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Assessing Competitive Strategies in UK Manufacturing SMEs

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Abstract

In this comprehensive study, we delve into an exhaustive examination of effective competitive strategies tailored for small to medium-sized enterprises (SMEs). The principal objective of this research centers on scrutinizing the strategic orientation of UK Manufacturing SMEs. Conducting an extensive literature review, we critically evaluated Porter's framework and identified several gaps in its applicability. Notably, critiques assert that the model inadequately captures the intricate nature of strategic behavior within real organizations and fails to provide a fully accurate representation of strategy-performance relationships. Empirical research further highlights the model's limitations, indicating its inability to facilitate the desirable combination of competitive strategies by firms. To address the outlined objectives, we employed a semi-structured questionnaire in our investigation. The ensuing analysis involved the application of factor and cluster analysis to identify strategic variables currently employed by SMEs in the manufacturing domain. Our data analysis revealed a divergence from the adoption of Porter's single generic strategies. Instead, the findings supported the utilization of mixed strategies that integrate elements from both differentiation and low-cost strategies. Significantly, these hybrid approaches were found to be associated with enhanced firm performance. This study contributes valuable insights into the nuanced landscape of competitive strategies within the UK SMEs, shedding light on the dynamic interplay between strategic choices and firm performance.

Keywords: competitive strategy, Porter’s generic strategies, mixed strategies, business strategy, strategy performance

1. Introduction

In recent decades, there has been a substantial reconfiguration of both the business and industrial sectors, due at least in part to factors arising from trends towards globalization, a

momentous shift toward government deregulation and privatization, in addition to a significant stream of technological innovation. These movements have had an enormous impact, resulting in an increasingly competitive environment, and are anticipated to persist and shape the conduct of business well into the twenty-first century, with those enterprises capable of adapting to an evolving external environment the most likely to thrive (Lapersonne, 2017; Islami *et al*, 2018; Kaliappen *et al*, 2019). Thus, strategies enabling firms to understand their organizational characteristics and market position and thereby create differences between their position(s) and those of their competitors would appear to have a distinct advantage (Porter, 1985; Lapersonne, 2017). It is this proposition that this paper seeks to evaluate.

A myriad of theoretical frameworks have been advanced as a means to understand corporate strategy enacted in practice, ranging from consideration of strategic advantage and target (Porter, 1980, 1985), organizational competencies and resource profiles (Azeem *et al*, 2021; Kaliappen *et al*, 2019).), distinguishing between differentiation and innovation, cost, and scope strategies (Parnell and Wright, 2017; Kaliappen *et al*, 2019). Moreover, examining competitive strategy involves assessing various dimensions such as cost, quality, time, and flexibility. This encompasses aspects ranging from cost-effective operations, efficient design, and reliable quality to prompt delivery, adherence to schedules, rapid development, customization, and volume adaptability (Lapersonne, 2017).

This paper has opted to utilize Porter's typology of generic strategies as a foundational framework, partly owing to its effectiveness in structuring an inquiry into the development and impact of enterprise strategy (Lapersonne, 2017). Additionally, Porter's generic strategies have garnered more empirical endorsement in prior research compared to other theoretical frameworks (Parnell and Wright, 2017).

A review of these theoretical framework propositions indicates the multidimensional nature of corporate strategy and highlights the importance of how it interacts both with organizational characteristics and the business environment in which the company is situated in order to realize a positive impact on competitive position and hence corporate performance. This paper seeks to contribute to this evolving literature by testing the relationship between successful forms of competitive strategies and firm performance by utilizing a unique primary dataset of 182 small to medium-sized enterprises operating within the manufacturing industries (MSMEs) of the UK. The selection of MSMEs is based on their significant contribution to the UK economy, both in terms of their employed workforce and their generated turnover (BERP). Over the past few decades, the MSME sector has undergone substantial transformations, marked by swift technological advancements, heightened demand, evolving customer expectations, heightened external competition, and compressed lead times. Notably, there has been a dearth of extensive empirical exploration into the strategic behaviors of UK MSMEs, particularly in the context of Porter's (1980) generic strategies.

This paper aims to investigate whether UK MSMEs use generic strategies to achieve a competitive edge over their competitors. Additionally, it explores how these strategies align

with other facets of corporate operations by scrutinizing the relationship between strategy and performance.

