

## Strategic Actions: Evidence from Micro and Small Enterprises in Nepal

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### Abstract

Prior research has paid little attention to the field of strategic actions of micro and small enterprises (MSEs). Hence, this paper explores the experiences of MSEs on their strategic actions from the perspective of social practice. A qualitative inquiry was conducted by interviewing MSEs for gaining their insights, experiences, and understandings of the strategic actions. The result of the study revealed common practices of MSEs (e.g., moving for opportunities, the culture of using plan, governing resources, innovation leading, organizational culture, employee motivation, capacity building, and communications and ICT use). The MSEs perform their strategic actions in different ways mediated by the contexts where they live in. The entrepreneurs' understanding and activities of strategic actions are influenced by the local cultural needs and globalization as well. The practice of 'combination' of local and imported technologies, methods, and materials is a kind of compulsion, fashion, or a strong motivation headed to globalization and a way of their existence. Likewise, the MSEs are in the situation of multitasking and affecting the implementation of their strategic actions. The insights produced by this research have implications for the planning of SME development identifying the status and emergences in the course of strategic actions.

**Keywords:** Micro and small entrepreneur/enterprise (MSE), small and medium-sized enterprise (SME), strategic action

### Introduction

The paper presents the 'doing' on *strategic actions* of micro and small enterprises (MSEs) from the perspective of *social practice*. The *strategic actions*, for us, incorporate the process of managing all kinds of capital. The process indicates the practices of strategic use of new, appropriate, and innovative ideas in the field like 'investing capital to fight for capitals' (Bourdieu, 1990). There has been a lot of research works in strategic leadership and management of the business, and non-business organizations. Large and multinationals companies continue to implement their strategic actions in the market and create a competitive environment. These big companies have captured a large share of customers in the market. On the other hand, countless MSEs have been struggling in the market and helping people to maintain their livelihoods. The MSEs have also their ways of subsistence and growth for a long time in the complex market saturation. However, Terziovski (2010) concluded that MSEs do not appear to use innovation culture in a strategic and structured manner. They have some gaps in the area of productivity and quality maintenance. Food and Agriculture Organization (2010) noted the problems of micro, small, and medium-sized enterprises such as poor quality of the products, informal and unregulated production, and being unable to establish proper marketing channels, etc. What and how have the MSEs been exhibiting their strategic actions? The main objective of the current study is to address these questions. The paper focuses on the strategic actions for collecting and employing the innovative ideas available in the context. This way of understanding ultimately helps the stakeholders to look differently at entrepreneurship. The strategic actions would be better to be explored, and the entrepreneurs need to be aware of strategic actions because of the needs of survival and growth in the new organizational context, which is also changing (Cruceru, 2015). This research

explores the 'strategic actions' of MSEs valuing their practices of searching and using innovative ideas for their business. It is infrequent in the field of entrepreneurship research to explore the strategic actions of the MSEs from the viewpoint of *practice perspective*.

Thus, this research attempts to fill this gap. The experiences of entrepreneurs will inform the practical notions and approaches exhibiting in the marketplace that indicate the strategic actions in reality. The policymakers, development experts, and practitioners, academicians, researchers, and other readers get the analytical inputs on the strategic actions of MSEs from this research. Application of practice perspective may provide another way of thinking to the academicians for implementing the other issues of entrepreneurship research.

### Literature Review

#### *Micro and small enterprises*

In general, the terms, micro and small enterprise (MSE), small and medium-sized enterprise (SME), and micro, small and medium-sized enterprise (MSME) are taken in the same sense. These terms are taken differently from big industries. Taking these terms in the same sense is also influenced by the class thinking. However, the enterprises of either micro or small or medium scale contribute to the livelihoods of the majority of people. The enterprises of all scales such as micro, small, medium, and large are important and essential for household and national economies. To facilitate the promotion and development of these enterprises/industries, the government has categorized or defined enterprises like micro, small, medium, and large scales.

Definitions of micro and small enterprises (MSEs) vary by the countries. But, MSE covers formal and informal, rural, or urban enterprising activities on the micro, small, and medium scale. The MSEs have relatively high labor intensity based on indigenous skills, technologies, and promote the growth of industrial linkage. By nature, MSEs are family-owned, based on traditional or cultural

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skills, local technologies, and labor-intensive. Thus, they have the characters of low income and low productivity, especially with petty trades. Thus, they have been categorized to the small and medium scales mostly attached to the local cultures and demands.

The MSEs are independent business firms that hire the given number of employees and financial ceilings. The number of employees and financial ceilings is not the same or varies across the countries. European Union has set the ceilings on labor and capital investment for small and medium-sized enterprises that have been implemented in EU countries. The small enterprises employ from 10 to 49 employees and should not exceed EUR 10 million. The micro-firms should have less than 10 employees and the financial investment up to EUR 2 million (Organization for Economic Cooperation and Development, 2005).

