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Specialization as a Small Business Strategic Approach

Abstract

Building on work of Brian Bloch, this paper brings Mewes' specialization approach, energo-cybernetic strategy, to the discussion of small business strategic options. To date specialization as a strategy has received little attention in literature. A positive relationship between specialization strategy and small business performance is proposed. Hambrick and Fredrickson's strategy diamond is applied to illustrate execution of specialization strategy in small business. In addition, suggestions for exploring the relationship between small business specialization and firm performance are presented. An aim of this work is to present potential benefits of specialization as a small business strategy, prompting further academic deliberation and research. From a practitioner view, this work aims to aid small business leaders by adding the specialization strategic approach to their consideration, which expands, and possibly simplifies their strategic approaches.

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Introduction

The strategic approach taken by a small business is a vital determinant of its success (Lester & Parnell, 2008; Parnell & Lester, 2006; Peel & Bridge, 1998; Roper, 1999). Given that context, it is important that researchers and practitioners alike continue to examine and understand the various strategic paths available to small businesses and their subsequent impacts on performance. In comparison to large business leaders, small business owner-managers often operate in a context of limited resources and staff. Enriched knowledge of strategic options may improve small firm leaders' ability to make effective strategic decisions without the input and support of a large management team. The benefits of enhancing small business performance through expanded knowledge of strategic options extend beyond the businesses themselves. Consider these stats: 27.8 million small businesses exist in the United States, representing 99.7% of U.S. firms; 49% of the U.S. workforce, earning 42% of aggregate employee salaries, work in small firms;

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and small businesses account for 97% of U.S. exporters (Longenedker, Petty, Palich, & Hoy, 2017).[1] Therefore, it is reasonable to assume the general economy benefits when small businesses perform well.

Over the decades, generic strategic typologies have evolved; the first to secure support and recognition in literature was Miles and Snow's (1978) version (prospectors, analyzers, defenders, and reactors), which was followed by Porter's (1980) three generic strategies (Parnell, 2006; Lester & Parnell, 2008). Porter's (1980) generic strategic typology has received appropriate attention in literature and strategy classes (Dess & Davis, 1984; Parnell, 2006; Lester & Parnell, 2008). Yet, perhaps strategies other than cost leadership, differentiation, and target market should be on the table for consideration. To expand the discussion of strategy options, we offer Wolfgang Mewes' energo-cybernetic strategy (ECS), otherwise known as specialization (Bloch, 1995), as a strategy concept that has received little attention. The goal here is not to suggest substitutes for Porter's generic strategies, but to expand the discussion of strategy options for small business leader consideration.

Given the connection between small business performance and strategy, several groups may benefit from further discussion of small business strategic options. First, additional discussion may prompt researchers to further expand the body of knowledge related to small business strategy. Second, armed with an expanded understanding of small business strategy options, educators of small business leaders may prompt their students to consider more strategy options from which they might select the most appropriate course. Third, small business leaders will benefit from deeper knowledge of strategy options as they compete in the dynamic small business environment. And last, given small firms' economic impact, society may experience benefits from more effective strategic thinking in small businesses.

Energo-Cybernetic Strategy (ECS)

Wolfgang Mewes, a management consultant and author who worked in Germany from the 1950's through the 1970s, developed the energo-cybernetic strategy (ECS) theory, which is based on the concept of product or market specialization (Bloch, 1995) (note: going forward the term specialization and the acronym ECS are used interchangeably to describe the same concept). Roughly, *energo* means to "engage in", and *cybernetic* refers to the "science of communication and control (such as the nervous system)".[2] Mews presented ECS in a course, which included 13 books of about 100 pages each (Block, 1995; Varanasi, 2016a; Vrachas & Leontakianakos, 2015). The specialization concept is based on laws of science and nature (i.e., a piece of paper spread over a square centimeter is much more resistant than a piece

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[1] The stats provided are based on the small business definition of 500 or less employees.

[2] The descriptions of the terms energo and cybernetic were obtained from the Merriam Webster website and others.

spread over a square meter; light intensity diminishes when the same energy is spread over a larger area) (Block, 1995; Varanasi, 2016a; Vrachas & Leontakianakos, 2015).

