

HARNESSING SUCCESS: A QUALITATIVE STUDY OF BEST BUSINESS PRACTICES AMONG HIGH-PERFORMING SMES  Atif Bilal ^(a)  Shumaila Zeb ^(b)^(a) Senior Lecturer, Bristol Business School, University of the West of England, Bristol, United Kingdom; E-mail: atifbilal@live.com^(b) Associate Professor, SZABIST University, Islamabad, Pakistan; E-mail: dr.shumaila@szabist-isb.edu.pk

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ABSTRACT

Small and Medium Enterprises (SMEs) in developing economies often operate under challenging conditions, yet some consistently outperform others despite resource constraints and volatile markets. Most SMEs are led by single owners whose charismatic leadership and personal management style define the organization's direction rather than standardized processes. Understanding what drives such high performance remains a critical research gap. This study examines the strategies and managerial practices that contribute to the success of high-performing SMEs in Pakistan. Using a qualitative research design, semi-structured interviews were conducted with ten SME owners and managers representing diverse sectors, including manufacturing, services, and retail. The collected data were thematically analysed to identify common behavioural and strategic patterns associated with sustained performance. The results reveal that successful SMEs adopt a balanced approach that integrates strong customer orientation with innovative differentiation. They customize offerings to meet niche demands, focus on high-margin products, and avoid price-based competition. At the same time, they maintain strict cost control, streamline operations, and invest selectively to enhance efficiency. Leadership emerges as a central factor, with owners relying on intuition, personal networks, and hands-on involvement to respond quickly to external changes. The findings of this study suggest that the combined effects of charismatic leadership, innovation, and operational efficiency strengthen organizational resilience and enable SMEs to sustain competitive advantage even under adverse conditions.

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INTRODUCTION

Small and medium enterprises (SMEs) are often hailed as the lifeblood of economies, driving job creation, national development, and social stability (Ahmad, Tayachi, Haq, Wang'ombe, & Ahmad, 2022; Hyder & Lussier, 2016). SMEs' agility and quick adaptability have made them preferred engines of economic growth (Amin, 2023; DiBella et al., 2023). Unlike large corporations, SMEs are more effective at generating employment and alleviating poverty (Enaifoghe & Zezi-Magigaba, 2023). Beyond their economic impact, SMEs are crucial to social progress, technological innovation, and economic revitalization, while also serving as key suppliers to larger firms and contributing significantly to GDP (Jones, Gold, & Devins, 2021).

In volatile economies, such as Pakistan's, the role of SMEs becomes even more critical (Du & Kim, 2021). Pakistan is currently grappling with numerous challenges, including inflation, declining foreign reserves, high unemployment, political and economic instability, and the impacts of climate change. Amidst these crises, SMEs are increasingly relied upon to meet the needs of the populace. With nearly 3.3 million SMEs contributing 30% to the GDP and around 25% to exports (Qalati et al., 2021), they are a vital component of Pakistan's economy. However, despite these promising statistics, SMEs in Pakistan face significant obstacles that impede their growth.

A small enterprise is defined as having an annual sales turnover of Rs 150 million, a medium enterprise between Rs 150-800 million, and a startup as any small or medium entity that is five years or older. In Pakistan, most small and medium enterprises (SMEs) are characterized by a single leadership structure, in which the owner typically serves as the sole decision-maker. This positions Pakistani SMEs as charismatic organizations, heavily influenced by the owner's personal

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vision and management style. Charismatic leadership, as initially conceptualized by Weber (1947), refers to a form of influence rooted in a leader's personal qualities, vision, and persuasive capacity rather than in formal structures or standardized processes. Within SMEs, this often manifests in the owner's ability to inspire, motivate, and align employees around their vision, with organizational direction closely tied to the leader's personality and intuition. Such leaders often motivate and direct their teams by relying on strong interpersonal influence, emotional appeal, and a sense of personal authority, which becomes central to organizational identity and direction. For SMEs in Pakistan, this reliance on charisma rather than formalized systems raises key questions about how leadership style shapes strategic choices, resource allocation, and, ultimately, business performance, thereby directly linking to the research objectives and the Resource-Based View (RBV) lens adopted in this study. As a result, there is significant variation in the management practices employed across different SMEs, with each owner drawing on their own assumptions about the best ways to run a business. This lack of standardized management practices makes it essential to identify the best practices that contribute to the success of high-performing SMEs in this context. Understanding these practices is critical, not only for the growth of individual enterprises but also for the broader development of the SME sector in Pakistan (Hussain, 2023). Given this context, the central question arises: *What defines the best business practices for high-performing SMEs in Pakistan?* This question is fundamental as it seeks to uncover the practices that enable these enterprises to navigate challenges and achieve sustained success. To address this question, the study draws on qualitative data from semi-structured interviews with 10 high-performing Pakistani SMEs operating across multiple sectors. This data set provides rich insights into leadership styles, strategic choices, and firm-specific practices that enable resilience in volatile environments.