The government of India has executed the Micro, Small and Medium Enterprises Development Act, 2006, and defined the categories of enterprises. The Indian government has defined two sectors like manufacturing and service. The enterprises have been classified based on the investment of plant and machinery differently in these two sectors. In the case of enterprises engaged in the manufacturing or production of goods, an enterprise with an investment of up to 2.5 million rupees in plant and machinery is defined as a microenterprise. Likewise, in a small enterprise, the investment in plant and machinery is more than 2.5 million rupees but does not exceed fifty million rupees (Government of India, 2006). In the case of the enterprises engaged in providing or rendering of services, a microenterprise, where the investment in equipment does not exceed one million rupees, and a small enterprise, where the investment in equipment is more than one million rupees but does not exceed twenty million rupees (Government of India, 2006).

In Nepal, the government has clearly defined SME based on investment sizes. According to the Industrial Enterprise Act (2020), an enterprise with a fixed capital of up to two million excluding land and buildings is defined as a microenterprise. The microenterprise must have up to nine workers including the entrepreneur/s. Likewise, the small enterprise constitutes the fixed capital up to NPR 100 million except the micro and cottage enterprises. The entrepreneurs themselves are involved in the operation and management of the micro and small enterprise. MSEs may be established to any of the sector/s provisioned to the act, i.e. energy, production/manufacturing, agriculture, and forest products, minerals, construction, tourism, information and communication, and other services (Government of Nepal, 2016). Thus, the MSEs have been operating in multiple sectors with a variety of manufacturing features.

The definition and scope of micro and small enterprises differ according to the country's industrial policy and law. However, there are two types of MSEs; formal and informal based on their legal registration to government entities. Formal enterprises are established and continue with formal registration to the concerned government offices. Those enterprises will be accountable to follow the process of registration, renewal, tax liability, and other legal provisions of the government. Informal enterprises are generally initiated by an individual family to earn money employing their traditional craft skills, whereas formal enterprises are either initiated by NGOs and government agencies as income-generating programs for poor

families and the marginalized or self-initiated by the rural people themselves (Food and Agriculture Organization, 2010). Informal enterprises are family-based on a very small scale for their livelihood maintenance. The majority of MSEs operate informally. Entrepreneurs do not know about the legal system. But, they have been generating household income and local employment. SME is one of the major sectors of the national economy in the least developed countries but they have been neglected by the government.

### Literature Review

The concept of strategic actions or management started in the 1990s. There has been a lot of research studies in this area but mostly concentrated on big industries. Many pieces of research have been carried out on the issues of strategic management of micro, small, and medium-sized enterprises.

McPherson (1996) concluded that the micro and small firms had the same strength as of larger ones but the experienced, educated and trained proprietors and those enterprises in urban areas grew more rapidly than home-based and rural firms. Stonehouse and Pemberton (2002) carried out a study on strategic planning in SMEs and found less evidence of strategic thinking and implementation in practice. Desouza and Awazu (2006), in their study on the issue of knowledge management at SMEs, concluded that SMEs do not manage knowledge in the same ways as larger firms and have to be creative in working with limited resources for managing the knowledge. Another research was carried out by Vorzsák and Coros (2007) on SME's strategic management and concluded that rigorous planning, operational capacity, and efficient implementation make the SMEs successful.

Chew, Yan, and Cheah (2008), in a study, found the positive relationships between core capability and competitive strategy in Chinese SMEs. Likewise, Terziovski (2010) concluded that SMEs are similar to large companies in the key drivers of performance but do not appear to utilize innovation culture in a strategic and structured manner. Ismail, Poolton, and Sharifi (2011), in a study with the inclusion of a multi-strategy assessment tool, concluded that SMEs can prioritize their capabilities to achieve a level of strategic readiness. Crueru (2015) carried out a study on the issue of strategic management of SMEs and concluded that they have gaps in the implementation of organizational culture within their firms. Shrestha (2015) researched entrepreneurship taking three themes, i.e. perception, discovery, and creation. He concluded that the entrepreneurs were conscious of changing their strategies as per the change of the business context. Damke, Gimenez, and Damke (2018), in a study, concluded that the micro and small enterprises (MSEs) had inferior performances due to the smaller entrepreneurial attitude, less defensive strategies, and disconnection of strategies from the environmental reality.

The paper focuses on the category of the micro and small enterprise (MSE) which is slightly different from the orientation of small and medium-sized enterprise (SME) because the concentration of the governments, especially of LDCs to the micro and small enterprise is rapidly increasing. There is a paucity of research on MSEs' strategic actions. The researchers have conducted insignificant research on the strategic practices of small businesses especially MSEs. There is a dearth of literature with in-depth studies on what strategic actions, how, and why small entrepreneurs are

doing. It was also found a little attention given to the practices of MSEs in their strategic actions. This study contributes to existing literature by applying the social theory for exploring the issues of strategic actions of MSEs.

