels of social and commercial entrepreneurship.

Despite the various criticisms of the entrepreneurial orientation scale, as stated, it continues to be the most commonly applied measure in the entrepreneurial orientation literature (Covin & Lumpkin, 2011). Covin and Lumpkin (2011) argue operationalising entrepreneurial orientation is important because it is different from other entrepreneurial phenomena. In addition, entrepreneurial orientation is not manifested in a single entrepreneurial activity (for example, a new innovative product); rather, a firm has an entrepreneurial orientation if it exhibits entrepreneurship according to the variables of the particular conceptualisation of entrepreneurial orientation adopted by the researcher. The Covin and Slevin (1989) scale provides researchers with a common set of metrics to meaningfully assess the overall level of entrepreneurial orientation across different types of firms, industries and contexts.

Within the entrepreneurship literature, the relationship between entrepreneurial orientation and firm performance has generated a great deal of research (as is indicated below). Performance is commonly categorised (measured) as being either financial or non-financial. Financial measures include return on investment (ROI), sales growth; non-financial measures include the satisfaction of the owner/manager, successful business reputation, business awards and recognition. Conceptually, the entrepreneurial orientation-performance relationship is most often focussed on financial measures of firm performance.

Rauch et al. (2009) argue that the relationship between entrepreneurial orientation and *non-financial* performance indicators is tenuous, and therefore entrepreneurial orientation has little direct effect on the non-financial performance goals of the firm.

Conceptual arguments within the entrepreneurial orientation literature suggest that firms adopting entrepreneurial orientation will have higher levels of performance; however, the significance of the relationship between entrepreneurial orientation and firm performance varies across empirical studies. Some studies have found that firms with a strong entrepreneurial orientation report superior performance than those with low entrepreneurial orientation (for example, Becherer & Maurer, 1997; Covin & Slevin, 1986; Hult, Snow & Kandemir, 2003; Lee, Lee & Pennings, 2001; Smart & Conant, 1994; Wiklund & Shepherd, 2003; Zahra, 1991; Zahra & Covin, 1995). Other studies find that there is a lesser relationship between entrepreneurial orientation and performance (for example, Dimitratos, Lioukas & Carter, 2004; George, Wood & Kahn, 2001; Lumpkin & Dess, 2001; Zahra, 1991), and some studies find no significant relationship at all between entrepreneurial orientation and firm performance (for example, Covin, Slevin & Schultz, 1994; George, Wood & Khan, 2001). Despite contradictory findings (and taking into account the multidimensional concept of performance), entrepreneurial orientation is still generally considered a significant predictor of firm performance (Covin & Lumpkin, 2001; Morris, Webb & Franklin, 2011). A meta-analysis using 53 samples, conducted by Rauch et al. (2009), identified that the relationship between entrepreneurial orientation and firm performance is significant, positive and robust, when measured across different cultural contexts and with different operationalisations of key constructs. The positive relationship between entrepreneurial orientation and firm performance found in the majority of previous studies (Wiklund, 1999; Zahra, 1991; Zahra & Covin, 1995) is stronger for certain types of firms (for example, Wiklund & Shepherd, 2003), and is also stronger within certain types of environments (Covin & Slevin, 1989).

Using resource-based theory, Wiklund and Shepherd (2003) found that entrepreneurial orientation enhanced the relationship between knowledge-based resources (opportunity discovery and exploitation) and firm performance. These empirical findings complement those from Cockburn, Henderson and Stern (2000) that in addition to the stock of resources held by a firm, it is the firm's ability to manage and utilise those resources that helps explain performance. The implications of the study (particularly for resource-based theory) is the confirmation that a firm's entrepreneurial orientation provides:

> … a construct and operationalization that allows for greater exploration of the way that a firm is organized for the discovery and exploitation of opportunities, and when combined with the body of empirical work on firm resources, provides considerable scope for future research (Wiklund & Shepherd, 2003, p. 1313).

It should be noted that entrepreneurial orientation may not always have positive results for the firm (Griffith et al., 2006; Hart, 1992; Lumpkin & Dess, 1996; Miller & Friesen, 1982; Wiklund & Shepherd, 2011). For example, firms with a high entrepreneurial orientation often undertake activities that require great financial risk (e.g., substantial borrowing), with potential losses to the firm (Lumpkin & Dess, 1996; Miller & Friesen, 1982). In a small retailer context, despite the suggested ability of firms to respond flexibly to new business opportunities (due to their smaller size and simplified structure), it is often difficult for them to engage in the process of entrepreneurship through activities such as managing financial risk and utilising firm and human resources (Home, 2011). Griffith et al. (2006) found that in some firms entrepreneurial proclivity negatively moderates the relationship between governing agency knowledge and market responsiveness. Whilst Wiklund & Shepherd's (2011) finding that entrepreneurial orientation has a positive relationship with performance was consistent with previous studies, they also found that entrepreneurial orientation was related to firm failure. This finding is at odds with the findings of the majority of entrepreneurial orientation studies which generally test for firm performance of surviving firms without taking into account the notion that entrepreneurial orientation may also be related to firm failure. This relationship is not often examined due to difficulty in accessing suitable data for failed firms. Indeed the meta-analysis of over 50 studies by Rauch et al. (2009) revealed that not one study had included a measure of the relationship between entrepreneurial orientation and failure.

Aspects of entrepreneurship can be used by small retailers to help meet the challenging demands of a hostile trading environment (Avlonitis & Salavou, 2007), and although there is an abundance of research in the entrepreneurial orientation field, there is limited empirical evidence examining entrepreneurial orientation and small retailers. A small number of studies have classified retailers according to their ‘approach’ to entrepreneurial orientation (for example, Home, 2011; Jambulingam et al., 2005). Other studies have classified entrepreneurial orientation as a component of managerial orientation (with an associated impact on financial performance) (Grewal & Levy, 2007). Tajeddini et al. (2013) examined the role of entrepreneurial orientation (and customer orientation, which is discussed later in this chapter) on the effectiveness and efficiency (as measures of performance) of 261 small retailers. The authors found that despite their limited resources, small retailers placed importance on both customer orientation and entrepreneurial orientation. They found customer orientation to be a positive influence on both retail effectiveness and efficiency (performance), but entrepreneurial orientation showed a positive influence only on retail effectiveness. However, the study revealed entrepreneurial orientation had an indirect impact on efficiency through being a driver for customer orientation. Another study of 269 small retailers by Griffith et al. (2006), found that firms with stronger entrepreneurial orientation are more effective at accumulating knowledge resources (including knowledge about customers, suppliers, competitors), and the firm’s entrepreneurial inclination can then be used to convert those resources into dynamic capabilities as well as market responsiveness, ultimately influencing retail performance.

Despite some inconsistency in the research findings, as discussed earlier, the majority of studies (for example, the meta-analysis by Rauch et al., 2009) have confirmed the relationship between entrepreneurial orientation and firm performance is positive, and in addition, different types of entrepreneurial orientation may influence different measures of firm performance (Lumpkin & Dess, 1996; Zahra, 1993a). Therefore, this study proposes:

Hypothesis 4a *The performance of small retail firms is positively related to entrepreneurial orientation.*

Among the elements that contribute to an organisation’s entrepreneurial orientation (for example, business culture, planning and decision making) it is the firm’s resources which play an important role in determining the type and extent of entrepreneurial orientation that the firm exhibits. It is proposed that an entrepreneurial orientation will facilitate the impact of resources on performance. Indeed, Lyon, Lumpkin & Dess (2000) suggest that entrepreneurial orientation acts in conjunction with other factors (e.g., resources) to impact performance. This is supported by Wiklund and Shepherd (2003) and Cockburn et al. (2000), who indicate that entrepreneurial orientation either enhances or facilitates the relationship between firm resources and performance (see also, Ireland et al., 2001). The study therefore proposes that the relationship between resources and performance is mediated by small retailers' level of entrepreneurial orientation:

Hypothesis 4b *The firm's degree of entrepreneurial orientation positively mediates the relationship between firm resources and performance.*

Firms with a prospector orientation have also been described in a similar manner to those exhibiting an entrepreneurial orientation (see Section 3.3.1). For example, both are characterised by risk-taking, innovation and leadership in identifying opportunities and launching new products (Andrews, Boyne & Walker, 2006; DeSarbo et al., 2005). Prospectors are said to focus on innovation and entrepreneurial activity (Ghoshal, 2003). Therefore, the study proposes:

Hypothesis 4c *In small retail firms, the relationship between entrepreneurial orientation and the prospector orientation is positive.*

As discussed in the previous section, small retail firms engaging in strategic planning generally report superior levels of performance. Strategic planning is one of the elements that small retail firms may use to contribute to their entrepreneurial orientation, and indeed it has been argued that entrepreneurs need to undertake planning activities (Brinckman et al., 2010). Thus, it is proposed:

Hypothesis 4d *In small retail firms, the relationship between entrepreneurial orientation and strategic planning capability is positive.*

3.4 | Moderating factors

In addition to the three mediating factors, this study proposes two factors which may moderate the relationship between resources and performance in small retail firms – the level of perceived environmental hostility, and the level of customer orientation. Frazier et al. (2004, p. 116) define a moderator as ‘an interaction whereby the effect of one variable depends on the level of another’. Specifically, a moderator alters the direction (or strength) of the relationship between a predictor and an outcome (Baron & Kenny, 1986). In other words, the relationship between the predictor and outcome variables is conditional upon the level of the moderator (Hayes, 2013). This section reviews both moderating factors; provides a detailed discussion of the conceptualisation and measurement of both constructs, and a review of the associated research for each factor in a small retail firm context.

3.4.1 | *Environmental hostility*

The trading environment is argued to be a significant factor in determining the success (or failure) of an organisation. The marketplace directly influences the array and availability of resources and choices available to an organisation (Bluedorn, Johnson, Cartwright & Barringer, 1993; Dickinson & Ramaseshan, 2004), and an organisation’s ability to survive (and ultimately prosper) is related to its ability to meet the challenges presented by their trading environment (Miller & Friesen, 1983). From time to time, most businesses will experience a level of ‘hostility’ within their trading environment (Lee, Johnson, Gahring & Lee, 2008a). This is especially true for small businesses, and the limited resources available to small firms may exacerbate the effect of a hostile environment on a firm’s performance (Pelham, 1999).

A hostile trading environment is a ‘risky, stressful, and dominating environment with precarious industry settings and intense competition’ (Khandwalla, 1977, p. 27). Posing a direct threat to small retailers, a hostile environment means a lack of exploitable opportunities and a harsh business climate (Covin & Slevin, 1989). Mintzberg (1979, p.269) described hostile environments as ‘unpredictable’, and Lawrence and Lorsch (1967) cite unpublished work by Fouraker (circa 1960), in which a hostile or threatening environment is characterised as one in which there is competitive intensity and resource scarcity. In addition, a hostile environment is a one with a high level of price and non-price competition, rapid change in the marketplace and unpredictable competitor behaviour (Pfeffer & Salancik, 1978; Yasai-Ardekani & Haug, 1997). Morris and Paul (1987) describe a hostile environment as stagnant, where one firm's gains are another firm's losses. A trading environment may also become hostile through the threat of new entrants into the marketplace (particularly when barriers to entry are low) or through the emergence of substitutes (products and providers) (Dickinson & Ramaseshan, 2004).

Lee et al. (2008a) argue that until the mid-20th Century, the trading environment in small communities could be considered to have been relatively benign. Traditionally, most small retailers faced competition only from other small retailers within their geographic area. The stability of the marketplace was first disrupted with the creation of larger, national (and in some cases international) retailers; the introduction and spread of shopping malls and concentrated shopping areas designed for consumers with cars, and more recently the advent of franchises, chain stores, big box developments, pop-up stores and online shopping. Changing consumer demographics and purchasing patterns have also had an impact on the competitiveness of the trading environment for many small retailers (Clarkin, 1998; McGee & Love, 1999; Peterson & McGee, 2000). Customers can now access more information about products and retailers than ever before, and are therefore better informed, have greater choice and demand more from retailers and service providers. In addition, customers are demanding personalised retail offerings, and they are more critical of products and retail experiences (Dawson, 2000).

Clarkin (1998) contends that over the past several years customer expectations have dramatically increased, and in response retailers have met consumer demands with greater levels of service and expanded product offerings (Elms, Canning, de Kervenoael, Whysall & Hallsworth, 2010). In addition, the advent of the internet and its tremendous growth as a vehicle for retailers and consumers has had a significant impact on the trading conditions for retailers (Doherty & Ellis-Chadwick, 2003, 2010; Evanschitzky, Gopalkrishnan, Hesse & Dieter, 2004). As well as shopping online, many customers use the internet for information-gathering and then make actual purchases in-store; or they might look at merchandise in-store and then make the purchase online (Productivity Commission, 2014). This latter scenario is proving to be troublesome for many retailers (particularly in the fashion and small electrical item categories). Many large retailers have developed strategies to take advantage of the power of the internet, for example, the ability to offer many more stock-keeping units for online sales, providing online customisation, and publishing online flyers and coupons (Doherty & Ellis-Chadwick, 2010; Grewal & Levy, 2009). However, smaller retailers usually do not have the capability or resources to deal as effectively as their larger competitors with the significant increase in competition brought about by the internet. These developments have significantly altered the trading environment for many small retailers and in some cases a formerly benign trading environment has been transformed into a hostile setting in which many small retailers are finding it difficult to survive. As the retail landscape continues to evolve there is consequently concern about the survival rates of small retailers (Lee et al., 2008a).

In contrast to a hostile environment, a benign environment provides a safe setting for organisations, with investment and marketing opportunities (Miles, Arnold & Thompson, 1993). A benign environment also offers a level of competition which is often orderly and predictable (McGee & Rubach, 1996/97), and may also be less dynamic with less intensive competition (Covin & Slevin, 1989). Khandwalla (1977) concluded that in a benign environment, monitoring and forecasting activities are not as important as they are in a hostile environment, where high performing firms place greater emphasis on activities that predict industry trends and determine environmental hostility.

Some researchers have found that firms need to adapt their strategies to suit their trading environment (Lee, Johnson & Gahring, 2008b), and that depending on the level of hostility within the environment, adopting either a differentiation strategy or a cost leadership strategy may be an appropriate course of action. Some researchers have argued that a differentiation strategy is more suitable in hostile environments (characterised by a dynamic and unpredictable marketplace), for instance, Lee and Miller (1996) state that in order to respond to frequent changes in customer demands and to keep up with competitors, firms should embrace product-market innovation as well as aggressive marketing practices. In this regard, a firm can remain relevant to consumers by exploring new products and innovative marketing practices. This notion has been supported by Miles and Snow (1978), Snow and Hrebiniak (1980) and Venkatraman and Prescott (1990). On the other hand, in a benign environment (characterised by stability and predictability), a cost leadership strategy may be more suitable (Hambrick, 1983a; Miller, 1988). Cotton and Cachon (2007) found that the small firms which performed well, despite the arrival of mega-retailers (such as Costco and Home Depot), were those which adopted differentiation and/or niche marketing strategies.

Khandwalla (1972) initially examined three dimensions of hostile environments, namely, uncertainty, stressfulness, and heterogeneity. A later examination of firm performance, environment and management style (Khandwalla, 1976/77), showed that firms with a conservative management style perform better in a benign environment, and those with an entrepreneurial style operate more effectively when the environment was hostile. Their study of 103 Canadian manufacturing firms measured five dimensions of the external environment (turbulence or dynamism, hostility, heterogeneity, restrictiveness, and technological sophistication). Noting that 'a hostile environment is highly risky, harsh, overwhelming (and) a benign environment on the other hand is safe, munificent, and manipulable' (Khandwalla, 1976/77, p. 27), the study developed a three-item scale to measure hostility (that is, the level of hostility present in a firm's external environment) (see Table 3.5). The scale has subsequently been used by other researchers (for example, Covin & Slevin, 1989; Kean, Gaskill, Leistritz, Jasper, Bastow-Shoop, Jolly, & Sternquist, 1998).

Table 3.5 | Environmental hostility measure

Very safe, little threat to the survival and well-being of the retail business	1 2 3 4 5 6 7	Very risky, one false step can mean the retail business's undoing
Rich in investment and marketing opportunities	1 2 3 4 5 6 7	Very stressful, exacting, hostile: very hard to keep afloat
An environment that the retail business can control and manipulate to its own advantage	1 2 3 4 5 6 7	A dominating environment in which the retail business's initiatives count for very little against tremendous competitive forces

From: Khandwalla (1976/77, p. 39).

Miller and Friesen (1983) examined the relationship between changes in firm strategy and changes in the level of environmental hostility. They found there was a significant relationship between the level of environmental hostility and a firm's strategic orientation (but were not able to conclude if one was in response to the other). The authors also looked at the relationship between innovation and the environment, noting that the relationship between environmental hostility and innovation is not simple. They concluded that a firm's level of innovation is dependent upon its resources as well as the type of competitive threat it faces. With this in mind, managers are advised to strive to create a 'match' between their strategy-making processes and the level of environmental hostility within which they operate, in order to select the most appropriate strategy for their firm.

Covin and Slevin (1989) found that small businesses are particularly vulnerable to the effects of a hostile and competitive environment, especially in terms of business viability and success, with environmental hostility accounting for 13 per cent of the variation. They thus described a hostile environment as one with 'precarious industry setting, intense competition, harsh, overwhelming business climates, and a relative lack of exploitable opportunities', (Covin & Slevin, 1989, p.75). Their study investigated the strategic responses of 161 small (defined as less than 500 employees) manufacturing firms operating in hostile environments. Firms were measured for environmental hostility (using Khandwalla's, 1976/77, three item scale), financial performance, strategic posture, and organisational structure. The findings were similar to those of Khandwalla (1977) – small entrepreneurial firms generally performed better in a hostile environment, while small conservative firms generally performed better when the environment was more benign. Firms operating in a hostile environment were more effective when they engaged in competitive behaviour including monitoring competitors and the trading environment, and had a long-term management approach and charged a higher price for goods and/or services. Alternatively, firms operating in a non-threatening environment were more effective when they adopted a more conservative approach, including risk-averse financial management, a focus on short-term profitability, refining of existing products and/or services, and (where appropriate) a strong emphasis on customer services (Covin & Slevin, 1989). In addition, it may not be necessary for firms to adopt an entrepreneurial strategy if they are operating in a benign environment, this type of behaviour could present an unnecessary risk to the firm.

The authors concluded that strategic management practices for high performing firms (of all sizes) should be tailored to suit the environmental context, and unlike organisational structure, environmental hostility had a significant impact on performance.

In a study of the impact of environmental hostility and competitive strategies on the performance of 456 U.S. rural retailers, Kean et al. (1998) similarly used the Khandwalla (1976/77) environmental hostility scale. They found that environmental hostility was a predictor of performance, accounting for 11 per cent of the variation in retail performance. These findings are similar to those from the Covin and Slevin (1989) study. Jogaratnam's (2002) study of entrepreneurial orientation, environmental hostility and performance of small restaurant businesses also used the Khandwalla (1976/77) scale and found that although entrepreneurial businesses performed better than conservative businesses, both entrepreneurial and conservative businesses performed better overall in benign environments but were less successful in hostile settings.

A sound knowledge of the trading environment is therefore an important consideration for small retailers engaging in strategic planning for their business (Conant & White, 1999; Covin & Slevin, 1989; Dickson & Ramaseshan, 2004; Lee & Miller, 1996), and firms are generally more successful if they can align their strategies to fit their environment (Venkatraman & Prescott, 1990). Small firms with some degree of control over internal factors which influence their performance, for example, access to resources, enjoy a competitive advantage (McGee & Rubach, 1996/97). However, there are certain operating conditions which will impact on the uptake and availability of resources, such as the level of environmental hostility.

Small retail firms are arguably more vulnerable than large retailers to environmental effects because of their purported resource limitations (Kean et al., 1998; McGee & Rubach, 1996/97). Thus, the level of environmental hostility experienced by small retailers will arguably have a greater influence on their ability to exploit their available resources. It may also affect their ability to recover from poor managerial decisions. The result of an unsuccessful action thus has higher costs associated with it for those small firms operating in hostile environments (Covin & Covin, 1990). Although the logical conclusion of this scenario would be for small firms in hostile environments to adopt a more passive, conservative and non-competitive approach, Covin and Covin (1990) argue that empirical evidence suggests the opposite. That high performing small firms operating in hostile and competitive environments often adopt an aggressive and competitive stance (for example, Covin & Slevin, 1989).

There is less research regarding the relationship between environmental hostility and performance of small retail firms. Much of the related small retailer research originates in the U.S. with researchers examining the effects on small rural retailers when a large retailer moves into town (e.g., Wal-Mart, Costco, Home Depot) – sometimes referred to as the 'Wal-Mart' effect (for example, Clarkin, 1998; Cotton & Cachon, 2007; Lee et al., 2008b; McGee, 1996; McGee & Finney, 1997; McGee & Love, 1999; McGee & Rubach, 1996/97; Peterson & McGee, 2000). For many years, rural retailing conditions have been relatively benign, as demonstrated by the longevity of many rural firms (Ozment & Martin, 1990). However, the introduction of large, discount retailers (such as Wal-Mart), 'category killers' (such as Home Depot), warehouse clubs (such as Costco) and big box retail developments have significantly impacted the trading environment for small retailers in rural and remote areas. In an often-cited example of the research in this field, McGee and Rubach (1996/97) examined the competitive behaviour associated with higher performing small retailers in locations in which Wal-Mart had recently opened stores. They compared the approach taken by retailers who believed the trading environment was hostile with those who were not concerned by the entry of the larger retailer into their marketplace. The results of their study generally corroborate previous research (for example, Covin & Covin, 1990; Covin & Slevin, 1989) that environmental hostility moderates the relationship between firm performance and competitive behaviour.

A similar study by Peterson and McGee (2000) surveyed small retailers in towns in which Wal-Mart opened stores. The authors argued that while there was substantial information about what small stores should do to survive the introduction of large discount chains in their marketplace from popular books (for example, Cockerham, 1994; Daniels & Keller, 1991; Stone, 1995; Taylor & Archer, 1994, 2005), and articles in trade journals (for example, Biberman 2001; Hoover & Hoover, 1999; Stone, 2000), there were few empirical studies showing how small retailers actually respond in such circumstances. In support of the anecdotal evidence, they found that the arrival of a Wal-Mart store had a dramatic increase on the level of perceived environmental hostility for local retailers. The research revealed that small retailers who reported a negative effect from Wal-Mart's entry were more likely to report lower performance three years later; conversely, small retailers who reported a neutral or positive effect from Wal-Mart's entry were more likely to enjoy higher performance levels three years later. An earlier study by McGee and Festervand (1998) found that small retailers were impacted both negatively and positively as a result of Wal-Mart's entry into their marketplace, and in response, many adjusted their strategies to include greater emphasis on customer service and on carrying higher quality merchandise. Other U.S. researchers have focussed on factors influencing 'in-shopping' (consumers shopping within the local trade area) (for example, Lee et al., 2008b; Miller & Kean, 1997; Miller, Kean & Littrell, 1999; Miller, Schofield-Tomschin & Kim, 1998), and 'out-shopping' (consumers leaving their local area to purchase goods and services) (for example, Miller & Kean, 1997; Papadopoulos, 1980; Samli & Uhr, 1974).

Research in the U.K. has mainly concentrated on the effect of the changing high street – main streets which were once populated with small, independent businesses, but now contain chain stores, professional and commercialised charity stores (Broadbridge & Parsons, 2003a, 2003b; Horne, 2000), franchises and large international retailers; as well as the new 'convenience' formats of large supermarket chains. In early research, Dawson (1988) examined the changing high street, noting that the location of store types had changed over time with 'radical' out-of-town centres challenging the dominance of the high street in many major U.K. centres. Major changes have included: large retailers (for example, Marks & Spencer) operating several different store formats on the same street; increased pedestrianisation of streets; shopping centres built at the back of high street areas with limited access to and from the high street; the appearance of non-retail 'services' (for example, financial, medical, business, government and personal consumer services) alongside the traditional retail stores, and increase in high street rents, driving out many smaller, independent traders. Many small retailers have consequently been forced to outer trading areas or closed down altogether (for example, Allport, 2005; Byrom, Parker & Harris, 2002; Clark & Banga, 2010; Dawson, 1988), and research has focussed on the inability of the small retailing sector to cope with this increasingly hostile trading environment, pointing to small retailers' lack of strategic ability, financial resources, and limitations in retail and managerial form (Megicks, 2001).

Almost 20 years later, Allport (2005) identified ten key issues facing the U.K. high street: a slowing economy; changing consumer trends; the blending of retail and leisure services to create consumer 'destinations'; loss of character of high streets containing the same retailers in many locations; the increase in internet shopping; the expansion of the grocery sector in out-of-town locations, and the costs associated with trading on a high street. Allport (2005) concluded many smaller retailers may need to become 'niche' or specialist operators (perhaps with an increased emphasis on distinctiveness and customer service) as well as improving the quality of their products, brand and overall marketing activities.

Similar to work in the U.S., there is also a significant body of research on the rural retail sector in the U.K., with a focus on examining the problems faced by retailers in rural areas (for example, Paddison & Calderwood, 2007), as well as studies concentrating on the strategic efforts of rural and isolated retailers (for example, Byrom & Medway, 2004; Byrom et al., 2003; Kean et al., 1998). Other researchers have focussed on the reported decline of small, independent shops generally throughout the U.K. (for example, Baron et al., 2001; Coca-Stefaniak et al., 2005; Smith & Sparks, 2000). The decline of the small retail sector (particularly in convenience food retailing) has been largely attributed to the growth and dominance of supermarket chains such as Tesco, Sainsbury's, Marks & Spencer, and Aldi. In addition, many small, independent stores are seeking to join symbol or buying groups (such as Spar or Costcutter), further reducing the numbers of truly independent small stores (Coca-Stefaniak et al., 2005).

In a small retail firm context, the conceptualisation and effect of the trading environment is therefore critical. As discussed, literature in the strategic management field has considered the environment as a moderator of the relationship between strategy and performance (Prescott, 1986). In the first instance, it is anticipated that the level of environmental hostility, in and of itself, will impact negatively on firm performance (see Covin & Slevin, 1989; Jogaratnam, 2002; Kean et al., 1998). Thus, it is proposed that:

Hypothesis 5a *The performance of small retail firms is negatively related to environmental hostility.*

In addition, small retailers operating in a perceived benign environment should be able to exploit their resources better than those operating in a perceived hostile environment. In the latter eventuality, higher levels of competition and pressure will impede the ability of small retailers to marshal firm capabilities (Covin & Slevin, 1989). Thus, the relationship between resources and performance is expected to be moderated by small retailers' perceptions of their trading environment, such that there will be a stronger relationship between resources and performance when the environment is benign than when it is hostile. Thus, it is proposed that:

Hypothesis 5b *The relationship between small retail firm resources and performance is negatively moderated by the perception of the degree of environmental hostility.*

In general terms, it has been argued that a firm's strategic position should change according to the level of environmental hostility (see Lee et al., 2008a). Lee and Miller (1996), for instance, found that the usefulness of a differentiation versus a cost leadership strategy varied according to the level of environmental hostility (see also, Covin & Slevin, 1989; Khandwalla, 1976/77). While no study has specifically looked at the Miles and Snow (1978) typology in this regard for small retail firms, it is nonetheless proposed that the effect of strategic orientation on performance will be conditional upon whether the environment is perceived as hostile versus benign. Thus:

Hypothesis 5c *In small retail firms the relationship between strategic orientation and performance is moderated by the perception of the degree of environmental hostility.*

Similarly, strategic planning capability will arguably have a differential impact on firm performance according to the level of environmental hostility, such that planning will have a greater impact on performance when the environment is hostile, than when it is perceived as benign. Whilst planning activities are important in both benign and hostile environments, arguably in a hostile environment it is significantly more important to consider and plan for performance. Thus:

Hypothesis 5d *In small retail firms the relationship between strategic planning capability and performance is moderated by the perception of the degree of environmental hostility.*

Researchers have also found a significant relationship between entrepreneurial orientation and environmental hostility; the greater the level of environmental hostility, the more important the level of entrepreneurial orientation is to firm stability and (ultimately) performance (Covin et al., 2006; Covin & Slevin, 1989; Dess, Lumpkin & Covin, 1997; Wiklund & Shepherd, 2005). Firms operating in hostile environments may engage in more risky behaviour (for example, Khandwalla, 1977) as well as undertake strategic activities designed to foster entrepreneurship and innovation (for example, Ettlie, 1983). As implied by Covin and Slevin (1989), in a more benign environment, where risk-taking is not potentially fatal to a business, entrepreneurial orientation can have a positive influence on retail performance. However when the environment is regarded as hostile, entrepreneurial orientation may become a risk that few small retail firms can afford to take.

Hypothesis 5e *In small retail firms the relationship between entrepreneurial orientation and performance is moderated by the perception of the degree of environmental hostility.*

3.4.2 | *Customer orientation*

Customer orientation can be described as a predisposition to meet a customer's needs (Brown, Mowen, Donavan & Licata, 2002). The relationships that small retailers build with their customers are an important factor in ensuring long-term success and profitability (Grissemann, Plank & Brunner-Sperdin, 2013; O'Hara, Boles & Johnston, 1991; Tajeddini, 2010; Webster, 1992, 1993), and may be considered as a key strategic resource for the business, particularly in a turbulent business climate (Asikhia, 2010; Webster, 1992). Indeed, as previously discussed, unlike large retailers, the performance of small retailers is often limited by a lack of resources and thus a customer orientation may be important in this context (Tajeddini et al., 2013).

Customer-focussed salespeople engage in practices specifically designed to foster long-term customer satisfaction and patronage, and deliberately avoid behaviours that might lead to customer dissatisfaction (Saxe & Weitz, 1982). Customer orientation can be described as:

> … the set of beliefs that puts the customer's interests first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise (Deshpande, Farley & Webster, 1993, p. 27).

Salespeople with a strong customer orientation will therefore often forgo sales commissions and immediate sales in favour of the customer's best interest (Wachner, Plouffe & Gregoire, 2009); they also have the ability to adjust their service behaviour to take into account the different needs and circumstances of each individual customer (Daniel & Darby, 1997). Drawing on a review of the extant conceptualisations and operationalisations of salespeople's customer orientation, Singh and Koshy (2012) created a new conceptualisation of customer orientation with six domain areas: providing information to customers; identifying customer needs; fulfilling customer needs; creating and delivering value to customers; sustaining customer satisfaction, and creating and maintaining long-term relationships with customer.

Dubinsky and Staples (1981) originally measured the various selling techniques of salespeople from manufacturing and service firms. They found that a greater importance was placed on customer-oriented techniques (practices that helped to identify and cater to customer needs) than on selling oriented techniques. Saxe and Weitz (1982) then sought to conceptualise selling behaviours with a measure of customer-oriented selling as 'the degree to which salespeople practice the marketing concept by trying to help customers make purchase decisions that will satisfy customer needs' (Saxe & Weitz, 1982, p. 344). Customer orientation, that is, a strong focus on customer service, is therefore considered important for small retailers to enhance customer satisfaction as well as long-term sales effectiveness (Asikhia, 2010; Goff, Boles, Bellenger & Stojack, 1997; Saxe & Weitz, 1982).

In contrast to customer orientation, salespeople with a high *sales* orientation are more likely to be concerned with immediate volume of sales and short-term profitability; their primary focus will be on making the sale (Cross, Brashear, Rigdon & Bellenger, 2007; Rozell, Pettijohn & Parker, 2004). Salespeople with a high selling orientation are more likely to be motivated by their own performance, and to promote their abilities to supervisors and colleagues (Sujan, Weitz & Kumar, 1994). Knight, Kim and Crutsinger (2007) argue that sales-orientated salespeople are focussed on persuading customers to make purchases rather than best meeting customer needs. While some small retailers do concentrate on sales at the expense of their customers, this strategy is often difficult to sustain long-term given the economies of scale, buying power and technological advancements enjoyed by their larger competitors. Salespeople with high selling orientation may perform well as salespeople (Boles et al., 2001) but their orientation may have a negative impact on customer satisfaction (Goff et al., 1997). For organisations wanting to compete by offering customer service, salespeople with a short-term focus on sales are less likely to produce service quality results (Knight et al., 2007).

A review of the literature reveals customer orientation research has focussed on two levels: the organisational level and the individual level. Organisational level research (for example, Homburg & Pflesser, 2000; Kohli & Jaworski, 1990) focuses on the concept of customer orientation as 'market orientation' or as a component of market orientation. Ruekert (1992, p. 228) defines customer/market orientation as the:

> … degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants.

Narver and Slater (1990) considered customer orientation to be one of three components making up market orientation, the other two being competitor orientation and inter-functional coordination. They defined customer orientation as 'the sufficient understanding of one's target buyers to be able to create superior value for them continuously' (Narver & Slater, 1990, p. 21).