The research aims to identify the business practices that distinguish high-performing SMEs, explore how charismatic leadership shapes strategic and operational decisions, and assess how these insights extend and refine the Resource-Based View (RBV) by framing firm-specific capabilities as dynamic and evolving rather than static. SMEs are essential to any economy because they provide jobs in the community and make necessary financial contributions (Ahmad et al., 2022). The core of both economic expansion and the fight against poverty is successful SMEs (Chidau, Khosa, & Phillips, 2022). The relationship between successful business practices and SMEs has attracted considerable attention (Erdogan, 2023; Lynch & Ferraso, 2023), though the research findings have been somewhat ambiguous. For instance, Utomo et al. (2023) and Varga et al. (2024) found that high-growth firms pursue organizational development, technological advancement, and market expansion. According to Prajogo and Sohal (2001), firms that adopt a conservative approach find it more challenging to recognize market shifts and, as a result, are unable to adjust promptly. Conversely, SMEs that adopt more entrepreneurial methods typically employ thorough environmental scanning, which helps them identify "tremors" in the market and "get ready for jolts" more quickly and accurately. While marketing differentiation or product innovation techniques perform better in dynamic, uncertain contexts, conservative tactics like cost leadership are more appropriate in stable, predictable contexts (Miller, 1988; Nayak, Bhattacharyya, & Krishnamoorthy, 2023). Conversely, Smart and Vertinsky (1984) and Hillmann and Guenther (2021) found that firms, including SMEs, prefer entrepreneurial strategies during regular times and adaptive strategies during economic distress.

Good leadership refers to the abilities and attitudes that can be recognized, developed, and applied to specific objectives and situations (Ozkan & Solmaz, 2015). In another study, Garavan, Watson, Carbery, and O'Brien (2016) found that SMEs with weak leadership and poor decision-making are often the leading cause of failure. The success of a firm is significantly impacted by managerial leadership styles, as stated by Effective Leadership. Similarly, according to Fortunato, Gigliotti, and Ruben (2018), inspiring and encouraging individuals and groups to work towards a common objective plays a significant role in improving SME performance. Leadership requires a consistent pattern of conduct, whereas management focuses on allocating resources, monitoring operations, and coordinating activities to achieve organizational goals (Downs et al., 2016). Many studies, including Negeri, Wakjira, and Kant (2023), have established that a strong leadership style can help SMEs achieve sustainability and growth even during economic downturns.

The Resource-Based View (RBV) provides a valuable lens to understand how SMEs achieve high performance despite environmental challenges (Barney, 1991). However, its application in this study should go beyond confirmation and instead explore how the findings extend or refine the RBV. One possible way to do this is by examining how SMEs use firm-specific resources—such as managerial expertise, strategic adaptability, and niche market positioning—not just as static assets but as dynamic capabilities that evolve in response to market instability (Teece, Pisano, & Shuen, 1997). This perspective shifts the focus from merely possessing resources to actively configuring and reconfiguring them, illustrating how SME owners create competitive advantage through continuous strategic adjustments.

Although several studies have examined the success factors of SMEs, it remains unclear which business practices successful SMEs follow to survive during economic and financial distress. This knowledge gap demands further research on models and integrative theories for effective business management and practice (Johnson & Schaltegger, 2016). Therefore, the main objective of this paper is to explore the best practices of high-performing SMEs by focusing on a subset of SMEs that performed well even during periods of economic distress. The identification of best practices followed by successful SMEs may help other SMEs in the economy become successful even during times of financial and economic distress. The study's findings will have a positive, significant impact on the growth of SMEs in Pakistan and in countries facing similar economic and social challenges.

The study makes a valuable contribution to the literature. First, this study contributes to the strategic management literature by demonstrating that high-performing SMEs leverage innovation and product customization to achieve sustainable growth, thereby supporting Miles and Snow's (1978) theory that long-term success requires diverse strategies. Second, it fills a research gap by providing empirical evidence on how SMEs can effectively navigate economic downturns through innovative, highly customized approaches, thereby validating prior studies that suggest adaptability and responsiveness are key to survival in challenging market conditions. Third, the study reinforces the relevance of the

Resource-Based View (RBV) by demonstrating how SMEs leverage unique, rare, and inimitable resources—such as advanced technology and customization capabilities—to sustain a competitive advantage. Lastly, it highlights the practical implications of cost-efficiency, differentiation, and strategic market positioning, demonstrating that SMEs can successfully compete with larger firms by focusing on high-value offerings rather than engaging in price wars.

After this introductory section, the paper presents a literature review that examines prior studies and highlights gaps in the research topic. This is followed by the theoretical framework, which outlines the key concepts and relationships underpinning the study. The methodology section then explains the research design, data collection procedures, and analytical techniques used. The subsequent data analysis and findings section presents the results of the empirical investigation. The discussion and implications section interprets these findings in relation to existing theories and practical contexts. Finally, the conclusion summarizes the main insights, outlines the study's limitations, and provides recommendations for future research.

LITERATURE REVIEW

Most SMEs have to start from scratch when developing business procedures and strategies, and guide their staff to achieve the firm's objectives. Entrepreneurial and management studies have focused chiefly on leadership, which has increasingly attracted attention (Chen, Lin, & Lai, 2023). According to Muras and Szczepańska-Woszczyzna (2024) and Jarrah, Nser, Majali, and Abdallahi (2023), an SME's success or failure is determined by the decisions and practices it adopts. Numerous macroeconomic indicators, including national income, per capita income, and employment, can be used to assess a nation's economic performance (Zamfir et al., 2017). SMEs provide a learning environment for native entrepreneurs, accelerating wealth creation across the board. Peprah et al. (2016) found that SMEs increase local knowledge by using locally accessible raw materials that would otherwise be discarded. SMEs are the cradle of entrepreneurship, with people's original concepts and innovation serving as their primary motivators (Andersen, Aagaard, & Magnusson, 2022). In another study, Pinheiro, Henriques, Almeida, and Franco (2023) highlighted the importance of SMEs to a country, stressing their critical role in driving domestic business, creating jobs, and generating foreign exchange and tax revenue. To attract investors and secure funding from financial institutions, small firm owners need to legitimize their operations.

