**Research Topic:** *The Impact of Strategic Resource Management on Competitive Advantage and Firm Performance in Small and Medium Enterprises (SMEs)*

## Theoretical Framework

The theoretical framework for this study is grounded in the Resource-Based View (RBV) theory, which provides a valuable lens for examining how firms develop competitive advantage through the strategic management of their internal resources. The RBV focuses on firm-specific assets and capabilities that enable organizations to outperform competitors and sustain superior performance over time (Barney, 1991). In the context of Small and Medium Enterprises (SMEs), which often operate with limited resources and face intense competition, understanding the role of strategic resource management is critical. This framework guides the investigation into how SMEs utilize their unique resources strategically to enhance competitive advantage and firm performance, thereby filling a critical gap in SME management literature.

Introduction to the Theoretical Framework

The RBV has been widely used to explain firm performance variations by emphasizing internal resource heterogeneity and immobility (Wernerfelt, 1984). Barney (1991) argued that resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide sustainable competitive advantage. Empirical studies have demonstrated that SMEs can leverage strategic resource management to compensate for resource constraints, improving innovation, operational efficiency, and market positioning (Wiklund & Shepherd, 2003; Newbert, 2007). However, research specifically linking strategic resource management to competitive advantage and performance in SMEs remains sparse. Recent studies suggest that how SMEs develop and deploy resources strategically is a key determinant of their growth and sustainability (Mazzarol & Reboud, 2020). This study addresses the literature gap by investigating the interplay between resource management, competitive advantage, and firm performance in SMEs.

Review of Literature

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The Resource-Based View (RBV) is the core theoretical underpinning of this study. RBV posits that firms are heterogeneous in their resource endowments, and these differences lead to varying competitive advantages (Barney, 1991; Peteraf, 1993). Strategic resources include tangible and intangible assets such as human capital, technological know-how, organizational culture, and financial resources (Barney, 1991). Competitive advantage arises when a firm exploits these resources to create value in ways competitors cannot easily replicate (Wernerfelt, 1984). Firm performance is evaluated through financial outcomes, market share, and growth metrics, reflecting the success of strategic initiatives (Venkatraman & Ramanujam, 1986). Strategic resource management involves identifying, developing, and deploying resources effectively to maximize their potential (Grant, 1991).

**Explanation of Key Theories and Concepts**

Based on RBV, strategic resource management (independent variable) is expected to positively influence competitive advantage (mediating variable), which in turn enhances firm performance (dependent variable). Resources that are valuable and rare enable SMEs to differentiate their offerings, while inimitability and non-substitutability sustain this advantage over time (Barney, 1991). By managing resources strategically, SMEs can develop dynamic capabilities to respond to environmental changes, thereby reinforcing competitive advantage and improving performance (Teece, Pisano, & Shuen, 1997). This relationship underscores the importance of internal resource optimization as a driver of superior SME performance.

**Relationship Between Variables**

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The RBV framework assumes that resources are heterogeneous across firms and that these differences are persistent due to the difficulty of transferring or replicating resources (Barney, 1991; Peteraf, 1993). It also assumes that firms are rational actors capable of recognizing and exploiting their resource strengths for strategic benefit (Grant, 1991). Furthermore, the theory presupposes those external environmental conditions provide opportunities that firms can seize through effective resource utilization (Teece et al., 1997). These assumptions are critical for applying RBV to SMEs, where internal resource management plays a vital role in overcoming external competitive pressures.

**Assumptions of the Theoretical Framework**

The Resource-Based View is highly appropriate for this research because it centers on internal factors that SMEs can control directly, rather than external market forces that may be less manageable for smaller firms (Barney, 1991). Unlike other frameworks, such as Porter's Five Forces, which focus on industry structure, RBV highlights unique resources as the foundation of sustainable competitive advantage (Porter, 1985). This focus is crucial for SMEs, which typically lack the scale to influence industry dynamics but can excel by leveraging distinctive resources (Wiklund & Shepherd, 2003). Thus, RBV provides a robust conceptual foundation for examining how strategic resource management affects competitive advantage and firm performance in the SME context.

**Justification for the Theoretical Framework**

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