McEachern and Warnaby (2005) describe customer orientation as being the component of market orientation concerned with putting customers and customer service at the core of the strategic focus of the business. Some authors have considered customer orientation as a process which involves the analysis of customer needs and the willingness of the firm to respond to such needs (Ang & Buttle, 2006; Kotler, 2004; Nakata & Zhu, 2006; Schneider & Bowen, 1993; Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2006). This process may even translate into the firm's 'culture' – a propensity (particularly from the highest levels of the firm down) to continuously meet customer needs through the provision of goods and services (Beatty, Mayer, Coleman, Ellis Reynolds & Lee, 1996; Daniel & Darby, 1997; Day & Wensley, 1983). For many firms with a 'culture' of customer orientation, it often follows that a two-way relationship forms between the firm and its customers; and this relationship may become a strong competitive weapon (Day, 1994). It may also have a positive influence on a salesperson's relationship with the firm. Donavan, Brown and Morwen (2004) found that as well as contributing to organisational performance, customer orientation also had an impact on job satisfaction and commitment to the firm. Pettijohn, Pettijohn and Taylor (2002) found that the customer orientation of retail salespeople was significantly related to their level of organisational commitment, and another study by O'Hara et al. (1991) confirmed that for two groups of salespeople, organisational commitment was the only variable related to customer orientation (Rozell et al., 2004). This is important for small retailers whose organisational commitment is usually high, allowing them to focus on customer-oriented behaviours. Customers often perceive the salesperson as 'the firm' because the salesperson is often the primary or only contact for customers (Crosby, Evans & Cowles, 1990; Cross et al., 2007), and the close relationship that many small firms have with their customers has a significant effect on customer orientation (Pelham, 2000).

In contrast, customer orientation research at the individual level (for example, Brown, Boya, Humphreys & Widing, 1993; Gountas, Gountas & Mavondo, 2013; Hoffman & Ingram, 1991), is focussed on the interplay between salespeople and customers. The literature dealing with individual level analysis can be further divided into two areas – personal selling literature (for example, Brown, Widing & Coulter, 1991; Kennedy, Lassk & Goolsby, 2002; Saxe & Weitz, 1982), and services marketing literature (for example, Brady & Cronin, 2001; Brown et al., 2002). Stock and Hoyer (2005) found two components of customer orientation

– attitudinal and behavioural – have an impact on customer satisfaction. Customer-oriented attitudes are a driver for customer-oriented behaviours, and are also a direct antecedent for customer satisfaction. Gountas et al. (2013) found the customer orientation of individual employees was affected by various factors including management strategies, fellow employees and organisational attitudes and values. Given that many small retail firms are run by a single owner/manager, or with very few staff, the customer orientation of the owner/manager and staff is a valuable resource for small retail businesses in helping to establish, maintain and grow relationships with both customers and suppliers. Within the customer orientation literature there is general consensus that employees displaying a high level of customer orientation, and thus providing exceptional customer service, results in increased customer satisfaction (Stock & Hoyer, 2005). Chung (2014) studied 102 small apparel stores in the U.S. and found that it was important for small retailers to engage in customer-oriented behaviours, including gathering (and disseminating within the organisation) market based intelligence on present and future customer needs. A customer-oriented approach was also important for establishing and growing relationships with a firm’s suppliers which in turn contributed to overall firm performance.

Customer orientation has been positively linked to performance – at both the company level (for example, Deshpande et al., 1993; Jaworski & Kohli, 1993; Narver & Slater, 1990; Piercy, Harris & Lane, 2002; Singh & Ranchhod, 2004; Slater & Narver, 2000), and the individual salesperson level (for example, Babin & Boles, 1996; Donavan, Brown & Mowen, 2004; Dunlap, Dotson & Chambers, 1988; Franke & Park, 2006; Saxe & Weitz, 1982; Swenson & Herche, 1994). Indeed, as Merlo, Bell, Menguc and Whitwell (2006) and others argue, while product lines and assortment can be replicated by competing stores, it is the customer service orientation of staff that is one of the key drivers of a store’s value proposition and the resulting competitive advantage. The customer-oriented behaviours of individual retail owner/managers and staff are therefore a vital aspect of the relationship between the firm and its customers (Williams & Attaway, 1996). Firms that can respond to customer needs and better satisfy customer preferences can leverage competitive advantage and perform at higher levels than their competitors (Jaworski & Kohli, 1993; Merlo et al., 2006). In addition, customer-oriented retailers with a strong focus on superior customer service can differentiate their offering as well as brand their business more effectively (Elg, 2007;

Panigyrakis & Theodoridis, 2007), and thus cement their position in the marketplace (Kennedy et al., 2002).

The importance of long-term mutually beneficial relationships between buyers and sellers has been recognised at the industry level and long confirmed in the marketing literature (for example, Morgan & Hunt, 1994; Webster, 1992). One of the primary goals of customer orientation is to foster and maintain long-term relationships with customers, relationships that are mutually beneficial to both the salesperson/firm and to the customer (Homburg, Muller & Klarmann, 2011; Keillor, Parker & Pettijohn, 2000; Swanson, Kelley & Dorsch, 1997). The benefits of relationships have been acknowledged in the literature (for example, Schultz & Good, 2000), as well as the importance of the salesperson as crucial to creating and maintaining these relationships (Schwepker, 2003).

The ability to measure the customer orientation of salespeople is, therefore, a valuable tool to identify the relationship between customer-oriented behaviour and selling effectiveness (Saxe & Weitz, 1982). The selling orientation-customer orientation (SOCO) scale, developed by Saxe and Weitz (1982), was designed as an operational measure of a salesperson's sales orientation through two measured dimensions: 'selling orientation' and 'customer orientation' (Boles et al., 2001). Salespeople who are particularly sales-oriented are those who focus solely on the sale and on selling as much as possible to all customers. The sale itself is the fundamental motivation for the salesperson, and the interests of the organisation, and/or the salesperson, are put before the customer (Michaels & Day, 1985; Saxe & Weitz, 1982). This is compared with salespeople who are customer-oriented, who consider the needs of the customer as their primary concern (Deshpande et al., 1993; Wachner et al., 2009).

In developing the SOCO scale, Saxe and Weitz (1982) interviewed a number of sales managers and sales staff to ascertain the attitudes and behaviours of both high and low customer-oriented salespeople. They then compiled a list of attributes of 'customer-oriented selling':

- a desire to help customers make satisfactory purchase decisions;
- helping customers assess their needs;

- offering products that will satisfy those needs;
- describing products accurately;
- adapting sales presentations to match customer interests;
- avoid deceptive or manipulative influence tactics, and
- avoiding the use of high pressure.

From: Saxe and Weitz (1982, p.344).

Using this information, other interpersonal behaviour models, and a review of the relevant literature, Saxe and Weitz (1982) developed the SOCO scale. The scale consists of 24 items, 12 measuring salespeople's degree of selling orientation and 12 measuring salespeople's degree of customer orientation (see Table 3.6). The scale consists of both positively and negatively stated items, and respondents are asked to indicate on a nine-point scale (where 1 equals *none/never* and 9 equals *all/always*), the proportion of customers with whom they interact as described in the statements contained in the scale. When first used as a self-assessment tool by salespeople, researchers reported scale means of 7.6 and 7.7 (Saxe & Weitz, 1982) and 8.1 (Hoffman & Ingram, 1991) and Cronbach alphas (using either the original or a modified version of the scale) of 0.86 and 0.83 (Saxe & Weitz, 1982), 0.91 (Michaels & Day, 1985), and 0.70 (Hoffman & Ingram, 1991) (Daniel & Darby, 1997). Thus, acknowledging the negative skewness of these results, the scale does show good reliability.

A substantial amount of research in the area of customer orientation has focussed on the applicability of the SOCO scale across different industries from the perspective of salespeople (for example, Pettijohn, Pettijohn & Parker, 1997; Siguaw & Honeycutt, 1995; Tadepalli, 1995; Williams & Attaway, 1996); from the perspective of the customer (for example, Brown et al., 1991; Michaels & Day, 1985), or from the perspective of both salesperson and customer (for example, Pilling, Eroglu & Boles, 1994; Thomas, Soutar & Ryan, 2001). The SOCO scale has also been used to measure customer orientation in business-to-business buyer-seller relationships. For example, Jones, Busch and Dacin (2003) used the original Saxe and Weitz (1982) version of the scale and proposed salesperson customer orientation reduces the customer's propensity to switch suppliers. They found that the customer orientation of salespeople had an important role in retaining customers;

firms with high customer-oriented salespeople enjoyed quality relationships with their customers which lead to increased customer loyalty and a reduction in the propensity of customers to switch to another firm (Jones et al., 2003).

Table 3.6 | Selling orientation-customer orientation (SOCO) scale

Item	
1	I try to give customers an accurate expectation of what the product will do for them.
2	I try to get customers to discuss their needs with me.
3	If I am not sure a product is right for a customer, I will still apply pressure to get him to buy.
4	I imply to a customer that something is beyond my control when it is not.
5	I try to influence a customer by information rather than by pressure.
6	I try to sell as much as I can rather than to satisfy a customer.
7	I spend more time trying to persuade a customer to boy than I do trying to discover his needs.
8	I try to help customers achieve their goals.
9	I answer a customer's questions about products as correctly as I can.
10	I pretend to agree with customers to please them.
11	I treat a customer as a rival.
12	I try to figure out what a customer's needs are.
13	A good salesperson has to have the customer's best interests in mind.
14	I try to bring a customer with a problem together with a product that helps him solve that problem.
15	I am willing to disagree with a customer in order to help him make a better decision.
16	I offer the product of mine that is best suited to the customer's problem.
17	It is necessary to stretch the truth in describing a product to a customer.
18	I being the sales talk for a product before exploring a customer's needs with him.
19	I try to sell a customer all I can convince him to buy, even if I think it is more than a wise customer would buy.
20	I paint too rosy a picture of my products, to make them sound as good as possible.
21	I try to achieve my goals by satisfying customer.
22	I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.
23	I try to find out what kind of product would be most helpful to a customer.
24	I keep alert for weaknesses in a customer's personality so I can use them to put pressure on him to buy.

From: Saxe and Weitz (1982, p. 345-346).

The SOCO scale has been employed in subsequent studies (for example, Brown et al., 1991; Daniel & Darby, 1997; Dunlap et al., 1988; Gillis, Pitt, Robson & Berthon, 1998; Herche &

Engelland, 1996; Tadepalli, 1995; Williams & Attaway, 1996). Indeed, the majority of research using the SOCO scale has confirmed the validity and the usefulness of the scale for assessing sales approaches (Jaramillo, Ladik, Marshall & Mulki, 2007; Stock & Hoyer, 2005) in a variety of settings (retail, industrial, customers, managers and salespeople). SOCO has been supported in the literature as important for salespeople, customers and organisations (for example, Dunlap et al., 1988; Goff et al., 1997). For organisations seeking to improve sales and customer retention, SOCO constructs are a valuable resource (Boles et al., 2001). Rozell et al. (2004) used the SOCO scale in a mail survey of professional salespeople and found that customer orientation was positively related to sales performance; customer-oriented behaviours therefore should be considered as an investment 'likely to yield positive returns' (p. 418) for firms that value long-term relationships with customers. The findings from Kilic and Dursun's (2007) study, using the SOCO scale to test for customer orientation in marketers from a broad range of businesses, also supported prior research showing the positive relationship between customer orientation and sales performance (for example, Boles et al., 2001; Brown et al., 1991).

In a study of retail salespeople across a single US department store, Knight et al. (2007) used the SOCO scale to investigate the relationship between customer orientation and job performance. They found that individual salespeople who are highly customer-oriented also demonstrated higher levels of performance. These findings have been confirmed in other studies (for example, Babin & Boles, 1996; Boles et al., 2001; Joshi & Randall, 2001). The authors also found that there was no significant relationship between selling orientation and performance (consistent with Boles et al., 2001), and concluded that a focus on the short-term concept of 'making a sale' is not consistent with the service-quality focus of the department store (Knight et al., 2007).

Many studies using the SOCO scale have employed a modified version (changing the wording of items) or a shortened version (reducing the number of items) in order to tailor the scale for the particular industry or setting being studied (for example, real estate, industrial products), rather than as attempts to further refine the scale (Thomas et al., 2001). Modified versions of the original SOCO scale have been used in a number of industrial and consumer studies with a focus on buyer-seller relationships, commonly referred to in the literature as 'relationship marketing'. The first study to modify the original scale by reducing the number of items was a study of industrial product salespeople by O'Hara et al. (1991). The study used 18 items, but no information was provided about which items were deleted or why they were deleted.

A large scale study of industrial buyers (*n*=1005) by Michaels and Day (1985) modified the original SOCO scale by changing the nature of the questions from salespeople reflecting on their own actions, to buyers reflecting on the actions of salespeople. Although the authors were motivated to contribute to the tradition of replication, they discussed the appropriateness of measuring buyer perceptions rather than salesperson self-perceptions as buyer perceptions of customer orientation were considered to be more objective. Indeed, Michaels and Day (1995) noted that salespeople were more likely to be positively-biased in their own perception of customer orientation (Brown et al., 1991; Schwepker, 2003). The number of items in the Michaels and Day (1995) study remained the same, and the nine point response format was retained; the authors found that the modified scale compared favourably with the Saxe and Weitz (1982) scale with a reliability of 0.91.

Williams and Attaway (1996) found that a salesperson's relationship with customers was influenced by the strength of the salesperson's customer orientation. Using a modified (18 item) version of the Saxe and Weitz (1982) scale, the researchers measured the relationship between customer orientation, organisational culture and buyer-seller relationships of 153 buyers (business to business). Following on from Swift and Campbell (1995), the study requested buyers to identify three salespeople with whom they had ongoing transactions, and to evaluate each salesperson's customer-oriented behaviour, resulting in the examination of 459 buyer-seller combinations (dyads). It was found that customer orientation had an impact on firm culture and relationship development.

Other studies have similarly modified the scale by changing the orientation of the original questions. For example, Tadepalli (1995) studied the customer orientation of a group of industrial purchasers and modified the original scale by changing the intent of the questions from examining 'salespersons' (plural) to asking about interactions with a particular salesperson (singular); by reducing the number of items to 21; by using a seven point response format (as opposed to the original nine point format), and by changing the scale anchors to 'strongly disagree' through to 'strongly agree'. Tadepalli reported that the reliability of the scale was higher than that reported by both Saxe and Weitz (1982) and Michaels and Day (1985). Tadepalli (1995) argued that the marketing concept (that is, the concept that a firm's efforts should be directed towards customer satisfaction), as well as the long-term relationship between buyer and seller, provides a 'mandate' for customer-oriented selling.

Howe, Hoffman and Hardigree (1994) used the original 24 item scale, but with a seven point response format, and changed the orientation of the questions to suit the respondents, who were insurance sales agents. Similarly, Dunlap et al. (1988) used the original scale (administered to two groups in the real estate industry – agents and buyers) with slight wording adjustments to suit the industry; they also reduced the response format from nine points to five points. Goff et al. (1997) used a modified version of the SOCO scale to obtain the customer perspective of the customer orientation of automobile salespeople. They found that salespeople adopting a selling oriented approach scored negatively with customers, while those using a customer-oriented approach had a positive effect on customer satisfaction with the salesperson. The authors extended the survey to include additional customer perceptions (with the company, the product and the manufacturer), and their findings confirmed that customer satisfaction with the individual salesperson also resulted in satisfaction with the firm, the product and the manufacturer. A modified version of the SOCO scale (using 12 items) was used by Cross et al. (2007) to measure the relationship between the customer orientation and performance of 283 field salespeople in the U.S. The findings supported a direct effect of salesperson customer orientation on performance.

Thomas et al. (2001) argued that the length of the Saxe and Weitz (1982) scale (especially when used in conjunction with other multiple-item scales) could result in sizable surveys/questionnaires. They collected data from salespeople, customers and sales managers using the original 24-item SOCO scale in order to measure factor structure stability and subsequently developed a reduced item scale (see Table 3.7) using 10 items.

Table 3.7 | SOCO scale: a proposed short form

Item	*Original item*	
1	6	I try to sell as much as I can rather than to satisfy a customer.
2	12	I try to figure out what a customer's needs are.
3	13	A good salesperson has to have the customer's best interests in mind.
4	14	I try to bring a customer with a problem together with a product/service that helps him/her solve that problem.
5	16	I offer the product/service of mine that is best suited to the customer's problem.
6	17	It is necessary to stretch the truth in describing a product/service to a customer.
7	19	I try to sell a customer all I can convince him/her to buy, even if I think it is more than a wise customer would buy.
8	20	I paint too rosy a picture of my products/services, to make them sound as good as possible.
9	22	I decide what products/services to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.
10	23	I try to find out what kind of product/service would be most helpful to a customer.

From: Thomas, Souter and Ryan (2001, p.66, 69).

In the reduced scale, items 2, 3, 4, 5 and 10 relate to customer orientation, and items 1, 6, 7, 8 and 9 relate to sales orientation. The reduced scale exhibited sufficient reliability and validity, and its properties showed consistent results for salespeople, customers and managers (Schwepker, 2003). Periatt, LeMay and Chakrabarty (2004) found substantial support for the reduced scale, and also argued that the scale was both parsimonious and effective. The results of their study of 354 marketing personnel (from 100 logistics firms), operating in a business to business context, confirmed the fit of the reduced scale similar to that of the original 24 item Saxe and Weitz (1982) scale.

The reduced Thomas et al. (2001) scale has subsequently been used by other researchers (for example, Plouffe, Hulland & Wachner, 2009; Wachner et al., 2009). Guenzi, De Luca and Troilo (2011) used the reduced scale in a study of the customer-oriented selling of 326 managers from a variety of different industries (12 per cent of the respondents were from the retailing industry). The findings showed a positive relationship between an organisation's customer-oriented culture and their corresponding salespeople's customer orientation. The authors also found that there was a negative relationship between selling orientation and long-term strategic orientation which is important for many businesses seeking to provide superior customer value.

Despite the work conducted using the SOCO scale, there has been less research examining the effect of customer orientation on performance in retail settings, particularly from the salesperson perspective. Some studies have considered customer orientation as a component of market orientation, as discussed earlier in this chapter (for example, Elg, 2008; Harris, 2000; Rogers, Ghauri & George, 2005; Soehadi, Hart & Tagg, 2001). Given the competitive and changing environment for retailers, a strong focus on customer orientation (customer service) is an important factor in determining firm performance (Merlo et al., 2006), and should therefore be considered as a fundamental component of the retailing industry (Tajeddini et al., 2013). Indeed, as noted in the literature (for example, Goff et al., 1997; Swenson & Herche, 1994), the customer orientation of retail salespeople has been directly linked to both customer satisfaction with the individual salesperson, and with the firm and/or product manufacturer. There are a small number of studies which utilised SOCO in a retail context (from both a customer and salesperson perspective). Brown et al. (1991) supported the validity and reliability of the SOCO scale in a retail setting. Following on from Michaels and Day's (1985) work in administering the SOCO scale to customers (rather than salespeople), Brown et al. (1991) used a similar methodology but extended the use of the scale to the retail industry to measure customer perceptions (n = 348) of retail salespeople. The scale was altered to reflect the respondent type (customers) and the retail setting. In addition, the number of response points was reduced and other modifications were made to the verbal anchors to adapt the scale for use in a telephone survey. The authors found that the modified scale replicated the reliability, factor structure, factor loadings and total variance of both the Saxe and Weitz (1982) and Michaels and Day (1985) studies, and concluded that the SOCO scale can be used for both salespeople *and* customers (Brown et al., 1991).

Using items from the SOCO scale, Boles et al. (2001) measured the relationship between customer orientation and salesperson performance of 249 retail salespeople selling a range of goods and services. They found that customer orientation was positively related to performance, and that sales orientation was not related to performance. The authors findings were consistent with results from previous studies examining the use of SOCO to study sales behaviour in both retailing (Brown et al., 1991) and in business to business contexts (Dunlap, et al., 1998; Siguaw & Honeycutt, 1995). Schwepker's (2003) review of the customer orientation literature also confirmed that the relationship between customer orientation and performance is consistent for both retail selling and business to business selling.

Tajeddini et al. (2013), discussed earlier in this chapter, found that customer orientation positively influences performance. The results of their study of 261 SME retailers revealed that those businesses with a strong focus on customer service were able to leverage value for both their customers and the firm. In addition, the empirical data showed that high levels of customer orientation were linked to improved business performance. In the long-term, this is beneficial for the firm, because improved customer service results in customer satisfaction, improved customer relationships and repeat purchasing by loyal customers (Tajeddini, 2011; Voss & Voss, 2000). The Tajeddini et al. (2013) study is one of only a few studies examining small retailers and the effects of customer orientation.

From the review of the literature related to customer orientation, in a small retailer context, (for example, Boles et al., 2001; Tajeddini et al., 2013), the study proposes that small retailers with higher levels of customer orientation will also report higher levels of firm performance. Therefore:

Hypothesis 6a *The performance of small retail firms is positively related to customer orientation.*

Hult and Ketchen (2001) and Matsuno et al. (2002) suggest customer orientation may be more effective when combined with other firm capabilities. This study therefore proposes that customer orientation will have a moderating effect on a number of relationships. As discussed earlier, Elg (2007) and Panigyrakis and Theodoridis (2007) suggest firms with superior customer orientation will be able to differentiate themselves more effectively, and improve their position in the marketplace. Thus, it is proposed that the relationship between resources and performance will be stronger when customer orientation is high than when it is low. Therefore:

Hypothesis 6b *In small retail firms the relationship between resources and performance is positively moderated by customer orientation.*

Further, Guenzi et al. (2011) found that selling orientation, versus customer orientation, was negatively related to strategic orientation; thus, customer orientation and strategic orientation should be positively related. In this regard, it is proposed that strategic orientation will have a greater impact on performance when customer orientation is high, versus when it is low. Therefore:

Hypothesis 6c *In small retail firms the relationship between strategic orientation and performance is moderated by customer orientation.*

It is also proposed, as customer orientation has been related to long-term business success and profitability (Grissemann et al., 2013; Tajeddini, 2010), that strategic planning capability will have a greater influence on performance when customer orientation is high than when it is low. Therefore:

Hypothesis 6d *In small retail firms the relationship between strategic planning capability and performance is moderated by customer orientation.*

Finally, Hult and Ketchen (2001) and Matsuno et al. (2002) specifically suggest that customer orientation may be more effective when combined with entrepreneurial orientation. In this regard, it is expected that the relationship between entrepreneurial orientation and performance will be stronger when customer orientation is high, versus when it is low. Therefore:

Hypothesis 6e *In small retail firms the relationship between entrepreneurial orientation and performance is moderated by customer orientation.*

3.5 | Summary of hypotheses

Based on the review of the small retailer literature provided in Chapters Two and Three, this study therefore proposes 25 hypotheses, organised around six variables. The hypotheses have been provided in the appropriate sections throughout this chapter, and a summary is provided in Table 3.8.

Table 3.8 | Summary of proposed hypotheses

Small retail firm resources and firm performance	
Hypothesis 1	The performance of small retail firms is positively related to resource advantage.
Strategic orientation	
Hypothesis 2a	A prospector orientation is positively related to performance in small retail firms.
Hypothesis 2b	A defender/analyser orientation is positively related to performance in small retail firms.
Hypothesis 2c	A reactor orientation is negatively related to performance in small retail firms.
Hypothesis 2d	A prospector orientation is a stronger predictor of small retail firm performance than a defender/analyser orientation.
Hypothesis 2e	A prospector orientation positively mediates the relationship between firm resources and performance.
Hypothesis 2f	A defender/analyser orientation positively mediates the relationship between firm resources and performance.
Hypothesis 2g	A prospector orientation is a stronger mediator of the relationship between firm resources and performance than a defender/analyser orientation.
Strategic planning capability	
Hypothesis 3a	The performance of small retail firms is positively related to strategic planning capability.
Hypothesis 3b	In small retail firms, the relationship between strategic planning capability and a prospector orientation is positive.
Hypothesis 3c	Strategic planning capability in small retail firms positively mediates the relationship between firm resources and performance.
Entrepreneurial orientation	
Hypothesis 4a	The performance of small retail firms is positively related to entrepreneurial orientation.
Hypothesis 4b	The firm’s degree of entrepreneurial orientation positively mediates the relationship between firm resources and performance.
Hypothesis 4c	In small retail firms, the relationship between entrepreneurial orientation and a prospector orientation is positive.
Hypothesis 4d	In small retail firms, the relationship between entrepreneurial orientation and strategic planning capability is positive.

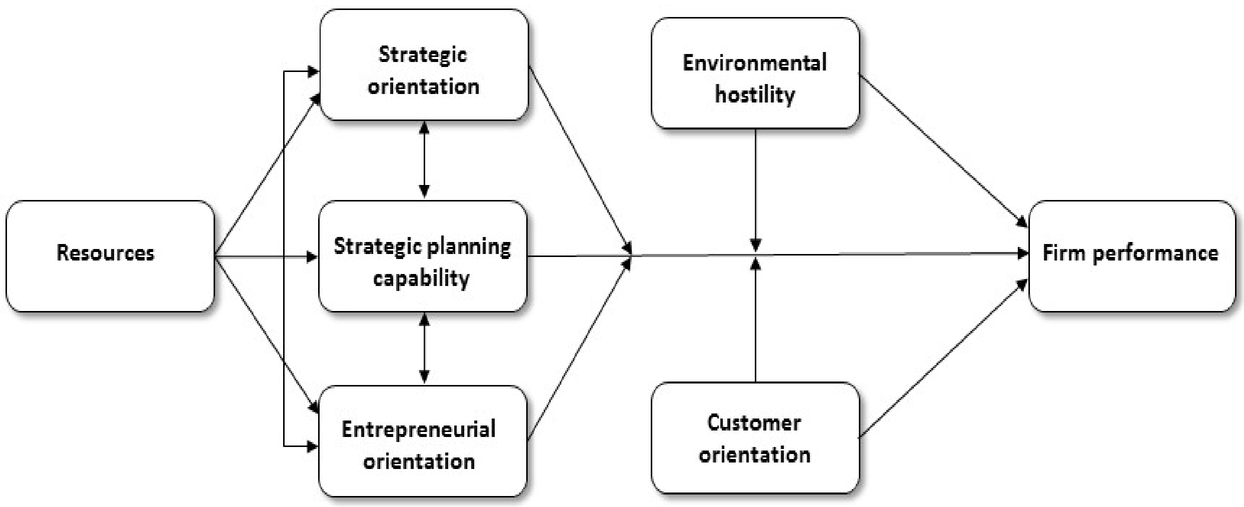
Environmental hostility	
Hypothesis 5a	The performance of small retail firms is negatively related to environmental hostility.
Hypothesis 5b	The relationship between small retail firm resources and performance is negatively moderated by the perception of the degree of environmental hostility.
Hypothesis 5c	In small retail firms the relationship between strategic orientation and performance is moderated by the perception of the degree of environmental hostility.
Hypothesis 5d	In small retail firms the relationship between strategic planning capability and performance is moderated by the perception of the degree of environmental hostility.
Hypothesis 5e	In small retail firms the relationship between entrepreneurial orientation and performance is moderated by the perception of the degree of environmental hostility.
Customer orientation	
Hypothesis 6a	The performance of small retail firms is positively related to customer orientation.
Hypothesis 6b	In small retail firms the relationship between resources and performance is positively moderated by customer orientation.
Hypothesis 6c	In small retail firms the relationship between strategic orientation and performance is moderated by customer orientation.
Hypothesis 6d	In small retail firms the relationship between strategic planning capability and performance is moderated by customer orientation.
Hypothesis 6e	In small retail firms the relationship between entrepreneurial orientation and performance is moderated by customer orientation.

The hypotheses encompass the primary relationship between the independent (firm resources) and dependent (firm performance) variables; the impact of mediating (strategic orientation, strategic planning capability, entrepreneurial orientation) and moderating (customer orientation, environmental hostility) variables, as well as secondary relationships between these variables. These relationships are illustrated in the proposed conceptual model, which is discussed in the following section.

3.6 | Proposed conceptual model

On the basis of the hypotheses proposed throughout this chapter, a conceptual model for the study has been developed and is presented in Figure 3.1. The model depicts the main components of the research – the independent variable, mediators, moderators, and the dependent variable. The model illustrates the relationship between the independent variable (resources) and the dependent variable (firm performance), as well as conceptualising the mediating effect of three factors (strategic orientation, strategic planning capability, entrepreneurial orientation) and the moderating effect of two factors (environmental hostility and customer orientation) on the relationship between the independent variable and the dependent variable.

Figure 3.1 | Proposed conceptual model



3.7 | Chapter summary

As noted in Chapter Two, whilst research in the retailing area is wide-ranging, there is a distinct lack of focus on small retailers. The aim of Chapters Two and Three has been to illustrate the scarcity of research, particularly large-scale empirical studies, in the field of small retailer resources, performance, and the other factors influencing small firm retailing. This chapter provided a discussion of small retailer resources and performance, as well as a detailed review of the extant literature on some of the factors influencing the relationship between firm resources and performance: strategic orientation, strategic planning capability, entrepreneurial orientation, environmental hostility, and customer orientation. The chapter concluded with a summary of the hypotheses proposed in the study and a presentation of the conceptual model for the research. The thesis now proceeds with Chapter Four, which provides a detailed explanation of the methodology used in the study.

CHAPTER 4 | METHODOLOGY

4.1 | Introduction

The objective of this chapter is to provide a detailed discussion of the methodology used in the study. The chapter commences with the research approach, which is followed by details of the sample frame and characteristics, a description of the survey instrument, and the procedure for data collection. Issues of common method bias are then presented. The chapter concludes with a discussion of the ethical considerations of the study.

4.2 | Research approach

As discussed earlier, the aims of the study are to uncover which resources are important for small retail firm performance, and to examine the nature of the relationship between resources and performance through extending understanding of the effect of three mediating factors (strategic orientation, strategic planning capability and entrepreneurial orientation) and two moderating factors (environmental hostility and customer orientation).

The study exhibits both *descriptive* and *explanatory* research characteristics. The research purpose is *descriptive* in that it commences with the study of a well-defined subject, and concludes with an accurate and detailed picture of the particular subject (Neuman, 2004). However, the research can also be described as *explanatory*. The study proposes to test, elaborate, and extend theory (in this case, R-A theory) (Neuman, 2004), as well as linking small retail firm issues with R-A theory. Further, the research approach is deductive, drawing on existing theory and literature (Babbie, 2012; Neuman, 2004). Using R-A theory (a meso-level theory), the study commences with an overall theoretical framework to develop and test hypotheses and subsequently provides concrete empirical evidence.

Consistent with the descriptive purpose of the research, the study adopted a cross-sectional approach by examining a collection of people (owner/managers of small retail firms) at a single point in time. This 'snapshot' approach was not designed to capture particular processes of change, so it is therefore suitable for providing a detailed analysis of a large-scale study of small retail firms (Tharenou, Donohue & Cooper, 2007). A quantitative data collection method was used in the form of a self-administered survey mailed to a population comprising all small retail firms trading in Tasmania.

In a broader sense, this research adopts a positivist epistemology. Using this view, the phenomenon under investigation can be studied within knowable degrees of certainty (Carson, Gilmore, Perry & Gronhaug, 2001; Jean Lee, 1992; Long, White, Friedman & Brazeal, 2000; Neuman, 2004). Using the concepts of reliability, validity and statistical significance, positivist research attempts to describe and confirm the reality of the particular phenomenon with a high degree of certainty (Hanson & Grimmer, 2007). Positivism assumes that science quantitatively measures phenomena, and that data, and the analysis of data, are value-free (Healy & Perry, 2000). Positivism promulgates the notion that observation and measurement are at the heart of the scientific endeavour (Krauss, 2005). The positivist approach is traditionally used in the physical sciences, as well as in many fields within the social sciences (for example, psychology and economics), and researchers adopting a positivist approach acknowledge that while there will be caveats on the certainty of reality, reality can nevertheless be described to some extent (Cohen, 1992, 1994; McClelland, 1997; Nancarrow, Barker & Tiu Wright, 2001). A positivist approach values replication, and the study utilises a number of pre-existing scales and typologies in order to repeat components of previous studies and replicate findings where relevant. In addition, the data collection method (a self-report survey) represents a nomothetic approach, that is, the study attempts to examine what is, or may be, generally true across a collection of cases or subjects (Babbie, 2012).

4.3 | Sample frame and characteristics

The population for the study was all small retail firms throughout Tasmania, Australia. The sample frame used in the study comprised small retail firms listed in the Tasmanian *Yellow Pages* (both the hard copy version and the online listing which is updated in 'real time'). In Australia, the *Yellow Pages* business directory provides the most accurate listing of businesses under occupationally related headings (Burton & Wilson, 1999). In Tasmania, every business or organisation with a landline telephone is automatically included in the directory. Therefore, in the absence of any other formal list (or database) of small retailers, *Yellow Pages* business entries were used to create a comprehensive small retailer database.

This information thus formed the basis for a census of all known small retail firms (operating at the time of data collection) in Tasmania.

Three criteria were used to confirm both the target population and the subsequent sample: the retail business had to be a ‘bricks and mortar’ store; the retail business had to be *small*, that is, employing less than 20 staff (in accordance with the ABS classification of small business: ABS, 2012), and the retail business had to be ‘independent’ (that is, not be part of a national group, national chain, national buying group or franchise). The owner/manager was selected as the key informant to complete the survey.