2. Literature Review

This paper, as previously mentioned, utilizes Porter's generic strategy framework as the foundation for investigating strategic synthesis in a sample drawn from SMEs within the manufacturing sector in the UK. According to Lapersonne (2017), Porter's generic strategies are pivotal for discussions on 'competitive advantage' and have been predominant in the literature (Lapersonne, 2017; Kaliappen *et al*, 2019; Islami *et al*, 2020; Ali & Anwar, 2021).

Several research studies have assessed the incorporation of Porter's core strategies in the context of firm performance and strategy (e.g. Lapersonne, 2017; Parnell and Wright, 2017; Kaliappen *et al*, 2019; Islami *et al*, 2020; Ali & Anwar, 2021). Moreover, Porter's generic strategies have been investigated across various manufacturing industries (e.g., Bayraktar *et al*, 2017; Danso *et al*, 2019). Porter's premise has also undergone extensive scrutiny in different country settings (e.g., Bayraktar *et al*, 2017; Dhundi, 2018; Danso *et al*, 2019; Lapersonne, 2017; Kaliappen *et al*, 2019; Islami *et al*, 2020; Ali & Anwar, 2021).

2.1 Porter's Framework

Porter (1980) presents a framework comprising two dimensions, emphasizing strategic advantage and strategic target. This fundamental approach was expanded to explore facets of competitive advantage, such as deciding between differentiation or cost leadership strategies and whether the industry scope should be broad or narrow instead of solely focusing on strategic advantage and strategic target (Porter, 1985). Consequently, four specific types of competitive strategies are recognized, which businesses may adopt: low-cost leadership, focus low-cost leadership, differentiation, and focus differentiation (refer to Figure 1).

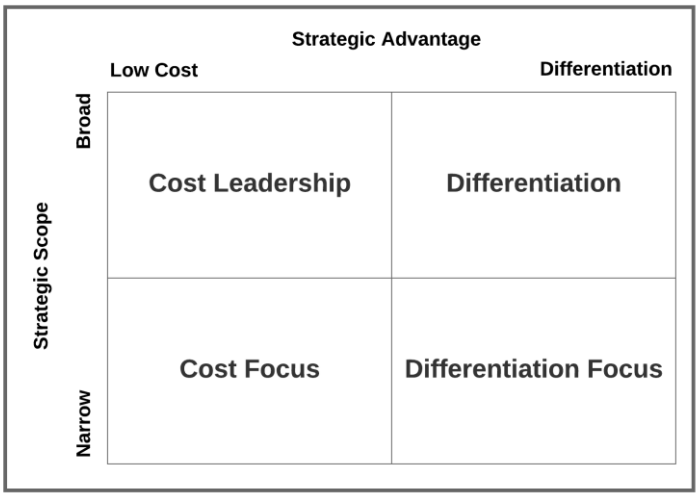

Figure 1. A Visual Representation of Porter's (1980) Strategies (Adapted by: Porter, 1980).

In the pursuit of a cost leadership strategy, a company must prioritize low-cost production achieved through economies of scale, exclusive technology, and cost-effective raw materials (Porter, 1980). Organizations implementing a cost leadership strategy may realize advantages through the acquisition of market share via price reduction strategies while concurrently sustaining profitability. Alternatively, they may choose to uphold average prices, thereby increasing overall profits (Porter, 1980).

The differentiation strategy involves providing a unique combination of products, a different delivery system, or employing a distinct marketing approach to gain a competitive advantage (Porter, 1980, 1985). Companies seeking a competitive edge through differentiation emphasize distinctive features appreciated by their customers (Porter, 1980).

In alignment with Porter's (1980) perspective, the focus strategy occurs when an enterprise opts for a particular segment within its industry and correspondingly customizes its offerings. A focus strategy (either low cost or differentiation) must be utilized within niche markets and not in the same strategic synthesis as more broadly focused companies.

Porter posits that these three strategies are distinct and mutually exclusive alternatives. While acknowledging the likelihood of companies successfully pursuing a mixed strategy, he also asserts that this is seldom achievable (Porter, 1980: 35). Failure to adhere to any of these strategies results in a firm being "stuck in the middle," experiencing low profitability due to weak market share, an inability to reduce costs effectively, failure to sufficiently differentiate products, and/or neglecting to focus on a specific market segment. Attempting to cater to all demographics poses the risk of not making strategic choices and settling for mediocrity (Porter, 1985).