### Theoretical Framework

The term 'strategy' is popular in both social and business fields. It denotes the way of 'doing' that the individuals exhibit in the field for their existence and growth. "Strategy is driven by individual and characteristic - way to do (or being) or in other words, it is driven by personality and what determines it" (Jofre, 2011, p. 1). It indicates a totality of traits of an individual embodied from the obligations informed by the environmental changes. The *strategic* actions denote the usual engagements of accumulating the resources, skills, ideas, and technologies for exhibiting in the field. Strategy always looks for success. In the field of entrepreneurship, the individual entrepreneurs or firms call for the *strategy* for their firm existence and growth in the competitive market.

The term 'strategy' became popular in contemporary social theories since the 1980s and is taken as 'practice turn' (Reckwitz, 2002). Pierre Bourdieu, Michel de Certeau, Michel Foucault, and Anthony Giddens were influential theorists of 'practice turn' (Whittington, 2006). The human practice in society is always dynamic and interdependent between individual agencies and rules of the fields (Beames and Telford, 2013). Social practice is like a social game that is never-ending and where the players, game properties, and nature, norms, and rules are always contextual and temporal (Bourdieu, 1990). The players might be the newcomers, stayed for a long time, and near to be retired, of different instinctive dispositions – habitus, and different levels of power in the game.

"There are good and poor players, winners, and losers, although why this should be the case is never absolutely clear (Grenfell and James, 1998). There are rules or norms established for the games to be followed by the individual players. Bourdieu's theory of practice interprets social activities as a game where the players, rules, playgrounds, and connections between/among them are actively interacting and contributing to the social dynamism. Bourdieu (1990) indicated the social practice as never-ending and ever-changing internal movements of the components as the sum of standing society alive. The 'social practice' is situated practice and its role is to explain social phenomena. The scholars believe in the 'situated practice' that individuals perform their role within a set of practices. They introduced three core themes in practice theory, i.e. (i) society, (ii) activity, and (iii) actor.

The first theme, 'society' is a market or social 'systems' (Giddens, 1984) or 'field' (Bourdieu, 1990) which define the practices - shared understandings, cultural rules, language, and procedures – that guide and empower human activities (Whittington, 2006). This is like a playground socially constructed, where the actors play for obtaining the position they expected, with the rules of the game, always relational, dynamic, ever-changing, and dialectical (Bourdieu and Wacquant, 1992). For example, entrepreneurship, education, politics, sports, music, religion, and art are different forms of fields. The field has its specific logic, behavioral traditions, and networks created and maintained by both individuals and institutions. Each field values particular sorts of resources (Bourdieu and

Wacquant, 1992) that Bourdieu named *capital*. It denotes the 'sense of purchasing power' in the market. Hence, it is the source of power that the actors always attempt to capture it more than others (Everett, 2002). Bourdieu (1984) referred to it as the 'forms of capital' within it. The players play the game with their capitals in the field.

The second theme is people's actual activity 'in practice' (Whittington, 2006). It is a momentum of struggle or playing the game in the field. The practice is exhibited in the field to produce an effect on society. The practices are always for achieving the results but each individual displays it differently or maybe somewhere similar. The social practices are presented according to the needs of the immediate social situation (Whittington, 2006). The activities 'in practice' invite the actors to exhibit their dispositions for which Bourdieu (1990) called *habitus* - in the field with some kinds of expectations. It indicates the everyday practice of individuals or groups in society (De Certeau, 1984). Bourdieu introduced and endorsed three major fundamental concepts, i.e., habitus, field, and capital as the components of social practice. According to him, all human actions are constituted through a dialectical relationship between individuals' thought, activity, and the objective world. He has given an equation: "(Habitus x Capital) + Field = Practice" to define the *social practice* and clarify the relationships among the themes included in the equation (Bourdieu, 1984). It seems like the algebraic formula but does not imagine exactly the functions of mathematical signs and results. Normally, *social practice* is the accumulation of the habitus, capital, and field.

The third theme is 'actor' who exhibits the activities in the field (Whittington, 2006). Bourdieu (1990) stated it as 'card players' who display their practices artfully as per their skills and flow of the game. The skills and tactics depend on the individuals' habitus – embodied dispositions and contexts. The habitus is guided or deposited by the historical learnings, thoughts and that exhibits in the way of life (Bourdieu and Wacquant, 1992). It entails the cognitive and somatic structures, actors use to make sense of and enact their positions in the field (De Clercq and Voronov, 2009). The actors face or interact with the non/material objects; those create the reaction to them that makes their sense, might be for or against, exhibit in their behavior. The actors are ambitious due to their perceptions and thoughts towards the society, thus, creates 'make do' in everyday life (De Certeau, 1984). The actors are cultured and always obedient to the cultural norms. The culture discloses the patterns of confirming behavior to the individuals or groups in which patterns are driven by the objective social structure. The actors unconsciously adopt the social patterns and norms that surround them through the experiences of their everyday life – particularly formative experiences in the early years. The notion of what is 'right' and 'appropriate' becomes ingrained instinctive patterns of thought and behavior. The actors articulate their everyday life with the notion of 'right' or 'wrong' and create their existence or positions in society.