According to life-cycle theories, firms must go through multiple stages of development during their operations. The success of new businesses during the startup stage may depend on innovation, but more established firms are likely to reach growth stages before plateauing or even collapsing. According to this, more established businesses are likely to produce fewer innovations overall, including IPRs, if growth and inventions follow a straight, parallel path (Teixeira & Carvalho, 2023). Similarly, many studies provide evidence of a relationship between innovation and performance that seems contradictory. The majority of research found that R&D funding, innovation activities, and public R&D investments all contribute to a firm's overall success, growth, and survival (Martins, 2023).

SMEs use labor-intensive technologies, which directly create jobs (Akpan, Udoh, & Adebisi, 2022). According to Ndikubwimana (2016), SMEs help economies grow by adopting innovation and entrepreneurship, creating jobs for a large number of people, and contributing significantly to economic development. SMEs play a significant role in fostering innovation and entrepreneurial spirit, as well as increasing employment and competitiveness. Given the significance of SMEs in an economy, Wiid and Cant (2021) found that to encourage entrepreneurship and establish a favorable business environment that enables SME to reach their full potential in the marketplace, governments must prioritize entrepreneurship programs. Compared to large firms, SMEs can adapt and respond to the numerous changes that arise in the modern global economy (Musa & Chinniah, 2016). The picture becomes more complicated when it comes to SMEs that achieve rapid growth in challenging circumstances. Therefore, the present state of the economy makes it even more urgent to explore business practices that enable businesses to grow even in unfavorable conditions.

The Resource-Based View (RBV) has often been used to explain SME success by emphasizing unique and inimitable resources (Barney, 1991). However, most studies apply RBV in a confirmatory way, showing that resources matter without explaining how they evolve in volatile environments. This study extends RBV by highlighting how SMEs do not merely possess resources but continually reconfigure them—through leadership style, product customization, and cost discipline—to sustain competitiveness in adverse contexts. By focusing on SMEs in Pakistan, where charismatic leadership substitutes for formal systems, this study demonstrates that RBV must account for leadership-driven dynamic capabilities rather than static resources.

In linking back to the research question, the literature suggests that while innovation, entrepreneurship, and resource deployment are critical, it remains unclear which specific practices enable high-performing SMEs to succeed during economic distress. Addressing this gap directly supports the study's objective of identifying the best business practices that drive SME resilience and growth in challenging environments.

The study aims to identify the best business practices employed by high-performing SMEs in Pakistan. To frame this investigation theoretically, the Resource-Based View (RBV) provides a robust foundation (Barney, 1991; Wernerfelt, 1984). RBV posits that a firm's competitive advantage stems from its unique resources and capabilities that are valuable, rare, inimitable, and non-substitutable. This framework helps understand how SMEs can leverage internal strengths to achieve superior performance, especially in a challenging environment like Pakistan. RBV, as articulated by Barney (1991) and Wernerfelt (1984), suggests that a firm's competitive advantage arises from its resources and capabilities, which are critical to achieving and sustaining superior performance. These resources must be (i) valuable — they enable the firm to exploit opportunities or neutralize threats, (ii) rare — competitors do not widely possess them, (iii) inimitable — others cannot easily replicate them, and (iv) non-substitutable—there are no equivalent resources or capabilities that can substitute for them.

For SMEs, particularly in dynamic, competitive environments like Pakistan, RBV emphasizes the importance of managing distinctive resources and capabilities to sustain a competitive advantage. By applying the Resource-Based View,

this study aims to explain how high-performing SMEs in Pakistan achieve success by effectively leveraging their unique resources and capabilities. The RBV framework helps understand the strategic importance of customization, innovation, and a high-margin focus in creating a sustainable competitive advantage. This theoretical lens provides a comprehensive basis for analysing business practices that enable SMEs to thrive despite environmental challenges (Bodlaj & Cater, 2019).

MATERIALS AND METHODS

Method

The methodology adopted in this study is qualitative, focusing on semi-structured interviews to gain in-depth insights into the business practices of high-performing small and medium enterprises (SMEs) in Pakistan. This approach allowed us to explore the diverse perspectives of SME owners and managers, capturing their experiences in managing their businesses within Pakistan's specific cultural and economic context. By using semi-structured interviews, we maintained a flexible yet focused dialogue with participants, ensuring that the data collected reflected both the commonalities and unique aspects of their business strategies.

Participants

In line with qualitative research standards (Guest, Bunce, & Johnson, 2006), the study involved a small, purposively selected sample of 10 SMEs across various sectors in Pakistan. This selection was intended to ensure a rich, detailed analysis of the business practices employed by these enterprises. The participants were primarily the owners and managers of these SMEs, reflecting the leadership-centric nature of such businesses in Pakistan. The SMEs included in the study were selected based on sustained profitability and market presence. In addition, factors such as growth trajectory, innovation capacity, and employee development initiatives were considered to provide a more credible classification of high-performing firms aligned with the study's objectives. To protect participants' privacy, all identifiable information was anonymized.