The hypothesis of being "stuck in the middle" has sparked considerable deliberation, given empirical evidence indicating that finding oneself in this position may not entail significant disadvantages (Lapersonne, 2017; Kaliappen *et al*, 2019). Furthermore, most empirical investigations in the competitive strategy literature focus exclusively on generic strategies rooted in forms of differentiation and low cost. These inquiries neglect the prospect of typology integrating mixed strategies (Lapersonne, 2017; Kaliappen *et al*, 2019). Despite favorable results fostering a positive connection between combined strategy and performance, they concentrate on factors associated with Porter’s strategies and exclude other blended forms of strategic typology. A mixed strategy may demonstrate distinct traits compared to those put forth by prior findings (Lapersonne, 2017; Dhundi, 2018; Kaliappen *et al*, 2019) and those proposed by Porter (1980).

As it was mentioned earlier, there are several empirical studies assessing the effectiveness of Porter’s strategies in firm performance and competitiveness, various manufacturing sectors, and service industries such as hospitals, retailers, banking, airlines, hotels, and ship management. Moreover, Porter’s strategies have undergone thorough examination in various country settings, such as Australia, Canada, China, Greece, Japan, Iraq, Kosovo, Malaysia,

Portugal, Spain, the UK, and the USA. However, there are limited studies exploring SMEs' competitive strategies (Baroto *et al*, 2017; Dhundi, 2018;), and only a few analyze Porter's strategies for SMEs' competitive advantage (Banker *et al*, 2014; Dhundi, 2018; Kaliappen *et al*, 2019). Consequently, this study has the potential to contribute to an under-investigated area of the broader academic literature.

This paper seeks to examine the utilization of Porter's strategies, whether in combined or singular forms, to distinguish the favored assortment of profitable strategic frameworks leading to elevated company performance. The hypothesis posited in this study anticipates establishing a relationship between two variables: Porter's strategies and the corresponding firm-level performance. The null hypothesis posits that firms employing a distinctive differentiation or cost leadership strategy will have no identifiable performance advantage over firms operating a combined strategy.

3. Method

To explore effective competitive strategies, this research has generated an exclusive dataset by surveying managing directors of MSMEs in the UK. This approach is grounded in the belief that these individuals possess the most comprehensive insights into their company's structure and competitive strategy.

The sample was randomly selected from the 'One Source' UK company database. This dataset provides detailed financial and other company data across the whole of the UK and compiles listings for executives, which has proven useful in this study. While basing analysis upon survey responses has the potential for bias and lacks the precision of objective data, it has the advantage of gaining insights into the perceptions and intentions of leading (manager) actors while producing quantitative data in a form capable of being tested statistically. It is, moreover, a standard approach adopted within the previous literature (Ouma and Oloko, 2015; Islami *et al*, 2020; Ali & Anwar, 2021; Alhosseiny 2023).

The survey was piloted among 50 UK MSMEs who were randomly selected, and minor modifications to questions were enacted. Furthermore, the ultimate questionnaire utilized the "alternate form" to assess response reliability. Additionally, various 'check questions' in the form of open-ended queries were incorporated to gauge the dependability of closed-format questions. The ranking questions concerning strategy variables were interspersed, with no explicit indication that individual variables were being evaluated to determine their inclusion in either a low-cost or differentiation strategy. To mitigate respondent bias, the researcher refrained from disclosing that the study was assessing Porter's generic strategy typology. Instead, the focus was communicated as an examination of a variety of competitive strategies.

3.1 Study Sample

The study sample was based on UK private MSME's with between 5 and 250 employees. The rationale for excluding smaller entities was a desire to avoid having the dataset skewed by the

inclusion of sole traders, partnerships, and/or the self-employed designated as companies for tax purposes. The selection of precise criteria for defining the SME sector is a matter of disagreement within the literature (De Sordi *et al*, 2024). However, this study has employed the EC definition because it facilitates greater delineation than the other norm (Crehan, 2020).

