A customised Miles et al. model for exploring manufacturing SMEs strategies and capabilities in Sialkot, Pakistan

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1. Importance of SMEs in Pakistan

i. SMEs form more than 99 percent of Pakistan’s total businesses

ii. SMEs account for 25 percent of manufacturing exports, while their share in value addition is 28 percent

2. Characteristics of Export-Oriented SMEs in Sialkot

	General characteristics of the researched clusters			**References**
Leather goods cluster	**General products**	**Markets targeted**	**Competitive edge**	(www.smeda.org.pk/ http://punjab.gov.pk/sialkot_key_industry http://www.plgmea.pk/)
	Motor bike garments, gloves, shoes, fashion accessories	EU, and North America but efforts are afoot to target new markets like Russia, Africa, Latin America	Quality and cost competitive	
Sports goods cluster	**General products**	**Markets targeted**	**Business strategy**	(http://punjab.gov.pk/sialkot_key_industry http://www.psgmea.com/) (https://www.unido.org/fileadmin/user_media/UNIDO_Worldwide/Offices/UNIDO_Offices/Pakistan/Cluster_Report.pdf)
	Soccer balls, volley balls, beach balls, cricket bats, hockey sticks, gloves, and sportswear like track suits, T shirts, wind breakers, Judo/ karate kits etc	EU and USA	Quality and cost competitive	
Surgical instruments cluster	**General products**	**Markets targeted**	**Business strategy**	(www.simap.org.pk/, www.smeda.org.pk/, www.SCCI.com.pk/ http://punjab.gov.pk/sialkot_key_industry)
	Mostly disposable stainless steel instruments but also produces higher quality theatre instruments	Japan, EU , North America	Quality and cost competitive	

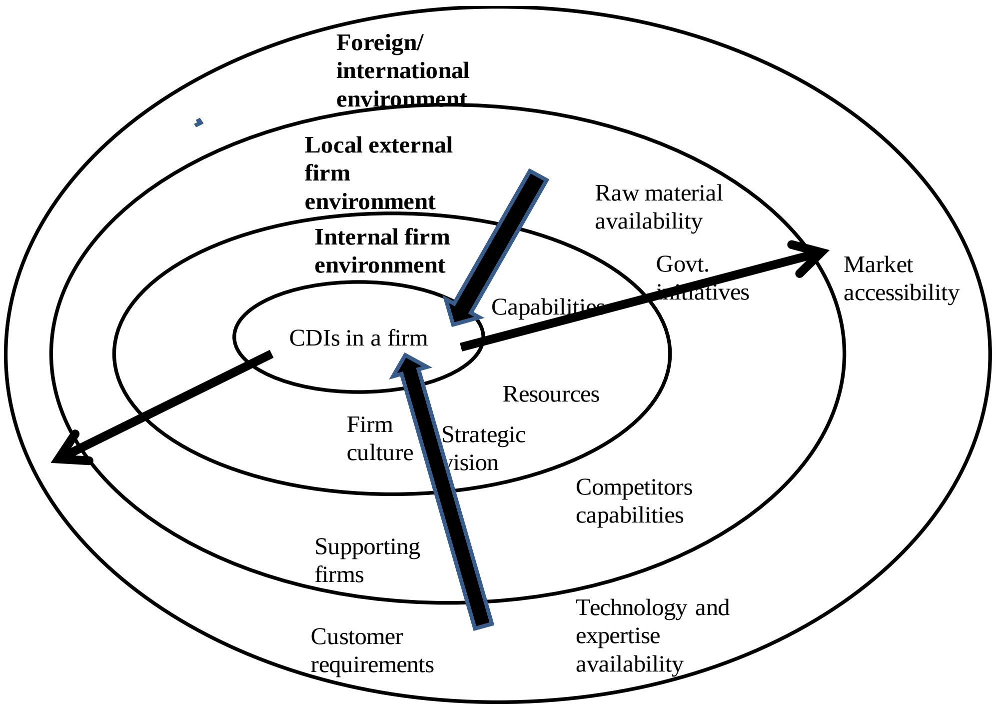
3. Miles et al Model

Firm Type	Business Strategy	Characteristics/ capabilities
Leader	Proactively seek new markets and customers	• Develop new capabilities • Flexible organisational structure
Defender	Proactively defend a niche market	• Continuously scout for capabilities to strengthen position in targeted market • Strong production capabilities
Follower	• Cautious to new markets and customers • Try to strengthen their functional capabilities	• Selected initiatives incorporation • Strengthen existing functional capabilities such as production, marketing
Reactor	Only react to external stimulus	• Unwilling to take risks • Reactive approach

4. Customised Miles et al Model

Firm Type	Business strategy	Characteristics
Leader	Proactively seek new markets and customers abroad	• Acquire new capabilities, not present in their respective cluster, according to targeted markets and customers • Strengthen existing capabilities
Defender	Proactively defend a niche market abroad	• Acquire new capabilities-which are external to the cluster, to defend their niche markets • Strengthen production capabilities
Follower	Selective product portfolio	• Acquire capabilities already introduced in their cluster
Reactor	No apparent strategy	• Limited products and production capabilities

5. Research Methodology: model for studying CDIs



Legend:
- Capability development initiatives (CDIs): Could be in human resources development, improved and/ or new processes / products.
- Internal firm environment: resources, capabilities.
- Local external firm environment: supporting firms, competitor technological capabilities, government initiatives, raw material availability
- Foreign/ international environment: market accessibility, technology and expertise availability, customer requirements