Participants were recruited through professional networks and industry associations within Pakistan. These networks were accessible through the researchers' affiliations and contacts within the business community. Interested SMEs were initially contacted by phone, during which they were briefed on the study's aims and procedures. Those who agreed to participate were then invited to take part in face-to-face interviews. The participants were known to have a strong inclination towards innovative, customer-centric business practices, a characteristic instrumental to their selection for the study. The purposive sampling strategy, as suggested by Patton (2002), was employed to ensure a homogenous group of high-performing SMEs that would provide relevant and comparable data for analysis.

Data Collection and Analysis

Each respondent received a participant information sheet, a data management plan, and a consent form to review and sign before data collection commenced. The nature of this inquiry necessitated a focus on the subjective interpretations of SME owners and managers regarding their business practices and strategies. Our primary aim was to understand how these individuals conceptualize and implement practices that contribute to the success of their enterprises. To this end, semi-structured interviews were conducted to cover key topics, including product and service customization, innovation, cost management, and market positioning. These interviews were designed to extract detailed responses that would reveal the underlying principles and tactics these SMEs use to maintain their competitive edge. The study used NVivo 12 software and followed the six-step thematic analysis process suggested by Clarke and Braun (2017).

Table 1. Participants' information

Participants	Age	Experience (Years)	Industry
Participant 1	54	20	Manufacturing
Participant 2	38	15	Technology
Participant 3	42	18	Electronics
Participant 4	34	12	Retail
Participant 5	50	25	Healthcare
Participant 6	33	8	Fashion
Participant 7	47	22	Financial Services
Participant 8	35	10	Software and Technology Services
Participant 9	44	19	Energy
Participant 10	42	14	Financial Services

Interviews were conducted in English, and each session lasted approximately 60 minutes. The eighth interview reached data saturation, and two additional interviews were conducted to confirm and ensure completeness. The interviews were audio-recorded, transcribed, and then analysed using thematic analysis to identify common themes and patterns across different SMEs. To ensure reliability in the thematic analysis, both researchers independently coded a subset of the transcripts and then compared the codes to refine the coding framework. Inter-coder agreement was discussed until consensus was reached, and any discrepancies were resolved collaboratively. To minimize researcher bias, reflexive discussions were maintained throughout the analysis process, and emerging themes were continuously cross-checked against the data to safeguard interpretive rigor. The sample overview is presented in Table 1.

Table 2. SME classification analysis based on first-order codes

Focus on	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	SUM
Cost Efficiency	•	•	•	•	•	•	•	•	•	•	10
Low Pricing Strategies				•					•		2
Premium Pricing Strategies	•	•	•	•	•	•	•	•		•	9
Core Technologies/Services	•	•	•	•	•		•	•	•	•	9
New Products/Services	•		•			•			•	•	5
Ad-hoc Innovative Strategies	•		•	•		•	•	•			6
Market Expansion	•	•	•	•	•	•	•	•	•	•	10
Domestic Market	•	•		•	•	•	•				6
Market Penetration	•	•	•	•	•		•	•	•	•	9
Product/Service Quality	•		•		•	•	•		•	•	7
Product/Service Customization	•		•		•			•	•	•	6
SUM	10	6	9	8	8	7	8	7	8	8	79

Note: P = Participant

Table 2 (SME Classification Analysis based on first-order codes) and Table 3 (Jaccard Similarity Coefficients), both of which provide insights into the thematic focus and similarity among ten interviewees. Table 2 categorizes the interviewees' focus areas by first-order codes. Each focus area is marked for the interviewees who discussed that theme, and the total number of mentions is summed across all individuals. Cost Efficiency and Market Expansion are the most frequently discussed themes, with all ten interviewees engaging with these topics. Premium Pricing Strategies, Core Technologies/Services, and Market Penetration are also prominent, each being mentioned by 9 out of 10 interviewees. Themes such as Product/Service Quality, Ad-hoc Innovative Strategies, Domestic Market, and Product/Service Customization received moderate attention, indicating they were relevant but not universally discussed. Low Pricing Strategies was the least discussed, with only 2 of 10 interviewees addressing this theme, suggesting it is either less relevant or applicable only to specific contexts. The total sum of mentions indicates how broadly each interviewee engaged with the themes. Participants 1 and 3 were the most comprehensive, discussing 10 and 9 themes, respectively, while Participant 2 had the least coverage with six themes.

Table 3. Jaccard similarity coefficients

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
P1	1.00									
P2	0.54	1.00								
P3	0.90	0.45	1.00							
P4	0.70	0.75	0.60	1.00						
P5	0.70	0.55	0.60	0.55	1.00					
P6	0.80	0.50	0.70	0.66	0.50	1.00				
P7	0.90	0.60	0.80	0.77	0.77	0.70	1.00			
P8	0.54	0.55	0.60	0.55	0.40	0.36	0.60	1.00		
P9	0.80	0.50	0.88	0.50	0.66	0.60	0.70	0.50	1.00	
P10	0.72	0.60	0.80	0.45	0.60	0.54	0.63	0.60	0.88	1.00