Using *Yellow Pages* data, 2,013 small retail firms were identified in Tasmania as meeting the criteria for inclusion in the study. Firms were mailed the survey package (see Section 4.6). There were 322 packages returned as ‘undeliverable’, resulting in 1,691 survey packages putatively delivered to potential respondents. In total, 401 completed surveys were received, providing a response rate of 23.7 per cent. According to Woodside (2014), an acceptable response rate for SME surveys is considered to be 15 per cent (+/- 4). Noting that SME researchers are frequently challenged by a reluctant population and low response rates (Billesbach & Walker, 2003; Dennis, 2003; Newby, Watson & Woodliff, 2003), the response rate of this study of almost 24 per cent is thus very satisfactory, and the findings can therefore be considered generalisable across the population of interest. There were 17 returned surveys which were unusable (5 firms operated via the internet only; 12 reported 20 or more employees), leaving a final usable sample of 384 small retail firms.

Respondents were asked to classify their retail business according to one of the nine Australian and New Zealand Standard Industry Classification (ANZSIC) retail sector classification codes (ABS, 2013b). In terms of retail classification (see Table 4.1), the three largest sectors to respond were pharmaceutical and other store-based retailing at 18.75 per cent, recreational goods retailers at 17.45 per cent, and clothing, footwear and personal accessories retailers at 16.67 per cent. Only 1.04 per cent of respondents did not answer this question.

Table 4.1 | ANZSIC retail classification codes

ANZIC retail classification code	*n*	*%*
Supermarket and grocery store	24	6.25
Specialised food retailing	53	13.80
Furniture, floor covering, house wares and textiles	52	13.55
Electrical, electronic and gas appliances	8	2.08
Hardware, building and garden supplies	38	9.89
Recreational goods	67	17.45
Clothing, footwear and personal accessories	64	16.67
Department store	2	0.52
Pharmaceutical and other store-based retailing	72	18.75
No response	4	1.04
Total	*384*	*100.00*

The mean number of years in operation was 23.2 years, and the median was 18 years. Only a small proportion of respondents (3.65 per cent) had been in business less than two years, and 2.08 per cent did not respond (see Table 4.2).

Table 4.2 | Age of business

Age of business	*n*	*%*
Less than 2	14	3.65
2-5	49	12.77
6-15	115	29.94
16-25	80	20.83
26-50	91	23.69
51 and over	27	7.04
No response	8	2.08
Total	*384*	*100.00*

The mean number of employees (full time, part time and casual combined) was 4.22, the median was 3, and 12 per cent of respondents operated with no additional staff apart from the owner/manager. Micro-businesses, that is, businesses with less than five employees, accounted for 67.19 per cent of the sample (see Table 4.3).

Table 4.3 | Size of business

Size of business	*n*	*%*
Micro (less than 5 employees)	258	67.19
Small (5 to 19 employees)	126	32.81
Total	*384*	*100.00*

In terms of number of stores associated with the retail business (see Table 4.4) most respondents (92.19 per cent) operated only one store.

Table 4.4 | Number of stores

Number of stores	*n*	*%*
1	354	92.19
2	24	6.25
3	6	1.56
Total	*384*	*100.00*

Just over half (52.61 per cent) of the respondents indicated their location as a freestanding shop (see Table 4.5), and approximately a third (31.25 per cent) as a shopping strip. There were 7.03 per cent of respondents who reported their location as 'other' and provided the following additional information: factory outlet (5), shop attached to residence (5), warehouse (4), part of a visitor centre (3), landscape or quarry yard (2), antiques centre (1), concession (1), garden centre (1), pro shop at a golf club (1), shed on an industrial estate (1), workshop (1), part of an arts precinct (1), and part of a commercial centre (1). Only 0.52 per cent of respondents did not answer this question.

Table 4.5 | Store location

Store location	*n*	*%*
Managed shopping centre (indoor or outdoor)	24	6.25
Shopping mall	9	2.34
Shopping strip	120	31.25
Freestanding shop	202	52.61
Other	27	7.03
No response	2	0.52
Total	*384*	*100.00*

Using the postcode for their store location/s (see Table 4.6), 70.10 per cent of respondents were located in an urban area, 27.21 per cent in a rural area, and 2.69 per cent did not respond.

Table 4.6 | Store postcode

Store postcode	*n*	*%*
Urban	286	70.10
Rural	111	27.21
No response	11	2.69
Total	*408*	*100.00*

NOTE Some respondents reported postcodes for more than one store.

4.4 | Survey instrument

The study utilised a four-page survey which was printed double-sided on A3 paper and folded into A4 size. The intent of the survey design, as well as capturing the variables of interest, was to limit the overall length of the survey in order to increase likely response rates (see Section 4.6). The survey consisted of 18 questions (some with multiple sub-questions) divided into sections as follows (as per version one of the survey – see Section 4.6 and Appendix A):

- questions 1 to 5 and 18 related to descriptive information about business characteristics;
- questions 6, 9, 10 and 11 related to firm resources;
- question 13 related to strategic orientation;
- questions 7, 8 and 12 related to strategic planning capability;
- question 15 related to entrepreneurial orientation;
- question 16 related to environmental hostility;
- question 14 related to customer orientation, and
- question 17 related to firm performance.

In order to capture this information, a number of measures were used, the details of which are discussed in the following sub-sections.

4.4.1 | *Small retail firm description variables*

In order to describe the sample of retail firms studied, several questions were asked which related to firm characteristics. Retail businesses in different retail sectors, and of different age, size, format, and location, may potentially exhibit different organisational and environmental characteristics, which in turn have an influence on firm performance

(Wiklund & Shepherd, 2005). To determine the retail firm's retail sector, respondents were asked to select one group (sector) from a choice of nine ANZSIC codes. Respondents were then asked how many years the business had been trading, which was used to determine firm age. Questions followed on how many staff were employed in the business, and how many store outlets the business used. Respondents were finally asked two questions to determine store location. These questions are described in more detail as follows.

4.4.1.1 | Retail classification

As stated above, in order to group and classify retail sectors, the study utilised the ANZSIC system which is used by the ABS to assist in the production and analysis of industry statistics in Australia and New Zealand. The ANZSIC system is also now designed to align (as far as possible) with the International Standard Industrial Classification of All Economic Activities (ISIC) (ABS, 2013b). This means that studies conducted in Australia (and New Zealand) using the ANZSIC classification system may be compared with similar international studies using the ISIC classification system, allowing researchers to compare and contrast findings between and within the retail industries from various countries.

The ANZSIC system utilises a four-level structure consisting of divisions (broadest level), subdivisions, groups, and classes (finest level). At the division-level there are 19 divisions. The study focuses on division 'G', retail trade, which is further divided into five subdivisions:

39 Motor vehicle and motor vehicle parts retailing
40 Fuel retailing
41 Food retailing
42 Other store-based retailing
43 Non-store retailing and retail commission-based buying and/or selling

This study focuses on two subdivisions: 41-food retailing and 42-other store-based retailing. These are the largest retail trade industry subdivisions and cover a wide range of small retailers. The remaining subdivisions, motor vehicle sales, fuel sales, and non-store retailing and commission-based buying and/or selling, are generally businesses in Australia and New Zealand that are operated by larger firms (national and/or international) or they are businesses that do not meet the criteria (outlined earlier) to be classified as a 'retailer' for the purposes of this research. Using the ANZSIC system, the two subdivisions are further divided into groups and respondents were asked to indicate (from a choice of nine retail groups) which single group was *most* applicable to their business:

411 Supermarket and grocery store;
412 Specialised food retailing;
421 Furniture, floor covering, house wares and textiles;
422 Electrical, electronic and gas appliances;
423 Hardware, building and garden supplies;
424 Recreational goods (including sport and camping equipment, entertainment media, toys and games, newspapers and books and marine equipment);
425 Clothing, footwear and personal accessories (including watches and jewellery);
426 Department store, and
427 Pharmaceutical and other store-based retailing (including cosmetics, toiletries, stationery, antiques and used goods, flowers and other store-based retailing).

For the purposes of this research, the study did not utilise the fourth 'class' level; this level finely separates each group into very specific retail offerings (for example, group 412- specialised food retailing, is further divided into fresh meat, fish and poultry retailing, fruit and vegetable retailing, liquor retailing, and other specialised food retailing). This level of detail was considered to provide too many specific choices, particularly for many small retailers who trade across these class-level offerings (for example, 'corner stores' may sell fruit and vegetables, liquor, meat and fish). The group level, on the other hand, provided an appropriate depth of description of the retail 'type' for respondents to easily select a code that covered the *majority* of their retail activity.

4.4.1.2 | Firm age, size and location

Respondents were asked to nominate the length of time (in years) the business has operated. They were then asked two questions to determine the size of their business. The first question asked how many staff were employed in the business on a full-time, part-time, and/or casual basis; the second question asked how many stores the business had.

Respondents were asked two additional questions about store location. The first question asked about the type of store format/location from a choice of five (managed shopping centre, shopping mall, shopping strip, freestanding shop, or other); the second question asked respondents to indicate the postcode/s of their store/s.

4.4.2 | *Small retail firm resources*

As discussed in Chapters Two and Three, R-A theory categorises firm resources as relational, informational, physical, financial, legal, human, and organisational. For the purposes of the study, respondents were asked to rate the importance of these resources to their firm.

4.4.2.1 | Relational resources

Relational resources, consisted of sales promotions (e.g., free gifts, discounts), customer loyalty programs, special marketing and sales events, contacting customers regarding upcoming sales, special promotions, and public relations activities (e.g., sponsorship, community involvement). These resources were measured using an index adapted from McDaniel & Kolari (1987) and Megicks (2001). Items in this scale were measured using a seven-point Likert scale and respondents were asked to indicate the importance of each resource to the success of their business from *not at all important* to *very important*.

4.4.2.2 | Informational resources

Informational resources, consisted of computerised sales systems, stocking recognised brands, computerised customer information systems, keeping up to date with industry trends, monitoring competitors, sales via a store website, social networking (e.g., Facebook, Twitter), a website presence (with or without cart facilities). These resources were also measured using an index adapted from McDaniel and Kolari (1987) and Megicks (2001). Items in this scale were measured using a seven-point Likert scale and respondents were asked to indicate the importance of each resource to the success of their business from *not at all important* to *very important*.

4.4.2.3 | Physical resources

Physical resources consisted of store atmospherics (e.g., layout, lighting, music, décor), carrying a wide range of products and lines, merchandising and display (in-store and window), and store brand image (e.g., signage, carry bags). Again, these resources were measured using an index adapted from McDaniel and Kolari (1987) and Megicks (2001). Items in this scale were measured using a seven-point Likert scale and respondents were asked to indicate the importance of each resource to the success of their business from *not at all important* to *very important*.

4.4.2.4 | Financial resources

To measure financial resources, respondents were asked to rate how satisfied they were with their level of *access* to financial capital, using a single item measure from Wiklund and Shepherd (2005). For many concrete constructs in business research, there is no difference in the predictive validity between single item measures and multiple item measures (Bergkvist & Rossiter, 2007; Rossiter, 2002). If the object can be conceptualised as concrete and singular, multiple measures are not required and a single measure may be used. Thus respondent satisfaction with access to financial capital was measured on a seven-point semantic differential scale, anchored by *insufficient, and a great impediment to our development* and *fully satisfactory, for the firm's development.*

4.4.2.5 | Legal resources

Legal resources (consisting of trademarks, patents and licences) are not readily available or applicable in a small retail context, and therefore not utilised by small retailers (Quinn et al., 2013; Reynolds & Hristov, 2009). As a result of feedback from the pre-test component of the study (see Section 4.5), a measure for legal resources was not ultimately used in the survey.

4.4.2.6 | Human resources

Human resources consisted of the skills, expertise, and know-how of the owner/manager, relationships that employees and the owner/manager have built with suppliers, and the overall skills, creativity, and know-how of non-management employees of the retail business. These resources were measured using an index adapted from Galbreath and Galvin (2008). Items in this scale were assessed using a seven-point Likert scale and respondents were asked to indicate how each resource impacted their business from *no impact* to *high impact*.

4.4.2.7 | Organisational resources

Organisational resources consisted of shared organisational values, beliefs, attitudes and behaviours (the business culture), and the reputation of the retail business in the marketplace. Measurement was also undertaken using an index adapted from Galbreath and Galvin (2008). Items in this scale were assessed using a seven-point Likert scale and respondents were asked to indicate how each resource impacted their business from *no impact* to *high impact*.

4.4.3 | *Strategic orientation*

The strategic orientation of each firm was measured using the Miles and Snow (1978) strategic typology, as adapted for use in a retail setting by Moore (2005). The Miles and Snow (1978) typology classifies organisations into one of four strategic types – analyser, defender, prospector, or reactor – based on the organisation's response to the competitive environment (Moore, 2005). As discussed in Chapter Three, Moore (2005) adapted the 25-item Segev (1987a) scale which was specifically designed to measure the Miles and Snow (1978) strategic types. Moore (2005) selected the original Segev (1987a) scale over the Snow and Hrebiniak (1980) self-typing scale because it provided a multiple-item approach rather than a nominal self-typing approach. As such, the Segev (1987a) measure uses an interval scale which provides greater flexibility for statistical analysis (Moore, 2005), versus the nominal scale typology presented by Snow and Hrebiniak (1980). Moore's (2005) original adapted scale comprised 23-items but it was reduced to a 14-item scale as a result of poor loadings or cross loadings over a number of iterations (Moore, 2005). The scale used in the study comprised the 14-items adapted by Moore (2005) (see Appendix A, Question 13). Respondents were asked to rate their business orientation across items on a seven-point scale, from *does not describe my business at all* to *describes my business very well*.

4.4.4 | *Strategic planning capability*

As discussed in Chapter Three, the most common methodological approach to measure formal planning is the Guttman (1944) scaling procedure. This method provides a number of alternative descriptions of planning activities. Given that the number and detail of survey questions was purposefully limited by the overall length of the survey, it was deemed appropriate to instead use a simpler measure to determine how many retailers undertake planning (strategic and marketing) activities. Using a similar approach to planning studies (discussed in Chapter Three), which categorised firms as 'planners' (formal) or 'non-planners' (informal) (for example, Fulmer & Rue, 1974; Herold, 1972; Kraus et al., 2006; Mazzarol, 2001; Rue & Ibrahim, 1996; Thune & House, 1970), respondents were asked three questions to indicate whether or not the business engaged in strategic and/or marketing planning (see Appendix A, Questions 7, 8 and 12).

4.4.5 | *Entrepreneurial orientation*

Entrepreneurial orientation was measured using an eight-item scale adapted from Covin and Slevin (1989) for the retail industry. The Covin and Slevin (1989) scale includes items from Miller and Friesen (1983) and Khandwalla (1976/77), as well as four original items added by the authors. The items are of a semantic differential format, with pairs of opposite statements assessed on seven-point scales. As a result of feedback from the pre-test interviews with key informants, one item was eliminated from the original Covin and Slevin (1989) nine-item scale. The item related to decision-making situations involving uncertainty. The final scale used in the study therefore constituted eight items (see Appendix A, Question 15) measuring the extent to which small retailers are innovative, proactive and risk-accepting. As discussed in Chapter Three, an eight-item reduced Covin and Slevin (1989) scale has been used previously in other studies (for example, Kreiser et al., 2002).

4.4.6 | *Environmental hostility*

Perceptions of environmental hostility (the level of hostility *outside* the business) were measured using a three-item, seven-point Likert-type scale, adapted from the original measure developed by Khandwalla (1976/77), and subsequently used by other researchers (Covin & Slevin, 1989; Kean et al., 1998). The items are worded as semantic differential statements and assessed on a seven point scale. For the study, questions were slightly modified to suit the retail context, and respondents were asked to characterise the level of environmental hostility in their trading environment across three dimensions measuring perceptions of firm survival, investment opportunities, and level of business control (see Appendix A, Question 16).

4.4.7 | *Customer orientation*

Customer orientation was measured using the ten-item SOCO (selling orientation, customer orientation) scale developed by Thomas et al. (2001) (see Appendix A, Question 14). As discussed in Chapter Three, this scale is a reduced version of the original 24-item SOCO scale developed by Saxe and Weitz (1982). Thomas et al. (2001) found that the original 24-item scale could be reduced to ten items and still maintain dimensionality and consistency. The reduced scale was deemed appropriate for the study given the restrictions on the number of questions for the survey. Respondents were asked to indicate on a nine-point scale (ranging from *none* to *all*), the proportion of customers with whom they interact in certain ways. Although all ten items were asked in the survey instrument, only the five items relating to customer orientation were ultimately used.

4.4.8 | *Firm performance*

The study's dependent variable was firm performance. As discussed in Chapter Three, some studies examining small retail firm performance have shown that comparatively assessed performance evaluations are more effective than non-comparative assessments (for example, Conant & White, 1999), while other studies have indicated that this method of performance measurement results in diminished disclosure rates (Chandler & Hanks, 1993). As a consequence of the feedback from the pre-test retailers, the measure used in the study was a non-comparative measure. Feedback suggested that many small retailers were not at all familiar with the financial performance of their competitors, and because they now also faced competition from online stores it was even more difficult to make assumptions about the success of their business compared with other small retailers. In addition, as discussed in Chapter Three, small firm financial data is not available publicly; it was therefore considered appropriate to seek semi-objective data. For these reasons, firm performance was assessed using a semi-objective, self-report, non-comparative measure. The anonymity aspect of the survey was also designed to encourage respondents to provide financial information (in order to measure performance), and to increase the overall response rate for the survey. Based on prior research utilising firm performance categories (for example, Begley & Boyd, 1987; Chandler & Hanks, 1993; Chandler & Jansen, 1992; Cragg & King, 1988), firm performance was measured using a single item which asked respondents to indicate their firm's average annual sales turnover (AAST) over the past three years from one of six options (ranging from *Under $50,000* to *Over $1,000,001*).

4.5 | Pre-test

The survey instrument was pre-tested on a group of small Tasmanian retailers (*n*=10); the sample was diverse in terms of firm size, firm age, industry and location. Each retailer was initially contacted about the research and their willingness to participate in the pre-test stage. Participants were than mailed a pre-test cover letter on University of Tasmania letterhead (see Appendix B) and a sample survey to complete (half of the participants were mailed version one of the survey, and the other half were mailed version two, see Section 4.6). The letter included a reference to implied consent through participation. Following the return of completed surveys, the investigator then conducted informal feedback sessions with respondents about their ability to comprehend and complete the survey, the logic of the survey items, as well as confirming the time taken to complete the survey.

Feedback from respondents resulted in very minor changes to the final version: an additional category – 'casual' – was added to the business size question; one of the items measuring entrepreneurial orientation was removed due to ambiguity/lack of comprehension, and items measuring 'legal' resources were removed as small retail firms rarely use patents or licences and these items were not considered applicable to the study. The survey was revised and the final version was then re-administered to a small number (*n*=4) of the original respondents prior to the first mail-out. No further modifications were deemed necessary.

4.6 | Procedure

For data collection, the survey was mailed to all potential respondents. In order to maximise the response rate, a variety of standard approaches were employed, including:

- a relatively short survey (Jobber & Saunders, 1993; Yammarino, Skinner & Childers, 1991);
- a cover letter with university sponsorship (Faria & Dickinson, 1992, 1996; Greer & Lohita, 1994; Schneider & Johnson, 1995);
- the assurance of anonymity (Futrell & Hise, 1982; Kanso, 2000; Tyagi, 1989);

- personalisation (Dillman, 2000; Kanso, 2000; Martin, Duncan, Powers & Sawyer, 1989);
- the inclusion of a stamped, addressed return envelope (Dillman, 2000; Jobber, 1986, 1989; Jobber & O'Reilly, 1998; Yammarino et al., 1991);
- non-monetary incentive (in this instance the offer of a summary of the study's findings for participants requesting a copy) (Angur & Nataraajan, 1995; Faria & Dickinson, 1992; Hansen, Tinney & Rudelius, 1983);
- follow-up (Green, Boser & Hutchinson, 1998; Greer, Chuchinprakam & Seshardi, 2000; Jobber, Allen & Oakland, 1985; Jobber & Sanderson, 1983; Martin et al., 1989; Swan, Epley & Burns, 1980; Yammarino et al., 1991; Westhead & Cowling, 1998), and
- a 'user-friendly' survey design and format (LaGarce & Kuhn; 1995).

The survey package therefore included: a relatively short survey (printed double-sided on A3 size paper and folded into A4 size), and a personalised cover letter (see Appendix C) on sponsor (University of Tasmania) letterhead explaining the importance of the study for small retailers and the retail industry in general, as well as outlining an incentive in the form of the offer of a summary of the findings, the promise of anonymity of responses for all participants, and a pre-addressed reply paid envelope. Participants who were interested in receiving a summary of the study's findings were asked to email the researcher independently from their survey return which assured survey response anonymity. Only a small number (*n*=9) of respondents indicated their interest in the incentive.

Two different item formats (or versions) of the survey were used to minimise the likelihood of any item-context effects, for example, as a result of priming due to item order (Feldman & Lynch, 1988; Podsakoff, MacKenzie, Lee & Podsakoff, 2003; Wainer & Kiely, 1987). Wainer and Kiely (1987, p. 187) suggest item-context effects 'refer to any influence or interpretation that a subject might ascribe to an item solely because of its relation to the other items making up an instrument'. Counterbalancing item order is also considered a procedural remedy for common method bias (Podsakoff et al., 2003) (see also Section 4.7). A broadly equivalent usable number of each version of the survey were returned – 197 copies (51.3 per cent) of version one and 187 copies (48.7 per cent) of version two.

The survey package was initially mailed out on 12 February 2013 to 2,013 small retail firms in Tasmania. Using the database compiled from the Tasmanian *Yellow Pages*, retail firms were sorted alphabetically. The first half were sent version one of the survey, and the second half were sent version two of the survey. Due to the anonymous nature of the survey, the second mailing was sent again to all retailers in the database (minus those that had been returned as undeliverable in the interim). The follow up package was mailed two weeks later on 27 February 2013 and contained a reminder letter (see Appendix D) with an additional copy of the survey and a pre-addressed reply paid envelope.

4.7 | Methodological considerations

In order to ensure the study, which utilised a self-report survey, was developed and administered appropriately, issues regarding common method bias were considered. 'Method variance' (see Campbell & Fiske, 1959) is the variance attributed to the specific method used to collect data. It is argued that such variance may lead to spurious conclusions about the significance of effects which in reality may simply be attributable to data being collected in a similar manner; hence the term 'common method bias' (Podsakoff et al., 2003). The issue is a complex one, and there is a lack of consensus on the existence of common method bias, its effect on observed relationships among variables, and on ways of dealing with the problem (Spector & Brannick, 2010). Self-report surveys are most commonly the subject of concern about the effect of common method variance on results, and a number of methods have been proposed to either control method variance or to show it has little effect on results (Spector & Brannick, 2010). Some scholars (for example, Pace, 2010; Spector, 1987, 2006; Spector & Brannick, 1995) argue that the effect of common method variance is exaggerated given there is little evidence that method alone is responsible for measurement variation. Others, for example Podsakoff et al. (2003) – in one of the most cited articles in the field of behavioural research – are more pragmatic and instead comprehensively review potential sources of method bias and the procedural and statistical techniques available to control method bias in different types of research settings.

Brannick, Chan, Conway, Lance and Spector (2010) state that method variance should be addressed in the planning stages of a study, rather than accounted for at the data analysis stage when a satisfactory solution may not exist. This study attempted to address issues of common method bias during the planning/procedural stage. As discussed earlier in this chapter, counterbalancing of item order was undertaken as a procedural remedy (Podsakoff et al., 2003). Anonymity of response, used to counter possible social desirability (Milfont, 2009), is also a procedural remedy for common method bias. This study also made use of different wording in scales across constructs (Ernst, Hoyer, Krafft & Krieger, 2011). For example, for physical resources, the wording was *not at all important/very important*; for organisational resources, the wording was *no impact/high impact*; for financial resources the wording was *insufficient, and a great impediment to our development* to *fully satisfactory for the firm's development*; for strategic orientation the wording was *does not describe my business at all* to *describes my business very well*, and for customer orientation the wording was *none* to *all*. In this way, common method bias, to the extent that it may have had an effect, was countered at the design stage of the research.

4.8 | Ethical considerations

The study was approved through the University of Tasmania's Human Ethics Research Committee (approval number H0012815) (see Appendix E). The cover letter included in each survey package highlighted the fact that participation was voluntary, and that the survey was designed to be completed anonymously. The letter also included instructions for completing and returning the survey (using the enclosed pre-addressed reply paid envelope). Potential participants were assured of confidentiality and anonymity throughout the survey process, and provided with the contact details of the researchers if they had questions or concerns about the research. No contact was received by the researchers in this regard. In addition, no issues were raised with the University's Human Ethics Research Committee by those approached to participate in the study, nor by any of the eventual participants in the study.

4.9 | Chapter summary

This chapter commenced with a discussion of the approach to the research, then followed with a presentation of the major components of the research design – the sample frame and characteristics, the survey instrument and the procedure. The chapter continued with a discussion of issues of common method bias, as well as a section addressing the ethical considerations of the study. The thesis now proceeds with Chapter Five which provides the results of the data analysis and hypothesis testing.

CHAPTER 5 |ANALYSIS AND RESULTS

5.1 | Introduction

This chapter presents the results of the data analysis. The chapter starts with an explanation of the data preparation undertaken, and the results of preliminary analyses, including tests for reliability, convergent and discriminant validity. This is followed by presentation of the analyses undertaken to test the proposed hypotheses. The chapter concludes with a table summarising the results of the hypothesis testing.

5.2 | Data preparation and preliminary analyses

In order for the data to be analysed, scores were developed for each of the variables in the conceptual model outlined in Chapter Three. The specific survey questions relating to each variable were explained in Chapter Four. Two of the variables – access to financial capital (one of the firm resources) and firm performance (measured as average annual sales turnover) – were measured using a single item only and so no further data processing, and no internal consistency or reliability assessment, was required. Observation of the distribution for firm performance revealed only 22 respondent firms indicating an average annual sales turnover of up to $50,000. This was therefore collapsed with the $50,001 to $100,000 range, resulting in five response options (versus the original six) of relatively equivalent size. For the strategic planning capability variable – which consisted of three items asking whether the firm had a formal strategic plan, a formal marketing plan, and a marketing budget – a score was obtained by the addition of the number of *yes* responses across these items. No internal consistency assessment was required for strategic planning capability as no internal consistency was expected for the three items.

For the remainder of the variables, which all consisted of multi-item scales, relevant items were initially factor analysed, using principal component extraction and varimax rotation, to explore their underlying dimensionality. While confirmatory factor analysis can also be used for this purpose, concerns have been raised that this method does not actually confirm a particular structure to the exclusion of other potentially better fitting structures (Breckler, 1990; Tomarkin & Waller, 2003, 2005). Factor loadings, as well as Cronbach's alpha scores, are shown in Table 5.1. The table illustrates that informational resources (as described in

Section 4.4.2.2 of Chapter Four) split into two factors. As a result, this firm resource was divided into two variables – informational (business) resources (computerised sales system, stocking recognised brands, computerised customer information system, keeping up to date with industry trends, and monitoring competitors), and informational (web) resources (sales via store website, social networking, and website). Human resources and organisational resources items (as described in Sections 4.4.2.6 and 4.4.2.7 in Chapter Four) loaded on one factor only, and so these two firm resources were combined into one variable: human and organisational resources.

Factor analysis of the strategic orientation items, which were based on the Miles and Snow (1978) strategic typology, did not support the purported classification of four strategic types, that is, prospector, defender, analyser, and reactor. As recommended by Fabrigar, Wegener, MacCallum and Strahan (1999), parallel analysis was conducted to ascertain the most suitable number of factors to extract. Parallel analysis seeks to determine the number of eigenvalues above the 95th percentile in a random distribution of eigenvalues of the same dimensions as the one under consideration; thus, an indication of the 'significance' of a factor structure is provided. This process revealed that there were only two meaningful factors to extract: one representing a prospector orientation, and the other representing a combined defender/analyser orientation. There was no support for a reactor orientation (as is consistent with a number of previous studies, for example, Hambrick, 1982, 1983b; McDaniel & Kolari, 1987; Matsuno & Mentzer, 2000; Zahra & Pearce, 1990), and so this strategic orientation was excluded from further analysis.

Table 5.1 | Factor loadings and Cronbach's alphas for each multi-item variable

Scale Items	Factor loadings	α
Relational resources		0.79
Sales promotions (e.g., free gifts, discounts)	0.75	
Customer loyalty program	0.74	
Special marketing and sales events	0.82	
Contacting customers regarding upcoming sales, special promotions, etc.	0.75	
Public relations activities (e.g., sponsorship, community involvement etc.)	0.61	

Informational (business) resources		0.73
Computerised sales system	0.75	
Stocking recognised brands	0.64	
Computerised customer information system	0.69	
Keeping up to date with industry trends	0.73	
Monitoring competitors	0.68	
Informational (web) resources		0.72
Sales via store website	0.83	
Social networking (e.g., Facebook, Twitter, etc.)	0.69	
Website (with or without cart facilities)	0.87	
Physical resources		0.69
Store atmospherics (e.g., layout, lighting, music, décor)	0.74	
Carrying a wide range of products and lines	0.62	
Merchandising and display (in-store and window)	0.80	
Store brand image (e.g., signage, carry bags, etc.)	0.73	
Human and organisational resources		0.71
Shared organisational values, beliefs, attitudes and behaviours (the business culture)	0.58	
The skills, expertise, and know-how of the owner/manager	0.76	
Relationships that employees and the owner/manager have built with suppliers	0.77	
The overall skills, creativity, and know-how of non-management employees of the retail business	0.64	
The reputation of the retail business in the marketplace	0.80	
Entrepreneurial orientation		0.77
Emphasis on marketing tried and true products versus on R&D, technology and innovation	0.48	
No new product lines versus many new product lines	0.54	
Changes in product lines mostly minor versus usually quite dramatic	0.71	
Typically responds to actions which competitors initiate versus initiates actions which competitors follow	0.59	
Very seldom the first business to introduce new products and operations versus very often the first business	0.65	
Seeks to avid competitive clashes versus adopting a competitive posture	0.63	
Proclivity for low-risk projects (with normal/certain returns) versus for high risk projects (with chance of high return)	0.70	
Explores the market in a gradual, incremental manner versus taking wide-ranging action	0.71	
Strategic orientation (prospector)		0.86
Is an innovation leader in the retail industry	0.77	
Frequently moves into new markets	0.74	
Is known for being ‘first’ in the industry for developing new ways to retail	0.84	
Does not mind risking profits for developing new stores/formats	0.69	
Is a leader in developing new ways to retail	0.85	

Continuously adopts new technology	0.70	
Strategic orientation (defender/analyser)		0.65
Maintains a safe niche using a traditional store format	0.71	
Sticks with using current store type (format)	0.63	
Adopts industry innovations only after lengthy consideration	0.56	
Concentrates on improving current ways of retailing rather than developing new methods	0.63	
Focuses first on serving current customers and second on capturing new customers	0.51	
Researches only trends that impact the business directly	0.56	
Environmental hostility		0.78
Operates in a safe, little-threat versus a very risky environment	0.78	
Operates in an environment rich in investment and marketing opportunities versus a stressful, exacting, hostile environment	0.85	
Operates in a controllable, manipulable versus a dominating, competitive environment	0.87	
Customer orientation		0.80
I try to figure out what a customer's needs are	0.75	
A good salesperson has to have the customer's best interest in mind	0.72	
I try to bring a customer with a problem together with a product that helps him/her solve that problem	0.85	
I offer the product of mine that is best suited to the customer's problem	0.72	
I try to find out what kind of product would be most helpful to a customer	0.72	

NOTE α=Cronbach's Alpha.

For each of the multi-item variables, scores were subsequently obtained by averaging responses to the relevant items. Table 5.2 shows descriptive and more detailed reliability, convergent and discriminant validity statistics for each multi-item scale, as well as their inter-correlations. Each scale shows acceptable reliability, with Cronbach's alphas ranging from 0.65 to 0.86. The result for physical resources was just under the convention of 0.70 advocated by Nunnally (1978), but above the 0.60 argued for by Hair, Anderson, Tatham and Black (1998) when scales are newly used. The Cronbach's alpha for the defender/analyser strategic orientation was also below Nunnally's convention, and higher than that of Hair et al. (1998). In this case, as the scale had been used before (e.g., Moore 2005), the Hair et al. (1998) convention may not be as suitable and so some deterioration in the statistical power of the measure might be anticipated.

