

Managing Local Resources to Improve Community Empowerment and Reduce Poverty

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ABSTRACT

This study aimed to build a model describing the relationships among local resources management strategy, community empowerment and poverty alleviation. This is a conceptual paper describing a key role of local resources to improve the skill of local community which lead to reduce poverty. Well managed local resources utilizing technology might increase value added and improve the income of society. It is argued that imperfectly imitable and non-substitutable local resources contribute to society economy improvement, therefore it will have a greater impact on poverty reduction. Theoretical contribution of this study is to enlarge body of knowledge in the field of strategic management. Meanwhile, managerial implications of this study can be applied by small medium enterprises (SME) and stakeholders to manage local resources and solve poverty problems.

Type of paper: Review

Keywords: local resources; RBV; community empowerment; poverty

1. Introduction

The utilization of local resources as a competitive advantage has been attracting numerous academics and practitioners for the last few years (see Tokuda, 2005; Barney, 2001). One of those theories that very fascinating is Resourced-Based View (RBV) which classified as a substantial approach to manage resources and capabilities strategically. However, much debate has been addressed to criticize RBV by arguing that it does not presently appear to meet the empirical content criterion required of a theoretical system (Priem and Butler, 2001; McKelvey, 1997; Hunt, 1991; Bacharach, 1989). Priem and Butler (2001) have provided some suggestions for where and how the RBV may be able to contribute. They point out that the greatest potential likely will only be realized through complementary and integrated use of the RBV together with other, demand-oriented perspectives.

The existence of RBV in strategic management considered as a key driver and capability of firms to achieve competitive advantages (Yang *et al.*, 2009; Yasemin *et al.*, 2006). Capabilities and all resources may be utilized as tools to determine competitiveness position in the market.

This is in line with the argument of Galunic and Rodan (1998) who point out that competitive advantage of a firm might be derived from its resources. To be a source of sustained competitive advantage for a firm, resources must be valuable and rare, as well as inimitable and non-substitutable by rivals (Kariuki and Kilika, 2017).

Although there have been several researchers investigating RBV (see McKelvey, 1997; Yang *et al.*, 2009), their locus is limited on firms and big companies. More precisely, lack of RBV research has been conducted and implemented in the context of community empowerment and poverty reduction. Hence, the most critical question is how local resources that imperfectly imitable and non-substitutable provide contribution to empower community and reduce poverty. Although community empowerment has been discussed by several management scholars, little empirical work has been performed. Therefore, there is a need to investigate local resources using RBV theory approach which is integrated with local community empowerment and poverty alleviation.

2. Literature Review

2.1. Local Resources Management

The popularity of the resource-based “view” (RBV) of strategic management is manifest in its rapid diffusion throughout the strategy literature (Priem and Butler, 2001). This theory has been developed and studied as the basic for managing local resources to generate competitive advantage. To do so, a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable, and not readily obtainable in factor markets (Powell, 1992).

Resource-based theory attributes advantage in an industry to a firm’s control over bundles of unique material, human, organizational and locational resources and skills that enable unique value-creating strategies (Rindova and Fombrun, 1999). Hence, firms will generate sustained competitive advantage, gain higher profit and better performance.

2.2. Community Empowerment

Concepts of empowerment vary according to the necessity to explore and explain diverse contexts (Eyben *et al.*, 2006). In the field of management studies, concept of empowerment among both management researchers and practitioners has been reviewed thoroughly by some scholars (see Block, 1991; Conger and Kanungo, 1988). Empowerment is defined as a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information (Conger and Kanungo, 1988).

Empowerment is simultaneously a consequence and a process of development at individual or community scales (Rappaport, 1987). Empowerment is both a value orientation for working in the community and a theoretical model for understanding the process and consequence of efforts to exert control and influence over decisions that affect one’s life, organizational functioning, and the quality of community life” (Perkins and Zimmerman, 1995). There are four dimensions of empowerment at individual and community scales put forward by Constantino *et al.* (2012)

namely psychological, social, economic, and political. Many interpretations of community empowerment are based on understandings of this concept as either as a process or as an outcome (Bernstein *et al.*, 1994). Through the process of empowerment, communities can assume power to act effectively to change their lives and environment. The community empowerment process promotes the participation of people, organizations and communities for increased individual and community control, political efficacy, improved quality of life and social justice (Laverack and Wallerstein, 2001)

2.3. Poverty

The meaning of poverty may be intuitively obvious, but its measurement is complex (Adams *et al.*, 2004). The meaning of poverty depends on the society. However, common definitions are based on monetary (such as per-capita income) or non-monetary (such as health or mortality) criteria, although broader approaches have been suggested (Sen, 2001). Poverty is a multi-dimensional concept implying lack of income, lack of resources and deprivation of means of livelihood.