Note: P = Participant

Table 3 presents a pairwise comparison of thematic overlap among the interviewees using the Jaccard similarity coefficient, with values closer to 1 indicating greater similarity. The Jaccard analysis shows that, despite some common themes, interviewees approached the topics differently. For example, while Participant 1 and Participant 3, or Participant 1 and Participant 7, show high similarity, others, like Participant 8 and Participant 6, or Participant 4 and Participant 10, exhibit more unique thematic focuses. The Jaccard similarity analysis reveals distinct groupings and relationships among the interviewees based on their thematic focus. High similarity scores suggest that some interviewees may share aligned viewpoints or concerns, while lower scores highlight diversity in experiences and perspectives. This analysis helps identify common threads across the interviews and highlights unique viewpoints that warrant further exploration. In summary, combining SME classification with Jaccard similarity analysis provides a valuable understanding of the interviewees' thematic landscape, highlighting both shared priorities and individual differences.

RESULTS

To address our research questions, we compared the individual cases to identify overarching themes and commonalities. This comparison revealed several high-order themes related to effective business practices among SMEs in Pakistan. We also noted variations across different organizational contexts, providing a comprehensive understanding of how success is achieved in varying environments. The analysis of multiple case studies yielded four main themes for our study (see Table 4).

Table 4. Final themes

Theme	Sub-Strategies
Theme 1: Focus on Cost	- Cost-efficiency business practices: low production costs, cost monitoring systems - Low pricing strategy - Core technology or service: proficiency in specific technologies or services
Theme 2: Focus on Differentiation	- Innovation priority: constant development of new products, services, or processes - Ad-hoc innovation: typically following customer initiatives - Premium pricing - Marketing differentiation: emphasis on the company's image
Theme 3: Focus on Customization	- Product or service customization and high quality - Market customization: niche market strategy
Theme 4: Focus on Internationalization	- High market expansion: expanding domestic markets and entering new international markets - focus on the domestic and international market

Theme 1: Focus on Cost

Maintaining low production costs emerged as a top priority for all high-performing SMEs, enabling them to offer competitive pricing while ensuring profitability. Despite a shared emphasis on cost reduction, participants consistently highlighted that quality could not be compromised for the sake of saving money. The following insights illustrate this balance between cost control and quality maintenance: A manufacturing SME exemplifies cost efficiency through its implementation of lean manufacturing principles. The owner remarked:

"We have meticulously refined our production process to eliminate waste and reduce overhead. This has allowed us to maintain competitive prices without compromising on product quality (P1)."

By streamlining production and optimizing operational procedures, the SME has successfully integrated cost-cutting strategies into its core operations, thereby improving efficiency and market competitiveness. The response, which prioritizes cost management through outsourcing and effective supply chain practices, provides another example. The manager noted: *"Outsourcing non-core functions to lower-cost regions has been pivotal for us. By fine-tuning our supply chain and using bulk procurement, we have significantly reduced costs and redirected resources towards innovation and product development (P2)."*

This approach highlights the Strategy of using cost savings from outsourcing to invest in its core competencies, thereby enhancing overall business performance. In the retail sector, a leader demonstrates a commitment to cost reduction through a range of in-store strategies. The owner explained:

"By implementing technology for inventory management and negotiating bulk discounts with suppliers, we have managed to cut costs throughout the retail value chain. These measures have been crucial in preserving our profit margins while enhancing operational efficiency (P4)."

This focus on integrating technology and strategic contracting highlights its holistic approach to cost management in a competitive retail environment. Another participant operating within the healthcare industry focuses on cost management by investing in employee health programs and negotiating with pharmaceutical suppliers. The manager stated:

"We have introduced preventative health initiatives for our staff, which not only improve their well-being but also result in long-term financial savings. Additionally, negotiating better rates with suppliers has allowed us to manage costs more effectively (P5)."

This dual focus on employee health and cost-efficient procurement reflects participants' Strategy of aligning cost management with broader organizational goals. A respondent who integrates environmental objectives with its cost strategy employs energy-efficient technologies and renewable energy investments. The director commented:

"Our commitment to renewable energy and efficient infrastructure maintenance has not only reduced our long-term operating expenses but also enhanced our corporate social responsibility profile. It is a win-win situation where we cut costs while contributing positively to the environment (P9)."

This approach demonstrates how a cost strategy aligns with sustainability goals, enhancing both operational efficiency and environmental stewardship. Lastly, another SME adopts a technology-driven approach to cost management by using digital platforms and automating financial operations. The owner noted:

"Implementing digital tools for customer interactions and automating routine financial tasks has streamlined our processes and reduced our reliance on outdated methods. This has been instrumental in cutting costs and staying competitive in a rapidly evolving market (P1)."

This emphasis on technology highlights its role in improving operational efficiency and minimizing financial losses.

In summary, the focus on cost management across these high-performing SMEs reflects a strategic balance between maintaining quality and achieving operational efficiency. Each SME's approach, whether through lean manufacturing, outsourcing, technology integration, or sustainability efforts, highlights an understanding of how cost strategies can be tailored to fit specific industry needs and organizational goals.