Table 5.2 | Convergent and discriminant validity

	Mean	SD	AVE	α	01	02	03	04	05	06	07	08	09	10	11	12	13
01 Relational	3.59	1.46	0.54	0.79	**0.74**												
02 Info(BIS)	4.02	1.40	0.48	0.73	0.54**	**0.70**											
03 Info(Web)	3.19	1.68	0.65	0.72	0.45**	0.30**	**0.80**										
04 Physical	4.24	1.21	0.53	0.69	0.43**	0.44**	0.32**	**0.72**									
05 Hum&Org	5.78	0.95	0.51	0.71	0.20**	0.32**	0.19**	0.35**	**0.71**								
06 MSProsp	3.32	1.36	0.59	0.86	0.37**	0.47**	0.38**	0.32**	0.21**	**0.77**							
07 MSDefAn	4.33	0.98	0.36	0.65	0.06	0.16**	-0.09	0.16**	0.27**	0.13*	**0.60**						
08 EntrOrient	4.12	1.01	0.40	0.77	0.24**	0.31**	0.30**	0.33**	0.18**	0.62**	0.05	**0.63**					
09 EnvHostil	4.09	1.28	0.70	0.78	0.11*	0.23**	0.11*	0.02	0.09	0.07	0.10	0.10	**0.83**				
10 CustOrient	8.17	0.96	0.75	0.80	0.13*	0.17**	0.20**	0.21**	0.37**	0.10	0.15**	0.19**	0.17**	**0.75**			
11 FinCapital	4.67	1.77	-	-	-0.07	0.03	-0.04	0.01	0.12*	0.01	0.02	0.05	-0.20**	-0.07	-		
12 PlanCap	0.92	1.09	-	-	0.25**	0.27**	0.20**	0.22**	0.16**	0.35**	0.01	0.21**	-0.02	0.09	0.04	-	
13 AAST	4.04	1.45	-	-	0.10	0.33**	-0.11*	0.08	0.13*	0.18**	0.14**	0.03	0.05	-0.10	0.11*	0.20**	-

*$p<0.05$, **$p<0.01$

NOTE SD=Standard Deviation; AVE=Average Variance Extracted; α=Cronbach's Alpha. Square roots of AVEs are reported in bold in the diagonal.

Convergent validity, which refers to the extent to which items measuring the same construct are related (Campbell & Fiske, 1959), can be further investigated by examining the Average Variance Extracted (AVE). This represents the overall amount of variance in the items accounted for by the underlying scale construct. Fornell and Larcker (1981) suggest using AVE as a more conservative measure of composite reliability than Cronbach's alpha, indicating that scores should fall above 0.50, that is, where the amount of variance explained by the scale construct is greater than the amount of variance due to chance. As can be seen in Table 5.2, informational (business) resources fell just below this cut off, but as the corresponding Cronbach's alpha was an acceptable 0.73, and the Factor Loadings were strong (0.64 and above), this was not considered to be a problem. The AVE for entrepreneurial orientation was lower, at 0.40. This scale also had an acceptable Cronbach's alpha (0.77), and reasonable Factor Loadings (0.48 to 0.71). However, some instability in the measure should be noted. The defender/analyser strategic orientation showed the lowest AVE of 0.36. With the Cronbach's alpha of 0.65, concern over the statistical power of the measure is reinforced, but there is some relief in observing the factor loadings, which are all acceptably above 0.51. Overall, the factor loadings for the multi-item scales, which ranged from 0.48 to 0.87, support the conclusion of convergent validity, with only some equivocation surrounding the defender/analyser orientation.

Discriminant validity amongst the multi-items scales was also determined. According to Campbell and Fiske (1959), assessment of discriminant validity is necessary, so as to determine whether measurements used that are theoretically unrelated, are indeed unrelated. Discriminant validity is indicated if the reliability indices for the scales are higher than the correlations between them (Fornell & Larcker, 1981; Ngo & O'Cass, 2009). This can also be seen by examining Table 5.2. Specifically, the square root of the AVE for each scale is larger than the correlations between that scale and each of the other scales. Thus, there is good discriminant validity between these scales.

Further preliminary analyses considered issues of item-context effects and non-response bias. As described in Chapter Four, two different versions of the survey were used to reduce the likelihood of item-context effects (for example, due to priming). Analysis of Variance (ANOVA) showed that survey format was not found to have a significant effect on any of the scale scores. Thus, item-context was not considered to be an issue. To detect any potential non-response bias, responses received from the first mail-out were compared with responses from the second mail-out (see Armstrong & Overton, 1977). This method, a form of trend analysis, assumes that later respondents in a sample will be similar to those who have not responded. There was found to be a difference between those responses received before and after the second mail-out on the environmental hostility scale only ($F(1,377) = 3.91$, $p=0.049$). Responses received after the second mail-out had lower perceptions of environmental hostility (a mean of 3.94 versus 4.20). While this might suggest that later responders were less concerned about the level of environmental hostility within which they operated, this result alone was not considered to indicate the existence of non-response bias in the data (Armstrong & Overton, 1977).

5.3 | Testing of hypotheses

This section presents, in turn, the results of the analyses conducted to test each hypothesis proposed for the study. This is organised over six subsections related to each group of hypotheses.

5.3.1 | *Small retail firm resources*

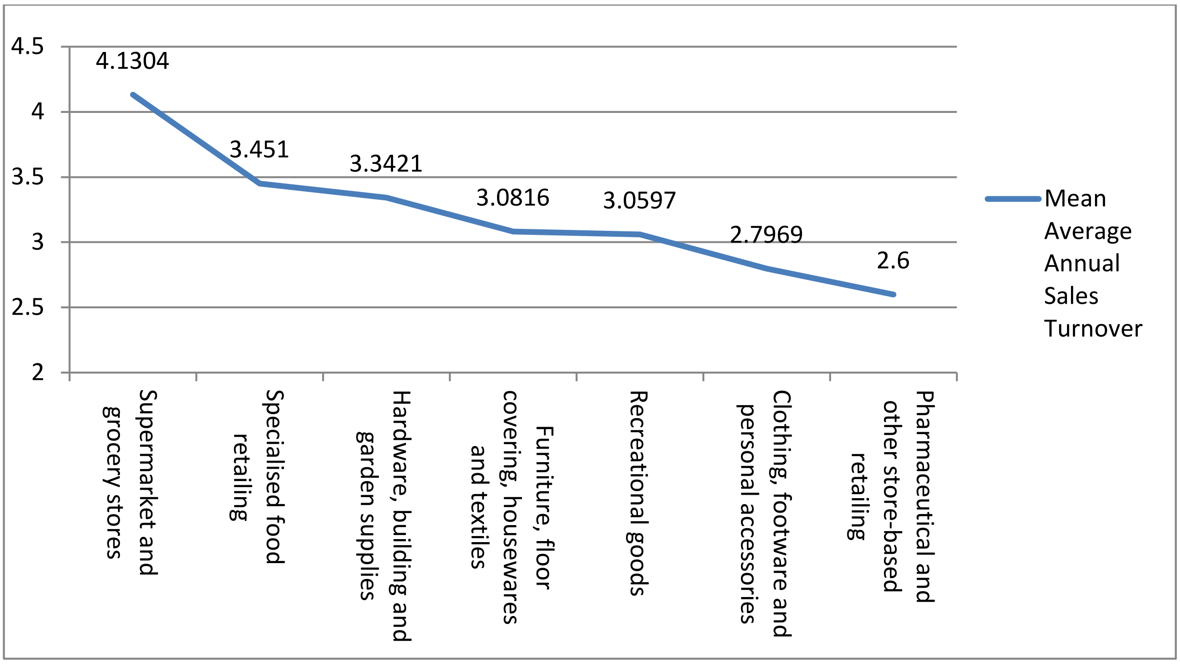
Data were initially analysed using the stepwise multiple regression procedure in SPSS Version 20. Stepwise multiple regression, in which the order of entry into the regression equation is established on empirical grounds (Hair et al., 1998), was chosen so as to determine the incremental contribution of each of the types of firm resources in predicting firm performance (average annual sales turnover).

Results showed that informational (business) resources was the first predictor entered, with an R-squared value of 0.11 ($F(1,318)=39.29$, $p<0.001$). This produced a beta weight of 0.33 ($t=6.27$, $p<0.001$) indicating a positive relationship between informational (business) resources and average annual sales turnover. Informational (web) resources was the second predictor entered, with an R-squared change value of 0.05 ($F(1,317)=19.39$, $p<0.001$). This produced a beta weight of -0.24 ($t=-4.40$, $p<0.001$) indicating a negative relationship between informational (web) resources and average annual sales turnover. Access to financial capital was the third predictor entered, with an

R-squared change value of 0.01 ($F(1,316)=4.08$, $p=0.044$). This produced a beta weight of 0.11 ($t=2.02$, $p=0.044$) indicating a positive relationship between access to financial capital and average annual sales turnover. No other predictors generated a significant increase to the R-squared value of the equation, thus, it can be deduced that human and organisational resources, relational resources, and physical resources did not predict average annual sales turnover. Overall, firm resources (informational (business) resources, informational (web) resources and access to financial capital) accounted for a significant 17.2 per cent of the variation in average annual sales turnover.

A one-way ANOVA was conducted to determine if there were any differences in average annual sales turnover amongst the firms across the various ANZSIC codes. In order to do this, two codes with only a small number of retail firms in the sample were removed (that is, electrical, electronic and gas appliances, and department stores). Results showed a significant difference between the seven remaining codes ($F(6,355) = 5.46$, $p<0.001$). As shown in Figure 5.1, the firms with the highest average annual sales turnover were in the supermarket and grocery store code, followed by the specialised food retailing code and the hardware, building and garden supply code. The lowest average annual sales turnover was the pharmaceutical and other store-based retailing code.

Figure 5.1 | ANZSIC codes and average annual sales turnover



Pearson correlations were performed to determine the relationship between firm age and the importance placed on each of the significant resources. Results showed a positive correlation between firm age and access to financial capital ($r(353) = 0.11$, $p<0.04$), and a negative correlation with informational (web) resources ($r(371) = 0.21$, $p<0.001$). No correlation was found between firm age and informational (business) resources ($r(367) = 0.01$, $p>0.05$). In this regard, older firms were more likely to rate access to financial capital as important, and younger firms were more likely to rate informational (web) resources as important.

5.3.2 | *Strategic orientation*

Data were again analysed using the stepwise multiple regression procedure in SPSS Version 20, in this case to determine the incremental effect of the different strategic orientations on predicting firm performance (average annual sales turnover). As stated in Section 5.2, there was no support for a reactor orientation, and so only the prospector and combined defender/analyser orientations were analysed.

Results showed that the prospector orientation was the first predictor entered, with an R-squared value of 0.03 ($F(1,359)=12.69$, $p<0.001$). This produced a beta weight of 0.19 ($t=3.56$, $p<0.001$) indicating a positive relationship between a prospector orientation and average annual sales turnover. The combined defender/analyser orientation was the second predictor entered, with an R-squared change value of 0.02 ($F(1,358)=6.53$, $p=0.011$). This produced a beta weight of 0.13 ($t=-2.55$, $p=0.011$) indicating a positive relationship between a defender/analyser orientation and average annual sales turnover. These findings also indicate that a prospector orientation is a stronger predictor of average annual sales turnover than the combined defender/analyser orientation. Overall, strategic orientation accounted for a significant, albeit modest, 5.1 per cent of the variation in average annual sales turnover.

In order to investigate whether different strategic orientations mediated the relationship between firm resources and average annual sales turnover, data were analysed using the PROCESS macro for SPSS developed by Hayes (2013) to test for moderation and mediation using linear regression. The results of the analysis of the mediation analyses are shown in Table 5.3.

Table 5.3 | Mediation analyses – strategic orientation

	Indirect	CIs 95%	Direct	t-value	Total	t-value	Sig.
FinCap→AAST					0.10	2.10	<.04
FinCap→Prosp→AAST	0.01	-0.02/0.02	0.09	2.11			<.04
FinCap→Def/An→AAST	0.01	-0.01/0.02	0.09	2.00			<.05
Relation→AAST					0.10	1.84	>.05
Relation→Prosp→AAST	0.07	0.03/0.12	0.03	0.51			>.05
Relation→Def/An→AAST	0.01	-0.01/0.04	0.00	1.78			>.05
Info(B)→AAST					0.35	6.78	<.01
Info(B)→Prosp→AAST	0.02	-0.03/0.08	0.33	5.63			<.01
Info(B)→Def/An→AAST	0.01	-0.01/0.04	0.33	6.30			<.01
Info(W)→AAST					-0.09	-2.04	<.05
Info(W)→Prosp→AAST	0.09	0.05/0.14	-0.18	-3.81			<.01
Info(W)→Def/An→AAST	-0.01	-0.03/0.01	-0.08	-1.88			>.05
Physical→AAST					0.10	1.61	>.05
Physical→Prosp→AAST	0.07	0.03/0.13	0.03	0.49			>.05
Physical→Def/An→AAST	0.02	-0.01/0.07	0.07	1.10			>.05
HumOrg→AAST					0.22	2.72	<.01
HumOrg→Prosp→AAST	0.05	0.01/0.10	0.17	2.08			<.04
HumOrg→Def/An→AAST	0.06	0.01/0.07	0.16	1.83			>.05

NOTE FinCap=access to financial capital; Relation=relational resources; Info(B)=informational (business information systems) resources; Info(W)=informational (web) resources; Physical=physical resources; HumOrg=human and organisational resources; Prosp=prospector orientation; Def/An=defender/analyser orientation; AAST=average annual sales turnover; CI=95 per cent Confidence Intervals. Direct, Indirect and Total effects are all β-weights.

The potential mediating effect of the prospector and defender/analyser strategic orientations was investigated for each firm resource. In order to determine the significance of the mediation, 95 per cent bias-corrected bootstrap confidence intervals (CI) are constructed from 1,000 bootstrap samples (Hayes, 2013). Mediation is said to be significant when the CI does not include zero, which can then be confirmed by a significant Sobel test.

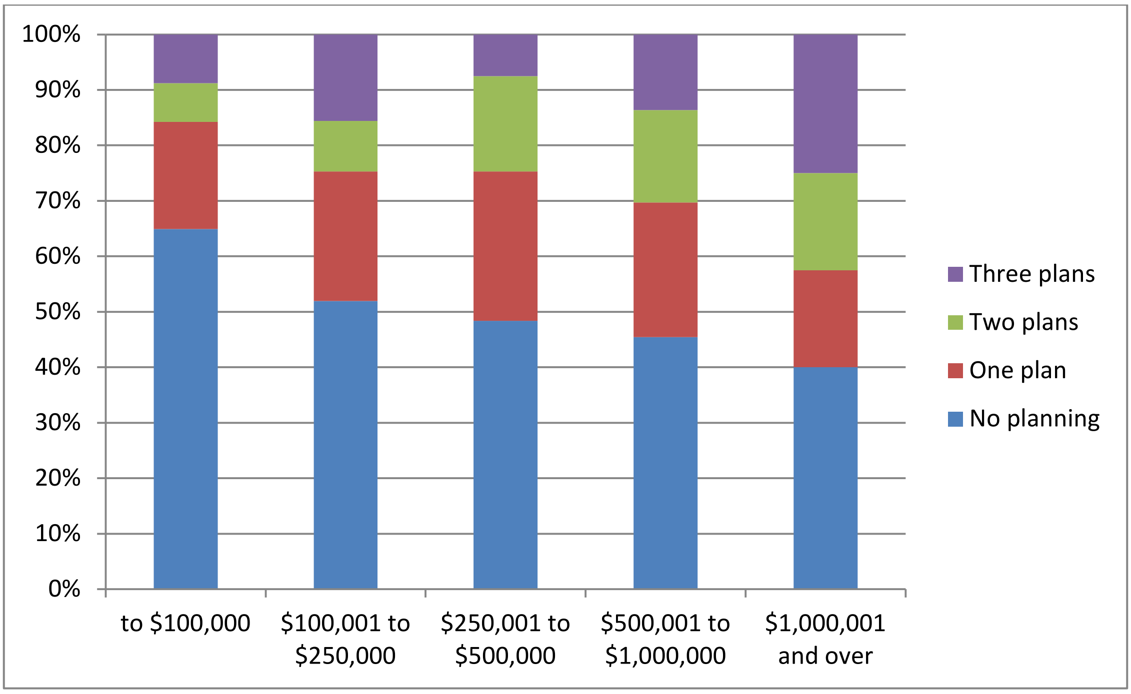
Results show that the prospector orientation significantly mediated the relationship between four of the firm resources – relational resources, informational (web) resources, physical resources, and human and organisational resources – and average annual sales turnover. Following Rucker, Preacher, Tormala and Petty (2011) the term 'partial' mediation is not used, as is the traditional practice when the direct effect is not reduced to zero in the presence of the mediator. Rucker et al. (2011) argue that due to the sensitivity of mediation effects to sample size and total effect size, the idea of 'partial' versus 'full' mediation is irrelevant. They also argue that, contrary to the older Baron and Kenny (1986) approach, mediation can still occur when both total and direct effects of a predictor on a criterion are non-significant. The total effect of relational resources on average annual sales turnover was found to be β=0.10, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.03. This was supported by a significant Sobel test (Z=2.93, p< .003). The total effect of informational (web) resources on average annual sales turnover was found to be β=-0.09, and the direct effect after controlling for the mediator was found to significantly increase to β=-0.18. This was supported by a significant Sobel test (Z=4.09, p< .001). The total effect of physical resources on average annual sales turnover was found to be β=0.10, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.03. This was supported by a significant Sobel test (Z=2.88, p< .004). The total effect of human and organisational resources on average annual sales turnover was found to be β=0.22, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.17. This was supported by a significant Sobel test (Z=2.29, p< .02). In other words, a prospector orientation facilitates the translation of relational resources, physical resources and human and organisational resources into performance as measured by average annual sales turnover. In the case of informational (web) resources, the presence of a prospector orientation *increases* the negative relationship between this firm resource and average annual sales turnover. In other words, a prospector orientation acts as a 'suppressor' variable, that is, one that reduces the effect of the predictor – informational (web) resources – by its absence from the regression equation (Rucker et al., 2011).

Table 5.3 also shows that the defender/analyser orientation significantly mediated the relationship between only one of the firm resources – human and organisational – and average annual sales turnover. The total effect of human and organisational resources on average annual sales turnover was found to be β=0.22, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.16. This was supported by a significant Sobel test (Z=2.05, p< .04). In addition to the prospector orientation, the defender/analyser orientation also appears to facilitate the transfer of human and organisational resources into average annual sales turnover. The results of the mediation analyses also indicate that a prospector orientation is a more consistent mediator of the relationship between firm resources and performance, having such an effect on four versus only one of the six firm resources.

5.3.3 | *Strategic planning capability*

The relationship between strategic planning capability and average annual sales turnover was investigated using simple regression. Strategic planning capability was found to have a significant correlation with average annual sales turnover of 0.20 (p<.001) (see Table 5.2). In regression terms, this translates to an R-squared value of 0.04 (F(1,371)=14.99, p<0.001). This produced a beta weight of 0.20 (t=3.87, p<0.001) indicating a positive relationship between strategic planning capability and average annual sales turnover. The relationship between these two variables was confirmed using Chi-square analysis, with a significant association found (χ^2(12)=22.43, p<.04). This is displayed in Figure 5.2. As can be seen, as the number of planning activities undertaken increases, so does average annual sales turnover.

Figure 5.2 | Strategic planning capability and average annual sales turnover



Strategic planning capability was found to have a significant correlation with the prospector orientation of r=0.35 (p<.001) (as both of these variable are mediators, no specific predictive relationship was tested). This finding is compared with the absence of a correlation between strategic planning capability and the defender/analyser orientation (r=0.01, p>.05). Those firms which display a prospector orientation are more likely to undertake planning activities.

To determine whether strategic planning capability mediated the relationship between firm resources and average annual sales turnover, data were again analysed using the PROCESS macro for SPSS using linear regression. The results are shown in Table 5.4. Strategic planning capability significantly mediated the relationship between five of the firm resources – relational resources, informational (business) resources, informational (web) resources, physical resources and human and organisational resources – and average annual sales turnover. The total effect of relational resources on average annual sales turnover was found to be β=0.10, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.05. This was supported by a significant Sobel test (Z=2.97, p< .003). The total effect of informational (business) resources on average annual sales turnover was found to be β=0.34, and the direct effect after controlling for the mediator was found to significantly decrease to *β*=0.31. This was supported by a significant Sobel test (Z=2.12, p< .03).

Table 5.4 | Mediation analyses – strategic planning capability

	Indirect	CIs 95%	Direct	t-value	Total	t-value	Sig.
FinCap→AAST					0.09	2.13	<.05
FinCap→PlanCap→AAST	0.01	-0.01/0.03	0.08	1.99			<.05
Relation→AAST					0.10	1.91	>.05
Relation→PlanCap→AAST	0.05	0.02/0.09	0.05	0.93			>.05
Info(B)→AAST					0.34	6.67	<.01
Info(B)→PlanCap→AAST	0.03	0.01/0.07	0.31	5.79			<.01
Info(W)→AAST					-0.09	-2.09	<.05
Info(W)→PlanCap→AAST	0.04	0.02/0.07	-0.13	-3.02			<.01
Physical→AAST					0.10	1.53	>.05
Physical→PlanCap→AAST	0.05	0.02/0.09	0.05	0.70			>.05
HumOrg→AAST					0.20	2.50	<.02
HumOrg→PlanCap→AAST	0.05	0.02/0.10	0.15	1.89			>.05

NOTE FinCap=access to financial capital; Relation=relational resources; Info(B)=informational (business information systems) resources; Info(W)=informational (web) resources; Physical=physical resources; HumOrg=human and organisational resources; PlanCap=strategic planning capability; AAST=average annual sales turnover; CI=95 per cent Confidence Intervals. Direct, Indirect and Total effects are all *β*-weights.

The total effect of informational (web) resources on average annual sales turnover was found to be *β*=-0.09, and the direct effect after controlling for the mediator was found to significantly increase to *β*=-0.13. This was supported by a significant Sobel test (Z=2.93, p< .003). The total effect of physical resources on average annual sales turnover was found to be *β*=0.10, and the direct effect after controlling for the mediator was found to significantly decrease to *β*=0.05. This was supported by a significant Sobel test (*Z*=2.76, *p*< .005). The total effect of human and organisational resources on average annual sales turnover was found to be *β*=0.20, and the direct effect after controlling for the mediator was found to significantly reduce to *β*=0.15. This was supported by a significant Sobel test (*Z*=2.37, *p*< .02).

Strategic planning capability thus facilitates the translation of relational resources, informational (business) resources, physical resources, and human and organisational resources into performance as measured by average annual sales turnover. In the case of informational (web) resources, the presence of strategic planning capability, as with the prospector orientation, *increases* the negative relationship between this resource and average annual sales turnover. Hence, strategic planning capability also acts as a 'suppressor' variable on the effect of informational (web) resources.

5.3.4 | *Entrepreneurial orientation*

The relationship between entrepreneurial orientation and average annual sales turnover, investigated using simple regression, was not found to be significant (R-squared=0.001; *F*(1,354)=0.39, *p*>0.05). Thus, an entrepreneurial orientation did not predict firm performance. The PROCESS macro for SPSS using linear regression was again used to determine whether entrepreneurial orientation mediated the relationship between firm resources average annual sales turnover. The results are shown in Table 5.5. Entrepreneurial orientation was also not found to mediate the relationship between any of the firm resources and average annual sales turnover. In this regard, entrepreneurial orientation did not appear to have any effect on firm performance, either directly or indirectly as a mediator.

Entrepreneurial orientation was found to have a significant correlation (see Table 5.2) with the prospector orientation of *r*=0.62 (*p*<.001), and with strategic planning capability of *r*=0.21 (*p*<.001) (as each of these variables are mediators, no specific predictive relationship was tested). The relationship between the entrepreneurial and prospector orientations was particularly strong. These results show that those firms which display an entrepreneurial orientation are more likely to also be prospectors and are more likely to undertake planning activities.

Table 5.5 | Mediation analyses – entrepreneurial orientation

	Indirect	CIs 95%	Direct	t-value	Total	t-value	Sig.
FinCap→AAST					0.09	2.07	<.05
FinCap→EntOr→AAST	0.00	-0.01/0.01	0.09	2.05			<.05
Relation→AAST					0.11	2.18	<.03
Relation→EntOr→AAST	0.00	-0.02/0.03	0.11	2.06			<.04
Info(B)→AAST					0.36	6.95	<.01
Info(B)→EntOr→AAST	-0.03	-0.06/0.01	0.39	7.13			<.01
Info(W)→AAST					-0.08	-1.79	>.05
Info(W)→EntOr→AAST	0.02	-0.01/0.05	-0.10	-2.09			<.04
Physical→AAST					0.11	1.68	>.05
Physical→EntOr→AAST	0.00	-0.04/0.04	0.11	1.59			>.05
HumOrg→AAST					0.22	2.69	<.01
HumOrg→EntOr→AAST	0.00	-0.03/0.04	0.22	2.62			<.05

NOTE FinCap=access to financial capital; Relation=relational resources; Info(B)=informational (business information systems) resources; Info(W)=informational (web) resources; Physical=physical resources; HumOrg=human and organisational resources; EntOr=entrepreneurial orientation; AAST=average annual sales turnover; CI=95 per cent Confidence Intervals. Direct, Indirect and Total effects are all β-weights.

5.3.5 | *Environmental hostility*

The relationship between environmental hostility and average annual sales turnover, investigated using simple regression, was not found to be significant (R-squared=0.002; $F(1,368)=0.74$, $p>0.05$). Thus, the perception of the degree of environmental hostility did not have a direct effect on firm performance. The next set of analyses focussed on whether the perception of environmental hostility moderated the effect of firm resources, strategic orientation, strategic planning capability and entrepreneurial orientation on average annual sales turnover. Analysis was also undertaken with the PROCESS macro for SPSS using linear regression. Moderation is said to occur if the interaction between the predictor and moderator variables, as entered into the program, significantly adds to the regression equation (Hayes, 2013). As shown in Table 5.6, the perception of environmental hostility did not moderate the impact of any of the variables listed above on average annual sales turnover. In other words, their effect on firm performance was not conditional upon the perception of the degree of environmental hostility.

Table 5.6 | Moderation analyses – environmental hostility

	R-square	**F-ratio**	**Degrees of Freedom**	**Sig.**
FinCap x EnvHost →AAST	0.002	0.659	1/342	>.05
Relation x EnvHost →AAST	0.001	0.203	1/355	>.05
Info(B) x EnvHost →AAST	0.001	0.002	1/357	>.05
Info(W)x EnvHost →AAST	0.001	0.251	1/360	>.05
Physical x EnvHost →AAST	0.003	1.139	1/360	>.05
HumOrg x EnvHost→AAST	0.003	0.952	1/356	>.05
Prosp x EnvHost →AAST	0.001	0.123	1/354	>.05
Def/An x EnvHost →AAST	0.001	0.060	1/360	>.05
PlanCap x EnvHost →AAST	0.001	0.034	1/364	>.05
EntOr x EnvHost →AAST	0.009	3.224	1/350	>.05

NOTE EnvHost=environmental hostility; FinCap=access to financial capital; Relation=relational resources; Info(B)=informational (business information systems) resources; Info(W)=informational (web) resources; Physical=physical resources; HumOrg=human and organisational resources; Prosp=prospector orientation; Def/An=defender/analyser orientation; PlanCap=strategic planning capability; EntOr=entrepreneurial orientation; AAST=average annual sales turnover.

5.3.6 | *Customer orientation*

The relationship between customer orientation and average annual sales turnover, investigated using simple regression, was not found to be significant (R-squared=0.009; $F(1,364)=3.45$, $p>0.05$). Thus, the level of a firm's customer orientation did not have a direct effect on firm performance. The next set of analyses focussed on whether customer orientation moderated the effect of firm resources, strategic orientation, strategic planning capability and entrepreneurial orientation on average annual sales turnover, undertaken with the PROCESS macro for SPSS using linear regression.

Table 5.7 | Moderation analyses – customer orientation

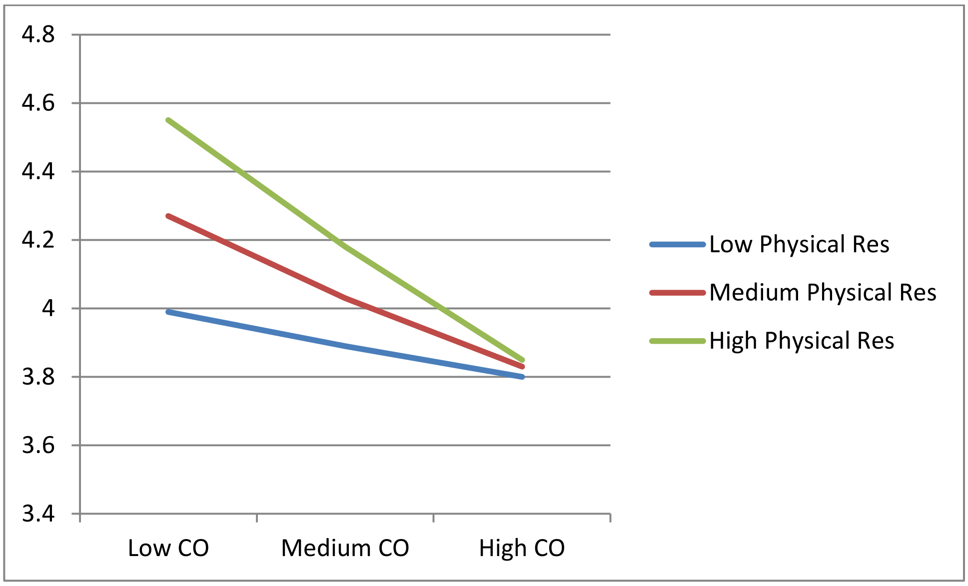
	R-square	**F-ratio**	**Degrees of Freedom**	**Sig.**
FinCap x CustOrient →AAST	0.002	0.637	1/338	>.05
Relation x CustOrient →AAST	0.008	2.888	1/351	>.05
Info(B) x CustOrient →AAST	0.008	3.287	1/354	>.05
Info(W)x CustOrient →AAST	0.001	0.060	1/356	>.05
Physical x CustOrient →AAST	0.012	4.365	1/358	<.04
HumOrg x CustOrient →AAST	0.001	0.001	1/352	>.05
Prosp x CustOrient →AAST	0.009	3.329	1/350	>.05
Def/An x CustOrient →AAST	0.023	8.602	1/356	<.01
PlanCap x CustOrient →AAST	0.006	2.340	1/360	>.05
EntOr x CustOrient →AAST	0.016	5.678	1/344	<.02

NOTE CustOrient=customer orientation; FinCap=access to financial capital; Relation=relational resources; Info(B)=informational (business information systems) resources; Info(W)=informational (web) resources; Physical=physical resources; HumOrg=human and organisational resources; Prosp=prospector orientation; Def/An=defender/analyser orientation; PlanCap=strategic planning capability; EntOr=entrepreneurial orientation; AAST=average annual sales turnover.

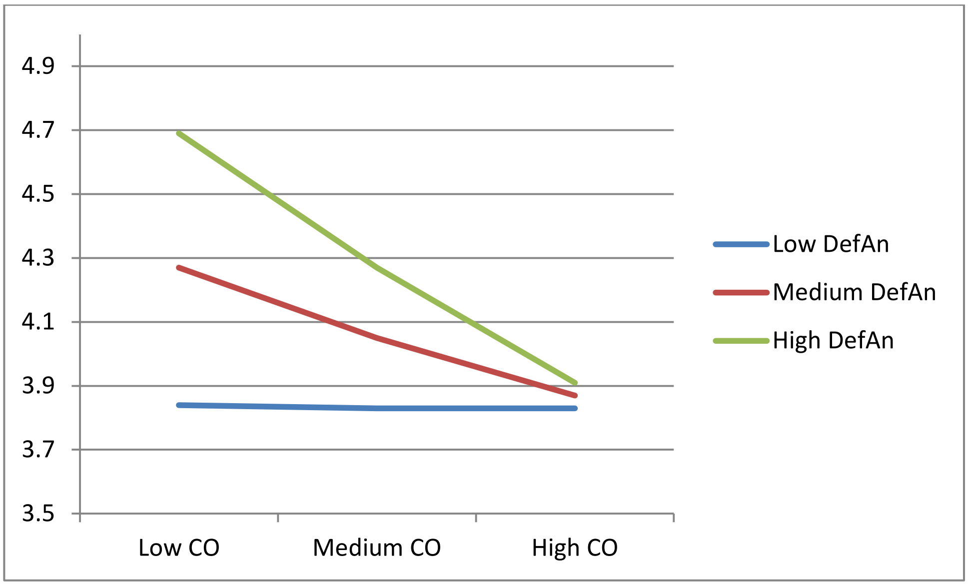
As shown in Table 5.7, customer orientation significantly moderated the relationship between one of the firm resources – physical resources – and average annual sales turnover. Customer orientation also moderated the effect of a defender/analyser orientation and an entrepreneurial orientation on average annual sales turnover. The significant moderation effects are displayed in Figure 5.3. In each case, the respective predictor had a greater impact on average annual sales turnover when customer orientation was low versus when customer orientation was high. The presence of physical resources was more important for firm performance when customer orientation was low (Figure 5.3a). Similarly, the impact of having a defender/analyser orientation was stronger when customer orientation was low (Figure 5.3b). Having an entrepreneurial orientation was also more important when customer orientation was low (Figure 5.3c). Thus, it appears with these effects, a strong, effective customer orientation removes the impact of having physical resources, a defender/analyser orientation and an entrepreneurial orientation. However, each of these factors is shown to be important for performance when there is a weak customer orientation.