Utilizing this definition, the dataset produced a total relevant population of 750 UK MSMEs, of which a usable sample of 182 responses was received, representing a response rate of 24.26 percent. Of these respondents, 11 percent were microcompanies, 24 percent were small companies, and 65 percent were medium-sized companies. Therefore, medium-sized companies are somewhat overrepresented within the sample, thereby highlighting the need for caution when considering the applicability of the analytical findings.

3.2 Study Dimensions

To investigate the correlation between competitive strategy and company performance, this project combines the use of both strategy and performance variables. Nevertheless, there is no unanimous agreement in the literature regarding the selection of variables to examine generic strategies. For example, there have been between thirteen and twenty competitive strategy variables utilized in several studies based upon the PIMS database (e.g. Miller and Dess, 1993), whereas other studies have examined between seventeen and twenty-five strategic variables (Banker et al, 2014; Afande and Uko, 2015; Ouma and Oko, 2015; Agyapong *et al*, 2016; Baroto *et al*, 2017; Adebayo *et al*, 2018). Furthermore, prior research has demonstrated a tendency to focus disproportionately on a single generic strategy, potentially influencing results by incorporating an unequal number of variables to assess differentiation or cost leadership strategies (Lapersonne, 2017; Adebayo *et al*, 2018).

This study, therefore, seeks to avoid potentially biased responses from participating firms by employing an equal number of variables (twelve) estimating the importance of both differentiation and low-cost strategies. The determinants of Porter's (1980) strategies, referred to as strategic variables, were initially stemmed and altered from Dess and Davis (1984), serving as the foundational study for subsequent research. Insights from a series of later empirical studies, particularly focusing on the manufacturing sector (Lapersonne, 2017; Islami et al, 2020; Alhosseiny, 2023), further enriched the strategic variables. The strategic variables under investigation have undergone assessment in various empirical studies (Lapersonne, 2017; Islami et al, 2020; Alhosseiny, 2023). They pertain to strategic syntheses that have been previously tested (Lapersonne, 2017; Islami et al, 2020; Alhosseiny, 2023). Furthermore, the selected strategic variables are associated with profiles examined across multiple industry settings (Porter, 1980; Lapersonne, 2017; Islami et al, 2020; Alhosseiny, 2023). These variables facilitate the grouping of firms under study based on the competitive strategic synthesis they utilize, whether it involves cost leadership, differentiation, or a hybrid approach.

To test the relationship between strategy and MSME achievements, several performance variables are included to showcase the alignment between firm performance and the selected

strategy and to identify the competitive strategies that yield superior performance outcomes. To fulfill these objectives, the analysis incorporates data derived from both objective (financial data) and subjective (respondents providing estimated performance) sources, specifically (i) the percentage change of turnover year for the preceding two years and (ii) the percentage change of net operating profit over the same period.

3.3 Method of Analysis

The data analysis carried out in this study draws upon the previous literature through a combination of factor and cluster analysis. Hence, this paper opts for the utilization of factor analysis to examine potential common method variance concerning the strategic variables employed by firms aiming for success, while cluster analysis is employed to identify strategic types of MSMEs in the UK.

After scrutinizing the combination of clusters and the constituents of the selected competitive strategies, this research examines whether the chosen strategy results in higher or lower firm performance. Consistent with the methodology embraced by the majority of empirical investigations (e.g., Danso *et al*, 2019; Ali and Anwar, 2021), this paper makes use of statistical measures such as means, standard deviation, and coefficient of variation to assess firm clusters that examine the strategic typology in relation to their performance.

4. Results

4.1 Factor Analysis

Leveraging factor analysis to ascertain the preferred competitive strategies among UK MSMEs, the rotated component matrix highlights the presence of ten factors (see Table 1). Factor loadings 1, 2, 3, and 10 integrate components of both strategies (differentiation and cost leadership) and thereby demonstrate characteristics of a combined strategy. Loadings 4 and 8 are consistent with the description of a combined strategy, but with a pronounced focus on the cost leadership strategy.

While factors 5, 6, and 7 exhibit elements of a pure combination strategy, contrary to previous loadings, they also demonstrate an emphasis on differentiation strategy. Finally, factor loading 9 exhibits a comparable strategic synthesis of a sole-cost leadership strategy, consistent with Porter's (1980) initial description. Interestingly, however, the data analysis of this study did not produce factor loadings that fulfilled the criteria of Porter’s single differentiation strategy.