Citing Block's (1995) description of ECS, academics from various disciplines have applied the specialization concept. For instance, Varanasi (2016b, 2016c) applied specialization to the strategy employees might utilize to gain promotion, including the following steps: identifying specific organization needs, acquiring the ability to address those needs, and profiling themselves as a solution. This approach counters that of developing a wide range of capabilities for the purpose of achieving advancement or promotion. In addition, Vrachas and Leontakianakos (2015) applied specialization as a personality trait with related tendencies. Also, Lee and Ono (2008) explored in the U.S. and Japan the relationship between specialization in marriage and happiness. As students are encouraged to perform well in a plethora of courses; businesses seek to achieve a holistic set of conflicting goals (e.g., high profit but philanthropic donations, or innovative entrepreneurialism but low risk); and employees promote themselves as one who can do all as opposed to being great at one task; generalization, the antithesis of specialization, is common in society (Block, 1995). Indeed, Brock (1995) proposes "generality is a cancer-like growth which corrupts people and organizations alike" (p. 52).

From Mewes' ECS theory, Bloch (1995) identified two types of specialization: horizontal specialization and vertical specialization. Firms that horizontally specialize identify a specific market to which the firm will offer a complete solution consisting of many components, offering a wide range of products and/or services to a narrow range of customer types. Horizontally specialized firms leverage their knowledge about, and relationships with, a specific type of customers. For instance, a horizontally specialized firm targeting wealthy families with young children might provide a vacation resort with a wide range of activities, meals, and entertainment for both parents and children. Horizontal specialization is analogous to Porter's (1996, p. 66) "needs-based positioning" – providing a targeted set of customers a set of products to address their needs.

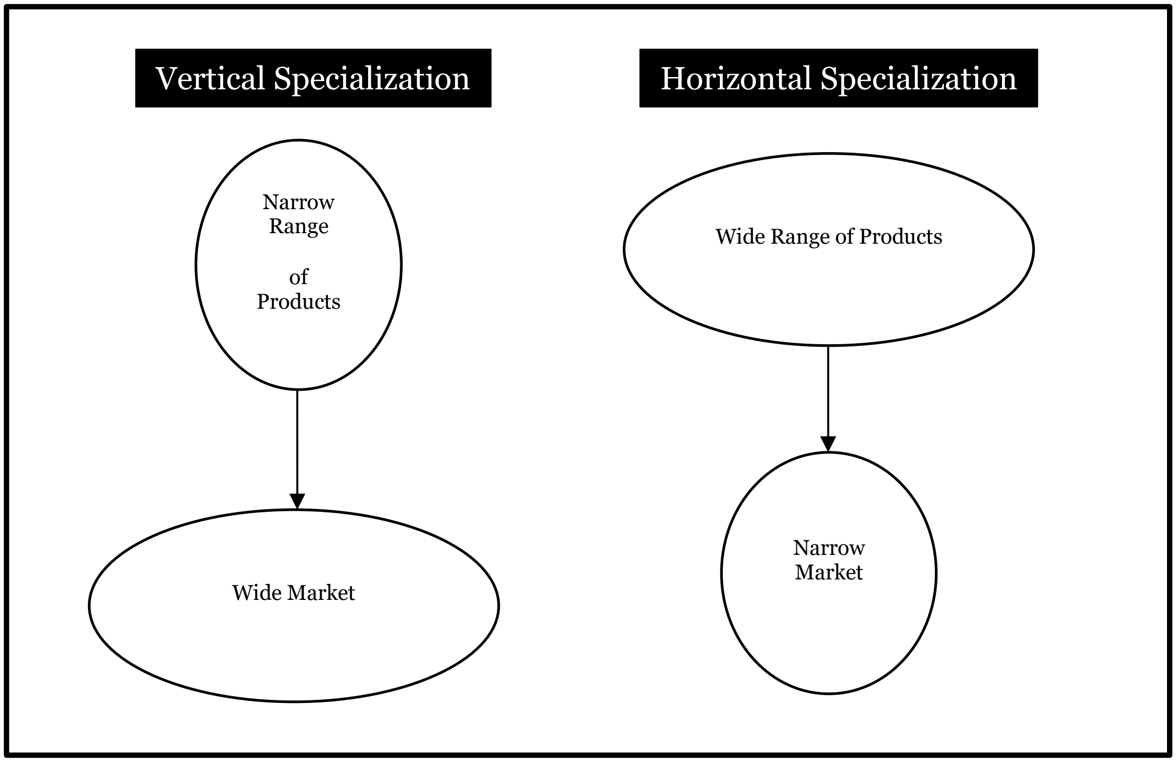
In contrast, vertically specialized firms provide a narrow range of products or services to a wide range of potential markets. Vertically specialized firms gain economies of scale from their narrow product scope and develop abilities related to the few products or services they provide, doing one thing and doing it extremely well, such as a musician who focuses on one style of music (classical, jazz, or pop) (Bloch, 1995). Vertical specialization is analogous with Porter's (1996, p. 66) "variety-based positioning" – producing a sub-set of products in an industry. Nonetheless, a mixture of horizontal and vertical strategy is not specialization.