Theme 2: Focus on Differentiation

Differentiation emerged as a key strategy among high-performing SMEs, with several companies investing significantly in unique attributes and creative marketing to set themselves apart in competitive markets. Differentiation, in strategic management, refers to the process by which firms develop distinctive characteristics in their offerings that make them more attractive to target customers. More specifically, *product differentiation* involves creating features, designs, or services that distinguish a firm's products from competitors' products, thereby giving customers a reason to prefer them. In line with this,

Participant prioritizes differentiation through substantial investments in research and development (R&D) to incorporate cutting-edge features into their products. The R&D manager stated:

We continuously integrate the latest technologies into our consumer gadgets, which positions us as a leader in the industry. Our innovative features are not just advancements but are essential in distinguishing our products in the market (P3)."

Additionally, an SME employs creative marketing strategies to highlight these innovations, thus reinforcing its competitive edge. Similarly, another respondent distinguishes itself in the fashion sector by collaborating with renowned designers to produce exclusive, limited-edition collections. The marketing director noted:

"Our partnerships with top designers allow us to offer fashion-forward collections that are highly sought after. Using social media and digital marketing has been crucial in building a brand image that resonates with our target demographic (P6)."

This approach highlights how strategic partnerships and digital engagement contribute to a robust brand identity and market appeal. Another participant focuses on differentiation by providing the latest technology through continuous software updates. The technology lead remarked:

"We pride ourselves on delivering state-of-the-art software solutions. Our commitment to regular updates ensures that our clients always have access to the latest technology, setting us apart from our competitors (P8)."

Differentiation is a crucial strategy for high-performing SMEs, with companies investing in innovation, strategic partnerships, and creative marketing to set themselves apart in the market. By focusing on unique product features, exclusive collaborations, and continuous updates, these companies maintain a competitive edge and build strong brand identities.

Theme 3: Focus on Customization

Customization is a prevalent strategy among high-performing SMEs, enabling them to offer tailored products or services that meet specific client needs. Customization is the process of adapting products or services to customers' individual needs and preferences, thereby enhancing relevance and perceived value. In line with this, Participant 1 enhances customer satisfaction through a robust customization strategy. The owner explained,

"We offer a range of customizable features and design options via our online platform, allowing clients to tailor products to their exact preferences. This approach not only boosts customer engagement but also differentiates us from competitors (P1)."

The Participant's commitment to customization creates a personalized experience, driving higher customer satisfaction. Another participant also emphasizes customization by providing modular technological solutions. The technical director stated,

"Our modular products allow customers to select and personalize features, such as storage capacity and computing power, to suit their individual needs. This flexibility has positioned us as a provider of adaptable technology solutions, enhancing customer satisfaction and loyalty (P2)."

This Strategy stresses the importance of flexibility in addressing diverse customer requirements. In the retail sector, leader adopts a personalized approach by allowing customers to customize their shopping experience. The store manager noted,

"We use customer data to make personalized product recommendations and offer customizable options like colour and size. This personalized approach has been effective in increasing customer loyalty and satisfaction (P4)."

This Strategy highlights how tailored shopping experiences can drive customer retention. Another participant focuses on customization in the healthcare industry by offering personalized treatment plans and telemedicine services. The healthcare manager commented:

"Our personalized healthcare plans and telemedicine services provide more convenient and tailored care for patients. This approach not only improves patient outcomes but also increases long-term loyalty (P5)."

Customization efforts reflect its commitment to enhancing patient care through personalized solutions. Another participant provides individualized energy solutions by analyzing usage patterns and offering modular infrastructure options. The energy solutions director stated,

"We tailor our energy solutions to match specific usage patterns and provide modular options for both individuals and organizations. This customization aligns with evolving needs and improves performance (P9)."

This approach demonstrates how tailored solutions can enhance operational efficiency. A participant offered personalized financial services, including customized investment portfolios and financial planning. The financial advisor remarked,

"We design investment strategies and financial plans based on each client's individual needs and risk tolerance. This personalized approach builds client confidence and satisfaction (P1)."

This focus on customization reinforces its commitment to meeting specific financial requirements. Customization is a key strategy for high-performing SMEs, allowing them to offer personalized products and services that meet specific customer needs. This focus on customization not only enhances customer satisfaction but also drives loyalty and engagement.

Theme 4: Focus on Internationalization

Internationalization strategies are less common but noteworthy among high-performing SMEs, who use various approaches to expand their global presence. One respondent emphasizes internationalization by expanding into emerging markets and adapting products to meet regional demands. The manager noted,

"Our Strategy involves developing a global supply chain and customizing products to comply with local regulations and cultural preferences. This approach allows us to effectively enter new markets and broaden our customer base (P3)."

These internationalization efforts illustrate its Strategy to overcome geographical and cultural barriers. This has built a global footprint through strategic alliances and store expansions. The global marketing director explained, "We have established partnerships and expanded our store presence internationally, tailoring our product lines to fit different cultural and fashion preferences. This global approach helps us capitalize on worldwide fashion trends (P6)."

This Strategy highlights the benefits of expanding market reach through localized product offerings. Another leader focuses on internationalization by establishing manufacturing facilities in key foreign markets and broadening distribution channels. The operations manager stated:

"Our internationalization strategy includes setting up production facilities abroad and customizing product offerings to regional tastes. This has allowed us to capture a larger market share and enhance our local presence (P8)."

This SME Leader's approach reflects its commitment to expanding globally while adapting products to local needs. Another respondent emphasizes internationalization in the financial services sector by partnering with regional institutions and tailoring financial solutions to local norms. The financial services director noted:

"Our partnerships with regional financial institutions and customized financial products help us address diverse cultural and legal requirements, facilitating entry into new markets (P7)."