5. Research Methodology: data analysis of firm A

Competitive edge			Cumulatively , CDIs result in : bulk volume handling, improved quality and increased product portfolio
CDIs initiated	**First CDI**	**Second CDI**	**Third CDI**
	1. Increased productivity (year 1990-2007)	2. Vertical integration	3. Product range (around year 2011)
Output	Increased productivity, quality, and core human resource capability	Quality leather at competitive prices	Increased competitive product portfolio
Capability acquired	Improved production outlay and training workers	leather tannery incorporation	Manufacturing fashion accessories
Firm capabilities at the time of CDI-*internal environment*	Semi-skilled manpower available to firm from the cluster	trained HR in manufacturing in the firm	market scanning, trained HR in the firm
Foreign influence/ *external environment*	Hiring of foreign experts	Expertise in leather tannery operation in neighbouring cluster	None
Drivers for CDI	International market scanning, customer feedback	Need for greater supply chain integration	International expos, customers, market scanning

Time

5. Research Methodology: data analysis of firm B

Competitive edge

Cumulatively, CAs result in improved quality and increased product portfolio

CA	**First CA**	**Second CA**	**Third CA**
	1. Vertical integration	2. Increased product portfolio (year 2000)	3.Increased product portfolio (year 2011)
Operational performance	Improved quality raw material availability	Increased product range	Increased product range
Capability acquired	Incorporation of a small tannery	Fabric garments manufacture	Manufacture motorbike boots
Drivers for CA	Competitive strategy	Competitive strategy	Competitive strategy
Firm capabilities at the time of CA-*internal environment*	Firm does not any tannery skills	Already manufacturing leather garments	No prior or relevant experience in foot wear
Foreign influence-e*xternal environment*	Expertise exists in a neighbouring cluster	Expertise exists in local cluster	Expertise has recently been introduced in local cluster

Firm performance: retain old and diversify customer base

Time

5. Research Methodology: data analysis pattern

Cross-cluster level analysis

1. Cluster level competitive priorities
2. Factors affecting competitiveness

Cluster- level analysis

1. Competitive strategies of the interviewed firms
2. Factors affecting competitiveness

Firm level analysis

CDI level analysis to understand individual capability developed, and its contribution to firm competitiveness

Timeline: a macro view of CDIs taken in firm which shows:

- Technological competitive edge developed
- Various actors and factors affecting competitiveness

6. Results: interviewed firms' characteristics

Firm	Business strategy	Capabilities acquired	Products	Competitive edge
			Leather Goods Cluster Firms	
A	Integrate along the supply chain	• Leather tannery • New products introduced • Developing brand name in USA	Leather and motor bike garments, fashion accessories, leather upholstery	Bulk volume handling capacity, large product breadth, brand name in USA
B	Integrate along the supply chain	• Small leather tannery • Optimised product range • Brand name in Canada	Leather and motor bike garments,	Optimised production capacity
C	Cater to low volume orders	• Limited product range • React on customer feedback	Leather and motor bike garments	Cater to low volume orders
D	Optimised firm size/ low volume order	• Limited product range • React on customer feedback	Leather and motor bike garments	Cater to low volume orders
			Sports Goods Cluster Firms	
E	OEM to foreign manufacturers	• New products introduced • Hired experts for production and quality control	Cricket, football goods, sports garments	Broad product range in various sectors
F	Target environment conscious Scandinavian market	• Acquire environment and worker friendly accreditations • Hired foreign epxerts	Sports wear and sports goods	Worker and environment friendly international accreditations
G	Collaboration with multinational	Expertise transfer from customer for new products production	Different types of surgical instruments such as reusable, non-reusable, electromechanical	Increasing product range
H	Diversify into different sectors	Hiring local experts for various projects	Sports goods wear, international manufacturing setups	Productivity, sustained growth
			Surgical Instruments Cluster	
I	Target electro-mech markets	Reverse engineering	A wide product range of electro-mechanical instruments	specialises in a electro-mechanical instrument, broad product range
J	OEM to foreign manufacturers	Expertise transfer from customer for new products production	A wide product range, expertise available from OEM	Increase product range
K	Target max possible sectors and markets	Selectively absorb capabilities introduced in the cluster	Different types of surgical instruments such as reusable, non-reusable, electromechanical	Broad product range, brand name in Japan
L	Target Gynae & Obstetrics and dental instruments	Limited production capabilities which is hampering moving into more sophisticated products	Limited product range	Specialist in targeted product range

6. Results: interviewed firms' categorisation

Sr.No	Firm type	Strategy/ characteristics	Firms
1	Leader	• Bring new initiatives to the cluster • Provide training to their employees	A, E, F, G, H, I, J
2	Defender	• Target a niche market and acquire new capabilities from outside the cluster accordingly	K, L
2	Follower	• Copy existing CDIs from the cluster • Select products with high turnover	B
3	Reactor	• Only react to customer complaints • Limited product range	C, D

7. Conclusions and Recommendations

Present Status

i. Targeting markets which have low entry barriers
ii. Struggling with productivity, quality
iii. Difficulty in identifying and acquiring capabilities for value addition- improved, and new processes and products

Possible Solutions

i. Identify and facilitate leader/ competitive firms' needs
ii. Accordingly, setup mechanisms for continuously identifying capabilities which could be taken up by leader/ competitor firms
iii. Devise cluster level policies for general dissemination of knowledge about value addition

THANKS