Figure 5.3 | Significant moderation effects – customer orientation

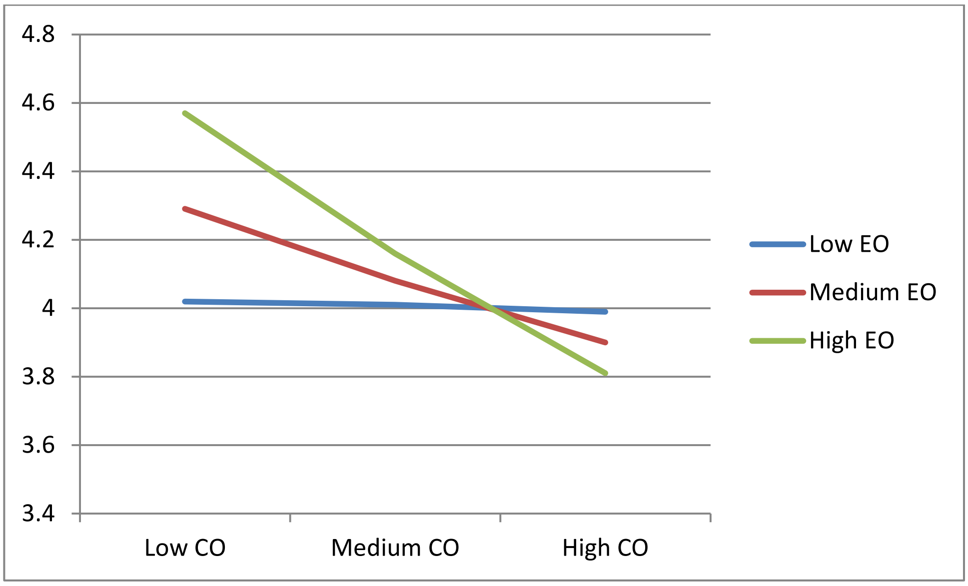
a. Moderation effect on the effect of physical resources on average annual sales turnover



b. Moderation effect on the effect of defender/analyser orientation on average annual sales turnover



c. Moderation effect on the effect of entrepreneurial orientation on average annual sales turnover



5.4 | Chapter summary

This Chapter presented the results of the data analysis and hypothesis testing. The chapter commenced with an explanation of the data preparation as well as the results of the preliminary analyses, including tests for convergent and discriminant validity. This was followed by a presentation of analyses undertaken to test the proposed hypotheses. The chapter now concludes with a table of the summary of results of the hypothesis testing (see Table 5.8).

Table 5.8 | Summary of hypothesis testing results

		Finding
Small retail firm resources		
Hypothesis 1	The performance of small retail firms is positively related to resource advantage.	Supported
Strategic orientation		
Hypothesis 2a	A prospector orientation is positively related to performance in small retail firms.	Supported
Hypothesis 2b	A defender/analyser orientation is positively related to performance in small retail firms.	Supported
Hypothesis 2c	A reactor orientation is negatively related to performance in small retail firms.	Not supported
Hypothesis 2d	A prospector orientation is a stronger predictor of small retail firm performance than a defender/analyser orientation.	Supported
Hypothesis 2e	A prospector orientation positively mediates the relationship between firm resources and performance.	Supported
Hypotheses 2f	A defender/analyser orientation positively mediates the relationship between firm resources and performance.	Partially supported
Hypothesis 2g	A prospector orientation is a stronger mediator of the relationship between firm resources and performance than a defender/analyser orientation.	Supported
Strategic planning capability		
Hypothesis 3a	The performance of small retail firms is positively related to strategic planning capability.	Supported
Hypothesis 3b	In small retail firms, the relationship between strategic planning capability and a prospector orientation is positive.	Supported
Hypothesis 3c	Strategic planning capability in small retail firms positively mediates the relationship between firm resources and performance.	Supported
Entrepreneurial orientation		
Hypothesis 4a	The performance of small retail firms is positively related to entrepreneurial orientation.	Not supported
Hypothesis 4b	The firm's degree of entrepreneurial orientation positively mediates the relationship between firm resources and performance.	Not supported
Hypothesis 4c	In small retail firms, the relationship between entrepreneurial orientation and a prospector orientation is positive.	Supported
Hypothesis 4d	In small retail firms, the relationship between	Supported

	entrepreneurial orientation and strategic planning capability is positive.	
Environmental hostility		
Hypothesis 5a	The performance of small retail firms is negatively related to environmental hostility.	Not supported
Hypothesis 5b	The relationship between small retail firm resources and performance is negatively moderated by the perception of the degree of environmental hostility.	Not supported
Hypothesis 5c	In small retail firms the relationship between strategic orientation and performance is moderated by the perception of the degree of environmental hostility.	Not supported
Hypothesis 5d	In small retail firms the relationship between strategic planning capability and performance is moderated by the perception of the degree of environmental hostility.	Not supported
Hypothesis 5e	In small retail firms the relationship between entrepreneurial orientation and performance is moderated by the perception of the degree of environmental hostility.	Not supported
Customer orientation		
Hypothesis 6a	The performance of small retail firms is positively related to customer orientation.	Not supported
Hypothesis 6b	In small retail firms the relationship between resources and performance is positively moderated by customer orientation.	Partially supported
Hypothesis 6c	In small retail firms the relationship between strategic orientation and performance is moderated by customer orientation.	Partially supported
Hypothesis 6d	In small retail firms the relationship between strategic planning capability and performance is moderated by customer orientation.	Not supported
Hypothesis 6e	In small retail firms the relationship between entrepreneurial orientation and performance is moderated by customer orientation.	Supported

CHAPTER 6 | DISCUSSION AND CONCLUSION

6.1 | Introduction

This chapter provides a detailed discussion of the results of the study. Using the lens of R-A theory to consider the challenges to retailers and retail researchers, two research questions were proposed for the study. The first question aimed to uncover which specific retail resources lead to performance: *what is the relationship between small retail firm resources and performance?* The second question was designed to investigate the nature of the relationship between resources and performance, specifically, if certain factors affect the relationship: *what factors mediate and moderate the relationship between small firm resources and performance?*

In this regard, the study sought to identify which resources are important for small retail firms and to examine the nature of the relationship between resources and performance. The study set out to identify the mediating effect of three factors (strategic orientation, strategic planning capability, and entrepreneurial orientation) and the moderating effect of two factors (environmental hostility and customer orientation) on the relationship between firm resources and firm performance. In order to address the two research questions this chapter addresses the 25 hypotheses, organised around the six independent, mediating and moderating variables proposed in Chapter Three. This leads to a discussion of each research question. The revised conceptual model for the research is also presented as well as the study's contribution to theory, the implications for practice and policy, limitations of the research and directions for future research.

6.2 | Small retail firm resources

The study proposed that the ability of small retail firms to efficiently and effectively deploy resources is fundamental in ensuring sustained competitive advantage. Retail resources (both tangible and intangible) are, therefore, inputs available to a firm which enable it to compete and perform better than its competitors (Hunt, 2000). Although ownership of some resources is important, it is not necessary for a small retailer to *own* all its resources; indeed, some resources may simply be *available* to the firm (Hunt & Arnett, 2003). As discussed in Chapter Four, the dependent variable (firm performance) was measured using a self-report, semi-objective, single item assessment of the dollar value of the average annual sales turnover of the business over the past three years.

Hypothesis 1, that the performance of small retail firms is positively related to resource advantage, was supported. Two groups of resources were found to be positively related to performance (in order of importance): informational (business) resources, and access to financial capital. A third resource, informational (web) resources, was found to be negatively related to performance. Informational (business) resources (comprising: computerised sales system, stocking recognised brands, computerised customer information system, keeping up to date with industry trends, and monitoring competitors) were found to be the most important for firm performance. The deployment of informational (business) resources arguably involves a high degree of financial outlay and a particular level of knowledge and expertise. Computerised sales systems and customer information systems are not always utilised by small retailers due to the cost of selecting, implementing and maintaining such systems. Anecdotally, many small retailers consider their business to be 'too small' for sophisticated technology and therefore the perceived cost of such technology often outweighs the perceived benefits resulting from computerised business systems (Angeles, 2014; Flood, 2015). Additionally, many small retailers lack the skills, knowledge or qualifications to allow them to effectively utilise technology for their business (Dawson et al., 2008; Findlay & Sparks, 2002). Whilst some small business owners outsource this work to IT professionals, others may not be able to afford to. Clearly, however, the findings show that the use of computerised systems is important; small retailers utilising computerised sales and customer information systems reported higher levels of performance.

This group of resources also includes the activity of keeping up to date with industry trends and monitoring competitors, as well as stocking recognised brands. These are relatively sophisticated activities which also require some degree of skill and knowledge on the part of the owner/manager. Keeping up to date with trends in the retail industry and stocking recognised brands are activities which are often conducted with the assistance of suppliers and sales representatives, by reading industry publications and catalogues, and attending professional development events and training. Monitoring competing firms is a little more difficult – accessing financial information and other information about customers and products is not necessarily easy for small firms (ASIC, 2014; Chotekorakul & Nelson, 2013; Covin & Slevin, 1989). Monitoring activities can be conducted through store visits, accessing competitor web sites, and seeking customer and supplier feedback. Although these activities may be challenging (and often time-consuming) for many retailers, they are clearly considered important for those small retailers who report higher levels of performance.

Access to financial capital was found to be the second most important resource for small retail firms; those retailers emphasising the importance of financing were also more likely to report higher levels of performance. It appears that access to financial capital (which is arguably important to all businesses) is important for the success of small retail firms. This is a noteworthy finding given that the high failure rate of small businesses is most often attributed to lack of cash flow (DIISRTE, 2012; Franco & Haase, 2010; Winborg & Landstrom, 2001). This finding suggests those starting out in business, as well as established traders, need to ensure the business has measures in place to identify and source financial capital.

As stated above, a negative relationship was found between informational (web) resources and performance. That is, firms placing a great deal of importance on factors such as store website, sales via store website, and social networking (e.g., Facebook, Twitter) also reported lower levels of performance. Further investigation revealed those retailers who rated informational (web) resources as important were also those that had been trading for a shorter time. This finding, therefore, may be due to a belief by some of the owner/managers of newer businesses (who may be younger than owner/managers of more established firms) that social media and a web presence (including shopping cart facilities) are critical for any new retail business, when in actual fact this is not the case. Given the proliferation of social media and web technology in everyday life, the new generation of owner/managers entering the retailing industry are often 'tech-savvy' and may, therefore, place a great deal of importance on social media and e-tailing. The negative relationship found between informational (web) resources and average annual sales turnover may be further explained by owner/managers devoting time and effort on web resources which could be put to better use in other parts of the business, that is, informational business resourcing, financial resourcing and strategic planning activities (discussed later in this chapter).

There was no relationship found between the other resources – human and organisational resources, relational resources, and physical resources – and performance. This, in itself, is an important finding. Human and organisational resources (comprising: shared organisational values, beliefs, attitudes and behaviours, skills expertise and know-how of the owner/manager, relationships that employees and the owner/manager have built with suppliers, the overall skills, creativity and know-how of non-management employees, and the reputation of the business in the marketplace) are resources that are usually innate and certainly not easily acquired (Kristandl & Bontis, 2007). These types of resources exist as a result of relationships (often built over time), through different combinations of employees, and from the talent and knowledge of individual staff members. Alternatively, in micro businesses where there are no employees, it may be that owner/managers did not rate these resources as being important because they did not apply to their particular business.

Relational resources (comprising: sales promotions; customer loyalty programs, special marketing and sales events, contacting customers regarding upcoming sales, special promotions, and public relations activities) and physical resources (comprising: store atmospheric, carrying a wide range of products and lines, merchandising and display, and store brand image) are typically regarded as fundamental to the 'business' of retailing. Indeed, retail marketing and store branding are the 'basics' of many academic retailing courses, text books and studies. Industry (as well as academia) places great value on the importance of retail marketing, retail communications and retail branding (including merchandising and atmospherics) (Wang et al., 2011). Given the industry focus on marketing and branding (Grewal & Levy, 2007, 2009; Reinartz et al., 2011), the finding that these resources are not as important for performance is indeed unexpected. There is no doubt that marketing and communications activities are important for promoting a retail business, and that brand image, merchandising and store design are also important elements in the retail 'mix' (Chotekorakul & Nelson, 2013); however, it appears that informational (business) resources and access to financial capital are more important resources for higher performing small retailers.

R-A theory proposes that a wide range of resources potentially impact firm performance (Hunt & Morgan, 1995). Yet, R-A theory also implies firms will have access to a unique set of resources, and this set may not necessarily contain the full range of resources proposed, but rather vary according to factors such as industry and environmental context (Hunt & Arnett, 2003). For the small retail firms in the study, a relatively small set of resources – informational (business) resources, and financial resources – relate positively to firm performance. The identification of these specific resources associated with higher levels of performance is a critical finding of the research in the small retailer field. This finding suggests small retailers should first consider acquiring and utilising informational (business) resources and accessing financial capital before committing funds, time and energy into other types of retail resources.

6.3 | Strategic orientation

This study proposed that the relationship between firm resources and performance may be mediated by three factors – strategic orientation, strategic planning capability, and entrepreneurial orientation. As discussed in Chapter Four, this study aimed to measure a firm's strategic orientation according to three dimensions (prospector, defender/analyser, and reactor). The hypotheses developed in Chapter Three concerned the relationship between strategic orientation and performance (2a, 2b, 2c, and 2d), and the mediating effect of strategic orientation on the relationship between firm resources and performance (2e, 2f, and 2g).

Hypothesis 2a, that a prospector orientation is positively related to performance in small retail firms, was supported. The study found a positive relationship between a prospector orientation and performance. The extant literature proposes prospectors are characterised by innovative and risk-taking behaviours; that they respond rapidly to changes in their trading environment, and that they are often leaders and pioneers in their industries (Andrews et al., 2006; DeSarbo et al., 2005). Parnell and Wright (1993) note that prospector organisations are often informal in structure, allowing them to be flexible in meeting challenges and changes in their trading environment (Miles & Snow, 1978). Many small retailers, it can be argued, lack formality in their structure allowing for this flexibility; hence, it was expected that small retailer prospector firms would report higher levels of performance. The findings of the study also confirm Moore's (2005) study which applied the Miles and Snow (1978) typology to the retail sector and found the prospector orientation had a positive relationship with firm performance. As previously noted, the Moore (2005) study is one of the few studies utilising the Miles & Snow typology in a retail setting.

The small retailers in the study who identified as having a prospector orientation were, therefore, those firms that placed importance on innovation, on moving into new markets, being first at developing new methods for retailing, risking profits in exchange for developing new stores/formats, and continuously adopting new technology. Although these activities are associated with a certain degree of risk, it appears that firms engaging in the actions of a typical prospector organisation are able to perform at a higher level.

Similarly, this study showed that small retailers operating as defender/analyser organisations also reported high performance levels. Hypothesis 2b, that a defender/analyser orientation is positively related to performance in small retail firms, was supported. As discussed in Chapter Five, consistent with Moore's (2005) study, the study collapsed the defender and analyser orientations to create a combined defender/analyser orientation. Different from prospectors (Parnell & Wright, 1993), defenders are conservative, focus on core activities, and seek to protect (or defend) their niche position in the marketplace. Defenders tend to view their trading environment as inherently stable, and in response they seek to control their environment through efficient operation (Borch et al., 1999; Parnell & Wright, 1993). Analyser organisations are able to simultaneously defend their position whilst pursuing new product or market opportunities (usually waiting and then imitating prospectors) (DeSarbo et al., 2005; Ghoshal, 2003). Whilst analysers share the traits of both prospectors and defenders, they are more akin to defenders, in that they tend to operate in a relatively stable manner with imitation as their innovation source (Borch et al., 1999).

The finding that there is a positive relationship between a defender/analyser orientation and performance is consistent with the original Miles and Snow (1978) premise that the prospector, defender and analyser types perform consistently, and with the findings from other studies which proposed prospectors, defenders and analysers will outperform reactors (for example, Conant et al., 1990; Hawes & Crittenden, 1984; Smith et al., 1989; Snow & Hrebiniak, 1980). The findings of the study are also consistent with Moore's (2005) study of retailers, which found the defender/analyser orientation had a positive relationship with performance.

It may be that the ability for defender/analysers to effectively 'tailor' their strategy according to their trading environment allows them to perform efficiently and effectively. That is, when their environment is stable they are able to operate more conservatively, competing on efficiency and low cost, and when their environment becomes more turbulent, they have the ability to search for new opportunities (Ghoshal, 2003). In effect, defender/analyser organisations are able to explore and exploit opportunities whilst continuing to maintain core products and customers (Slater & Narver, 1993). This is an effective orientation which results in higher levels of firm performance.

Hypothesis 2c, that a reactor orientation is negatively related to performance in small retail firms, was not supported. The study found there was no relationship (negative or positive) between a reactor orientation and firm performance in that there was no stability in the measure thus rendering it unusable. As noted previously, reactor organisations often simply 'react' rather than pursuing a consistent or substantive strategy (Andrews et al., 2006; Matsuno & Mentzer, 2000; Parnell & Wright, 1993). Miles and Snow (1978) argue reactors perform worse than the other three types, and that prospectors, defenders and analysers will outperform reactors. This has been confirmed in a number of studies (Conant et al., 1990; Hawes & Crittenden, 1984; Smith et al., 1989; Snow & Hrebiniak, 1980). Similarly Moore (2005) found a negative relationship between reactor types and performance (in a retail context).

There have also been a number of studies in which the reactor orientation has not been identified at all (Shortell & Zajac, 1990; Slater & Narver, 1993; Wright et al., 1991). Other studies have considered the reactor orientation as a residual strategy (Miles et al., 1978), or as an absence of strategy (Inkpen & Chaudhury, 1995), and in some cases it was excluded altogether (Hambrick 1982, 1983b; McDaniel & Kolari, 1987; Matsuno & Mentzer, 2000; Zahra & Pearce, 1990). Consistent with those studies where a reactor orientation has not been found, this study was not able to clearly identify the orientation and thus evaluate it relationship with firm performance. Although it was expected, in a retail context, that reactor organisations would perform more poorly than prospector and defender/analyser organisations, this could not be established. It may be that the reactor orientation is so unstable, transient and uneven (Conant et al., 1993) that it cannot be clearly identified as a substantive orientation, resulting in no evident relationship with firm performance. It would appear, therefore, that the reactor orientation, which is characterised by a lack of coherent strategy with inappropriate or ineffective responses to environmental pressures (DeSarbo et al., 2005; Ghoshal, 2003), is not a particularly effective or viable strategic orientation for small retail firms to adopt; and in fact, the small retailers in the study appear not to have adopted this particular strategic orientation, which is an important finding.

Hypothesis 2d, that a prospector orientation is a stronger predictor of small retail firm performance than a defender/analyser orientation, was supported. The study found a prospector orientation to be a stronger predictor of performance than a defender/analyser orientation. As suggested by Miles and Snow (1978), and confirmed by Moore (2005), while both prospectors and defender/analysers are positively associated with performance, a prospector orientation is arguably more of a predictor of performance, perhaps because of the emphasis on seeking and exploiting new opportunities. It would appear that for the small retailers in the study, the ability to take risks and seek out new products, markets and methods of retailing are important in terms of firm performance.

Hypothesis 2e, that a prospector orientation positively mediates the relationship between firm resources and performance, was supported. The study found that a prospector orientation significantly mediated the relationship between four firm resources – relational resources, physical resources, human and organisational resources, and informational (web) resources – and performance. A prospector orientation facilitated the translation of the first three of these resources into performance. Despite the finding of Hypothesis 1, which did not find a positive relationship between relational, physical, and human and organisational resources and firm performance, it appears that this relationship changes in the presence of a prospector orientation. This may be because (as noted earlier for Hypothesis 2a) a prospector orientation is characterised by seeking out and exploiting new opportunities, and by developing new methods for retailing and developing new formats. A prospector orientation allows owner/managers who place importance on marketing, physical and human and organisational resources, to take risks and meet the demands of the trading environment through innovative resourcing in these three areas.

Whilst, on the one hand, a prospector orientation explained the positive relationship with three of the four resources and performance, on the other hand, the presence of a prospector orientation increased the *negative* relationship between informational (web) resources and performance (average annual sales turnover). In this case, a prospector orientation acts to amplify the existing negative relationship between informational (web) resources and firm performance. Therefore, for the small retail firms in the study (that is, bricks and mortar retailers) placing importance on web resources in combination with a prospector orientation results in lower performance. It may be that owner/managers who exhibit a prospector orientation and place importance on web resources are concurrently taking too great a risk in terms of time and expenditure on web related activities and thereby increasing the negative relationship already in place.

In terms of the other resources – access to financial capital, and informational (business) resources – there was no mediating effect found for a prospector orientation and performance. This is a noteworthy finding given that these two resources were found to be positively related to performance (Hypothesis 1). It may be that the relationship between these two resources and firm performance is strong enough such that it is not mediated by a prospector orientation.

Hypothesis 2f, that a defender/analyser orientation positively mediates the relationship between firm resources and performance, was partially supported. The study found that a defender/analyser orientation mediated the relationship between one of the resources – human and organisational resources – and performance. In addition to the prospector orientation, the defender/analyser orientation facilitates the transfer of human and organisational resources into performance. There was no mediation of the relationship between the other resources and firm performance. In addition, there was no mediation of the relationship between the resource negatively related to firm performance – informational (web) resources. Despite the finding of Hypothesis 2b, that a defender/analyser orientation was positively related to firm performance, the study found a mediating effect of a defender/analyser on the relationship between resources and performance for only one resource.

Hypothesis 2g, that a prospector orientation is a stronger mediator of the relationship between firm resources and performance than a defender/analyser orientation, was supported. As noted above (Hypothesis 2e) this study found that a prospector orientation positively mediates the relationship between four firm resources – relational, physical, human and organisational, and informational (web) – and performance; the study also found (Hypothesis 2f) that a defender/analyser orientation mediated the relationship between only one firm resource – human and organisational – and performance. Clearly then, a prospector orientation is a more consistent mediator of the relationship between firm resources and performance than a defender/analyser orientation.

6.4 | Strategic planning capability

The second proposed mediator was strategic planning capability. As discussed in Chapter Four, the study asked about small retail firms' strategic planning, marketing planning and marketing budgeting, and combined these three items to create a strategic planning capability measure. The hypotheses developed in Chapter Three considered the relationship between strategic planning capability and performance (3a), strategic planning capability and strategic orientation (3b), and the mediating effect of strategic planning capability on the relationship between firm resources and performance (3c).

Hypothesis 3a, that the performance of small retail firms is positively related to strategic planning capability, was supported. The study found that firms which undertook one, two or three planning activities also reported higher levels of performance. In other words, as the level of planning increased, so did performance, and firms engaging in all three planning activities reported higher levels of performance. This is an important finding, given that prior research in this area is ambiguous (and indeed often contradictory) in terms of the relationship between planning and firm performance (Conant & White, 1999; Shrader, Taylor & Dalton, 1984), particularly in small firms (Schwenk & Shrader, 1993). Whilst noting there have been studies which have found no relationship, or a negative relationship, between planning and performance (for example, Greenley, 1986; Lyles et al., 1993; Mintzberg, 1990; Robinson & Pearce, 1983), the study supported previous studies which found that there is a positive relationship between planning and performance (for example, Miles et al., 1997; Robinson, 1982; Sexton & Van Auken, 1985). The finding also supports Mazzarol's (2001) study of SMEs, which found firms using formal business planning also reported significantly higher levels of performance in terms of gross revenue and growth in sales.

Hypothesis 3b, that in small retail firms the relationship between strategic planning capability and a prospector orientation is positive, was supported. As noted previously, prospector organisations are characterised by risk-taking and innovation; they also respond rapidly to changes in their trading environment. Prospectors are likely to launch new products and be leaders in their particular industry (Andrews et al., 2006; DeSarbo et al., 2005). This finding is consistent with Dean and Sharfman (1996), Delmar and Shane (2003), Goll and Rasheed (1997), and Priem, Rasheed and Kotulic (1995), who found firms undertaking planning activities are better equipped to deal with their external environments which are usually dynamic and often hostile. Prospector firms usually perceive their trading environment as dynamic and uncertain and they continually respond and react to emerging trends in the marketplace (Miles & Snow, 1978). Prospector firms are therefore characterised by their ability to respond rapidly to changes and opportunities in their trading environment (Andrews et al., 2006; DeSarbo et al., 2005). In a small retail firm context, some studies have found strategic planning results in improved financial performance, as well as providing additional benefits such as identification of new products and services, an increased awareness of competitors and customer needs, and an increased awareness of the trading environment (Ramanujam et al., 1986a, 1986b; Sinha, 1990). Given that these benefits are the same as the traits exhibited by prospector firms, it follows that the relationship between planning capability and a prospector orientation is positive in small retail firms.

Hypothesis 3c, that strategic planning capability in small retail firms positively mediates the relationship between firm resources and performance, was supported. This study found that strategic planning capability did mediate the relationship between five firm resources – relational resources, informational (business) resources, informational (web) resources, physical resources, and human and organisational resources – and performance. The level of strategic planning capability, was not found to mediate the relationship between access to financial capital and performance. With regard to informational (web) resources, the presence of strategic planning capability increased the negative relationship between this resource and firm performance.

By considering planning as a catalyst to the deployment of firm resources, this finding shows planning acts as a mediator of the relationship between resources and performance. In this regard, the finding suggests that the act of planning facilitates the translation of four firm resources – relational, informational (business), physical, and human and organisational – into performance. The importance of planning is shown here specifically by the fact that three of these resources, in and of themselves, were not found to predict performance. This suggests that planning can assist in the effective utilisation of these resources. In the case of informational (web) resources, planning (similar to a prospector orientation), amplified the existing negative relationship with performance. What this suggests is that firms placing importance on informational (web) resources are also likely to undertake planning, but that this does not lead to performance. As was reported in Section 5.3.1, those firms which placed importance on informational (web) resources were likely to be newer businesses, and it may be that strategic planning capability, in this regard, has not yet translated into performance.

6.5 | Entrepreneurial orientation

The third proposed mediator was entrepreneurial orientation. As discussed in Chapter Four, the study measured the owner/manager's level of entrepreneurial orientation using the scale developed by Covin and Slevin (1989). The hypotheses developed in Chapter Three assessed the relationship between entrepreneurial orientation and performance (4a), the mediating effect of entrepreneurial orientation on the relationship between firm resources and performance (4b), the relationship between entrepreneurial orientation and strategic orientation (4c), and the relationship between entrepreneurial orientation and strategic planning capability (4d). The results of the hypothesis testing for entrepreneurial orientation were mixed. Whilst there was no relationship found between entrepreneurial orientation and firm performance, and entrepreneurial orientation did not mediate the relationship between firm resources and performance, the study did find a positive relationship between entrepreneurial orientation and a prospector orientation, as well as a positive relationship between entrepreneurial orientation and strategic planning capability.

Hypothesis 4a, that the performance of small retail firms is positively related to entrepreneurial orientation, was not supported. No relationship was found between entrepreneurial orientation and firm performance. Studies of the relationship between entrepreneurial orientation and firm performance vary, and many studies have found a positive relationship (for example, Rauch et al., 2009). As noted in Chapter Three, whilst there is an abundance of research in the entrepreneurial orientation field, there is limited research on entrepreneurial orientation in a small retailer context, particularly the relationship between entrepreneurial orientation and firm performance. Of those studies (for example, Cotton & Cachon, 2007; Griffith et al., 2006; Tajeddini et al., 2013), entrepreneurial orientation was found to have a positive influence on aspects of performance (Tajeddini et al., 2013), as well as enabling firms to be more effective in accumulating and converting knowledge resources which ultimately influences performance (Griffith et al., 2006). It was therefore expected in this study that there would be a positive relationship between entrepreneurial orientation and firm performance. However, the finding for this hypothesis supports other studies which concluded there was no significant relationship at all between entrepreneurial orientation and firm performance (for example, Covin et al., 1994; George et al., 2001).

This finding may be due to the fact that average annual sales turnover is too ‘gross’ a measure of performance. Or it may be that the factors that make up entrepreneurial orientation (innovativeness, risk-taking, proactiveness, competitive aggressiveness; autonomy) are not considered important to the small retailers taking part in the study. These small retailers may, therefore, consider entrepreneurial activities unnecessary for the businesses in their current trading environment, or it may be that some retailers consider entrepreneurial activities too great a risk if the trading conditions do not warrant entrepreneurial action.

Further, Hypothesis 4b, that the firm’s degree of entrepreneurial orientation positively mediates the relationship between firm resources and performance, was not supported. Entrepreneurship is an important aspect of R-A theory (Hunt, 2000), with entrepreneurship influencing the firm’s resource base. Small, entrepreneurial retailers should be able to gain competitive advantage through combining their resources in innovative ways (Griffith et al., 2006). Although R-A theory also suggests that dynamism drives innovation, and creates or favourably shapes the environment in which the firm operates (see Berthon, Hulbert & Pitt, 1999; Hunt & Arnett, 2003), there was no mediating influence from entrepreneurial orientation on the relationship between any of the firm resources and performance. It was assumed that this study would confirm earlier studies (for example, Cockburn et al., 2000; Wiklund & Shepherd, 2003), which found entrepreneurial orientation impacts the relationship between resources and performance. However, it may be that the resources identified in this study as positively related to performance – informational (business) resources and access to financial capital – are significantly different from the resources identified in previous studies. Although Dess et al. (1997) did confirm that a three-way interaction model (which included access to capital and entrepreneurial orientation) explained the variance in firm performance, it may be that in this study, the combination of the two resources related to performance negates any effect of entrepreneurial orientation on the relationship between resources and performance.

Despite the lack of support for Hypotheses 4a and 4b, the results did support Hypotheses 4c and 4d. Hypothesis 4c, that in small retail firms, the relationship between entrepreneurial orientation and a prospector orientation is positive, was supported. As discussed earlier, prospectors are focussed on innovation as well as entrepreneurial activity (Ghoshal, 2003), and they constantly search for market opportunities (Miles & Snow, 1978). Firms with strong entrepreneurial orientation are therefore likely to undertake activities with high levels of risk and innovation, as well as aggressively pursue new market opportunities (Dess & Lumpkin, 2005). It was therefore expected that there would be a positive relationship between entrepreneurial orientation and a prospector orientation in small retail firms; in this study, the combination of prospector orientation and entrepreneurial orientation may result in a synergy which explains the positive relationship between the two orientations. That is, many of the factors making up a prospector orientation and an entrepreneurial orientation are similar (or may even overlap) resulting in a positive relationship. Firms that place importance on entrepreneurial activities also display prospector traits.

Similarly, Hypothesis 4d, that in small retail firms, the relationship between entrepreneurial orientation and strategic planning capability is positive, was supported. This is a notable finding given that, whilst this study found a positive relationship between strategic planning capability and performance (Hypothesis 3a), it did not find a positive relationship between entrepreneurial orientation and performance (Hypothesis 4a). This finding may be explained in a similar manner to Hypothesis 4c, that aspects of entrepreneurial orientation and aspects of strategic planning capability are similar (or overlap), thus resulting in a positive relationship. Strategic planning capability was measured by undertaking one, two or three planning activities (strategic and marketing), whilst the entrepreneurial orientation measure focussed on innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy. Arguably, these activities could be considered to be related, that is, firms that take the time, resources and forward-thinking actions to undertake planning activities are likely to also be proactive, innovative, competitive and willing to take risks.

6.6 | Environmental hostility

This study proposed two factors that may moderate the relationship between firm resources and performance – environmental hostility and customer orientation. It was thus proposed that environmental hostility and customer orientation would determine the direction (or strength) of the relationship between firm resources and performance (Baron & Kenny, 1986; Holmbeck, 1997; James & Brett, 1984).

The first of the two moderating variables, environmental hostility, as discussed in Chapter Four, was measured using the owner/manager's perceived level of environmental hostility within their trading environment. The hypotheses developed in Chapter Three considered the relationship between environmental hostility and performance (5a), the moderating effect of environmental hostility on the relationship between firm resources and performance (5b), the moderating effect of environmental hostility on the relationship between strategic orientation and performance (5c), the moderating effect of environmental hostility on the relationship between strategic planning capability and performance (5d), and the moderating effect of environmental hostility on the relationship between entrepreneurial orientation and performance (5e).

None of the hypotheses regarding environmental hostility were supported. This study did not find a relationship between firm performance and environmental hostility (5a). In other words, firms reporting higher levels of perceived environmental hostility did not also report lower levels of performance, as originally proposed. Despite some studies (for example, Covin & Slevin, 1989), which showed that firms operating in hostile trading environments reported lower levels of performance, unexpectedly (given the anecdotal evidence of 'tough' trading conditions in Tasmania: Productivity Commission, 2011, 2014), small retail firms did not exhibit any relationship between perceptions by the owner/manager of the trading environment and levels of performance. Additionally, there was no moderation of the relationship between performance and the three resources found to be related to performance – access to financial capital, informational (business) resources, and informational (web) resources (5b). The relationship between entrepreneurial orientation and performance was also not moderated by environmental hostility (5c). Although Covin and Slevin (1989) found in a more benign environment, where risk-taking is not potentially fatal to a business, entrepreneurial orientation can have a positive influence on retail performance, this study did not confirm that finding.