This Strategy emphasizes the importance of localizing financial services to enhance market penetration. Internationalization is a strategic focus for some high-performing SMEs, allowing them to expand their global presence and reach new markets. This focus on internationalization helps these SMEs broaden their customer base and capitalize on global opportunities.

DISCUSSIONS

This study set out to answer the research question: What defines the best business practices for high-performing SMEs in Pakistan? Guided by the three objectives—identifying business practices, examining the role of charismatic leadership, and extending the Resource-Based View (RBV)—the findings highlight how SMEs develop dynamic, rather than static, capabilities that underpin resilience and long-term growth.

Although previous studies recognize that SMEs can achieve growth in uncertain markets, there has been less clarity about *how* such firms mobilize and combine resources to sustain an advantage. Our findings demonstrate that no single strategy guarantees success, echoing Miles and Snow's argument that diverse strategies are needed (Perreault & Miles, 1978). The theoretical advancement lies in showing how these strategies operate not as isolated choices but as combinative capabilities—bundles of resources that evolve through practice, leadership, and environmental adaptation.

A central insight concerns innovation. High-performing SMEs prioritize innovation in products, processes, and services. From an RBV perspective, this reflects *dynamic capabilities* (Teece, Pisano, & Shuen, 1997) that enable continual adaptation and the creation of unique value propositions. Unlike larger firms with abundant resources, SMEs rely on agility, creativity, and intimate customer relationships to drive innovation. These intangible resources—entrepreneurial mindset, tacit knowledge, and rapid prototyping—are rare and difficult to imitate (Barney, 1991; Wernerfelt, 1984). This finding extends RBV by showing how innovation is embedded in local contexts where customer proximity provides firm-specific knowledge, confirming recent evidence that digital technologies amplify innovation opportunities in resource-constrained SMEs (Khin & Ho, 2023).

Alongside innovation, cost-control practices emerge as a distinctive capability. While SMEs are not cost leaders, they achieve efficiency through lean processes, outsourcing, and disciplined resource use (Nicholas, Ledwith, & Perks, 2011). From an RBV lens, cost control represents a capability that safeguards resource allocation (Wu & Olson, 2009). Reputation for quality, built on consistent performance, becomes a valuable intangible resource (Bamiatzi & Kirchmaier, 2014), while sustainability practices link efficiency to reputational benefits (García-Pérez et al., 2023). The theoretical contribution here is that cost control, traditionally viewed as a defensive measure, is reframed as a *strategic resource* when coupled with innovation and customization.

Marketing practices also reveal theoretical advancement. Traditional marketing differentiation is often unattainable due to limited resources, leading SMEs to adopt network-based and digital strategies, such as word of mouth and social media (Alalwan et al., 2023; Stokes & Wilson, 2010). These practices reflect *resource complementarity*—where strong innovation or customization compensates for weaker marketing capacity through external collaboration (Hogarth-Scott et al., 1996). Thus, marketing becomes less about promotional spending and more about leveraging relational and digital resources, extending RBV by recognizing complementarities across resource domains.

Our findings also highlight the domestic orientation of high-performing SMEs. While internationalization is often portrayed as critical for growth (Leonidou, 2004; Ribeiro-Soriano, 2017), these firms first consolidate local markets, leveraging local knowledge as a strategic advantage (Nooteboom, 1994). This indicates that internationalization is not a universal pathway but a *context-contingent capability*. Digital platforms, however, are gradually lowering barriers to global expansion (Monteiro et al., 2024). The contribution here is to challenge deterministic views of globalization by showing that *domestic consolidation can be a dynamic capability in volatile environments*.

Another key practice is strategic agility, in which SMEs adopt responsive, adaptive strategies—such as networking, digital marketing, and opportunistic adaptation—to thrive in turbulent markets (Jones & Rowley, 2011). Agility captures entrepreneurial orientation, risk-taking, and an adaptive culture, with emerging technologies such as AI further amplifying responsiveness (Kumar et al., 2023; Hansen, Christiansen, & Lassen, 2024). This reframes RBV by conceptualizing agility not simply as a resource but as an evolving *meta-capability* that integrates innovation, networks, and leadership.

Finally, the findings highlight how SMEs combine innovation, customization, and cost control to create combinative capabilities (Sirmon, Hitt, & Ireland, 2007; Teece et al., 1997). Bundling resources produces synergies that deliver differentiation in competitive markets (Botella-Carrubi, Ulrich-Berenguer, & Ribeiro-Soriano, 2025). Partnerships

further extend resource boundaries, allowing SMEs to access complementary assets beyond firm-level constraints (Gomes et al., 2023).

CONCLUSIONS

This study critically examines best practices among high-performing SMEs, revealing that a single strategy is insufficient for sustained success in challenging markets. Our findings align with strategic management theories, suggesting that a combination of innovative, customized, and cost-effective strategies contributes to high performance. While cost control remains vital, the emphasis on innovation and customization is crucial for competing effectively and meeting customer needs. The study also highlights that internationalization is less prevalent among high-performing SMEs, with many focusing on domestic growth and adaptation rather than extensive global expansion. This understanding enriches the literature on SME strategies and offers practical insights for firms seeking to navigate complex market conditions.