Table 1. Examination of Strategic Factors and Rotated Component Matrix

	Component									
	1	2	3	4	5	6	7	8	9	10
Identify areas to cut costs		0.652								
Setting lower prices							0.894			
Emphasis on brand development		-0.433	-0.458				-0.364			
Focus on sales promotion in order to increase profits							-0.596	-0.368		
Improving stock control (of raw materials)								0.875		
Introducing automation to reduce labour costs			0.771							
Offering loads of products				-0.900						
Investing heavily in employees' skills via training initiatives				0.363					0.706	
Emphasis on supporting quality customer services										0.943
Reducing production wastage and defects				0.654						
Focus on advertising to acquire new customers		-0.440			0.495					
Reducing the cost of raw materials via effective product design methods									-0.607	-0.431
Continually differentiating your products and services (compared to your competitors)			-0.308		-0.552	-0.312	-0.307			
High-quality services (higher than your competitors)						-0.750				
You give emphasis on introducing automation in your production processes			0.805							

Focus on CRM and Customer Loyalty Schemes					0.810					
Constantly put an effort to reduce costs		0.603				0.371			-0.307	
Constantly change organisational structure to meet performance standards						0.811				
Constantly introduce new products	-0.378	-0.312	-0.314	-0.332	-0.496					
Constantly controlling logistical costs from your suppliers	0.439	0.669								
Constantly controlling the quality of your suppliers	0.732									
Constantly improving your suppliers' delivery & lead times	0.579							0.465		
Using automation in product design	-0.464		0.414	0.371					-0.340	
Constantly changing your products' packaging	-0.668				0.396					

Method Used for Extracting Components: Principal Component Analysis. Rotational Technique Employed: Varimax with Kaiser Normalization. The rotation process successfully converged after 20 iterations

4.2 Cluster/Strategic Grouping Analysis

Cluster analysis is employed to identify strategic groups utilizing similar competitive strategies. Utilizing Ward's methods (Wagner, 2019), ten clusters were identified. Table 2 displays the final cluster centers, elucidating the synthesis of each group for others.

Table 2. Conclusive Cluster Centers (Generated by SPSS)

	Cluster									
	I (number of companies =2)	**II (number of companies =3)**	**III (number of companies =9)**	**IV (number of companies =32)**	**V (number of companies =31)**	**VI (number of companies =36)**	**VII (number of companies =13)**	**VIII (number of companies =24)**	**IX (number of companies =26)**	**X (number of companies =4)**
Factor I: Mixed Strategy	1,29420	0.44623	0.99099	-0.42072	0.26106	-0.53693	-0.45992	1,09882	-0.29543	-0.21449
Factor II: Mixed Strategy	1,30844	0.37121	-0.13708	-0.16877	-0.09521	0.56825	-0.51949	0.11526	-0.47640	0.44303
Factor III: Mixed Strategy	0.42749	-1,82496	0.57015	0.28508	0.33567	-0.10556	0.73838	-0.82356	0.03539	-1,74827
Factor IV: Mixed Strategy but focus on Low-cost	0.11341	1,24917	-0.94304	-0.23095	0.54802	0.66862	0.33595	-0.68779	-0.47882	-1,14168
Factor V: Mixed Strategy but focus on Differentiation	-2,85546	-2,60504	-0.67282	0.25269	0.31336	0.35297	-1,10346	0.61599	-0.11118	-2,11846
Factor VI: Mixed Strategy but focus on Differentiation	1,76483	-0.51285	-1,20811	0.32032	0.22062	-0.41302	-0.18658	-0.11441	0.58946	-0.87326
Factor VII: Mixed Strategy but focus on Differentiation	0.40213	-1,87147	-0.18983	-1,40022	0.56871	0.26359	0.61762	0.16500	0.37331	0.62784

Factor VIII: Mixed Strategy but focus on low-cost	1,36305	0.91735	1,22910	0.01037	-0.15976	0.17750	0.32924	0.08663	-0.75436	-1,26375
Factor IX: Single Low-Cost Strategy	-0.89514	1,44558	0.45300	0.10515	1,22289	-0.54384	-0.49541	-0.37626	-0.53993	0.29728
Factor X: Mixed Strategy	0.13460	-0.70300	-1,05086	0.36886	0.20413	-0.52953	1,17385	0.46022	-0.73394	1,25159