Bourdieu (2005) explored his conception from the words 'economic reason' which we can understand on the one hand, through an economist's view and on the other hand, a more realistic one (Swedberg, 2011). In entrepreneurship research, the 'economic reason' is appropriate to use for initiation, growth, and continuation of the enterprising activities. The economic reason is not an 'odd value' and we cannot imagine out of social reasons. It means the economic reason is a part of the social reason for social practice. It

promotes the economic practice that is not out of the 'social practices'. Entrepreneurship is a set of practices intrinsically intertwined with the fabric of contemporary society (De Clercq & Voronov, 2009). All of the entrepreneurial practices inevitably are socially embedded (Lounsbury & Glynn, 2001). Within a big set of practices, the entrepreneur's day-to-day practices are connected to their ability to gain legitimacy from others.

## Methodology

### Research method

Narrative inquiry is our research method, which believes that knowledge is 'subjective', and it helps to 'understand things from the viewpoint of those involved rather than explaining things from an outsider's point of view' (Denscombe, 1998). The narrative inquiry believes that knowledge is into human experiences (Clandinin and

Connelly, 2000). "Narrative knowing is expressed in a narrative form we call stories" (Kramp, 2004, p. 106). The stories collect or recollect our experiences, reflect the meanings from the experiences, connect our history with the present practices, and assist us in visualizing our potential for the future. It follows the process of collecting an individual's experience in the world, the experience is storied both in living and telling through the ways of listening, observing, living alongside another, and writing and interpreting the texts (Clandinin & Rosiek, 2007; Clandinin, 2013). Thus, the stories of the MSEs were collected, analyzed, and harvested in the findings of this research.

### Research participants

The entrepreneurs having rich information on their enterprising activities were invited as the participants for this research from the different trades and locations from both male and female. The following table shows the detail of the participants:

**Table 1: Sample Profile**

Name of Participants	Enterprise Category	Sex	Age (Year)	Educational Qualification	Year of Exp.	Type of Enterprise
Gopal	Micro	M	46	B. A.	12	Fruit juice, squash, and agro-seeds
Santosh	Small	M	38	B. A.	11	Cloth items of natural fiber
Binod	Small	M	49	I. A.	15	Home utensils from copper and brass
Madan	Micro	M	43	Grade 8	14	Leather Footwear
Roshani	Small	F	42	M. Ed.	17	Cloth handicrafts
Shila	Micro	F	44	Grade 8	16	Cloth items of natural fiber

### Data collection and analysis

The stories were collected from the participants through in-depth interviews. The participants were asked to tell their entrepreneurial stories; somewhere, the probing questions were used and encouraged to spell out the strategic actions of their business. The narrative procedure of data analysis and interpretation was followed for meaning-making of the experiences from the whole story. This process was a highly labor-intensive and time-consuming research approach because the process includes the rigorous steps, i.e. listening and re-listening to the collected stories, analyzing and interpreting the voices of the stories, and constructing the senses as findings (Kramp, 2004). The findings were harvested from the narratives of the experiences regarding strategic actions.

### Findings and Discussion

The individual stories of six entrepreneurs of Nepali MSEs regarding their entrepreneurial experiences were incorporated. Then the insights on *strategic actions* were searched and analyzed through a practice perspective. How are MSEs addressing strategic challenges now, and how are they prepared for the future? These were the pertinent issues of exploration. The following section further explains their strategic actions to secure their position in the competitive markets and ensure their growth as expected.

### Searching for opportunities

Santosh, an entrepreneur of natural fiber, saw the opportunity of using local raw materials of natural fibers. He knew about the markets of natural fiber available in Nepal and other countries. Hence, he started that enterprise. He left New Baneshwor and went to Thamel which is one of the popular markets with foreign customers for natural fiber and cultural products in Nepal. He was aware of searching for better and new opportunities. Likewise, Gopal knew the market potentiality of agro-seed and herbal-products and the availability of the raw materials in the local markets. Therefore, he started an enterprise of those products and became successful. Roshani saw good market potential and started a tailoring shop. Shila started a gemstone shop in addition to natural fiber because of its better market potential.