This study also found environmental hostility did not moderate the relationship between strategic planning capability and performance (5d), nor did environmental hostility moderate the relationship between entrepreneurial orientation and performance (5e). The overall finding that the degree of environmental hostility did not moderate the relationship between resources and performance and between other factors (as proposed in the hypotheses) is noteworthy. The attention given to environmental hostility and its impact on firm performance in the literature, assumes hostile or harsh trading conditions will have a significant impact on firm performance (for example, Prescott, 1986). A hostile environment, in the context of small retailing, is one in which the industry is characterised by resource-scarcity, turbulent conditions, intense competition, and unpredictable behaviour from competitors (Lawrence & Lorsch, 1967; Pfeffer & Salancik, 1978; Yasai-Ardekani & Haug, 1997). In addition, small businesses are considered to operate in an environment which has low barriers to entry and, therefore, a constant flow of new entrants into the marketplace, as well as the conditions for competitors to easily and quickly provide substitute products and formats (Dickinson & Ramaseshan, 2004). This study originally proposed that small retail firms operating in such hostile or harsh environments would have difficulty in marshalling and exploiting firm resources (for example, Megicks, 2001). It also proposed small retailers would have high levels of perception of environmental hostility, which would affect their businesses. However, the findings of this study did not confirm these notions, and so differ from previous studies which found environmental hostility was a predictor of performance (Covin & Slevin, 1989; Kean et al., 1998). It must be noted, however, that there is less of research in this area which is directly related to *small* retail firms. The majority of the research has been conducted using samples from other industries, namely, manufacturing and services. Further, of the research that has examined small retailers, the context of the research has often been examining the effect of a larger retailer (for example, Walmart) entering local communities (for example, Cotton & Cachon, 2007; Peterson & McGee, 2000).

Another reason for the findings may be directly related to the specific characteristics of the sample for this study. It may be that retailers in Tasmania do not consider their trading environment to be hostile, and therefore any effect on resourcing, performance, and the other factors is moot. Perhaps, due to the low-socio economic status of much of the population of Tasmania, the trading environment has always been considered by local traders to be somewhat difficult, but because it appears stable small retailers know what to expect and do not consider the environment to be particularly harsh within the context of Tasmania. It would appear, from the findings of this study, that perceptions of environmental hostility have no effect on performance for small retail firms.

6.7 | Customer orientation

The second proposed moderator was customer orientation. As discussed in Chapter Four this study measured the owner/manager's level of customer orientation using the scale developed by Thomas et al. (2001). The hypotheses developed in Chapter Three examined the relationship between customer orientation and performance (6a), the moderating effect of customer orientation on the relationship between firm resources and performance (6b), the moderating effect of customer orientation on the relationship between strategic orientation and performance (6c), the moderating effect of customer orientation on the relationship between strategic planning capability and performance (6d), and the moderating effect of customer orientation on the relationship between entrepreneurial orientation and performance (6e).

Hypothesis 6a, that the performance of small retail firms is positively related to customer orientation, was not supported. This study found no relationship between customer orientation and firm performance. Customer orientation is an emphasis on practices which identify and cater to customer needs (Dubinsky & Staples, 1981). Customer orientation has been linked with customer satisfaction and performance in the literature, in a variety of business contexts (for example, Piercy, Harris & Lane, 2002; Singh & Ranchhod, 2004; Slater & Narver, 2000), including some studies in the retail context (for example, Elg, 2007; Panigyrakis & Theodoridis, 2007; Williams & Attaway, 1996). The finding that there is no relationship between customer orientation and firm performance is therefore unexpected, given that customer-oriented behaviours are considered by researchers to enable firms to leverage competitive advantage and perform at higher levels than their competitors (Jaworski & Kohli, 1993; Merlo et al., 2006). As noted in Chapter Three, there are few studies examining the relationship between customer orientation and performance in a retail context and even fewer examining customer orientation in small retail firms. Most of the studies in the retail field have concentrated on: customer orientation in SME retailers (this classification includes larger businesses than those in this study) (for example, Schwepker, 2003; Tajeddini et al., 2013); the customer orientation of individual salespeople (for example, Boles et al., 2001); customer orientation in a business to business setting (for example, Dunlap et al., 1998; Schwepker, 2003; Siguaw & Honeycutt, 1995), and customer orientation from the customer perspective (for example, Brown et al., 1991). Whilst the findings of a number of studies have shown a positive relationship between customer orientation and performance, this current finding does not confirm previous studies. It may be that in small retail firms, customer orientation is not as important for performance as it is in larger firms or in other retail settings. Indeed, while some retail studies have shown a link between customer orientation and customer satisfaction with individual salespeople, firms, and product manufacturers (for example, Goff et al., 1997), satisfaction may not actually translate into firm performance. That is, in small retail firms, customers may have high levels of satisfaction with individual salespeople and/or the firm, but high satisfaction may not necessarily lead to a higher level of sales resulting in higher average annual sales turnover.

Hypothesis 6b, that in small retail firms the relationship between resources and performance is positively moderated by customer orientation, was partially supported. It was found that customer orientation acted as a moderator of the relationship between one resource – physical resources – and performance. Physical resources consist of store atmospherics (e.g., layout, lighting, music, décor), carrying a wide range of products and lines, merchandising and display (in-store and window), and store brand image (e.g., signage, carry bags). Even though there was no relationship found between physical resources and firm performance (Hypothesis 1), a customer orientation may have had an effect on this relationship because branding and merchandising activities associated with physical resources are a mechanism for connecting with a customer base. Through attractive looking stores, retail collateral, display and merchandising, small retailers are able to appeal to customers and, as was found here, physical resources were more important for firm performance when customer orientation was low. In some respects this finding is different to what was expected (see Section 3.4.2), namely, that it was supposed that the combination of resources and a high customer orientation would lead to greater performance. However, in this case, physical resources were more important for performance when customer orientation was low; thus, physical resources could proxy for customer orientation in this context.

With regard to the resources found to be positively related to firm performance – informational (business) resources and access to financial capital (see Hypothesis 1) – it is perhaps not surprising that customer orientation does not have a moderating effect. A firm's access to financial capital is a resource that is 'removed' from customer interaction, and aspects of financing a business have little to do with servicing customers. Similarly, informational (business) resources are comprised of factors (e.g., computerised sales system, stocking recognised brands) that are not likely to be affected by a customer service orientation.

Hypothesis 6c, that in small retail firms the relationship between strategic orientation and performance is moderated by customer orientation, was partially supported. This study found the relationship between a prospector orientation and performance was not moderated by customer orientation; however, customer orientation did moderate the relationship between a defender/analyser orientation and performance. That is, when customer orientation was low, the defender/analyser orientation had a significant effect on performance, but not when customer orientation was high. This means the defender/analyser orientation was important to small retailers only in the relative absence of customer orientation. This is also somewhat different to what was expected (see Section 3.4.2), namely, that the combination of strategic orientation and a high customer orientation was supposed to lead to greater performance. As discussed previously (Hypothesis 2b), a defender/analyser orientation is characterised in small retail firms by the ability to tailor business activities to simultaneously maintain a niche (e.g., products and customers) whilst seeking new opportunities (Ghoshal, 2003). This would appear to be a sound strategy for success, as confirmed in the finding for Hypothesis 2b, that defender/analyser firms also reported higher levels of performance. It may be that strong defender/analyser firms do not need to rely on customer orientation for success. Further investigation into this finding would be useful.

Hypothesis 6d, that in small retail firms the relationship between strategic planning capability and performance is moderated by customer orientation, was not supported. As discussed earlier, Hypothesis 3a confirmed the importance of strategic planning capability for firm performance – firms engaging in planning activities also reported corresponding levels of performance, and the more planning activities undertaken, the higher the performance level. However, the finding for Hypothesis 6d shows customer orientation (high or low) is not a particularly significant factor for small retailers, particularly given the findings of Hypotheses 6a and 6b which showed that customer orientation was not related to performance, and that customer orientation only moderated the relationship between one firm resource and performance. It may be that the relationship between planning activities and performance is so strong that it is not affected by customer orientation.

Hypothesis 6e, that in small retail firms the relationship between entrepreneurial orientation and performance is moderated by customer orientation, was supported. In a similar finding to that for Hypothesis 6c, customer orientation was found to moderate the relationship between entrepreneurial orientation and firm performance. This is, when customer orientation was low, entrepreneurial orientation had a significant effect on performance, but not when customer orientation was high. This means entrepreneurial orientation is important only in the relative absence of customer orientation. This is an important finding because it is contrary to the findings of previous studies (discussed earlier in this chapter) which found a link between customer orientation and firm performance (for example, Tajeddini et al., 2013), and is also different to what was supposed in Section 3.4.2, namely, that the combination of strong customer *and* entrepreneurial orientation would lead to higher performance. It may be that small retailers with a customer orientation are those retailers who are not entrepreneurial; placing an emphasis on customer service activities is more important to their business than being entrepreneurial. Similarly, those small retailers who seek out new products, services, and ways of operating, may not place a great deal of importance on customer service, believing that their entrepreneurial activities are more significant for firm performance.

As noted earlier, even though there has been very little research into the effect of customer orientation in small retail firms, the findings related to customer orientation in this study have been surprising. It was expected that customer orientation would have a greater impact on some of the relationships proposed in this study. Yet, despite the findings of Hypotheses 6a and 6d, this study *did* show that customer orientation moderated three relationships: the relationship between firm resources (physical) and performance; the relationship between strategic orientation (defender/analyser) and performance, and the relationship between entrepreneurial orientation and performance.

6.8 | Conclusions to the research questions

The section above, outlining the findings of the study's hypotheses, provides the empirical evidence to address the study's two research questions. The findings, which were discussed in detail earlier in this chapter, are summarised in this section in order to answer the research questions.

6.8.1 | *Research question one*

What is the relationship between small retail firm resources and performance?

In order to answer research question one, Hypothesis 1 was designed to examine the relationship between small retailer resources and performance through identifying which resources were important for firm performance. Using the resource groups proposed through R-A theory, the findings of this study clearly identified a positive relationship between two of the six proposed resources and firm performance. Informational (business) resources, and access to financial capital, were confirmed as the two most important resources for those small retailers reporting high levels of performance.

The study found that three other proposed resources – relational, physical, and human and organisational – were not related to firm performance. Despite the importance placed on these particular resources by academia, retailing texts, business studies programs, and the retailing industry, this study found there was no relationship with firm performance.

Informational (web) resources were found to be negatively related to firm performance. This was an unexpected finding given the growing profile and use of social media and the prevalence of online retailing. Nevertheless, this is an important finding for small retailers. Possible explanations for the negative relationship between informational (web) resources and firm performance have been discussed earlier in this chapter and one of the recommendations from this area of the research is that small retail firm owner/managers should not place too much emphasis on this aspect of their business. Rather, expenditure and effort on technology may be better directed toward informational (business) resources which were found to be positively related to firm performance.

The findings of the study clearly confirm that there is a positive relationship between two of the proposed resources and firm performance. Small retailers using informational (business) resources (including computerised sales and customer information systems, monitoring competitors, keeping up with industry trends, and stocking recognised brands), and accessing and utilising financial resources, reported high levels of firm performance. However, the findings also showed a negative relationship between informational (web) resources (social networking, store website, and sales via store website) and performance.

6.8.2 | *Research question two*

What factors mediate and moderate the relationship between small retail firm resources and performance?

As identified in the literature review, a number of factors may have an effect on performance in the small retail sector. Hypotheses 2a to 6e were designed to identify which of these impacted the relationship between resources and performance.

Three mediating factors of this relationship were proposed: strategic orientation, strategic planning capability, and entrepreneurial orientation. The study demonstrated that the prospector orientation and the defender/analyser orientation were positively related to firm performance with a prospector orientation being a stronger predictor of retail performance than a defender/analyser orientation. In addition, a prospector orientation significantly mediated the relationship between four resources – relational resources, physical resources, human and organisational resources, and informational (web) resources – and performance, as measured by average annual sales turnover. Whilst a prospector orientation mediated a positive relationship between the first three resources and firm performance, the results showed that it mediated a *negative* relationship between informational (web) resources and performance. The prospector orientation had no mediating effect on the relationship between the remaining two resources – access to financial capital and informational (business) resources – and firm performance. On their own, informational (web) resources were found to be negatively related to firm performance, and when the impact of a prospector orientation is factored in, the negative nature of the relationship is magnified.

Strategic planning capability was proposed as a mediator of the relationship between firm resources and performance, and this research confirmed strategic planning activities are a significant factor in higher performing small retail firms. In terms of the specific findings, strategic planning capability was positively related to firm performance. In addition, the relationship between strategic planning capability and a prospector orientation was supported. This study also found that strategic planning capability positively mediates the relationship between five firm resources – access to financial capital, informational (business), informational (web), physical, and human and organisational resources – and performance.

The findings regarding entrepreneurial orientation were mixed. This study found no relationship between entrepreneurial orientation and firm performance. In addition, entrepreneurial orientation was not found to mediate the relationship between firm resources and performance. However, the relationship between entrepreneurial orientation and a prospector orientation was found to be positive, as well as the relationship between entrepreneurial orientation and strategic planning capability.

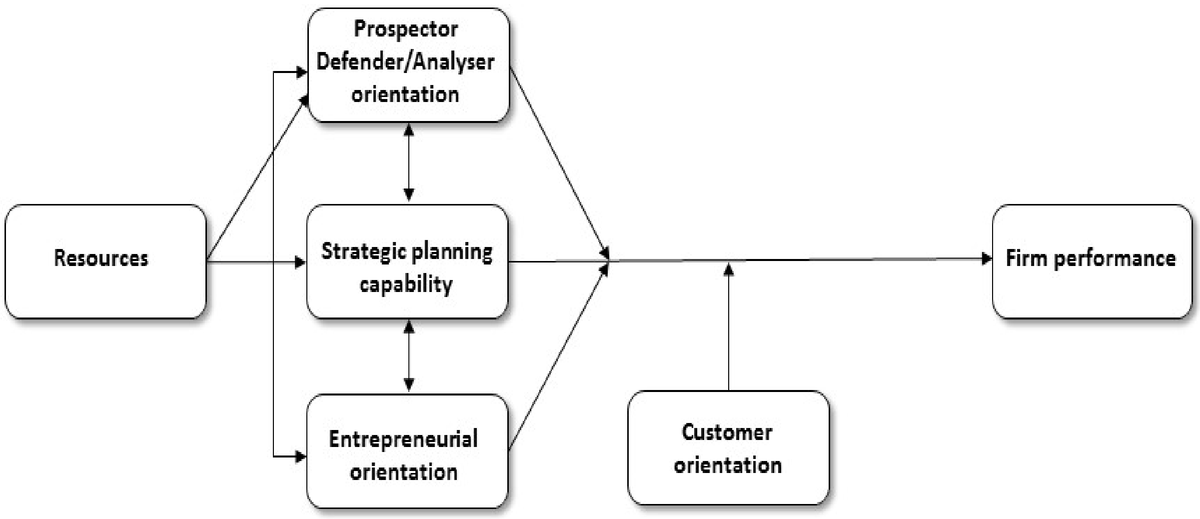
Although two moderating factors were originally proposed – environmental hostility and customer orientation – this study found that only customer orientation moderated the relationship between firm resources and performance. Environmental hostility was not found to significantly moderate the relationship between firm resources and performance. Indeed, none of the proposed hypotheses regarding environmental hostility were supported. As discussed in a previous section (Section 6.6) it may be that the small retailers surveyed in the study did not perceive their trading environment as hostile, meaning environmental hostility did not have any effect on firm performance, or on the relationship between resources and performance. In addition, this lack of perception of hostility resulted in a lack of support for the moderation effect on the relationships between strategic orientation, strategic planning capability, and entrepreneurial orientation and firm performance. The findings regarding environmental hostility were unexpected, however, as discussed in Section 6.6, much of the research on environmental hostility and retailing has been conducted using large retail firms, or using a single aspect of hostility (e.g., the entry of a large retailer into a local shopping community). It may be that for the small retailers in this study, environmental hostility does not have as significant an impact as proposed by other studies in the field.

The findings regarding customer orientation were similarly mixed. Customer orientation was not found to be related to firm performance, nor was the relationship between strategic planning capability and performance found to be moderated by customer orientation. However, there was partial support for the moderation effect of customer orientation on the relationship between one of the proposed resources (physical) and firm performance, and on the relationship between strategic orientation (defender/analyser) and firm performance. In addition, this study found the relationship between entrepreneurial orientation and firm performance is moderated by customer orientation.

6.9 | Revised conceptual model

As a result of hypothesis testing, and subsequent discussion of the research questions, a revised conceptual model is presented in Figure 6.1. The original model has been modified to illustrate the findings of the study.

Figure 6.1 | Revised conceptual model



As Figure 6.1 shows, in small retail firms, resources – informational (business) resources and financial resources – are positively related to performance. Strategic orientation is also positively related to performance, specifically a prospector and a defender/analyser orientation, with a prospector orientation as the stronger predictor of performance. Strategic orientation (prospector and defender/analyser) also mediates the relationship between resources and performance, with a prospector orientation having a stronger mediation effect on the relationship. Strategic planning capability is positively related to performance and it mediates the relationship between firm resources and performance. In addition, the relationship between strategic planning capability and a prospector orientation is positive. Entrepreneurial orientation was not found to be related to firm performance, nor did it mediate the relationship between firm resources and performance. However, entrepreneurial orientation was found to have a positive relationship with both a prospector orientation and strategic planning capability. Environmental hostility was not found to be related to performance, nor was it found to moderate any of the proposed relationships. Customer orientation was not found to be related to performance, nor did it moderate the relationship between strategic planning capability and performance. However, it did partially moderate the relationship between resources and performance, as well as the relationship between strategic orientation and performance. Customer orientation was also found to moderate the relationship between entrepreneurial orientation and performance.

6.10 | Contributions and implications of the research

The findings of this research make a significant contribution to the body of knowledge in the areas of small firm resourcing and performance, and as such, a number of theoretical and practical implications merit acknowledgement and discussion. The next two sub-sections provide discussion regarding the study's contribution to theory, as well as implications for policy and practice. The practical implications are especially significant because of the importance for small retailers to be able to identify and employ critical resources to aid in increasing firm performance.

6.10.1 | *Contributions to theory*

From a theoretical perspective, this research makes six important contributions. As noted previously, the field of retailing has struggled to be recognised as a legitimate focus of academic study (Findlay & Sparks, 2002). In addition, the majority of research in the field has had a resource-based focus (e.g., using resource-based theory); very little research has been conducted using R-A theory. This study makes a significant contribution to both the body of retailing knowledge (with a specific emphasis on small retailers) as well as extending the use of R-A theory in the context of retailing and small retailers.

First, as discussed in Chapter Two, an all-encompassing theory of retailing does not exist (Brown, 1988). Whilst there have been attempts at capturing the distinctive nature of the industry and the process of change within retailing (for example, using the wheel of retailing, the retail accordion and the retail life cycle theories), it is evident that Brown's (1988) assertion remains valid today. Retail researchers have, therefore, drawn on theory from other fields in an attempt to explain retail phenomena. Theory from the field of strategic management (most notably competitive advantage theory, and resource-based theory) have more recently been applied in retail studies, but often used in the examination of large retail firms. From the field of marketing, R-A theory was selected as the appropriate lens through which to conduct this research. This research has, therefore, contributed to the body of work in the field by extending the use of R-A theory to small retail firms. Although R-A theory has been well received in the marketing literature (Hunt & Morgan, 1997), it has not been extensively applied in the context of SMEs or retailing (particularly small retail firms); as noted, only a small number of studies using R-A theory in a retail context have been conducted, and only one study has been examined small retailers. As noted earlier in this thesis, the four retailing studies utilising R-A theory have focussed on: a single, leading retailer in Taiwan (Hu & Wang, 2009); the retail pharmaceutical industry (Jambulingam et al., 2005); retail e-commerce firms (Colton et al., 2010), and the relationship between customer orientation and merchandising competencies and retailer financial performance amongst small fashion retailers in Bangkok (Chotekorakul & Nelson, 2013). This research importantly applies and extends the use of R-A theory to small retail firms, across all sectors of the retail industry. As explained in Chapter Two, R-A theory looks at the effective and efficient deployment of resources, with seven groups of resources originally proposed (Hunt, 1995; Hunt & Morgan, 1995). This research applied a revised grouping such that legal resources were not considered applicable, based on pre-testing; informational resources were split into business and web, and human and organisational resources were combined. The research also extended R-A theory by considering several mediators and moderators that may have facilitated the deployment of resources (as explained in the next point).

Second, as discussed earlier in this chapter, the research has developed a conceptual model of the relationship between small retailer firm resources and firm performance as well as the factors that have a significant impact on the relationship. As a result of the hypothesis testing, the model was refined to reflect the findings of the study. What this revealed was the importance of a prospector orientation, a defender/analyser orientation, and strategic planning capability as mediators, and of customer orientation as a moderator. As indicated above, R-A theory is concerned with accessing and exploiting resources; this research thus demonstrates four factors that assist with this process.

Third, one of the main limitations (as noted in the literature) for small businesses is the difficulty in identifying and accessing appropriate resources; using R-A theory, the study has identified which resources are important for firm performance in small retail firms. Two resources – informational (business) resources and access to financial capital – have been identified as having a significant, positive relationship with firm performance. The study also found that informational (web) resources are negatively related to firm performance. These are important findings as they clearly identify which resources small retailers should be focussed on acquiring and developing, as well as highlighting the fact that informational (web) resources are not important for firm performance and small retailers should not devote unnecessary time and funds on developing these resources.

Fourth, this study has confirmed the importance of strategic planning in relation to performance in small retail firms. Due to a limitation on the number of questions included in the survey instrument, this study used a similar approach adopted by earlier studies (for example, Fulmer & Rue, 1974; Herold, 1972; Thune & House, 1970) which simply categorised firms as either planners or non-planners. Planning (in this case, strategic planning, marketing planning and marketing budgeting activities) was found to be significantly and positively related to firm performance, and the more planning activities a firm engaged in, the higher the level of firm performance. This is a significant finding, particularly given the limited research in this field that has been conducted using small retail firms.

Fifth, this research extends the use of the Miles and Snow (1978) strategic orientation typology. Using Moore's (2005) 14 item scale, which was based on the 25 item scale originally developed by Segev (1987a), this study confirmed a positive relationship between a prospector orientation and firm performance, and between a defender/analyser orientation and firm performance, as well as that both these orientations mediated the impact of certain resources on firm performance. This study also confirmed Moore's (2005) findings that the reactor orientation was not related to firm performance (either positively or negatively). The study has, therefore, contributed to the body of work on strategic orientation using the Miles and Snow (1978) strategic typology by extending it to the small retail field.

Sixth, as noted earlier, much of the retailing research (primarily in the U.S. and Europe) has focussed large retail firms, with less of an emphasis on SMEs and small retailers. Given the healthy response rate, the findings of this study make a significant contribution to the body of knowledge on small retail firms, and in a broader context to SME research. Retailing research is not as extensive in Australia as it is in other developed countries such as the U.S. and Europe. Similarly, research focussed on small firms and small retail firms is lacking in an Australian research context. As well as contributing to the body of research on small retail firms, this study is notable for extending this area of research in Australia.

6.10.2 | *Implications for practice and policy*

The study's findings also provide eight important implications for retail practice, and for policy development and implementation. In a practical sense, everyday retailing is somewhat removed from the world of academia and with this in mind, one of the main aims of the study was to offer practical information (based on empirical research) for small retailers to help inform and guide their daily retailing practice. The provision of such information, based on established theory as well as on the empirical results of this study, is an important outcome of this research.

First, from a small retailer performance point of view, one of the keys to improving the competitiveness and overall performance in the sector is to identify those resources that contribute to firm performance. This study has identified that access to financial capital and informational (business) resources are the most critical for firm performance. The failure rates of SMEs are well documented (Franco & Haase, 2010), and the evidence suggests a lack of cash flow to be one of the main factors contributing to the closure of small businesses. This study has definitively confirmed previous findings (from academia and industry) (for example, DIISRTE, 2012; Franco & Haase, 2010; Winborg & Landstrom, 2001), that access to financial capital is a significant factor for firm performance, and conversely, therefore, a lack of financial capital will result in poor performance and often business failure. SME business incubators, small business courses, and local authorities should highlight and promote the imperative for new (and existing) small business owners to ensure the business makes provision for initially identifying and accessing appropriate capital for the business, as well as putting in place measures to ensure access to financial resources is sustainable.

Second, informational (business) resources were also identified as being a significant contributor to small retail firm performance. As previously discussed, this resource consists of computerised sales systems and customer information systems, stocking recognised brands, keeping up to date with industry trends, and monitoring competitors. Anecdotally, many small retail business owners do not invest in computerised systems, due either to the owner/manager’s lack of knowledge, information or confidence, or a belief that the business is too small to warrant the use of computerisation. However, as the cost of IT hardware and software continues to decrease and it becomes more easily accessed, it may be that more small business operators are inclined to invest in either off-the shelf or bespoke technology to assist in business growth. As the findings of this study confirm, the importance of computerisation (even at a basic level) should be promoted to small retail firms as an important means of increasing firm performance. This refers specifically to business resources but not web resources; as explained, web resources were negatively related to performance.

Third, in addition, activities to monitor competitors and keeping abreast of industry trends also contribute to performance. Knowledge of existing and emerging issues in the retail industry (or in the specific retail sector) is clearly a useful resource for small retailers. This information allows retailers to remain up to date with their product and service offerings, store format and forms of communication with customers. Similarly, monitoring competitors is an important activity which allows small retailers to remain cognizant of the offerings and (to some extent) the reputation and attractiveness of competing firms. This knowledge is useful for retailers to be able to compare their business with other similar businesses and allow for reflection on improvements that may be made to their own business. As reported by the retailers involved in the pre-test phase of this research, it is very difficult to gain information about the financial performance of competitors in the small retail industry. However, small retailers should still endeavor to seek out information about their competitors’ offerings, customer traffic and business initiatives in order to inform their own retail practice. Stocking recognised brands allows small retailers to leverage from the marketing and branding activities of the companies (manufacturers) producing the products they stock, drawing customers into their stores. Recognised brands provide the opportunity for retailers to trial new and emerging brands and confirm what works and what doesn't whilst still maintaining a stable base of recognised product offerings.

Fourth, combining the findings of this study which confirmed that strategic planning capability is positively related to firm performance, with the findings of studies examining planning in greater detail and its positive relationship with performance (for example, Kraus et al., 2006), a number of practical recommendations can be made for small retailers with regard to the importance of strategic planning capability. The importance of increasing the amount of planning (to incorporate strategic planning, marketing planning and marketing budgeting) should be promoted to small businesses as part of their initial and ongoing business planning. Both the less formal process of planning as well as more formal planning (using planning instruments) have been found to be related to business performance (Mazzarol, 2001). In recognising the resource constraints of small firms, the benefits of planning (formal or informal) should be communicated. Rue and Ibrahim (1996) found three aspects of planning which were positively related to business performance: a long-term orientation, strategies in written form, and evaluation and control. Business plans are often utilised by new small businesses in order to gain finance or as part of the initial scoping phase when deciding whether or not to go into business. Business plans could incorporate these three aspects of strategic planning (both at the initial stage of writing the plan, and ongoing). Popular books on small business as well as academic texts promulgate the importance of business plans for business success. New and existing small retailers should be encouraged by government agencies, academia, business-study related programs and business advisory services to engage in business planning at all stages of their business life cycle, with strong advocacy of a planning-based approach as well as suggested strategic planning advice tailored for the small business sector.

Given this study did not delve into the detail of the planning tools utilised by small retailers, further research should be conducted to determine what types of planning activities are conducted by higher performing small retail firms, particularly in light of the findings of studies (for example, Kraus et al., 2006; Kraus, Harms & Schwarz, 2008; Mazzarol & Reboud, 2014; Wiesner & Millett, 2012) which confirmed more formal planning results in a higher degree of firm performance. The development and promotion of strategic planning tools should include a focus on planning techniques that are less time-consuming and less expensive and tailored for use in small firms (Wiesner & Millett, 2012). Small retail owner/managers should seek (where possible) outside assistance in developing strategic plans, and government support should target programs focussed on more formal planning training for small businesses (Mazzarol & Reboud, 2014).

Fifth, another important finding from this research was the identification of the sections (using the ANZSIC classification system) of the retail industry reporting the highest levels of performance. This research confirmed the supermarket and grocery store sector reported the highest level of performance. This was followed by the specialised food retailing sector and the hardware, building & garden supplies sector. It can be argued that food and grocery products are essential items that are required for day to day living. Anecdotal evidence suggests that online food shopping in Australia has not been taken up by a large percentage of the population (Productivity Commission, 2014) (compared with other countries such as the U.S. and the U.K.), resulting in strong sales figures for retail firms offering food and grocery items and specialised food retailing (IBIS, 2014). In addition to food and grocery products, hardware, building and garden supplies are not popular items for online purchase, most likely due to their size and bulky nature, making delivery difficult and therefore expensive.

Sixth, this study confirmed that small retailers selling items such as clothing, books, newsagency items and entertainment media, reported the lowest levels of performance. These types of products are now readily available online and in many cases they are cheaper to buy via the internet. In addition, they may also be considered ‘non-essential’ items for many people (particularly in challenging economies) and so the markets are often limited for these types of goods. The middle group of performers included those firms selling furniture, floor coverings, housewares and textiles, and recreational goods. Prices for these items have steadily decreased and these sectors remain flat with steady sales but lower margins (D'Arcy, Norman & Shan, 2012). Department stores and firms selling electrical, electronic and gas appliances had too few respondents in the sample to make any generalisations. Information on the type of retail firms reporting higher levels of performance has significant implications for those considering a new retail business or those contemplating adding new products and services to their existing business. In starting (or acquiring) a retail operation, this information should be considered, as well as ensuring there is sufficient access to financial capital. Strategic planning activities should assist with these decisions.

Seventh, from a policy perspective, the findings of this study have implications for small business policy at local, state and national levels. Policy development should be guided by the acknowledgement of factors that impact small retailer performance that have been demonstrated in this study. Policy development and implementation should seek to assist small retail businesses in finding ways of improving access to financial capital as well as promoting and supporting the notion that technological resourcing is vital for viable small businesses.

Eighth, the importance of strategic planning, at both the start-up phase and ongoing, is an important factor that policy should also address. In a practical sense, a program of small business loans (such as state government small business grants and loans programs, or the U.S. Bank SBA loan support program) should be considered by all levels of government, and made available to SMEs. Management development support programs should also be developed in consultation with industry, and offered to small business owners to assist with business planning activities. An important component of these programs should highlight the different levels of rules, regulations and laws at the local, state and national level dealing with employment, zoning, and taxation issues with which SMEs must comply (Peterson, 2001; Runyan & Droge, 2008). Sufficient knowledge of these issues is important for small retailers to undertake effective planning activities, and appropriate programs should be offered on an on-going basis to illustrate the importance of continuous business planning and budgeting to aid in achieving high levels of firm performance. Although there are a number of small business courses offered through universities, and other tertiary providers, these programs should be run or subsidised by government agencies at a low cost to the end-user so as to encourage uptake and participation. In addition, these programs should offer training opportunities in computing and selection and use of software and hardware for retailing. Holistic SME policy is necessary to create educational and management development programs to help ameliorate the constraints on small business, and particularly on small retailers as identified through this research.

6.11 | Limitations of the research

It should be noted that, inevitably, empirical studies have certain limitations. The analysis undertaken was limited by the type and extent of data that were available from the population. Although the study utilised a census, in that all small retailers were identified from the *Yellow Pages* and so the study was conducted on the entire population, the population was geographically concentrated in a single Australian State: Tasmania. It is expected that data from a concentrated population would exhibit characteristics specific to the population. In this case, however, this limitation has effectively been reduced given the healthy sample size (n=384) which allows the findings to be applied more generally across the small retailer industry.

Given that small firm financial (and other) information is not available publicly, it was considered appropriate to seek semi-objective data for this study. It should be noted the collection of data using a single informant from each retail firm may have had affected the results. However, many of the small retail firms surveyed were staffed by only the owner/manager. Further research could use multiple informants (where possible) from a single firm.

Measuring the performance of small firms (small retail firms in this instance) is inherently limited by the type/s of measurement employed. As noted throughout the thesis, it is difficult to access financial information about small businesses in Australia and so other methods of measuring firm performance are required for studies of this type. Using average annual sales turnover is one way to measure a firm’s performance. There are other measures, including employee growth, ROI, and customer retention. Additional methods include comparative indicators, that is, asking business owner/managers to compare their performance in relation to their competitors (as discussed in Chapter Three). This type of measure may not be nuanced enough to illustrate the financial position of the business in a small firm context and was, therefore, not selected for this study. Given the sample and the industry, average annual sales turnover was considered to be the most appropriate way to measure performance, that is, using an average financial measure over a three year period. In addition, it should be acknowledged that greater average annual sales turnover itself could result in greater access to resources. In this regard, just as it is argued in this study that the availability of resources leads to higher performance (in the form of sales turnover), it may also be the case that higher sales turnover then leads to a higher level of resources. Therefore, the causal relationship between resources and performance may work in both directions.

Lastly, data was collected from small retailers currently operating; it did not include small retailers whose businesses had failed. As Castrogiovanni (1996) and others have noted, survey research is often biased in that failed businesses are excluded from research due to the fact that these businesses are no longer included in the listings used to guide sample selection (in this case the *Yellow Pages*), or they may be treated as non-respondents to a survey instrument. Given that the aim of this research was to identify factors contributing to firm performance, it would have been useful to examine failed small retail firms in an effort to identify and examine factors that may have contributed to business failure. Insights from these particular businesses would be useful in contributing to the empirical research in small retail firm performance. However, given the challenge in accessing any formal financial (and other business) data on small firms, it is clearly a difficult task to identify and survey businesses that are no longer trading. Further investigation and research in this area to create a framework for accessing this information would be useful.