Note: Two values are not available

The examination of the questionnaire survey results yielded diverse clusters with varying competitive strategic synthesis. Notably, the data analysis did not reveal a cluster conforming to the definition of pure differentiators as initially outlined by Porter (1980). Conversely, cluster V represents one of the biggest groups in the sample (18 per cent) and was identified as a cost leader. A noteworthy observation from the data analysis is the presence of cluster IV, also one of the biggest groups in the participating companies (18 per cent), characterized as a group lacking a distinct strategic direction, aligning with the description provided by Porter (1980). The rest of the groups show a strategic combination that lines up with a mix of strategies, supported by different studies (e.g. Kaliappen *et al*, 2019; Islami *et* al, 2020; Ali and Anwar, 2021), instead of strictly following a single strategy as suggested by Porter (1980).

4.3 Performance Analysis and Competitive Strategy Fit

Regarding how well the companies are doing and the strategy they have chosen, the data analysis found five groups using a mix of strategies (clusters I, VI, VII, VIII, and X). As per Table 3, clusters I and VII demonstrate exceptional results in both revenue and pre-tax profits.

Table 3. Means, Standard Variations and Coefficient of Variation

Number of Cases	Strategic Direction	Turnover, GBP			Pre-tax, GBP		
		Mean	SD	COV	Mean	SD	COV
I	MS	139431,54	166919,030	1,21	18662,00	26112,219	1,40
II	MS (<C)	31394,34	6554,*873*	0,20	2499,67	186,325	0,09
III	MS (<C)	65930,32	36498,883	0,57	2690,33	8294,024	3,09
IV	NDSO	54503,12	43555,969	0,79	-658,75	6607,217	-10,05
V	C	60968,51	67273,788	1,11	4063,35	8160,373	1,99
VI	MS (<C)	43712,79	26512,504	0,58	3909,03	6601,816	1,69
VII	MS	74182,17	62113,190	0,81	2693,85	3139,378	1,16
VIII	MS	45662,82	48282,940	1,07	1604,83	9179,301	5,71
IX	MS (<D)	46113,76	37008,820	0,81	1764,81	4843,419	2,76
X	MS	82214,51	79497,821	0,99	6100,75	4312,942	0,73

Key to the Table:

D	Differentiation Strategy
C	Low-Cost Strategy
NDSO	No defined strategic orientation
MS (<D)	Mixed Strategy (focus on Differentiation)
MS	Mixed Strategy
MS (<C)	Mixed Strategy (focus on Low-Cost)

Yet not every group of companies adhering to a pure mixed strategy attains success; clusters VI, VII, and X demonstrate only average performance. Furthermore, groups employing a mixed strategy with a focus on low-cost (clusters II and III) exhibit performance below the group average. Companies within cluster IX implement a mixed strategy with a focus on differentiation; while they have the lowest turnover, their pre-tax profits seem to be above average. Finally, the cluster analysis reveals a set of companies without a distinct strategic focus. Their financial results, measured in revenue and pre-tax earnings, rank the lowest among all clusters.

The results of the data examination in this study confirm the premise of the importance of mixed strategies. While these outcomes hold opposing views from Porter's strategies and existing research (e.g., Adebayo *et al,* 2018), they coincide with the findings of others (e.g., Kaliappen *et al,* 2019; Islami *et* al, 2020; Ali and Anwar, 2021).

Another significant outcome relates to the different types of mixed strategies, highlighting that not all strategy groupings result in superior company performance. This understanding carries significant propositions for companies when crafting effective competitive strategies, particularly in defining the attributes when developing their strategies.

5. Discussion

To infer, the quantitative analysis upholds the original hypothesis established in this research project, specifically that the large majority of those companies surveyed adopt a mixed strategy rather than opting for a purer form of cost leadership or differentiation approach. The findings highlighted one (out of ten) cluster (number V) consistent with cost leadership but demonstrated average firm performance compared to several other groups.