The entrepreneurs were 'in practice' of searching for new opportunities regarding their enterprising activities. They collect and utilize new knowledge and experiences in their business. The experiences of entrepreneurs informed that the entrepreneurs of MSEs always look for the potentialities of their business at the local places either the urban cities or the rural villages, confirmed to initiate their enterprise. We found them aware of learning about the demands of the customers and selecting the appropriate manufacturing options for their business success. The entrepreneurs are applying for multiple strategic works as stated above. These

actions are waving the 'influences' to make better quality and new designs of the products that widen the *space of possibles* in the market.

Entrepreneurs want to progress in their business. They try to be successful in every situation. Their every action is based on understanding the situation. Whittington (2007) stated, "Social practices are followed in rough and ready ways, according to the exigencies of the situation" (p. 615). 'Searching for opportunities' is one of the actions displayed due to the habitus of the individuals due to the changing situation. The entrepreneurs have learned to search for new opportunities, demands, geographical markets, product types, and other things. This is the process of knowing about the norms of the market (field) and making oneself ready, knowledgeable, and skilled to follow the rules (Bourdieu, 1990). The habitus of the entrepreneurs of MSEs includes the strategic mentality and actions of searching for better opportunities or understanding better about the rules of the market. They have been adopting 'searching for opportunities' as their habitual or routinized strategic action.

### Culture of using plan

Gopal was influenced by the tradition of Nepali MSEs which have not followed the culture of using the plan. There are different types of plans like the business plan or strategic business plan, annual plan and activities, or other types. He knows the modern business plan from the formal training packages provided by different service organizations. He makes his products based on the experiences on the sale in previous years. Santosh participated in business planning training but could not use it in his business due to the lack of complete knowledge. He has his way of making a business plan but it does not match the structure of a modern business plan. Madan's team has also implemented the concept of a business plan but very simple just like the detail of activities.

Roshani knows the modern business plan but has not used it in her business. She makes the plan for the seasons of sale and product-making. She estimates the volume of sales according to the season and makes a plan for the required money, raw materials, labor, and other items. She evaluates her business progress from time to time. She also looks at the profit and loss situation. But, her business plan is not as logical as the modern business plan of big companies. Likewise, Shila traditionally makes her business plan without following the modern style learned from the training. Her method of preparing a business plan influences by the traditional practices of other Nepali entrepreneurs. She cannot make the business plan in a modern way as used by big and multinational companies.

A business plan or strategic business plan has a positive and significant impact on the firm performance of MSEs (Haleem, Jehangir & Ullah, 2019). But, the MSEs have not prepared the strategic plan and implemented it in their business. Vorzsák and Coros (2007), in their study of SMEs' strategic management, also concluded that strategic thinking and planning is not a priority for small entrepreneurs. Same as the MSEs have their traditional ways of thinking about the plan of their business activities. The traditional way of making a plan is one of the disciplinary practices learned from the society in which they are doing business (Foucault, 1977). The entrepreneurs know about modern business planning due to formal education and training. But, they have not been able to break out of traditional thinking. Their business plan is simple and not formatted

in the frame of the modern type of business plan. They were utilizing this plan to manage the resources as per the seasons.

### Governing resources

Gopal collects the money needed for the business from cooperatives, business friends, and relatives. He uses raw materials and labor available in the local market but processing technologies are taken from Kathmandu. Likewise, Santosh also uses the local raw materials of natural fiber like allo (stinging nettle), hemp (cannabis sativa), bamboo, sheep wool, and others. He also collects the money for business from cooperatives and business friends. He has Charkha (mini spinning wheel) and handlooms for weaving clothes. Apart from this, Santosh has added a washing machine with technology.

Madan's business, an enterprise of leather footwear, is like a cooperative and all the members work as laborers. When starting the business, all the members invested the same amount of money. They borrow the required amount from the local cooperative. Although they started their business with traditional machines and tools, they have now installed new technologies like machines of leather cutting, sewing, and pasting. Another entrepreneur, Shila collects the money from banks and cooperatives. We found it similar to other entrepreneurs of MSEs. She uses the corn-straw, turmeric leaf, banana fiber, and other fiber plants for her products. She collects important materials from other districts too. She has trained around 100 village women as her skilled entrepreneurs to make goods.

Bourdieu (1995) introduced the term 'capital' to illustrate that an individual earns from the activities or collects for investing in the game in the field. There might be financial, social, technology, and other types of capital. The business/entrepreneurship theories outline 'resource' as those capitals. The entrepreneurs indicate to 5M, i.e. man, money, machine, materials, and methods for business success. Entrepreneurs valued capital or resource management as one of the major components of strategic readiness. Those organizations can secure the competitive advantage of the market, which can acquire and utilize valuable, scarce, and inimitable resources (Barney, 1995). Innovative organizations can lever, combine, and recombine knowledge and resources into disparate markets, technologies, and products; a capability few firms have mastered (Lawson and Samson, 2001). The ability to manage the required resources is a requirement for ensuring the performance of innovation. Adequate management of resources creates the energy for competing with the competitive environment of the business.