As an example of specialization, consider a wood-working firm. The firm could vertically specialize, producing only kitchen cabinets, or the wood-working firm could horizontally specialize by producing a wide assortment of wood products (cabinets, storage barns, decks, shelving, etc.) for a specific group of customers in a limited geographic area. Value creation is a key driver of effective strategy (Iansiti & Levien, 2004; Parnell, 2006). From the wood-working firm example, as the firm could acquire and efficiently use resources to produce only kitchen cabinets, vertical specialization could allow the firm to bring the value of economies of scale and strong capabilities to the market. In applying horizontal specialization, the wood-working firm could develop relationships with families in a targeted neighborhood to expand business, providing those customers value as the trustworthy, loyal, reliable, and dependable source of a wide range of wood products, and a source the customers know very well.

Porter (1980) postulated that firms could achieve superior performance, related to comparable businesses in an industry, through three generic strategies: a cost leadership strategy, which enables firms to price products or services lower than competitors; a differentiation strategy, which focuses on providing unique product or services; or through focus strategy, which involves targeting a particular market of customers. In applying a focus strategy, a firm may apply cost leadership or differentiation to the target market. At first blush Mewes' specialization strategy (Bloch, 1995) would seem similar to Porter's strategic typology, yet closer consideration produces differences. Porter's strategy is directed toward attracting customers through aggressive pricing (cost leadership), making a product different or special in some manner (differentiation), or applying either the low-cost strategy or differentiation strategy to a specifically defined market (focus). However, Mewes' ECS specialization strategy (Bloch, 1995) is not concerned with pricing or product attributes but is concerned with the range of products offered or the scope of the market targeted.

To illustrate the difference between Porter's strategic typology and specialization, consider an auto-repair firm. In applying a Porter's cost leadership strategy, an auto-repair firm would focus on efficient processes, economies of scale, lowering supplier costs, and/or other price-reducing tactics. In applying a Porter's differentiation strategy, the auto-repair firm would strive to make its product different from competitors, maybe in quality (extended warranties) or unique attributes (expedited service). Following Porter's focus strategy, the auto-repair firm would apply cost leadership or differentiation to a targeted customer group. As specialization addresses product range and market scope, the auto-repair firm may vertically specialize by offering only engine repair, or the auto-repair firm could horizontally specialize by offering a wide range of products (engine repair, brakes, tires, alignment, and bodywork) to middle-to-upper income families in a particular geographic area. In applying Porter's strategic typology, the auto-repair firm would focus on cost, product attributes, and market scope; whereas, to apply specialization, the firm would focus on a narrow range of products or a limited group of customers. Figure one illustrates vertical and horizontal specialization.

Figure 1: Comparing Vertical and Horizontal Specialization



The Small Business Environment and Specialization

Several distinctions exist between small businesses and their larger counterparts, including the following: larger businesses more often can have economies of scale, larger firms have more bargaining power with resource providers, and larger businesses may enjoy more brand recognition (Raja, Lonial, & Crum, 2011). These differences place small businesses at a potential disadvantage when competing with large firms, possibly manifesting the high mortality rate among small firms (Raja et al., 2011). Given these resource differences between large and small businesses, specialization may reduce the possibility a small firm stretching itself too thin. For instance, a small business may seek cost leadership through scale, yet it may lack the marketing resources to fully develop the desired level of volume. Further, offering a wide assortment of products may prompt customer confusion (Matsubayashi, Ishii, Watanabe, & Yamada, 2009), and small businesses may not have the marketing resources to clearly present the different benefits of multiple products. And related, small firms' limited marketing resources may prevent effective presentation of product solutions to a wide variety of potential customers with varying needs.