Moreover, none of the clusters produced by the analysis reflected what might be described as a pure differentiation strategy. This is perhaps surprising, given that the target population comprised small and medium-sized enterprises operating within a manufacturing sector dominated by a small number of larger organizations, where there might have been an expectation that firms might have sought differentiation to pursue a niche strategy. Yet, the results of this study indicate that even given these incentives, the respondent organizations preferred to adopt a combination of elements for their strategic orientation.

These results differ from Porter’s definition of competitive strategies. However, since the previous literature has failed to find a consensus on this point, the results in this paper conflict with those studies that are generally supportive of Porter’s position (Adebayo *et al,* 2018) but are consistent with others that are more critical (Kaliappen *et al,* 2019; Islami *et* al, 2020; Ali and Anwar, 2021).

A second interesting feature to arise from the analysis relates to the fact that of those firms adopting a variant of combination strategy, not all of these consistently led to higher firm performance. For instance, it is evident that clusters utilizing a combined approach with a focus

on cost leadership underperform in terms of turnover but have average or increased pre-tax profits (cluster II, cluster III, cluster VI).

The identified groups implement strategies encompassing ongoing enhancement of workforce capabilities, attaining heightened precision in production lines through defect reduction, emphasizing inventory management for enhanced cost control, and utilizing product design methods conducive to automation. Contrary to the highest performing cluster (number VIII), clusters II, III, and VI lack strong elements of a differentiation strategy (higher emphasis is therefore given to internal cost controls rather than increasing turnover).

It is evident from Table 4 that Cluster VIII places a strategic emphasis on both quality and cost control (examples include enhancing supplier performance in terms of cost, quality, and lead time, as well as ongoing development of novel products and product packaging). Another element of successful competitive strategies is illustrated by Cluster X, where this strategic emphasis is illustrated by deploying adequate facilities to uphold service quality while concurrently setting lower prices. These findings hold significance for UK MSMEs in shaping effective competitive strategies, particularly in the selection of features for their strategic synthesis.

5.1 Study Implications

Several potentially interesting implications arise from these findings and may be of practical use for enterprise managers and policymakers seeking to facilitate enhanced performance within the SME sector, in addition to researchers seeking to contribute towards enhancing the academic literature on this topic.

The initial suggestion suggests that while Porter's model works well as a classification system, it is a simplified representation of reality. Therefore, practitioners should be mindful of both the strengths and limitations of this and other theoretical approaches. The simplification of a complex set of interactions between individuals and organizations, each with its own objectives and perceptions, is essential to seeking to ascertain general patterns of behavior that might otherwise be masked by the ‘noise’ of such interactions. However, generalizations depart from individual circumstances – whether concerning the impact of market pressures (external factors) or individual organizational characteristics (internal factors) – and therefore, practitioners need to be aware of all of these potential influences on performance when developing an appropriate business competitive strategy.

As in most cases examined in this paper, this may involve a combination of cost leadership and differentiation aspects, rather than focusing on one of these to the exclusion of the other. However, what this paper has demonstrated is that none of these approaches appears to lead, unambiguously, to superior performance. Consequently, it must be the interaction between strategy and a broader array of factors, impacting differently upon individual organizations, that determines the degree to which a chosen strategy is appropriate given the circumstances in which the organization operates.

The above analysis also suggests that SME managers must avoid formulating strategies based on a combination form with an emphasis on cost leadership. The evidence suggests that paying more attention to cost strategies will potentially result in higher pre-tax profits but reduced turnover. It is therefore advised that managers demonstrate efficacy in cost control mechanisms while at the same time employing differentiation strategies to increase turnover.

The highest performance cluster in the sample (cluster VIII) indicates that although a company can exercise efficient cost control and charge lower prices, it must also pay attention to providing sufficient facilities to support the quality of services provided. A different strategic synthesis is demonstrated in cluster I, which also exhibited high firm performance (this cluster consists of only two firms of medium size contrary to cluster VIII which were 24 companies of micro, small and medium sizes). Companies in this group employ a blend of strategies, with a focus on identifying underperforming areas for cost reduction, enhancing inventory management for improved cost control, making incremental improvements in coordination and organizational structure, refining logistics, and optimizing suppliers for cost control, quality, and lead time. Additionally, they employ product design techniques that facilitate automation.