The entrepreneurs of MSEs manage their capitals (man, money, machine, materials, and methods) as per their knowledge and skills. Collecting and utilizing those forms of *capital* is for the continuum of struggles within the battlefield (Bourdieu, 2005). The entrepreneurs utilize local sources of capital. They use local human resources with traditional skills and capacities. Making the local people skilled was found as one of the major creative ideas. The use of local people to the enterprise was a signal of the long-run existence of the local enterprises. But, MSEs are facing a shortage of human resources because of the attraction of foreign employment and getting suffered from the lack of strategic preparedness. Likewise, they have invested a small amount of money and hand-operating machines. The raw materials are being collected from the local markets. The entrepreneurs are harvesting and using local materials for their enterprises. But, they are not aware of preserving and

commercializing the materials. Particularly, the materials available at the local forests are endangered by the users.

### **Innovation leading**

As stated by Lawson and Samson (2001), the collection and utilization of technological gatekeepers, business innovators, and sponsors are essential for promoting the innovation champions for any of the successful business activities. The entrepreneurs express their practices in assessing new business opportunities, utilizing the appropriate methods and technologies. For example, Gopal was aware of searching for new product varieties and designs. His idea of observing the consumption habits and purchasing power of the customers, and making the products' quantities as per their capacity was appreciable. Grading of the raw materials before the stage of product making is a good step in ensuring the products' quality. High thoughtfulness in the factory arrangement was another part of the strategic step of ensuring quality products. Gopal collected the juicer, refractor, and other machines from Global Packaging, Kathmandu. He coordinated with the Department of Food Technology and Quality Control [DFTQC] of Nepal and knew about the rules of food technology. Gopal showed himself as a continuous researcher for the better improvement of the enterprise.

In another case, Shila searched for better ideas from different sources like the Office of Cottage and Small Industry Board (CSIDB), FWEAN, several business colleagues. She collects the corn straw, turmeric leaf, banana fibers, stinging nettle, and other fiber plants available in the local villages and jungles. She always searches for new designs and methods appropriate to her small business. She always shares better skills with all of her entrepreneurs. She employs her innovative ideas in production and marketing activities.

“The entrepreneurs with high innovative capability excellently lever, combine and recombine knowledge and resources into contrasting markets, technologies and products” (Lawson and Samson, 2001, p. 390). The MSEs have a culture of continuous searching for new and better opportunities. They have been attempting to continue their technological preparedness. They search for installing modern machines together with traditional machines and methods. The practice of mixing traditional and modern machines and tools has increased. Therefore, they are gradually shifting from old customs to new and modern ones. The technological mix is the solution to the dual context of localization and globalization.

The entrepreneurs have two layers of functioning for their existence and sustainability. The first ranked firms adopt new technology and achieve greater market share. The second-ranked firms attack dominant firms (and other competitors), either directly by reducing the cost and price through technological innovations; or searching and filling the gaps left by the dominant firms. They occupy the niches or by turning the dominant firms' strategies back against it (Bourdieu, 2005). The MSEs are at the second layer of functioning due to their limited capabilities of innovations implemented in the markets.

### **Employee motivation**

The entrepreneurs valued the employee motivation system as a vital segment of the strategic readiness. The motivated employees contribute their best effort to generate innovative ideas that lead to

better business functionality and ensure the company's performance both financially and non-financially (Tze San, Theen, and Heng, 2012). The MSEs manage the rewards differently in their ways of motivating the employees.

Binod has been providing the incentives to his staff which produces better results in the quality of products and utilization of time. But, he has not developed any written policy and system for rewarding culture. Binod pays the employees' salaries on time. He has been providing the annual salary increment more than the market rates and also provides the facility of rent-free residences. These are the best practices he implemented to motivate the workers. Binod's enterprise is an example to run more unofficially as a familial setting of operation.

Santosh disclosed his different ways of motivation to his employees like salary in time, additional payments at peak times and seasons, piece-based payments, etc. Binod has a culture of rewarding staff which seems impressive in two aspects, monetary and non-monetary. But, both of them have no written rules for regulating the employees. The MSEs assist their staff with personal problems and pay in time. They tend to increase the salaries of their employees annually.

Likewise, Madan has applied the rules of piece-based payment, higher pay to better staff, technical support to low-skilled staff, Dashain (festival) bonus, and overtime allowance, etc. for motivating the staff. Roshani pays the employees on time. She has arranged personal savings for the employees. She distributes new clothes at the Dashain festival and sends them to fairs and festivals. Shila organizes monthly meetings to collect the individual progresses, dissatisfactions, and personal or family problems.