6.12 | Directions for future research

This study provides several avenues for further research and this section proposes a number of possible directions which could allow the study's framework to be applied to new research settings. To being with, the study could be extended to other areas within Australia, incorporating both regional and urban locations. This would allow the validity of the research and the proposed model to be tested. There may be interesting differences, in both resourcing and levels of firm performance, between geographic regions as well as between the more urbanised cities and the less-populated towns and country areas. In addition, there may be differences in the effect of the mediating and moderating factors identified in the study. Alternatively, the findings may be consistent across different geographical regions, increasing their generalisability across the retail industry.

The study could also be conducted internationally, which would illustrate if the findings can be applied in an international context or if there are any differences between population groups. Australia is part of the Asia-Pacific region and whilst cultural differences should be taken into consideration, the study could be extended to other developed or emerging economies in the region (for example, Indonesia or New Zealand). Additionally, the study could be applied to countries outside the region (for example, the U.S. and the U.K.) which share a similar Western culture with Australia.

The study sought information from retailers about their business performance over a three-year period. Over time, changes in the trading environment can have a significant impact on the resourcing strategy adopted by retailers, as well as on their level of firm performance. It may also be expected that there would be variation in the effect of the proposed mediating and moderating factors on both the resourcing and performance of small firms. A longitudinal study, examining small retailers over an extended period, may be useful in identifying differences in trading environments over time, as well as the effect on the resourcing and performance of small firms. Future studies could be replicated and administered every three years to enable a comparison of the results; this may help identify how small firms with superior performance adapt their resourcing and planning over time. In addition, future studies might also seek to investigate the impact of resources controlling for relevant retail groups (ANZSIC), as well as firm size and age; noting, however, that data will need to be collected in a form suitable for the specific analyses undertaken.

Future research could be extended to other sectors – for example, manufacturing, services and agriculture – in an SME context. Although there may be some differences between industries, it would be expected that SME firms are likely to share a number of similarities across resourcing, business planning and performance. This study could be adapted to suit particular industries, and using the R-A theory framework, could identify the resourcing issues and performance constraints of critical economic sectors. The effect of business planning could also be validated for different industries as well as the significance of the other factors tested in this study including entrepreneurial orientation and strategic orientation.

As noted earlier, the study was limited by the use of single respondents. The study sought information from the owner/manager of the firm, but future studies could utilise multiple respondents by including firm employees (where possible). A qualitative approach was adopted during the pre-test phase of the research, however, the study utilised a predominantly quantitative approach. A future study could extend the qualitative method to provide a true mixed-method approach to the research. This more nuanced approach would allow researchers to gather comprehensive insights and a richer understanding of the issues which may not be uncovered using a quantitative research design.

The major findings regarding those resources contributing to higher levels of firm performance – informational (business) resources and access to financial capital – as well as, for example, the mediating effect of strategic planning capability on the relationship between resources and performance, provide the context for future research. Given the significant effect of strategic planning capability on resources and performance, further research could extend the Wiesner and Millett (2012) study and investigate (in greater detail) the types of planning activities – principal activities and tools – conducted by higher performing small retailers. Further research in this area would also be useful with a particular emphasis on the differences in performance between formal and non-formal planning activities (Rue & Ibrahim, 1996, 1998). On the basis of this study, there is research potential related to small retail firm resourcing and performance within the context of R-A theory. This study should serve as a catalyst for further exploration of the constructs related to small retail firm resources (informational and financial) and strategic planning capability.

6.13 | Closing remarks

Retailing is an essential economic, social and cultural activity and a successful retail sector is an important part of local communities. Small retailers contribute to their local areas through the provision of goods and employment opportunities, and they provide an alternative to large retail firms. Whilst small retailers make a significant contribution to local, state and national economies, in a global market, small retailers face increasing challenges. Competition from other small operators, large retail chains and internet stores all impact on the ability of small retailers to survive and prosper. The identification of factors that may aid in contributing to small retail firm performance is, therefore, a worthy endeavor.

Using the lens of R-A theory, this study was based on the proposition that a firm's resource base is positively related to firm performance, and that several factors would have a mediating or moderating influence on this relationship. R-A theory focuses on the firm's efficiency and effectiveness in creating, discovering, accessing, and exploiting resources (Hunt, 2000). Extending R-A theory to small retail firms, six groups of resources were proposed – financial, physical, human and organisational, informational (web), informational (business), and relational – as being positively related to firm performance. The findings of the study subsequently identified two of the proposed resources as contributing positively to performance – informational (business) resources and financial resources – and that informational (web) resources were negatively related to firm performance. This study also proposed that that relationship between resources and performance would be mediated by three factors (strategic orientation, strategic planning capability, and entrepreneurial orientation). Strategic planning capability, a prospector orientation, and a defender/analyser orientation, were found to be related to firm performance, as well as mediating the relationship between resources and performance. Whilst entrepreneurial orientation was not found to be directly related to performance, there was a positive relationship found between entrepreneurial orientation and a prospector orientation and between entrepreneurial orientation and strategic planning capability. Two moderating factors were also proposed (customer orientation and environmental hostility). Despite the weight given to both factors in the extant literature, the relevant findings in this study were mixed. Environmental hostility was found to have no bearing on the relationship between resources and performance, nor on the relationship between the three mediating factors and firm performance. Similarly, customer orientation was not found to be related to firm performance; however, it did moderate the relationship between physical resources and performance, a defender/analyser orientation and performance, and between entrepreneurial orientation and performance. The conceptual model proposed in Chapter Three was refined to reflect the findings of the hypothesis testing.

Significant support for the findings of the study can be derived from the fact that the sample frame was essentially a census, and that the response rate was a healthy 23.7 per cent. The findings can, therefore, be considered to make an important contribution to the retailing research literature, as well as extending the use of R-A theory to the small retailer field. In a practical sense, this research is also useful for small retailers by highlighting the importance of ensuring their business has adequate access to financial capital and that the business actively invests in, and makes use, of computerised business systems. In addition, small retailers should devote time and resourcing to engaging in strategic planning activities.

The study has provided new research pathways, important insights for the retail industry, and significant implications for both retail policy development and retail practice. The ability to determine which resources relate to higher levels of performance is vitally important for individual small retailers, as well as the retail industry in general. It can be argued that one of the keys to improving the competitiveness and overall performance of the small retail sector is to identify those specific resources that contribute to performance. Significantly, the findings of this study will assist owner/managers to meet both the day to day and strategic challenges of owning and operating a small retail firm, as well as provide important information, based on empirical evidence, to assist in increasing small retail firm performance.

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APPENDIX A | RETAILING RESEARCH PROJECT SURVEY QUESTIONS

RETAILING RESEARCH PROJECT
SURVEY OF TASMANIAN SMALL RETAILERS

Thank you very much for your participation in this survey. Please ensure it is completed by the owner and/or manager of the business. **Your answers will be totally anonymous. Survey responses will be treated confidentially and the information you supply will be used only for the purposes of this study.**

1. Using the following Australian and New Zealand Standard Industrial Classification (ANZSIC) retail codes* please indicate which section of the retail industry is *most* applicable to your business:

❑1 Supermarket and grocery store
❑2 Specialised food retailing
❑3 Furniture, floor covering, house wares and textiles
❑4 Electrical, electronic and gas appliances
❑5 Hardware, building and garden supplies
❑6 Recreational goods (including sport and camping equipment, entertainment media, toys and games, newspapers and books and marine equipment)
❑7 Clothing, footwear and personal accessories (including watches and jewellery)
❑8 Department store
❑9 Pharmaceutical and other store-based retailing (including cosmetics, toiletries, stationery, antiques and used goods, flowers and other miscellaneous store-based retailing)

* Used by the Australian Bureau of Statistics

2. How many years has the retail business been established? [ ] years

3. Apart from yourself, how many staff are employed for this retail business?
F/T [ ] P/T [ ] Casual [ ]

4. How many store locations are there for this retail business? [ ]

5. Please indicate which location best describes your store/s (please tick):

❑1 Managed shopping centre (indoor or outdoor)
❑2 Shopping mall
❑3 Shopping strip
❑4 Freestanding shop
❑6 Other (please provide details)____

6. Thinking about the retail store, how important is each factor listed below to the success of your business? (please tick one box for each factor where the higher the score the more important: 1 = not at all important through to 7 = very important):

	1	2	3	4	5	6	7
Store location	❑	❑	❑	❑	❑	❑	❑
Stocking high quality merchandise	❑	❑	❑	❑	❑	❑	❑
Stocking higher priced items	❑	❑	❑	❑	❑	❑	❑
Sales via store website	❑	❑	❑	❑	❑	❑	❑
Stocking products that are different from competitors	❑	❑	❑	❑	❑	❑	❑
Stocking lower priced items	❑	❑	❑	❑	❑	❑	❑
Store atmospherics (e.g. layout, lighting, music, decor)	❑	❑	❑	❑	❑	❑	❑
Carrying a wide range of products and lines	❑	❑	❑	❑	❑	❑	❑
Computerised sales system	❑	❑	❑	❑	❑	❑	❑
Stocking recognised brands	❑	❑	❑	❑	❑	❑	❑

Maintaining high stock levels	❑	❑	❑	❑	❑	❑	❑
Supporting local (Tas/ Aus) manufacturers	❑	❑	❑	❑	❑	❑	❑
Merchandising and display (in-store and window)	❑	❑	❑	❑	❑	❑	❑
Computerised customer information system	❑	❑	❑	❑	❑	❑	❑
Store brand image (e.g. signage, carry bags etc)	❑	❑	❑	❑	❑	❑	❑
Exclusive supply arrangements for some products	❑	❑	❑	❑	❑	❑	❑
Stocking 'private label' or store-branded products	❑	❑	❑	❑	❑	❑	❑

7. Does your retail business have a formal marketing plan? (please tick):

❑1 Yes
❑2 No

8. Does your retail business have a marketing budget? (please tick)

❑1 Yes
❑2 No

9. Thinking about marketing the retail business, how important are the following factors to the success of your retail business? (please tick one box for each factor where the higher the score the more important: 1 = not at all important through to 7 = very important):

	1	2	3	4	5	6	7
Advertising (print, radio, tv, outdoor, internet etc.)	❑	❑	❑	❑	❑	❑	❑
Sales promotions (e.g. free gifts, discounts)	❑	❑	❑	❑	❑	❑	❑
Customer loyalty program	❑	❑	❑	❑	❑	❑	❑
Special marketing and sales events	❑	❑	❑	❑	❑	❑	❑
Keeping up to date with industry trends	❑	❑	❑	❑	❑	❑	❑
Monitoring competitors	❑	❑	❑	❑	❑	❑	❑
Social networking (e.g. Facebook, Twitter etc)	❑	❑	❑	❑	❑	❑	❑
Contacting customers regarding upcoming sales, special promotions etc.	❑	❑	❑	❑	❑	❑	❑
Public relations activities (e.g. sponsorship, community involvement etc.)	❑	❑	❑	❑	❑	❑	❑
Web site (with or without shopping cart facilities)	❑	❑	❑	❑	❑	❑	❑

10. Thinking about the organisational and reputational assets of your retail business, please indicate how each asset impacts on your business (please tick one box for each asset where 1 = no impact and 7 = high impact):

	1	2	3	4	5	6	7
Shared organisational values, beliefs, attitudes and behaviours (the business culture)	❑	❑	❑	❑	❑	❑	❑
The skills, expertise, and know-how of the owner/ manager	❑	❑	❑	❑	❑	❑	❑
Relationships that employees and the owner/ manager have built with suppliers	❑	❑	❑	❑	❑	❑	❑
The overall skills, creativity, and know-how of non-management employees of the retail business	❑	❑	❑	❑	❑	❑	❑
The reputation of the retail business in the marketplace	❑	❑	❑	❑	❑	❑	❑

11. As owner/manager of the retail business, how satisfied are you with your access to financial capital? (please circle the number which is closest to the best description of your business):

Insufficient, and a great impediment to our development	1	2	3	4	5	6	7	Fully satisfactory for the firm's development

12. Does your retail business have a formal <u>strategic plan</u>? (please tick):

❑1 Yes

❑2 No

13. The following is a list of phrases that show different ways that retailers operate. For each phrase, please tick the number that best describes the typical behaviour of your retail business (where 1 = does not describe my business at all and 7 = describes my business very well):

	1	2	3	4	5	6	7
Is an innovation leader in the retail industry	❑	❑	❑	❑	❑	❑	❑
Maintains a safe niche using a traditional store format	❑	❑	❑	❑	❑	❑	❑
Always takes advantage of industry trends	❑	❑	❑	❑	❑	❑	❑
Frequently moves into new markets	❑	❑	❑	❑	❑	❑	❑
Sticks with using current store type (format)	❑	❑	❑	❑	❑	❑	❑
Is known for frequently taking risks	❑	❑	❑	❑	❑	❑	❑
Is known for being 'first in' the industry for developing new ways to retail	❑	❑	❑	❑	❑	❑	❑
Adopts industry innovations only after lengthy consideration	❑	❑	❑	❑	❑	❑	❑
Does not mind risking profits for developing new stores/formats	❑	❑	❑	❑	❑	❑	❑
Concentrates on improving current ways of retailing rather than developing new methods	❑	❑	❑	❑	❑	❑	❑
Focuses first on serving current customers and second on capturing new customers	❑	❑	❑	❑	❑	❑	❑
Is a leader in developing new ways to retail	❑	❑	❑	❑	❑	❑	❑
Researches only trends that impact the business directly	❑	❑	❑	❑	❑	❑	❑
Continuously adopts new technology	❑	❑	❑	❑	❑	❑	❑

14. The statements below describe ways a salesperson might act with a customer. For each statement please indicate the proportion of your customers with whom you act as described in the statement (where *1 = None* through to *9 = All*).

	NONE 1	2	3	4	HALF 5	6	7	8	ALL 9
I try to sell as much as I can rather than to satisfy a customer	❑	❑	❑	❑	❑	❑	❑	❑	❑
I try to figure out what a customer's needs are	❑	❑	❑	❑	❑	❑	❑	❑	❑
A good salesperson has to have the customer's best interest in mind	❑	❑	❑	❑	❑	❑	❑	❑	❑
I try to bring a customer with a problem together with a product that helps him/her solve that problem	❑	❑	❑	❑	❑	❑	❑	❑	❑
I offer the product of mine that is best suited to the customer's problem	❑	❑	❑	❑	❑	❑	❑	❑	❑

It is necessary to stretch the truth in describing my product to a customer	☐	☐	☐	☐	☐	☐	☐	☐	☐
I try to sell a customer all I can convince him/her to buy, even if I think it is more than a wise customer would buy	☐	☐	☐	☐	☐	☐	☐	☐	☐
I paint too rosy a picture of my products, to make them sound as good as possible	☐	☐	☐	☐	☐	☐	☐	☐	☐
I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run	☐	☐	☐	☐	☐	☐	☐	☐	☐
I try to find out what kind of product would be most helpful to a customer	☐	☐	☐	☐	☐	☐	☐	☐	☐

15. For each pair of statements please circle the number which is closest to the best description of your retail business.

In general, as owner and/or manager of the retail business, I favour:

A strong emphasis on the marketing of tried and true products	1	2	3	4	5	6	7	A strong emphasis on research and development, technology and innovation

How many new lines of products has your retail business marketed in the past three years?

No new lines of products	1	2	3	4	5	6	7	Very many new lines of products
Changes in product lines have been mostly of a minor nature	1	2	3	4	5	6	7	Changes in product lines have usually been quite dramatic

In dealing with competitors, my retail business:

Typically responds to actions which competitors initiate	1	2	3	4	5	6	7	Typically initiates actions which competitors then respond to
Is very seldom the first business to introduce new products, administrative techniques, operating procedures etc.	1	2	3	4	5	6	7	Is very often the first business to introduce new products, administrative techniques, operating procedures etc
Typically seeks to avoid competitive clashes, preferring a 'live-and-let-live' posture	1	2	3	4	5	6	7	Typically adopts a very competitive 'undo-the-competitors' posture

In general, as owner and/or manager of the retail business, I have...

A strong proclivity for low-risk projects (with normal or certain rates of return)	1	2	3	4	5	6	7	A strong proclivity for high-risk projects (with chances of very high returns)

In general, as owner and/or manager of the retail business, I believe that...

Owing to the nature of the retail environment, it is best to explore it gradually via timid, incremental behaviour	1	2	3	4	5	6	7	Owing to the nature of the retail environment, bold, wide-ranging acts are necessary to achieve business objectives

16. How would you characterise the external environment within which your retail business operates? (for each pair of statements, please circle the number which is closest to the best description of your retail business):

Very safe, little threat to the survival and well-being of the retail business	1	2	3	4	5	6	7	Very risky, a false step can mean the retail business's undoing
Rich in investment and marketing opportunities	1	2	3	4	5	6	7	Very stressful, exacting, hostile; very hard to keep afloat
An environment that the retail business can control and manipulate to its own advantage	1	2	3	4	5	6	7	A dominating environment in which the retail business's initiatives count for very little against tremendous competitive forces

17. Which of the following categories best describes the <u>average annual sales turnover</u> of your business over the last *three years*? (please tick one):

- ☐1 Under $50,000
- ☐2 $50,001 - $100,000
- ☐3 $100,001 - $250,000
- ☐4 $250,001 - $500,000
- ☐5 $500,001 - $1,000,000
- ☐6 Over $1,000,001

18. What is/are the postcode/s of your retail store/s? [ ]

Thank you very much for participating in this survey; your assistance is greatly appreciated and very important for the outcome of this research.

As a participant, if you would like to receive a copy of the summary report of this research project, please email: Louise.Grimmer@utas.edu.au

Please return this survey in the accompanying reply paid envelope or mail to:
Louise Grimmer, School of Management, University of Tasmania, Private Bag 16, HOBART TAS 7001

APPENDIX B | PRE-TEST COVER LETTER TO SMALL RETAILERS

11 October 2012

Name
Address
Address
Address

Dear

RETAILING RESEARCH PROJECT - SURVEY OF TASMANIAN SMALL RETAILERS

We would like to invite you to participate in the first stage of a research study of Tasmanian small retailers. As a key retailer your contribution will be *extremely valuable* to the outcome of the study and I would be very grateful for your input in the form of **pre-testing a survey**. All information will remain confidential and, should you wish to participate, you will receive a summary report of the main findings upon completion of the study.

The study is the major requirement of my PhD, which I am undertaking through the School of Management at the University of Tasmania. My research is supervised by Professor Morgan Miles and Dr John Byrom. The main component of the research is a survey which will be mailed to approximately 1,900 small retail businesses throughout Tasmania.

We would like to invite you to pre-test the enclosed survey prior to the general mail out and we would be grateful to receive your feedback on the general comprehension and suitability of the survey. I will contact you to arrange a suitable time to collect the completed survey and discuss any feedback you may wish to provide.

The aim of the study is to look at the value retailers place on different aspects of their retail business and how they affect the choice of strategy, and overall performance. The choice of competitive strategy is one of the most important decisions to be made by small businesses, and retailers in particular. However, the majority of small, independent retailers are often limited in their choice of strategy due to their smaller size, their position in the marketplace, their lack of capital, and the level of competition they face. Researchers have found that an organisation's resources and capabilities are critical to its choice of competitive strategy, which in turn influences the organisation's performance.

The study is the first of its kind in Australia to examine small, independent retailers – the majority of research in this field has concentrated on larger retailers; less work has been carried out examining small retail businesses.

This is therefore a very important study and the results are expected to provide significant insight into the specific capabilities of small retail businesses within a competitive market. The findings of this study will assist small retailers to identify and develop appropriate competitive strategies based on available business resources.

Participation is entirely voluntary and your consent to participate is implied by your completion of the survey. Should you choose to take part you have the right to decline, or withdraw yourself and any data you have supplied, at any time up until data analysis commences. All information and material you provide during the course of the study will be treated in a confidential manner, and your name will not be used in any publication arising out of the research.

All survey data will be treated confidentially and the information you supply will be used only for the purposes of this study. During the data collection period all data will be stored securely on a password protected computer in a locked office at the University of Tasmania Sandy Bay Campus. Upon completion of the study, all data will be kept secure for a period of five years. At the end of that time, the data will be destroyed, and all paper records will be shredded.

This study has been approved by the University of Tasmania's Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants; if you wish to contact the EO please quote ethics reference number [H0012815].

Thank you for taking the time to read this letter, and helping make this study possible. Your assistance is greatly appreciated and I look forward to collecting your completed survey and any feedback you may wish to provide. In the meantime, if you would like to discuss any aspect of the research please feel free to contact me, or one of my supervisors, via the contact details listed below.

Yours sincerely

Mrs Louise Grimmer
School of Management
University of Tasmania
P: (03) 6226 7686
Louise.Grimmer@utas.edu.au

Professor Morgan Miles
School of Management
University of Tasmania
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Morgan.Miles@utas.edu.au

Dr John Byrom
School of Management
University of Tasmania
P: (03) 6324 3014
John.Byrom@utas.edu.au

APPENDIX C | COVER LETTER TO SMALL RETAILERS

8 February 2013

Name
Address
Address

Dear

RETAILING RESEARCH PROJECT - SURVEY OF TASMANIAN SMALL RETAILERS

I would like to invite you to participate in a research study of Tasmanian small, independent retailers. The aim of the study is to look at the value you place on different aspects of your retail business and how they affect your strategy and overall performance. The study is the first of its kind in Australia to examine small, independent retailers – the majority of retail research usually focuses on large retailers.

This is therefore an important study and the results are expected to provide significant insight into the specific capabilities of small retail businesses within a competitive market. The research will also serve to advance the general understanding of Tasmania's independent retail industry. The enclosed survey (with reply paid envelope) has been pre-tested by a group of Tasmanian retailers and it should take only 10-15 minutes to complete. **Your answers will be totally anonymous.** A copy of the results will be summarised in a report which can be made available to interested participants.

The study is the major requirement of my PhD which I am undertaking through the School of Management at the University of Tasmania. This research project is supervised by Professor Morgan Miles from the University of Tasmania and Dr John Byrom from the University of Manchester.

The following information is provided for your consideration. The choice of competitive strategy is one of the most important decisions to be made by small businesses, and retailers in particular. However, the majority of small, independent retailers are often limited in their choice of strategy due to their smaller size, their position in the marketplace, their lack of capital, and the level of competition they face. Researchers have found that an organisation's resources and capabilities are critical to its choice of competitive strategy, which in turn influences the organisation's performance. The problem is that the majority of research in this field has concentrated on large retailers; less work has been carried out examining small retail businesses. The findings of this study will assist small retailers to identify and develop appropriate competitive strategies based on available business resources.

Your contribution is *extremely valuable* to the outcome of the study and I would be very grateful for your input. Participation in this research project is entirely voluntary and your consent to participate is implied by your completion and submission of the survey. You may withdraw your participation at any time without effect, however please note that it will not be possible to withdraw your data once you have returned your completed survey because all surveys will have been completed anonymously. The survey responses will be treated confidentially and the information you supply will be used only for the purposes of this study. During the data collection period all data will be stored securely on a password protected computer in a locked office at the University of Tasmania Sandy Bay Campus. Upon completion of the study, all data will be kept secure for a period of five years. At the end of that time, the data will be destroyed, and all paper records will be shredded.

This study has been approved by the University of Tasmania's Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants; if you wish to contact the EO please quote ethics reference number H0012815.

Thank you very much for taking the time to read this introductory letter, and for helping make this study possible. I would be very grateful if you would return your completed survey within the next two weeks. In the meantime, if you would like to discuss any aspect of the research please feel free to contact me, or one of my supervisors, via the contact details listed below.

Yours sincerely

Louise Grimmer
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Dr John Byrom
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P.T.O.

APPENDIX D | REMINDER LETTER TO SMALL RETAILERS

26 February 2013

Name
Address
Address

Dear

RETAILING RESEARCH PROJECT - SURVEY OF TASMANIAN SMALL RETAILERS

I recently contacted you seeking your participation in a research study of Tasmanian small retailers. If you have already completed the survey and returned it to me, please accept my sincere thanks for your valued contribution to this research project.

If you have not returned the survey, I would be very grateful if you would complete the replacement copy enclosed with this letter. The survey should take approximately 10-15 minutes to complete and **your answers will be totally anonymous.** The more retailers we have participating in this research study, the greater the impact of the findings, and their usefulness in contributing to better outcomes for retailers.

The aim of the study is to look at the value you place on different aspects of your retail business and how they affect your strategy and overall performance. The study is the first of its kind in Australia to examine small, independent retailers – the majority of retail research generally focuses on large retail organisations. This is therefore a very important study and the results are expected to provide significant insight into the specific capabilities of small retail businesses within a competitive market. A copy of the results will be summarised in a report which will be made available to interested participants.

Thank you very much for taking the time to read this follow-up letter, and helping make this study possible. I would be very grateful if you would return your completed survey within the next two weeks. In the meantime, if you would like to discuss any aspect of the research please feel free to contact me, or one of my supervisors, via the contact details listed below.

Yours sincerely

Louise Grimmer
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Dr John Byrom
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APPENDIX E | ETHICS APPROVAL DOCUMENTATION

Social Science Ethics Officer
Private Bag 01 Hobart
Tasmania 7001 Australia
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Katherine.Shaw@utas.edu.au

HUMAN RESEARCH ETHICS COMMITTEE (TASMANIA) NETWORK

UTAS

27 September 2012

Professor Morgan Miles
School of Management
Private Bag 16

Student Researcher: Louise Grimmer

Sent via email

Dear Professor Miles

Re: MINIMAL RISK ETHICS APPLICATION APPROVAL
Ethics Ref: **H0012815 - Strategic intent: an examination of the relationship between critical resources and strategic orientation in small, independent retail firms**

We are pleased to advise that acting on a mandate from the Tasmania Social Sciences HREC, the Chair of the committee considered and approved the above project on 27 September 2012.

This approval constitutes ethical clearance by the Tasmania Social Sciences Human Research Ethics Committee. The decision and authority to commence the associated research may be dependent on factors beyond the remit of the ethics review process. For example, your research may need ethics clearance from other organisations or review by your research governance coordinator or Head of Department. It is your responsibility to find out if the approval of other bodies or authorities is required. It is recommended that the proposed research should not commence until you have satisfied these requirements.

Please note that this approval is for four years and is conditional upon receipt of an annual Progress Report. Ethics approval for this project will lapse if a Progress Report is not submitted.

The following conditions apply to this approval. Failure to abide by these conditions may result in suspension or discontinuation of approval.

1. It is the responsibility of the Chief Investigator to ensure that all investigators are aware of the terms of approval, to ensure the project is conducted as approved by the Ethics Committee, and to notify the Committee if any investigators are added to, or cease involvement with, the project.

2. Complaints: If any complaints are received or ethical issues arise during the course of the project, investigators should advise the Executive Officer of the Ethics Committee on 03 6226 7479 or human.ethics@utas.edu.au.

3. Incidents or adverse effects: Investigators should notify the Ethics Committee immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.

4. Amendments to Project: Modifications to the project must not proceed until approval is obtained from the Ethics Committee. Please submit an Amendment Form (available on our website) to notify the Ethics Committee of the proposed modifications.

5. Annual Report: Continued approval for this project is dependent on the submission of a Progress Report by the anniversary date of your approval. You will be sent a courtesy reminder closer to this date. **Failure to submit a Progress Report will mean that ethics approval for this project will lapse.**

6. Final Report: A Final Report and a copy of any published material arising from the project, either in full or abstract, must be provided at the end of the project.

Yours sincerely

Katherine Shaw
Ethics Officer
Tasmania Social Sciences HREC

APPENDIX F | PAPER

Grimmer, L., Miles, M.P. & Grimmer, M. (*in press*). A research note on the effect of entrepreneurial orientation on small retailer performance: a resource-advantage perspective. ***International Entrepreneurship and Management Journal.***

This article has been removed for copyright or proprietary reasons.

Grimmer, L., Miles, M.P., Grimmer, M., 2013, A research note on the effect of entrepreneurial orientation on small retailer performance: a resource-advantage perspective, International Entrepreneurship and Management Journal, 11(2), 409-424

APPENDIX G | PAPER

Grimmer, L., Miles, M.P. & Grimmer, M. (*in press*). The performance advantage of business planning for small and social retail enterprises in an economically disadvantaged region. ***European Journal of International Management***.

The Performance Advantage of Business Planning for Small and Social Retail Enterprises in an Economically Disadvantaged Region

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The Performance Advantage of Business Planning for Small and Social Retail Enterprises in an Economically Disadvantaged Region

ABSTRACT: *This study examined the use of entrepreneurship as a tool of social and economic development in the context of the relationship between planning, firm resources (e.g., financial, marketing, organisational and reputational, and store) and performance in retail firms that are serving as social enterprises. Surveys were mailed to small retailers throughout Tasmania, Australia. Responses (n=384) showed that the presence of marketing and store resources related to the amount of planning undertaken by these firms, and that as planning levels increased so did performance (as measured by average annual sales turnover). Planning was found to positively mediate the relationship between marketing, organisational and reputational, and store resources and firm performance. In this case, it appears that planning catalyses the deployment of these resources. The results of this study demonstrate how planning contributes to small retail firm performance.*

Keywords: planning; sales performance; social enterprise.

The Performance Advantage of Business Planning for Small and Social Retail Enterprises in an Economically Disadvantaged Region

> Tasmania remains locked at the bottom of the Australian economic performance table. Tasmania lags all other economies on all of the indicators … Tasmania's 7.7 percent jobless rate is the highest in the nation … (Sebastian 2014, pp. 2, 4).

> Social enterprise is a generic term for a non-profit enterprise, social-purpose business or revenue-generating venture founded to support or create economic opportunities for and disadvantaged population while simultaneously operating with reference to the financial bottom line (Alter 2000, p. 15).

1. Introduction

Social enterprises are businesses with social as well as an economic business models and missions (see Bagnoli and Megali, 2011; Miles, Verreynne and Luke, *forthcoming*). The multidimensional objectives of social enterprises make it important for them to have effective management (Bagnpoli and Megali, 2011). However, while Bull and Crompton (2006, p.44) note that the 'line dividing commercial and social enterprises is blurring,' social enterprises have tended to be less sophisticated in terms of business practices such as planning (e.g. Barraket, Collyer, O'Connor, and Anderson, 2010).

Barraket et al. (2010) estimate that there are over 20,000 social enterprises operating in Australia, which account for almost 5 percent of the nation's GDP. In the socially and economically disadvantaged Australian Island state of Tasmania, social enterprises are even more important and the retail sector often serves as an incubator, providing market niches for budding social enterprises. Eversole and Eastly (2011), in their benchmarking study of Tasmanian social enterprises, found that in Tasmania it was sometimes difficult to determine the difference between a small business and a social enterprise, with some social enterprises not self-identifying as such, and with over 35 percent of those who self-identified working in the Tasmanian retail sector (n=101). Eversole and Eastly (2011) found that a majority of these firms desired to grow but felt constrained by lack of business planning.

The purpose of this paper is to explore the interrelationship between the level of planning undertaken in small and social retail enterprises – either organized as for profit or as social enterprises – and the ability of these organizations to accumulate and deploy resources, with sales turnover as a measure of economic performance. As will be explained below, there is ambiguity in the literature regarding the outcomes of planning in small retail enterprises, and there is no empirical work on the relationship between planning and performance in social enterprises. By considering planning as a catalyst to the strategic deployment of enterprise resources, the study will contribute to social enterprise theory in terms of how planning may result in performance, as well as contribute practically in terms of whether planning, in and of itself, has an impact on performance. The following sections briefly reviews literature relating to planning and small and social enterprise resources. The hypotheses are then presented. Separate sections present the method and findings. The final section includes implications for practice, the limitations of the study and suggestions for future research.

2. Small and Social Enterprise Business Planning

Alter (2000) developed a business planning manual for social enterprises to provide a framework to better understand the mission, markets, and business models of these diverse organizations, all with the objective of building their capabilities so as to produce economic returns to benefit society. Alter's (2000) manual has been adopted by both large and small social enterprises as diverse as Save the Children International, to the Affordable Housing Corporation of Lake County Illinois, to Camide, a village banking enterprise in Mali, Africa. This pressing need to enhance the economic performance of social enterprises in the developing world was also one of the motivations for Osterwalder's (2004) seminal work in creating the business model canvas as a platform for business planning. Indeed, this work was dedicated 'To all those people out there fighting poverty in the world.' Both Alter (2000) and

Osterwalder (2004) suggest that social enterprise managers, founders and executives should become interested in the usefulness of business planning as a pathway to enhance business performance. Indeed, a recent study of how social entrepreneurship is being taught in universities internationally by Welsh and Krueger (2012) found that this lack of business planning capability is beginning to be addressed by over 70 % of the universities which responded. However, up to now there has been a lack of empirical support definitively linking business planning and economic performance in the context of social enterprises.