Multiple small business attributes make specialization a potentially suitable strategic option. Market orientation is the facet of organizational culture stressing customer orientation and coordinated marketing activities (Kohli & Jaworski, 1990). Compared to large firms, small business leaders are more likely to have direct customer contact (Raja et al., 2011). Further, one would expect leaders could more easily shape or change organizational culture in small firms (Schein, 1983). These factors – direct leader customer contact and the potential leader effect of small firm culture – may enhance small business' ability to apply and execute specialization. Although some argue the benefit of entering a market from a broad perspective and then narrowing the targets (e.g., Tellis & Golder, 1996), one might question whether small businesses have the resources to apply a wide and then narrow approach. And last, applying a generalized strategy may require employees with a broad scope of talent and knowledge (Kalra & Li, 2008), a potential cost challenge for small firms.

Furthermore, without a large staff, small business leaders are often responsible for an assortment of management activities (e.g., strategic planning, operations management, sales management, human resources, and financial analysis, to name a few) (Williams Jr., Manley, Aaron, & Daniel, 2018). Given the simple nature of specialization (Iansiti, & Levien, 2004), focusing on a narrow group of customers or a narrow group of products, small business leaders may more effectively apply specialization than other strategy concepts. Application of a firm's strengths, along with fit between a firm's activities with its intended strategy (strategic fit), is vital to success (Porter, 1991, 1996). Given the closeness of the typical small business owner-manager with all elements of the firm, these leaders may align, and maintain alignment, between organization functions and a simple specialization strategy. Indeed, findings indicate specialization of a high-quality product can enhance demand and, potentially, establish a monopoly (Matsubayashi et al., 2009) – quite an accomplishment for a small firm!

Reasons Small Businesses might not Adopt Specialization

We must include in this work potential reasons why small businesses may seek generality rather than specialization. Indeed, expanding the scope of products offered or customers served is often attractive to business leaders (Matsubayashi et al., 2009). Given the dynamic nature of the business environment, small business leaders may desire to avoid the risk associated with vertical or horizontal specialization. For example, if drastic market or product changes occur suddenly, and a small business has engaged in a specialization strategy, will they have the resources, both human and financial, to respond? To vertically or horizontally specialize necessitates strategic trade-offs: choices between incompatible alternatives (Porter, 1996; Parnell, 2006). If a firm's owner-manager chooses to specialize, he or she is trading off the option of generalization; a trade-off small businesses may want to avoid. In addition, specialization may negate potential economies of scope (Kalra & Li, 2008): a small business applying capital or administrative costs across a wide assortment of products and potential customer types. Further, success when specializing requires effective decision making and execution; have we chosen the correct product (vertical) or the correct market (horizontal), and have we developed effective operations capable of producing one product/service or covering a specific group of customers? Will have the adequate skills or staff to execute specialization? In addition, to succeed at specialization a small business must effectively communicate their profile as THE provider of a particular product/service or as THE provider of a range of products/services for a particular group of customers (Varanasi, 2016b). As this communication is not a one-time act, it must continue and evolve in format and medium, or the specialization strategy may fail – another potential risk of specialization. To avoid these risks business leaders often apply generalization in their business strategy (Bloch, 1995).

Firms can preempt competitors by entering a market early (Boulding & Christen, 2009), and small businesses can act preemptively by vertically or horizontally specializing. However, a potential problem with early adoption is that that another firm may recognize the benefits from the early mover's specialization strategy and crowd the market or "out specialize" the early mover. Of course, these entry-timing risks are possible with multiple strategies. Nonetheless, a small firm may monitor the progress of large firms providing a wide range of products, or servicing an expansive gamut of customer types, and choose vertical or horizontal specialization strategies from observing what works (Matsubayashi et al., 2009).