Spreitzer (1995) stated that “the psychological empowerment creates increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual's orientation to his or her work role: meaningfulness, competence, self-determination, and impact” (p. 1443). The empowered employee can think and effectively implement innovative ideas in the organization (Lawson and Samson, 2001). MSEs know the strategy of keeping the employees empowered and motivated. They have the practice of encouraging employees to think of new ideas. The MSEs have been implementing many ideas to motivate their employees. They send their employees to participate in various trade fairs and business workshops to motivate and make them efficient. The market situation encourages all of the entrepreneurs for being ready to deal better with the challenges and problems. The market always teaches them about making their staffs qualified and skilled, empowered, and motivated in different ways. MSEs' practices were shaped by the ideas learned from the business colleagues and market experiences. Nepali MSEs do not have written rules for staff administration and encouragement. This is an unofficial way of running an organization that has been around for a long time.

### **Employees' capacity building**

Theoretically, capacity building indicates the action of making people informed, knowledgeable, and skilled that makes them capable of carrying out their tasks effectively in the organization (Ikupolati et al., 2017). The entrepreneurs have the practice of providing formal and informal training to employees, following

seniors, and work in the groups. Binod has the practice of providing orientation to the employees when he finds new designs, shapes, and features. He continues the culture of skill exchange with the employees so that all of the technical employees would be equally qualified. Gopal has provided skill training to his workers and graduated from Council for Technical Education and Vocational Training (CTEVT). Madan's team believes that empowered employees can contribute more to the enterprise. They provide the chances of participating in the training packages and business exhibitions to make them more skilled and qualified. Skilled and qualified employees can contribute to the strategic readiness of enterprises. Likewise, Shila manages the training packages to other entrepreneurs, exposure visits, and participation in business exhibitions. She had also provided her employees with a feasible space of learning and exchanging their new and innovative ideas, designs, and methods that would promote her enterprise in the long-run. She also promotes the teamwork for the innovative creation of the products.

The academic researchers have claimed that MSEs do not have a good record of providing training for their staff (Matlay, 1997). But, from the narratives of MSEs, it is found that they have different strategic actions regarding the empowerment of their staff or workers. They provide various skills training and apply the skill-sharing culture within the enterprise. The capacity building of the business owners and employees is related to the process of knowledge acquisition which can change the competition model of business and contribute to the success of the organization (Wang and Wu, 2011). MSEs were found partially mediated by the concept of organizational and business theories gained through formal training. The activities of participating in business exhibitions and exposure visits are introduced and encouraged by the development agencies. Another practice, sharing the skills from the skilled person is an informal process of learning. It is a culture of learning in MSEs from the very beginning and still popular in the market.

### **Business communication and ICT**

The entrepreneurs of MSEs valued 'communication' as one of the vital components of strategic readiness. The business literature has also stated, "Communication makes knowledge sharing possible by combining a wide variety of experiences, opening dialogue, building on others' ideas and exploring issues relevant to innovation. "Innovative firms reward cross-functional, cross-hierarchical, cross-cultural, and cross-technological exchange of information and knowledge" (Lawson and Samson, 2001, p.395). The competitive market is not possible to win without well-managed communication and dialogue system. Hence, it is one of the key strategic actions for the strategic success of a firm.

Gopal stated, "I have established regular communication with my buyers and suppliers. We usually communicate through mobile phones". Madan also expressed, "We communicate to our employees /partners verbally and over the telephone. Telephone communication has made it easy for us to establish business connections with suppliers of raw materials, wholesalers, retailers, and end-customers". Likewise, Santosh also shared, "I use telephone and email both. I use email to contact customers, material suppliers, and other business partners". Santosh uses email to foreign customers. He has a practice of searching websites for product designs and other business information. He supplies his products to the USA, Japan,

Australia, and Canada. On the contrary, Gopal does not use the means of Information and Communication Technology (ICT) in his enterprise because he has no technical skills for using those technologies. He has a slight awareness of using ICT. He produces a small quantity of fruit-juice and agro-seeds for the local marketplaces of Nepal, i. e. Kathmandu, Banepa, Dhulikhel, Chitawan, Pokhara, and Nepalgunj. He has been selling his items without using the internet to this date.

From the narratives, the entrepreneurs have minimal practices in using ICT for their enterprise due to their low awareness and working for only local markets. The entrepreneurs of natural fiber use email and websites because they have the customers of foreign markets. The entrepreneurs of fruit juice, tailoring, leather footwear, and metal crafts are not using email, websites, and other means of ICT because they have only the customers of local markets. The entrepreneurs have the practices of communicating with their staff and business stakeholders. They communicate face to face and over the telephone as a means of communication. They use public media like newspapers, FM radios, and televisions for communicating with their customers and stakeholders.