An additional significant implication for managers of SMEs pertains to cluster IV, identified as a cohort of companies lacking a distinct strategic direction, akin to what Porter (1980) characterized as being 'stuck-in-the-middle.' Firms within this group do a little bit of everything when it comes to strategy and, as a result, have low performance. Based on the data analysis, it is demonstrated that the most important factor in strategy success is not only the choice of strategic variables but also the implementation of the strategy (there is no similarity between loadings as per factor analysis).

These results bear noteworthy practical implications for senior executives and individuals tasked with formulating, implementing, and executing strategies in manufacturing SMEs. Collaborative efforts between senior managers and lower-level counterparts are imperative for the effective implementation of strategic practices aligned with the preferred strategic direction. Moreover, it is essential to convey the connection between the company’s financial results and strategy to employees, guaranteeing a comprehensive grasp of the company's competitive strategy and the links between their day-to-day strategic actions and the overall company performance.

5.2 Limitations

This paper seeks to add to the existing body of knowledge on developing successful competitive strategies in the UK’s MSME industry. Nevertheless, it is important to acknowledge certain limitations.

First, MSME performance was assessed by averaging the growth or decline in turnover and pre-tax profits over three years, classifying firms as either successful or less successful. It would improve the accuracy of this calculation if a more longitudinal set of data were available for this purpose. The three-year average was selected because this was the maximum number

of years available using the database selected for this project to maintain consistency between firm entries, and therefore an extension may necessitate the use of a different initial database from which to conduct the study or the supplementing of such data from additional sources. Furthermore, the utilization of a longitudinal dataset would enhance the consideration of the anticipated time gap between the execution of a company's strategic objectives and its subsequent influence on its performance.

A second limitation of this study is the counterpoint to its strength, namely that, focusing upon the creation of a dataset capable of statistical examination relating to strategies adopted and corporate performance, the study placed less emphasis on the motivational factors for managers involved in the development of strategy. Similarly, the analysis emphasizes the importance of strategic development, considering the specific internal and external factors of an individual firm rather than applying a generic approach. This assertion aligns with the perspective articulated previously, contending that superior strategies in smaller firms frequently emerge unintentionally due to specific operational conditions surrounding the enterprise. Consequently, it would be useful to further explore both elements through further research.

Finally, the results generated by this paper are most strongly applicable within the specific sector in which the research was conducted, namely the MSMEs within the UK. Consequently, any attempt at wider generalizations based upon these findings and applied to other circumstances (i.e. service sector organisations in a different country and/or institutional setting), should only be undertaken with caution.

5.3 Recommendations for Future Research

In light of the limitations identified within the current examination of competitive strategy development in the United Kingdom's MSME sector, there are also some important recommendations for future research.

Future research should aim to employ a more extensive longitudinal dataset, covering more than three years, if possible, to assess MSME performance. This approach would allow for a better understanding of the impacts of strategic decisions over time, accounting for the delayed effects of strategy implementation on firm performance. Researchers may need to explore alternative databases or consider merging data from multiple sources to construct a comprehensive longitudinal dataset.

By pursuing these recommendations, future research can significantly contribute to the refinement and advancement of strategic development paradigms within MSMEs, thereby enhancing their performance and long-term viability in an increasingly competitive global marketplace.

To overcome the limitations of relying solely on quantitative metrics like turnover and pre-tax profits, future studies could incorporate qualitative methods, such as case studies or

interviews. This would enable a deeper exploration of the motivational factors behind managers' strategic decisions and how these are shaped by the specific internal and external environments of their firms. By integrating both quantitative and qualitative data, researchers can offer richer insights into the strategic development process within MSMEs.

While this paper focuses on MSMEs within the UK, future research could examine similar strategic dynamics in MSMEs operating in different sectors or countries. Comparative studies could shed light on how contextual factors, such as industry characteristics or institutional settings, influence the development and success of competitive strategies. This would help to understand the extent to which findings from the UK context can be generalized or adapted to other settings.

Building on the observation that superior strategies in smaller firms often emerge unintentionally, further research could specifically investigate the process of strategy formation in MSMEs. This includes examining the role of serendipity, adaptability, and the informal processes that contribute to strategic decision-making. Such studies could provide valuable insights into the practical aspects of strategy development in smaller enterprises, offering guidance on how to nurture and leverage these processes for competitive advantage.

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