Notwithstanding the potential risks and execution problems associated with specialization, given small business market orientation, small business leader influence on the firm, possible effective utilization of small business resources through specialization, and the potential of achieving strategic fit among small business activities and processes related to specialization, we propose the following propositions:

> **P¹: Vertical specialization is a viable small business strategic option, capable of producing enhanced performance.**

> **P²: Horizontal specialization is a viable small business strategic option, capable of producing enhanced performance.**

Applying Specialization in Small Business

We propose determining and executing small business strategy is a difficult task, an ongoing and everlasting process, one involving multiple contexts. Drucker's (1994) discussion of the *theory of the business* – in which he applies examples such as IBM, GM, and Sears – illustrates the evaluation and evolution of strategy and is applicable to small business. Drucker (1994) proposed that in evaluating a theory of their business (their strategy), leaders must consider three aspects: 1) their assumptions related to the organization's environment, including elements such as society, potential customers, and technology; 2) their assumptions related to potential of the firm's current mission; and, 3) assumptions regarding what core competencies are needed for the mission. Whether small business leaders are applying specialization, or another strategy, ongoing critical analysis of these three aspects is needed for strategy to adequately evolve. Further, Drucker proposed to assess the rationality the theory of their firm, leaders should apply four questions: 1) Are our assumptions related to the environment, mission, and core competencies accurate? 2) Do our assumptions fit each other? 3) Does our entire organization know and understand our mission? And, 4) are we continually testing and assessing our theory of this business?

Through candid appraisal of assumptions related to the organization's environment, the potential of the firm's current mission, and the firm's core competencies, followed by applying Drucker's (1984) four questions to evaluate the small business owner-manager's current theory of his/her firm, the leader may make strategic adjustments. For instance, through this process a small business leader may see a market segment for which his/her firm has the capability to serve in a comprehensive manner – horizontal specialization – such as providing a wide range of pet-related services (grooming, veterinary services, supplies, and pet sitting) for high-income residents in a specific community. On the other hand, the leader may see a specific, narrow-in-scope, competence that he/or she might work to enhance and market to a broad range of potential customers, such as repairing forklifts for manufacturers, storage firms, moving firms (anyone who owns a forklift) in a relatively broad range of communities.

Hambrick and Fredrickson (2005) propose that effective strategy formation includes five key elements: arenas, differentiators, vehicles, staging and pacing, and economic logic. They refer to these five elements as the "strategy diamond". Given Hambrick and Fredrickson's (2005) approach provides a wide view of strategy components, we believe their model provides a novel lens and context to view application of a specialization strategy in small business. Indeed, implementing a vertical or horizontal specialization strategy requires more than the small business leaders saying, "Yes, that's what we are!" Developing any small business strategy, including specialization, must include knowledge of the resources, skills, and capabilities required, and leaders must develop an integrated and robust execution plan with consistency among its elements. Following, we discuss small business specialization in the context of Hambrick and Fredrickson's (2005) five strategy components, which illustrate the *art* of a small business *general*.[3]

Arenas: Where will we be active?

Certainly, the decision of where we will compete is relevant to forming a horizontal or vertical specialization strategy. To avoid confusion or mis-direction, a small business leader should decide and state to his/her team specifically what arena the firm will compete. For horizontal specialization, leaders may form that answer in multiple manors: socio-economic attributes, geographic areas, income ranges, and

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[3] The term strategy is derived from the work strategos, which is the "art of the general" (Hambrick & Fredrickson, 2005, p. 52.

others. For vertical specialization, a small business leader may present a specific product or a list of very related products. With either strategy, if there are multiple related arenas, the leader should indicate priorities. When a small business leader clearly states the arena in which the small business will compete, he/she is taking a major step in forming the firm's mission, which includes answering Drucker's (1954) question, "What business will we be in?" Given the potential close proximity among a small business leader and his/her employees, when the small business team knows the arena, they can constructively contribute to decisions related to strategy and related tactics. Obviously, the choice of arena is directly related to specialization and the decision to provide a narrow band of customers a wide assortment of related products to meet their needs (horizontal) or focus on a small group of products (vertical).

Differentiators: How we will win in the marketplace?

Small business leaders should frame differentiation choices in the context of competition: How will we win customers over other businesses in the arena? In other words, what is different about us that will prompt customers to choose our firm over competitors? Once differentiators are determined, they must be developed, refined, and continuously improved. Developing differentiators requires the acquisition of needed resources, including financial, physical, and human capital. Therefore, the differentiator decision helps small business leaders in decisions related to resource acquisition and allocation. The advantage over competitors is not limited to one attribute; small business leaders may develop a basket of differentiators, which from a holistic standpoint provides great overall value to customers (Hambrick & Fredrickson, 2005). And as stated in the discussion of arenas, given that small business leaders typically have daily contact with their employees, these leaders can reinforce the strategically chosen differentiators with their team, strengthening this vital element of the firm's mission.