The study emphasizes the continued relevance of the Resource-Based View (RBV) in explaining the competitive advantage of high-performing SMEs. According to the RBV framework, a firm's competitive advantage is derived from its unique resources and capabilities that are valuable, rare, inimitable, and non-substitutable. The findings illustrate how SMEs in Pakistan show these characteristics to achieve and sustain superior performance, validating the RBV's foundational principles (Barney, 1991). The study highlights differentiation as a strategic resource that aligns with RBV principles. Firms that invest in advanced technology and innovative features can exploit market opportunities and neutralize competitive threats. These resources are valuable and rare, making them difficult for competitors to replicate. This supports the RBV argument that unique technological and innovative resources can provide a sustainable competitive edge (Peteraf, 1993). Customization emerges as a critical capability for high-performing SMEs. By tailoring products and services to specific customer needs, these firms enhance customer satisfaction and loyalty. This is consistent with RBV's assertion that firms achieve superior performance through capabilities that address unique market demands. Customization becomes a valuable and rare capability that differentiates firms from their competitors, further supporting the RBV framework (Teece, Pisano, & Shuen, 1997). The study's focus on internationalization illustrates the application of RBV principles on a global scale. Firms that adapt their products and establish local operations utilize their unique resources to overcome geographic and cultural barriers. The ability to tailor products for local markets and expand globally reinforces the RBV's emphasis on the strategic utilization of resources (Verbeke, 2013; Peng & Meyer, 2011). The study reveals how high-performing SMEs use premium pricing and focus on high margins as part of their differentiation strategy. Firms with unique and rare resources can command higher prices, reflecting their ability to deliver exceptional value. This aligns with the RBV, which posits that firms with distinctive resources can achieve greater profitability through premium pricing and high-margin practices (Rumelt, 1984). The study's findings demonstrate that high-performing SMEs successfully utilize their unique resources—whether technological, design-oriented, or customizable—to achieve superior performance. This reaffirms the RBV's relevance in explaining how SMEs can thrive despite environmental challenges (Hitt, Ireland, & Hoskisson, 2017; Wright et al., 2014). The theoretical implications provide practical insights for SMEs. This includes investing in innovation, customization, and strategic internationalization, which are critical for achieving and sustaining competitive advantage in dynamic markets (Barney & Clark, 2007; Teece, 2014).

SMEs should prioritize cost-efficiency by implementing business practices that focus on reducing production costs and using cost-monitoring systems. Adopting a low-pricing strategy can also enhance competitive advantage, while leveraging core technologies or services in which the business has expertise can improve performance and differentiation. To stand out in competitive markets, SMEs should invest in continuous innovation and prioritize developing new products, services, or processes. Embracing ad-hoc innovation driven by customer feedback can also provide a competitive edge. Premium pricing strategies and marketing differentiation, emphasizing the company's image, can further enhance market positioning. Offering customized products or services, coupled with a focus on high quality, can meet specific customer needs and create added value. Adopting market customization strategies, such as targeting niche markets, can help SMEs capture specialized segments and drive growth. SMEs considering international expansion should explore opportunities to enter new markets while expanding their domestic market presence. However, for those focusing on the domestic market, understanding the local market dynamics and customer preferences is crucial.

Policymakers can develop targeted support programs that help SMEs implement cost-efficiency measures, adopt innovation, and explore international market opportunities. Providing financial incentives or subsidies for technology adoption and innovation can also be beneficial. Creating a conducive regulatory environment that supports market expansion and provides access to international markets can encourage SMEs to pursue growth opportunities beyond domestic borders. Offering training programs that focus on best practices in cost management, innovation, and market differentiation can help SMEs build the skills necessary for sustained success. In conclusion, the study underlines the importance of strategic focus areas such as cost efficiency, differentiation, customization, and internationalization for high-performing SMEs. By adopting these strategies, SMEs can enhance their competitive position and achieve sustainable growth in Pakistan's dynamic business environment.

While the study provides valuable insights into best business practices among high-performing SMEs in Pakistan, several limitations must be considered: The focus on SMEs exclusively in Pakistan may limit the generalizability of the findings to SMEs in other regions or countries. The unique economic, cultural, and business environments in Pakistan may not fully represent the challenges and strategies applicable in different contexts. The research relies on a relatively small and specific sample of 10 SMEs from a single country, which should be acknowledged as a limitation. The limited number of participants might not capture the full range of business practices and experiences within the broader SME sector. The study provides a snapshot of current best practices, but it may not account for how these practices evolve. The dynamic nature of business environments means that strategies effective today might not be as relevant in the future. The research

may have limited applicability across different sectors within the SME landscape. Findings relevant to high-performing SMEs in specific industries might not be directly transferable to other industries or types of businesses.

Including a more diverse geographical sample in future studies can enhance the generalizability of the findings and provide insights into how different business environments impact practices. Conducting research over an extended period can capture changes and trends in business practices, offering a dynamic view of how strategies evolve and their long-term impacts. Focusing on specific sectors within the SME landscape might reveal unique practices and challenges that are not apparent in broader studies. Furthermore, the study highlights key strategies that contribute to SME success. Future research could explore how these strategies vary across different sectors or regions within Pakistan. Comparative studies with SMEs in other emerging markets could also provide additional insights. The use of qualitative methods in this study provides a deep understanding of business practices. Researchers may consider using similar qualitative approaches or mixed methods to investigate other aspects of SME success and performance.

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