The entrepreneurs focused on coordination with the business colleagues and stakeholders during the interview. They are affiliated with different advocacy organizations like Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Federation of Nepal Cottage and Small Industries (FNCSI), Federation of Woman Entrepreneurs' Association of Nepal (FWEAN), District Micro Entrepreneurs' Group Association (DMEGA), and National Micro Entrepreneurs Federation Nepal (NMEFEN). They have made the networks and utilized them in their enterprises. The entrepreneurs of urban cities are capable of using the internet and websites to collect new ideas and sell products to foreign markets. But, the entrepreneurs of remote villages of Nepal do not have access to ICT and e-business due to the lack of facilities where they are working. They are entering to the initial stage of ICT adoption.

### **Organizational culture**

The organizational culture of MSE was one of the sectors of strategic actions indicated by the entrepreneurs of MSEs. The scholars have defined the organizational culture as the perspective of fundamental beliefs, values, and principles that lead the management practices of the organization (Denison, 1990). Thus, the organizational culture is always mediated by cultural beliefs and practices. The MSEs have their special type of culture.

Gopal's enterprise does not have a formal office. He does the task of deploying staff, collecting raw material and fuel, making goods, and taking the market for sale, etc. He makes the business decision himself but collects suggestions from senior staff. Gopal does not have written rules for running his business and mobilizing staff. In the second case, Shila has a semi-formal organizational culture. She has hired a regular staff to run the business office but has not hired skilled workers to produce the goods. She has given skill training on Allo processing and goods making to about 100 women of the village and made them entrepreneurs. She entrusts the task of producing goods to the same entrepreneurs. These entrepreneurs can produce goods at their convenience by coming to the factory or sitting at home. In the third case, as Madan's partnership business, he has experience of the formal type of organizational culture. Written

legislation has been implemented for running the business. Business decisions are made by the executive committee meeting. All executive members actively participate in enterprising activities. Business decisions are written in the meeting book.

The MSEs of sole ownership have the practice of informal working styles guided by their family habitus, no written policies, and rules for employees, financial transactions, and other things. MSEs of the partnership business has the executive committee, written rules and regulations, formal meetings, formal decision-making procedures, and all of the administrative processes. But, the MSEs of all types are shifting gradually to the formal organizational culture to survive in the competitive context. The entrepreneurs value the organizational culture as one of the themes of strategic actions. They have different ways of operating their business organizations. Asif and Sajjad (2018) also stated that the MSEs exhibit distinctive features like a small capital, the dominant role of owner, informal job description, flexibility, high uncertainty, and resource scarcity. The condition of MSEs is multitasking. The entrepreneurs have a habit of making verbal decisions. MSEs manage their employees, partners, customers, and other stakeholders mostly in verbal and informal ways. Some enterprises cannot be found like business activity and are informal and limited to their houses. Hence, the subsistence mentality of the MSEs has not been continued for household livelihoods.

### Conclusion

The entrepreneurs reported the particular types of strategic behaviors and activities, i.e. searching for opportunities, the culture of using plan, capital management, innovation leading, organizational culture, employee motivation and empowerment, and communication, and use of ICT. They invest their knowledge and skills in those components and maintain their capitals for market solutions. The strategic actions of the entrepreneurs are completely influenced by market conditions. The market of the products is cultured by the local cultural needs but is commonly influenced by globalization as well. The strategic actions of MSEs are influenced by territorial culture. The concepts of modern business have been influencing gradually because of the supply of formal training from governments and development initiatives. The formal organizational culture has been enforced by the governments and those development projects. The changing market situation is shaping the mentality of the entrepreneurs for entering into the formal processes to be competitive. The ideas of strategic readiness are influenced by the ideas granted by the practices of traditional entrepreneurs.

This study concludes that the entrepreneurs of MSEs think and move innovatively to their strategic actions based on their skills and experiences. The entrepreneurs have their slow progress due to the condition of *multitasking*. They mix local and modern (imported) concepts in product types, skills, and technologies because they are at the crossroads of localization and globalization. The combination of methods and machines is found as a better strategy for the sustainable development of MSEs. The MSEs are niche producers with small, informal, and flexible in their decision making and activities but run for a long time. The finding indicates that MSEs are light-weight players in the markets playing with/against the players of different weights due to their compulsion of smallness. The study informs that the MSEs' contribution remains ongoing until the local opportunities

would be standing with the local religions, cultures, cosmologies, and indigenous living habits.

Another hopeful way is, the entrepreneurs of MSEs have been interacting with the agents of big and multinational companies, and transforming themselves, learning, and adopting the new business concepts, mixing them to their practices. But, the MSEs have been serving the demands of the local markets due to their small niche and bridging the gaps left by the big and multinational companies. The MSEs have been developing their innovative leadership and entering into the stage of the technological combination being ready for the duality of localization and globalization. The MSEs have their different organizational culture, mostly informal in the sole-ownership business and more formal in the partnership or cooperative types of business. They are shifting gradually to the formal organizational culture.

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