Once those differentiators are determined and developed, the small business must demonstrate and communicate what makes them unique in the market, which is related to signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011; Kalra & Li, 2008). In vertical specialization a firm must signal its unique capability to provide a narrow range of products or services to a variety of consumers. When engaging in horizontal specialization a firm must signal its unique capability to meet multiple needs of a group of customers. In choosing an arena and developing, and signaling differentiators, small businesses can boldly convey, "this is who we are", interjecting a disciplined approach to strategy application and helping form organizational culture in the small firm.

Vehicles: How will we get there?

In addressing the vehicle question, the small business leader determines how the firm will achieve a presence in the chosen arena. Related to specialization, this applies to a desired presence in a horizontal or vertical arena. This question illustrates the interactive nature of Hambrick and Fredrick's (2005) five strategy elements; the ability of achieve a presence will affect what arena is chosen. An "ad hoc or patchwork basis" (Hambrick & Fredrickson, 2005, p. 55) is an inappropriate approach for choosing a vehicle to enter an arena. In choosing a vehicle, it is necessary for small business leaders to apply a structured process, seeking as many alternatives as possible and then choosing the most effective. When seeking to fill the white board with vehicle alternatives, several options may emerge, such as the following: direct selling; aggressive advertising; or acquiring a firm with an established presence in a desired arena (possibly a strategic alliance or joint venture).

Staging: What will be the speed and sequence of our moves?

Typically, business resources are not available to simultaneously implement all steps related to engaging a new strategy or strategic change, especially in a small firm. Therefore, it is imperative that small leaders map a plan for executing either a vertical or horizontal specialization strategy. When targeting a narrow range of customers, seeking to satisfy their general needs connected to group of related products through horizontal specialization, or when focusing on a narrow range of products through vertical specialization, it is vital that a small firm demonstrate the credibility to perform in their chosen arena. Moving ahead without a plan, a map of steps, may result in disappointing customers, creating a credibility gap between the targeted arena and the small firm. And as mentioned with differentiators, a plan will aid small business leaders in acquiring and allocating resources.

Economic Logic: How will we obtain our returns?

As profits and returns are the heart of business strategy decisions (Hambrick & Fredickson, 2005), the small business leader must consider if the chosen combination of arena, differentiators, vehicles, and staging produces results that satisfy the firm's financial goals and enhances business sustainability. Is the targeted arena capable of producing the volume necessary to provide the intended differentiators and generate a profit? Is financial capital available to fund steps in acquiring a presence in the chosen vertical or horizontal arena and the steps planned to execute the specialization strategy? And, given the risk assumed, is the specialization strategy capable of generating a worthy return?

Certainly, Hambrick and Fredrickson's (2005) strategy diamond is applicable to various scenarios. We applied the five elements of the strategy diamond here to illustrate a small business's execution of horizontal or vertical specialization strategy.

Discussion

The following discussion includes a proposed approach to research the relationship between small business specialization and firm performance and concluding thoughts.

Future Research of Small Business Specialization

To research specialization strategy in small business, we propose three research questions: 1) What proportion of small firms apply specialization, horizontal or vertical? 2) Do small firms applying specialization outperform those that do not? And, 3) what are the organizational attributes related to execution of small business specialization strategy? Further, we propose a series of phases and steps similar to those applied in Dess and Davis's (1984) exploration of Porter's (1980) generic strategies and intra-industry profitability are appropriate for this work, and we frame the steps below in Dess and Davis's (1984) approach.

The first phase in this research would involve these steps: 1) identify an industry from which an adequate number of firms is available for qualitive research; 2) engage a panel of experts from that industry to determine potential identifiers of firms that vertically and horizontally specialize; and, 3) conduct a field study of small business leaders in the industry, seeking to confirm the identifiers determined by the industry experts. Examining the strategies of small firms in a common industry is likely to produce groups of firms applying a similar strategy, an aim of this proposed research, in a somewhat common environment (Porter, 1980, 1991). Industry experts would have the background and experience to propose potential products or services (vertical) or potential customer groups (horizontal) in which a firm might specialize. Essentially, the experts would build potential strategic models (Porter, 1996) of what vertical and horizontal specialization might look like in their industry. The field study of phase one would consist of two components. First, the researchers would ask the small business leaders to describe both the assortment of products it provides and the variety of customers it serves. Second, researchers would present the list of products and customer attributes obtained from the panel of industry experts to the small business leaders and inquire as to which apply to the small business.