That said, there has been a long-term interest in the value of business planning in a variety of small enterprise contexts (Miles, White and Munilla, 1997; Perry, 2001; Rue and Ibrahim, 1996), including the retail sector (Gaskill et al., 1996). In Australia, Mazzarol's (2001, p. 43) study of small businesses provides a glimpse into the value of planning in terms of a strategic process, concluding that '(o)verall the process of planning rather than the plan itself is likely to be more important.' Mazzarol (2001, p. 32) notes that:

> By its nature formal business planning requires organization, analysis, discipline and a willingness to make a commitment (at least to paper) of a particular course of action in a given direction. All of these elements are commonly found with the average small business owner-manager, with the possible exception of the commitment to writing down the plan.

Similarly, Eddleston, Kellermanns and Sarathy (2008, p. 32) suggest that 'greater strategic planning should assist firms in better integrating and deploying their resources', making the firm more efficient and effective. With a focus on financial performance as a consequence of using the 'tools' of formal strategic planning (e.g., SWOT analysis, market research, intelligence gathering on competitors, written plans, modelling, and planning meetings), rather than an examination of the relationship between performance and the *skill* of planning, the findings of early studies were inconsistent and contradictory (Pearce, Freeman & Robinson, 1987). Shrader, Taylor and Dalton (1984) found in a literature review that although there were more studies supporting a positive relationship between planning and performance, due to methodological problems across studies, there was not a significant relationship between long-range planning and performance (Armstrong, 1982, 1986; Foster, 1986; Pearce et al., 1987; Pearce, Robbins and Robinson, 1987; Rhyne, 1986).

Empirical evidence regarding the planning and performance relationship continues to be mixed (Conant and White, 1999; Mazzarol and Reboud, 2014). Much of the literature on the value of planning is focused on how planning *should* be undertaken, with many authors using a conceptual versus empirical approach (e.g., Greenley, 1988; McDonald, 1992). In addition, the measurement of planning differs across studies; although planning itself entails a number of tasks, it is usually the formality or comprehensiveness of planning which is used as the measure. This negates much of the value of the informal planning that often takes place in small firms. The research that is focused specifically on the relationship between planning and performance in small firms is also contradictory (Schwenk and Shrader, 1993), with some studies finding a positive relationship (e.g., Robinson, 1982; Sexton and Van Auken, 1985), and others finding no relationship or a negative relationship (e.g., Greenley, 1986; Lyles, Baird, Orris and Kuratko, 1993; Mintzberg, 1990; Robinson and Pearce, 1983).

3. Small and Social Enterprise Resources

The core of all resource-based theories of the firm is the importance of resources for leveraging competitive advantage, with competitive advantage then leading to enterprise performance (Barney, 1991; Hunt and Morgan, 1995). Recent work in Australia suggests that social enterprises often struggle with less than an adequate resource base, including financial and planning resources (Barraket et al., 2010; Eversole and Eastley, 2011). The enterprise's competitive advantage (and subsequent performance) is, therefore, dependent upon its resources as well as on the alignment of resources with the firm's strategic intent (Rangone, 1999). Operating in increasingly hostile environments, social enterprises and small and social retail enterprises acquire and retain resources (and exhibit certain competitive behaviours) in order to survive (McGee and Rubach, 1997; Runyan, 2006). Despite their limitations, such as inadequate resources, supply problems, and relatively higher operating costs (Smith & Sparks, 2000), many small and social retail enterprises are clearly successful. Indeed, it is often small enterprises which are best-placed to respond to new opportunities in the marketplace with innovative products, processes, and strategy or business models (Morris, Kuratko and Covin, 2011). This is due in part to their smaller size which allows them the flexibility to proactively adapt their strategies in response to changes in their environment (Berman & Evans, 1989; Conant and White, 1999; Davies and Harris, 1990; Megicks and Warnaby, 2008). However, their smaller size may also limit their resource base, and some researchers, using the lens of the resource-based view (e.g., Runyan, Huddleston and Swinney, 2007), argue that resources which are both non-economic and immobile may offer the greatest benefit to small and social retail enterprises.

The ability for small and social retail enterprises to leverage their resources to enhance firm performance is clearly a critical component of retail strategy, yet only a few studies have empirically examined the different types of resources used by successful small retailers (e.g., Billesbach and Walker, 2003; Brush and Chaganti, 1998; Megicks, 2001, 2007; Megicks and Warnaby, 2008; Nelson and Ratliff, 2005). Of those studies, a number used only very small samples. Billesbach and Walker (2003), who surveyed 58 retail businesses, identified ten resources (and capabilities) used by successful small retailers: customer service training, product knowledge training, adding higher quality products, adding merchandise lines, developing broader merchandise selection, adding unusual merchandise, improving store displays, dropping merchandise lines, adding different types of merchandise, and adding special customer services. A similar study by Nelson and Ratliff (2005) was also limited in the number of firms examined (six), but confirmed small retailers utilise many of the resources already identified in the literature: excellent customer service, quality products, focus on customer satisfaction, innovativeness, risk taking, high community values, product knowledge, advertising, aggressive pricing, and flexibility in responding to new trends.

Runyan, Huddleston and Swinney (2007) surveyed 35 retailers and utilised a resource-based view to determine which resources are utilised to create competitive advantage and improve performance. Noting the importance of non-economic and immobile resources, the small retailers in the study identified two non-economic resources: community brand identity and local social capital as important in creating competitive advantage. Whilst brand identity was significant regardless of the trading environment, social capital was used more when the environment was considered hostile. Brush and Chaganti (1998) surveyed 195 small retail and service firms focusing on human and organisational resources as the core dimensions underlying performance. Noting prior research that confirmed human resources are important for higher levels of success (e.g., Birley and Westhead, 1990; Chandler and Jansen, 1992; Cooper and Gimeno-Gascon, 1992; Westhead, 1995), the study looked at two types of human resources: the owner-founders' human capital (i.e., their industry experience and business education), and the owner-founder's attitudes about running their business. They found that these resources had a greater impact on performance than strategy type adopted. While these studies indicate that access to resources is important, the question remains: are they more effective and efficiently deployed when there is some degree of planning by small and social retail enterprises?

4. The Current Study

The problem addressed in this study, using a large representative sample, is how planning relates to the acquisition and utilisation of resources in small and social retail enterprises and to sales turnover as a measure of performance. By considering business planning as a catalyst to the deployment of firm resources, it is proposed that planning acts as a mediator of the relationship between resources and performance. Frazier, Tix and Barron

(2004, p. 116) define a mediator as 'a variable that explains the relationship between a predictor and an outcome' (see also Preacher and Hayes, 2004). In this regard the act of planning facilitates the translation of firm resources into firm performance (see Figure 1).

Insert Figure 1 about here

In the first instance, based on Alter (2000), it is expected that planning will be related to small and social retail enterprise resources and economic performance as reflected in sales turnover. As Mazzarol (2001) states, planning requires organization, analysis, discipline and commitment, all of which require resources to actualize, and the more extensive the planning, the more likely it is that this activity will lead to performance. Thus:

Hypothesis 1: The level of planning in small and social retail enterprises is positively related to the presence of enterprise resources.

Hypothesis 2: The level of planning in small and social retail enterprises is positively related to financial performance.

It is also expected, based on Alter (2000) and Eddleston, Kellermanns and Sarathy (2008), that by facilitating the more effective and efficient deployment of resources, planning helps explain the resource-performance relationship:

Hypothesis 3: The level of planning in small and social retail enterprises positively mediates the relationship between firm resources and financial performance.

5. Method

5.1 Sample Frame and Characteristics

The target population for the study comprised small and social retail enterprises throughout Tasmania, selected from retail business listings in the Tasmanian *Yellow Pages* (both the hard copy version and the online listing). In Australia, the *Yellow Pages* business directory provides the most accurate listing of businesses, with contact details under occupationally related headings (Burton and Wilson, 1999). Therefore, in the absence of any other formal list (or database) of small and social enterprise retailers, *Yellow Pages* business entries were used to create a comprehensive database of all known small retail enterprises, both organized as for-profits and as social enterprises, operating at the time in Tasmania.

Three criteria were used to confirm both the target population and the subsequent sample: (1) the business had to be a 'bricks and mortar' enterprise (i.e., not internet-only); (2) the enterprise had to be *small*, that is, employing less than 20 staff, in accordance with the Australian Bureau of Statistics classification of small business (ABS, 2012); and (3) the enterprise had to be independent (that is, not be part of a national group, national chain, national buying group or franchise). The owner/manager was selected as the key informant to complete the survey. Surveys were sent to the 2,013 retail firms listed in the *Yellow Pages* matching the sample criteria; 322 were returned as undeliverable, resulting in 1,691 survey packages delivered to potential respondents. Surveys were received from 401 small retailers, providing a response rate of 23.7%. There were 17 unusable surveys, leaving a final valid sample of 384. In terms of retail classification (using the Australian and New Zealand Standard Industry Classification) the 'Pharmaceutical and other store-based retailing' classification accounted for the highest number of respondents being 18.9% of the total sample (see Table 1). The mean number of years in operation was 23.2 years, and the median was 18 years. Nearly all respondents (92.2%) operated only one store. Almost a quarter (24.7%) reported average annual sales turnover as $250,001 - $500,000. The mean number of employees (full-time, part-time and casual combined) was 4.22, the median was 3, and 12% of respondents operated with no additional staff apart from the owner/manager. Micro-businesses, that is, small and social enterprises with one to five staff, accounted for 61.4% of the sample.

Insert Table 1 about here

5.2 Survey Instrument

The present study developed scales to measure small and social retail enterprise: (1) economic performance; (2) planning capability; (3) financial resources; (4) organisational and reputational resources; (5) marketing resources, and (6) store resources. The study's dependent variable (firm performance) was adapted from Megicks (2001, 2007) and Megicks and Warnaby (2008). Respondents were asked to indicate their firm's average annual sales turnover (over the past three years) from one of six financial sets (ranging from *Under $50,000* to *Over $1,000,001*). Business planning has been measured by items which categorised the enterprise as either a 'planner' or 'non-planner' (see Fulmer and Rue, 1974; Herold, 1972; Thune and House, 1970). In the present study planning was measured by respondent answers to three dichotomous choice questions that included if the enterprise had: (1) a formal strategic plan; (2) a formal marketing plan; and/or (3) a marketing budget.

Financial resources were measured using a single item that captured the owner/manager's satisfaction with access to financial capital, using a seven-point semantic differential scale anchored by *Insufficient* to *Fully satisfactory* for firm development (for more on the usefulness of single item measures, see Bergkvist and Rossiter, 2007). The remaining three firm resource measures asked respondents to rate how important the relevant items were to the success of their retail business. Marketing resources were measured using a ten-item index adapted from McDaniel and Kolari (1987) and Megicks (2001), and covered factors such as customer loyalty programs, public relations activities and website facilities. Organisational and reputational resources were measured using a five-item index adapted from Galbreath and Galvin (2008), and covered factors such as the skills and knowledge of the owner/manager, reputation of the business in the marketplace, and relationships with suppliers. Store resources were measured using a 17-item index adapted from McDaniel and Kolari (1987) and Megicks (2001), and included store atmospherics, merchandising and display, store brand image, and the range and quality of products. Items in these three sets of resources were all measured using a seven-point Likert scale ranging from *Not at all important* to *Very important*. The items for the resource measures are listed in Appendix A.

5.3 Procedure

A printed mail survey was used for data collection. The survey was pre-tested on a small, representative group of retailers (*n*=10) and feedback resulted in only minor changes to the final survey. In order to maximise the response rate, a variety of standard approaches were used including: a relatively short survey; a personalised cover letter; anonymity; university sponsorship; stamped return envelope; non-monetary incentive; follow-up; user-friendly survey design and format (Dillman, 2000; Larson and Post, 2004; Neumann, 2004). A two-wave mail-out procedure was used. Due to the anonymous nature of the survey, the second, reminder mail-out (two weeks after the first) was sent to the same retailers, minus surveys that had been 'returned to sender'. Two different item formats of the survey were used to minimise the likelihood of any item-context effects, for example, as a result of priming due to item order (Feldman and Lynch, 1988; Podsakoff et al., 2003). An equivalent number of each version of the survey was returned (version one, *n*=197; version two, *n*=187).

6. Results

6.1 Preliminary Analyses

For three firm resource variables (marketing, organisational and reputational, and store), scores were obtained for each by averaging responses to the relevant items. Each index showed acceptable reliability, with Cronbach's alphas as follows: 0.72 for organisational and reputational resources; 0.83 for marketing resources, and 0.78 for store resources (all above the 0.70 cut-off generally advocated; see Nunnally, 1978). The financial resource variable was measured using a single item, and so did not require any further processing before analysis.

The performance measure (average annual sales turnover) was also measured by a single item; however, observation of the distribution for this item revealed only 22 respondent firms indicating an annual average sales turnover of up to $50,000. This was therefore collapsed with the $50,001 to $100,000 set, resulting in five response options, versus the original six, of relatively equivalent size. For the planning variable, a 'planning capability' score was determined for each respondent by counting the number of 'yes' responses to each of the three questions. No reliability measure was required for planning capability as no internal consistency was expected for the three dichotomous choice questions.

Further preliminary analyses considered issues of item-context effects and non-response bias. Analysis of Variance (ANOVA) showed that survey format was not found to have a significant effect on any of the scores. Thus, item-context was not considered to be an issue. Further, no difference was found between those responses received before and after the second mail-out call, also tested using ANOVA. So, non-response bias was not considered to be a concern (Armstrong and Overton, 1977).

6.2 Hypothesis Testing

In order to assess the relationship between firm resources and the level of planning undertaken by respondents, data were analysed using the stepwise multiple regression. Stepwise multiple regression, in which the order of entry into the regression equation is established on empirical grounds (Hair et al., 1998), was chosen so as to determine the incremental contribution of each of the firm resources in predicting planning capability. Results showed that marketing resources was the first predictor entered, with an R-squared value of 0.09 ($F(1,306)=30.55$, $p<0.001$). This produced a beta weight of 0.30 ($t=5.53$, $p<0.001$) indicating a positive relationship between marketing resources and planning capability. Store resources was the second predictor entered, with an R-squared change value of 0.02 ($F(1,305)=5.39$, $p=0.021$). This produced a beta weight of 0.16 ($t=2.32$, $p=0.021$) indicating a positive relationship between store resources and planning capability. No other predictors made a significant increase to the R-squared value of the equation, thus it can be deduced that access to financial capital and organisational and reputational resources did not predict planning capability (see Table 2). Overall, marketing and store resources accounted for a significant, but modest, 11% of the variation in planning capability.

Insert Table 2 about here

The relationship between planning capability and average annual sales turnover was initially investigated using simple regression. Planning capability was found to have a significant correlation with average annual sales turnover of 0.20 ($p<.001$); in regression terms, this translates to an R-squared value of 0.04 ($F(1,371)=14.99$, $p<0.001$). This produced a beta weight of 0.20 ($t=3.87$, $p<0.001$) indicating a positive relationship between planning capability and annual sales turnover. The relationship between these two variables was confirmed using Chi-square analysis, with a significant association found ($\chi^2(12)=22.43$, $p<.04$). This is displayed in Figure 2. As can be seen, as the number of planning activities undertaken increases, so does average annual sales turnover.

Insert Figure 2 about here

In order to investigate whether planning capability mediated the relationship between firm resource and average annual sales turnover, data were analysed using the PROCESS macro for SPSS developed by Hayes (2013) to test for moderation and mediation using linear regression. Though not required for hypothesis testing, the amount of variance in average annual sales turnover accounted for by the four firm resources was determined. An R-squared value of 0.05 was found ($F(4,295)=3.56$, $p<0.01$) indicating that firm resources explained a significant, but modest, 5% of the variation in average annual sales turnover.

The results of the analysis of the mediation analyses are shown in Table 3. The potential mediating effect of planning capability was investigated for each firm resource. In order to determine the significance of the mediation, 95 per cent bias-corrected bootstrap confidence intervals (CI) were constructed from 1,000 bootstrap samples (Hayes, 2013). Mediation is said to be significant when the CI does not include zero, which can then be confirmed by a significant Sobel test. Results show that planning capability significantly mediated the relationship between three of the firm resources – marketing resources, organisational and reputational resources, and store resources – and average annual sales turnover.[1] The total effect of marketing resources on average annual sales turnover was found to be β=0.12, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.04. This was supported by a significant Sobel test (Z=3.19, p< .002). The total effect of organisational and reputational resources on average annual sales turnover was found to be β=0.20, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.15. This was supported by a significant Sobel test (Z=2.37, p< .01). The total effect of store resources on average annual sales turnover was found to be β=0.28, and the direct effect after controlling for the mediator was found to significantly reduce to β=0.19. This was supported by a significant Sobel test (Z=2.52, p< .02). In other words, planning capability facilitates the translation of these three types of firm resources into performance as measured by average annual sales turnover.

Insert Table 3 about here

7. Discussion

The aim of this study was to examine the relationship between the deployment of resources, planning capability, and firm performance in small and social retail enterprises.

[1] Following Rucker et al. (2011) we do not use the term 'partial' mediation, as is the traditional practice when the direct effect is not reduced to zero in the presence of the mediator. These authors argue that due to the sensitivity of mediation effects to sample and total effect size, the concepts of 'partial' and 'full' mediation are meaningless.

Hypothesis one, that the level of planning in small and social retail enterprises is positively related to the presence of firm resources was partially supported. Marketing resources were found to be the most important resource in predicting planning capability. Those small and social retail enterprises who indicated that marketing resources were important to the success of their business were also more likely to undertake planning activities. In addition, store resources were positively related to planning capability, though not to the same extent as marketing resources. There was no relationship found between the other resources – financial resources, and organisational and reputational resources – and planning capability. This indicates that small and social retail enterprises which place importance on activities such as advertising, sales promotions, customer loyalty programs, social networking, and public relations, are more likely to undertake strategic planning, marketing planning and marketing budgeting. In addition, small and social retail enterprises that planned were more likely to place a higher value on aspects of their business related to their stores (e.g., merchandising, store brand image, web site, atmospherics, etc.). In contrast, organisational and reputational resources did not appear to relate to planning. To a certain extent this is not unexpected, because while reputation and organisational aspects are inherent in a well-run business, they are not necessarily outcomes that are the direct result of planning, as such. The lack of relationship with access to financial capital is not as easily accounted for, and perhaps represents both the serendipitous nature of financial resources and the small size of the firms in the sample.

The second hypothesis, that the level of planning in small and social retail enterprises is positively related to firm performance, was supported. Small and social retail enterprises that undertook one, two or all three of planning activities reported higher levels of performance. As the level of planning increased, so did performance: firms engaging in all three planning activities reported the highest levels of economic performance. This is an important finding, given prior research in this area is ambiguous (and indeed contradictory) in terms of the relationship between planning and performance (Shrader, Taylor and Dalton, 1984); and critical for social enterprise practice and theory supporting the work by both Alter (2000) and Osterwalder's (2004). While the findings could suggest that the higher the level of sales, the more the enterprise engages in planning activities; more plausibly, it may be that business planning by small and social retail enterprises helps create strategy and tactics that drive economic performance. In this regard, small retail and social enterprises should seek (where possible) assistance in developing strategic plans, and government support should target programs focused on more formal planning training for small businesses (Mazzarol and Reboud, 2014).

Hypothesis three, that the level of planning in small and social retail enterprises positively mediates the relationship between firm resources and performance, was supported. Planning capability mediated the relationship between three of the four types of resources – marketing, organisational and reputational, and store resources – and performance. As stated earlier, planning appears to facilitate the translation of these three types of resources into enhanced enterprise sales and economic performance. This is broadly consistent with hypothesis one, in that the deployment of marketing and store resources requires a level of planning to contribute to performance. While organisational and reputational resources are not necessarily something that can be planned for (Federico et al., 2009), these results suggest that business planning does assist in facilitating the link between these resources and performance. While additional research is suggested to more fully examine the nature of these relationships; the findings provide guidance to both social enterprise theorists and practitioners – that planning does matter.

The main limitation of the research is that the analyses undertaken in this study were restricted by the type and extent of data available from the population (small and social retail enterprise within Tasmania). Tasmania has a relatively small population base with, as explained in the introduction, a very low socio-economic status. These conditions present a challenging environment for traditional business, but many opportunities for social enterprises attempting to use business to achieve social ends. As previously discussed, there is a lack of clear delineation between many small for profit firms and social enterprises, with many not clearly self-identifying as either (see Eversole and Eastly, 2011). In addition, because small enterprise financial (and other) information is not available publicly, the study utilised a self-report survey. In the absence of objective performance measures, a number of studies have confirmed subjective performance measures provide a sound alternative (e.g., Brush and Chaganti, 1998; Galbreath and Galvin, 2008). It should also be noted that the collection of data using a single informant from each firm may also have limited the generalizability of the results. However, many of the small and social retail enterprises surveyed were staffed *only* by the owner/manager; therefore, future research could use multiple informants (where possible) from a single firm. In addition, a longitudinal study would be useful in examining changes in small retailer resources and planning as a response to changes in the industry.

The ability to determine which resources relate to higher levels of performance is important for individual firms as well as the industry in general. It can be argued that one of the keys to improving the competitiveness and overall performance of the small and social retail enterprise sector is to identify those resources that contribute to performance for specific enterprises, and how the contribution of these resources may be facilitated. This study has identified planning capability as an important magnifier in leveraging resources to enhance enterprise performance, specifically as a mediator of the relationship between firm resources and performance. From a theoretical perspective, this research shows how planning can affect performance by facilitating the translation of resources into performance. The research also contributes to the body of work in the field by extending the use of resource-based theories of the firm to uncover which specific retail resources relate to both planning and small and social enterprise performance. The findings of this study (which, given the strong response rate, can certainly be generalized) clearly indicate planning does matter for small and social retail enterprise economic performance.

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Figure 1

Conceptual Model

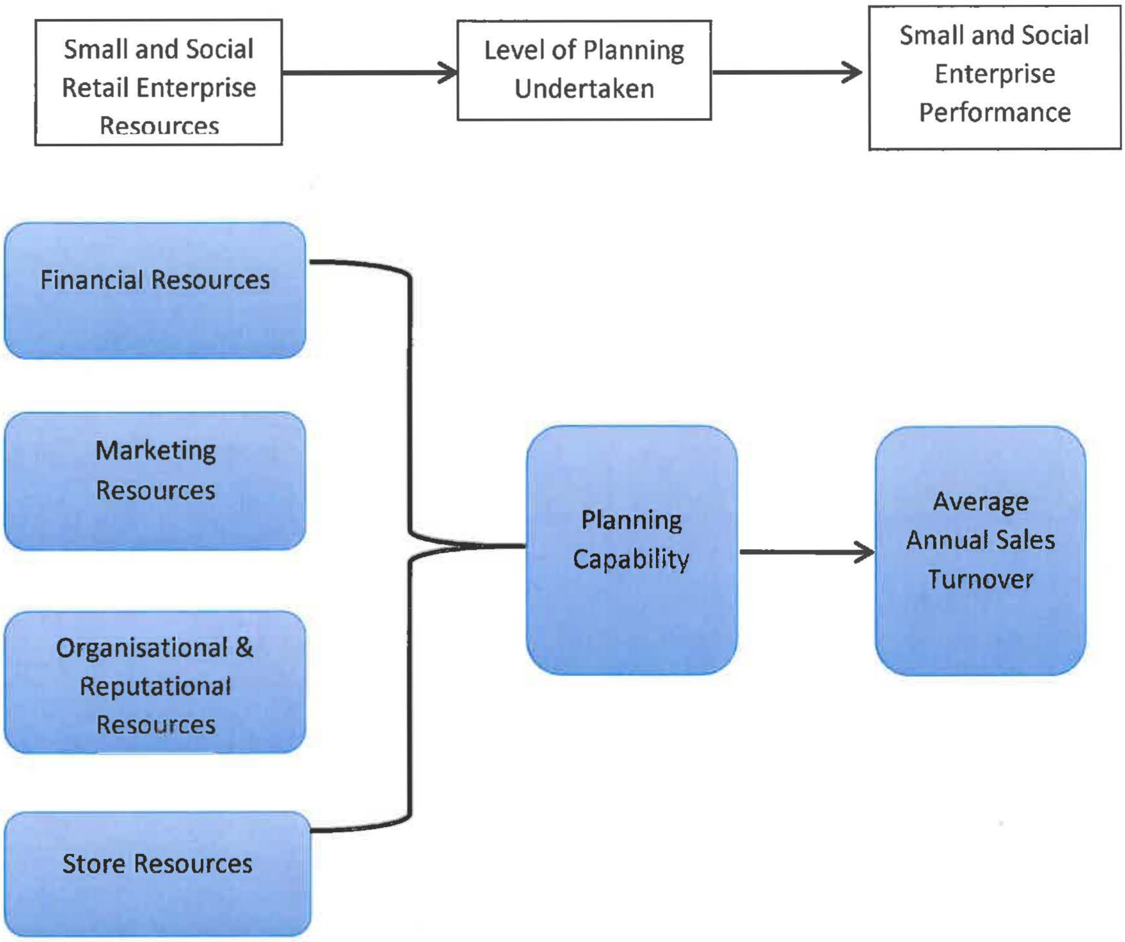

Figure 2

Planning Capability and Economic Performance (Average Annual Sales Turnover)

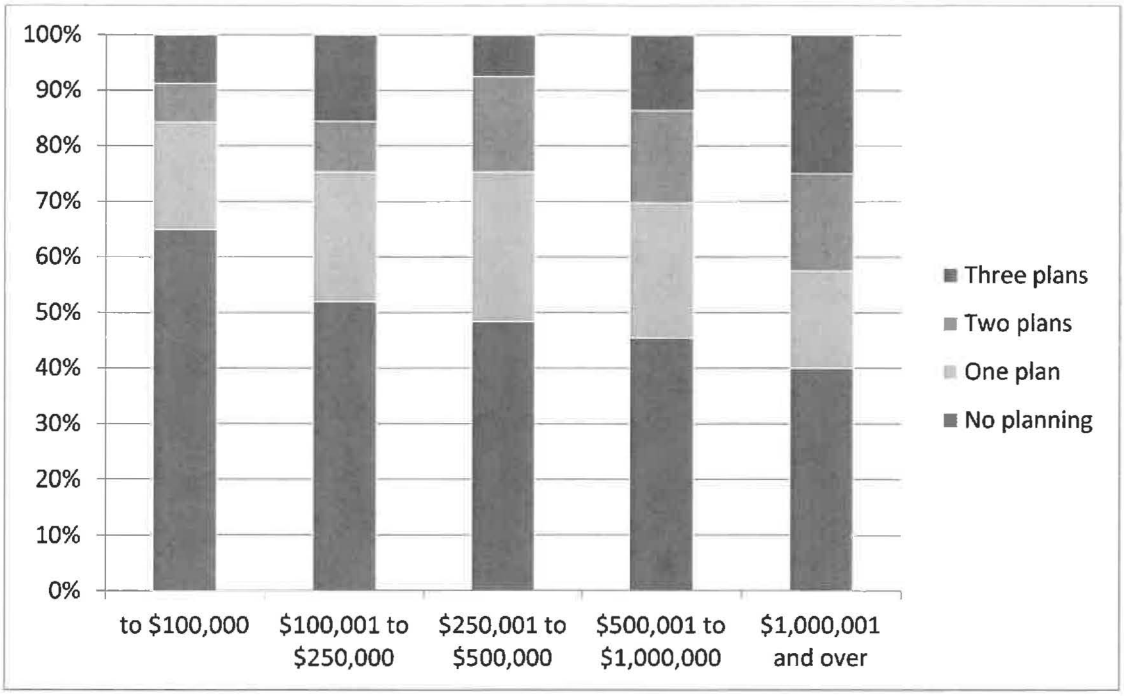

Table 1

Distribution of respondents by ANZSIC retail classification codes.

Respondent ANZSIC categories	*N*	*%*
Supermarket and grocery store	24	6.3
Specialised food retailing	53	13.9
Furniture, floor covering, house wares and textiles	52	13.7
Electrical, electronic and gas appliances	8	2.1
Hardware, building and garden supplies	38	10.0
Recreational goods	67	17.6
Clothing, footwear and personal accessories	64	16.8
Department store	2	0.5
Pharmaceutical and other store-based retailing	72	18.9
No response	4	1.0
Total	**384**	**100**

Table 2

Stepwise Multiple Regression Analysis: Resources (IVs) to Planning Capability (DV)

Resources	Beta	*t*-value	Sig.
Marketing Resources	0.30	5.53	<.001
Store Resources	0.16	2.32.	<.02
Organisational and Reputational Resources	0.03	0.52	n.s.
Access to Financial Capital	0.05	0.85	n.s.

Note: n.s. =. non-significant

Table 3

Mediation Analyses

	Indirect	CIs 95%	Direct	*t*-value	Total	*t*-value	Sig.
FinCap→AAST					0.09	2.13	<.05
FinCap→PlanCap→AAST	0.01	-0.01/0.03	0.08	1.99			<.05
MarRes→AAST					0.12	1.90	>.05
MarRes→PlanCap→AAST	0.08	0.03/0.12	0.04	0.64			>.05
ORRes→AAST					0.20	2.50	<.02
ORRes→PlanCap→AAST	0.05	0.02/0.10	0.15	1.89			>.05
StorRes→AAST					0.28	3.04	<.003
StorRes→PlanCap→AAST	0.08	0.02/0.15	0.19	2.10			<.04

Note: FinCap=access to financial capital; MarRes=marketing resources; ORRes=organisational and reputational resources; StorRes=store resources; PlanCap=planning capability; AAST=average annual sales turnover; CI=95% Confidence Intervals. Direct, Indirect and Total effects are all β-weights.

APPENDIX A

Survey Items for Small and Social Enterprise Resources

As owner/manager of the retail business, how satisfied are you with your access to financial capital? (please circle the number which is closest to the best description of your business):

Insufficient, and a great impediment to our development	1 2 3 4 5 6 7	Fully satisfactory for the firm's development

Thinking about marketing the retail business, how important are the following factors to the success of your retail business? (please tick one box for each factor where the higher the score the more important: 1 = not at all important through to 7 = very important):

	1	2	3	4	5	6	7
Advertising (print, radio, tv, outdoor, internet etc.)	❑	❑	❑	❑	❑	❑	❑
Sales promotions (e.g. free gifts, discounts)	❑	❑	❑	❑	❑	❑	❑
Customer loyalty program	❑	❑	❑	❑	❑	❑	❑
Special marketing and sales events	❑	❑	❑	❑	❑	❑	❑
Keeping up to date with industry trends	❑	❑	❑	❑	❑	❑	❑
Monitoring competitors	❑	❑	❑	❑	❑	❑	❑
Social networking (e.g. Facebook, Twitter etc)	❑	❑	❑	❑	❑	❑	❑
Contacting customers regarding upcoming sales, special promotions etc.	❑	❑	❑	❑	❑	❑	❑
Public relations activities (e.g. sponsorship, community involvement etc.)	❑	❑	❑	❑	❑	❑	❑
Web site (with or without shopping cart facilities)	❑	❑	❑	❑	❑	❑	❑

Thinking about the organisational and reputational assets of your retail business, please indicate how each asset impacts on your business (please tick one box for each asset where 1 = no impact and 7 = high impact):

	1	2	3	4	5	6	7
Shared organisational values, beliefs, attitudes and behaviours (the business culture)	❑	❑	❑	❑	❑	❑	❑
The skills, expertise, and know-how of the owner/manager	❑	❑	❑	❑	❑	❑	❑
Relationships that employees and the owner/manager have built with suppliers	❑	❑	❑	❑	❑	❑	❑
The overall skills, creativity, and know-how of non-management employees of the retail business	❑	❑	❑	❑	❑	❑	❑

	1	2	3	4	5	6	7
The reputation of the retail business in the marketplace	❑	❑	❑	❑	❑	❑	❑

Thinking about the retail store, how important is each factor listed below to the success of your business? (please tick one box for each factor where the higher the score the more important: 1 = not at all important through to 7 = very important):

	1	2	3	4	5	6	7
Store location	❑	❑	❑	❑	❑	❑	❑
Stocking high quality merchandise	❑	❑	❑	❑	❑	❑	❑
Stocking higher priced items	❑	❑	❑	❑	❑	❑	❑
Sales via store website	❑	❑	❑	❑	❑	❑	❑
Stocking products that are different from competitors	❑	❑	❑	❑	❑	❑	❑
Stocking lower priced items	❑	❑	❑	❑	❑	❑	❑
Store atmospherics (e.g. layout, lighting, music, decor)	❑	❑	❑	❑	❑	❑	❑
Carrying a wide range of products and lines	❑	❑	❑	❑	❑	❑	❑
Computerised sales system	❑	❑	❑	❑	❑	❑	❑
Stocking recognised brands	❑	❑	❑	❑	❑	❑	❑
Maintaining high stock levels	❑	❑	❑	❑	❑	❑	❑
Supporting local (Tas/ Aus) manufacturers	❑	❑	❑	❑	❑	❑	❑
Merchandising and display (in-store and window)	❑	❑	❑	❑	❑	❑	❑
Computerised customer information system	❑	❑	❑	❑	❑	❑	❑
Store brand image (e.g. signage, carry bags etc)	❑	❑	❑	❑	❑	❑	❑
Exclusive supply arrangements for some products	❑	❑	❑	❑	❑	❑	❑
Stocking 'private label' or store-branded products	❑	❑	❑	❑	❑	❑	❑