The second phase would involve engaging an expert panel, a group of strategy academics, to review the identifiers proposed by the industry panel and the results of field study, seeking to categorize identifying attributes of vertically and horizontally specializing firms. The third stage would involve an additional round of qualitative interviews, aiming to identify horizontal and vertical specializers, assess performance, and inquire as to organizational attributes related to execution of a specialization strategy.

In assessing performance, researchers could explore whether vertical or horizontal specializers outperform firms that are "stuck in the middle" (Porter, 1980, p. 41).

Qualitative research would help develop understanding of vertical and horizontal specialization. Related to our third research question, once small firms are identified as appliers of specialization strategy, researchers may ask "why and how" questions. First, given strategy is a choice (Dess & Davis, 1984), researchers could make these inquiries: Who in the firm decided to specialize? When was that decision made? And, why did the leaders decide to specialize? Asking these questions would provide insight in to whether the decision to specialize, as well as decisions regarding other strategic options, are conscious and rational decisions or do those decisions tend to evolve. Further, as performance resulting from applying a strategy is an outcome, questions in this phase would seek the "causes" (Porter, 1991, p. 101) of the strategy producing that outcome.

And those questions might include the following: How do you maintain company focus on specialization? How are potential customers or products determined and who makes those decisions? How do you market or brand your company as specialized? Have competitors sought to invade your specialized space? What foundations of your specialization strategy are difficult for competitors to imitate? As a specialized firm, what values do you provide customers? What support activities and organizational culture elements are vital to your specialization strategy? How do you maintain the effectiveness of those support activities and the presence of those culture elements? And, what are the greatest challenges in applying a specialization strategy? This qualitative research would enhance understanding of strategic clarity, "the extent to which a business avoids a 'stuck in the middle' position" (Parnell, 2010, p. 310).

In evaluating the effectiveness of strategic options, measuring performance relative to industry competitors is vital. Yet, small business performance data, particularly financial metrics, are often challenging to gather and interpret (Dess & Robinson Jr., 1984; Ling & Kellermanns, 2010; McKenny, Short, Zachary, & Payne, 2012; Westhead & Howorth, 2006). As their firm's gatekeepers, private business owners are often reluctant to share objective financial performance data (Dess & Robinson Jr., 1984; Ling & Kellermanns, 2010). Small business financial data is often challenging to interpret, analyze, and compare, and this difficulty arises from multiple factors, including the following: owner-manager compensation strategies (Westhead & Howorth, 2006); variance in accounting procedures among small firms (Dess & Robinson Jr., 1984; Ling & Kellermanns, 2010); and the desire to minimize reported taxable income (Mazzi, 2011).

To address these problems in the qualitative research projected here, we propose using subjective performance measures. Dess and Robinson Jr. (1984) found a strong correlation between subjective performance measures and objective performance measures, and these findings were supported in other studies (e.g., Hoffman, Nathan, & Holden, 1991; Wall, Michie, Patterson, Wood, Sheehan, Clegg, & West, 2004). As anchors to their subjective performance survey items, Dess and Robinson Jr. (1984) asked business leaders to compare their business to "firms of similar sales volume in your industry and region" (p. 268) as a five-year average. Comparing performance to similar firms in the same region and industry over five years may reduce deviations resulting from short-term aberrations in firm performance or local economic disruptions. Although Dess and Robinson Jr.'s (1984) performance assessment items are typically applied in quantitative research, we propose using them in the specialization strategy research proposed here. Researchers would ask small business leaders to respond in a Likert scale format to the performance questions comparing their business to regional competitors.

Conclusion

As of his writing, Block (1995) proposed that little discussion of Mewes' ECS strategic approach had appeared in business literature, and our search confirmed Block's proposal, indicating few, if any, mentions of ECS since then. One might put forward this point: if ECS was worthy of consideration, researchers would have explored the concept by now. Block (1995) proposed that for ECS to attract significant business academic consideration the theory "needs synthesizing" (p. 51); in other words, specialization needs integration with academic strategic thinking. This paper brings ECS to the table and suggests a research plan to assess the relevance and value of this strategic concept. We propose allowing research to determine if vertical and horizontal specialization are valid concepts and if those concepts have a relation with small business performance.

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