Bradshaw (2007) examines theories of poverty place its origin from individual deficiencies, cultural belief systems that support subcultures in poverty, political-economic distortions, geographical disparities, or cumulative and circumstantial origins. People who live in poor conditions being mainly involved in livestock and agricultural activities, they face many challenges, including a lack of access to the market, inadequate skills, illiteracy, droughts, and financial problems (Ramimi, 2015). To overcome these problems, it requires proper identifications of the poor including their characteristics and survival strategies (Elijah and Ogunlade, 2006).

3. Research Methodology

The main purpose of this paper is to build a model integrating local resources management, community empowerment, and poverty reduction. Although previous studies have described these constructs (see Narayan, 2002; Tokuda, 2005), but lack of research investigated relationships those three constructs in a comprehensive model. To propose hypotheses of this study, review on literature has been conducted to fulfill requirements to be tested using structural equation modeling.

Measures used in this study employed existing literature. The construct of local resources management is measured using multi-item scales adapted from Hitt *et al.* (2011). The measures consist of tangible resources (physical evidence, financial resources and natural resources) and intangible resources (human capital, organizational capital and relational capital). Measures for community empowerment are based upon the existing literature put forward by Narayan (2002). The measures are divided into four elements of empowerment including access to information, inclusion and participation, accountability, and local organizational capacity. Poverty is measured using monetary (income and purchasing power) and non-monetary criteria (health and education) adapted from Sen (2001).

4. Discussion

4.1 *Local resources management and community empowerment*

Local resources can be utilized as a source of competitive and comparative advantage if they are managed professionally. In doing so, communities in that area are required to improve their capabilities and skills. Hence, community empowerment is viewed as a process rather than as an outcome, which is most consistently determined in the literature. By measuring community empowerment as a process, it is possible to monitor the interaction between capacities, skills and resources at the individual and organizational levels (Laverack and Wallerstein, 2001). Therefore, managing local resources is a very important aspect to empower community.

In line with the above argument, Constantino et al. (2012) have assessed four types of scales that facilitated local empowerment included the value of natural resources, rights to trade and manage resources, political organization of communities, and collaboration by stakeholders. They point out that managing natural resources in a positive way might improve community empowerment. In addition, Laverack and Wallerstein (2001) identified factors influencing community empowerment namely participation, leadership, problem assessment, and organizational structure. Lack of community capabilities can affect the failure of community empowerment (Adamson, 2010). His findings identify major barriers to the achievement of community empowerment including issues of community capacity, institutional capacity, organizational cultures and regulatory frameworks. These scholars believe that local resources that are well managed and traded will improve community empowerment. Therefore, it is proposed that *“local resources management positively influences community empowerment”*.

4.2 *Community empowerment and poverty reduction*

Community empowerment has become a popular topic in many areas and it has been implemented as one of strategies to reduce poverty. Although no one theory explains all instances of poverty, Bradshaw (2007) examined how community development practices that address the complex and overlapping sources of poverty more effectively reduce poverty compared to programs that address a single theory. In this case, poverty needs to be addressed using approach from various background of study. This is due to poverty is a multifaceted concept which include social, economic, and political elements.

Parallel with the above argument, Ramimi (2015) suggested community empowerment as a solution to poverty reduction. When people become more empower, their capabilities and skills are getting higher, and therefore they tend to achieve better education, health, and economy level. More precisely, community will earn better income and live in enhanced conditions. This is also supported by Narayan (2002) who point out that community empowerment is a useful approach to overcome poverty problems in many countries. Based on these studies, it is proposed that *“community empowerment positively influences poverty reduction”*.

4.3 *Local resources management and poverty reduction*

Local resources should be utilized and managed in proper, wise and professional ways. The resources include both tangible and intangible assets such as natural resources, human capital, and relational capital. When local resources are well managed, the product can compete in the markets not only in domestic markets but also in global markets. This is in agreement with

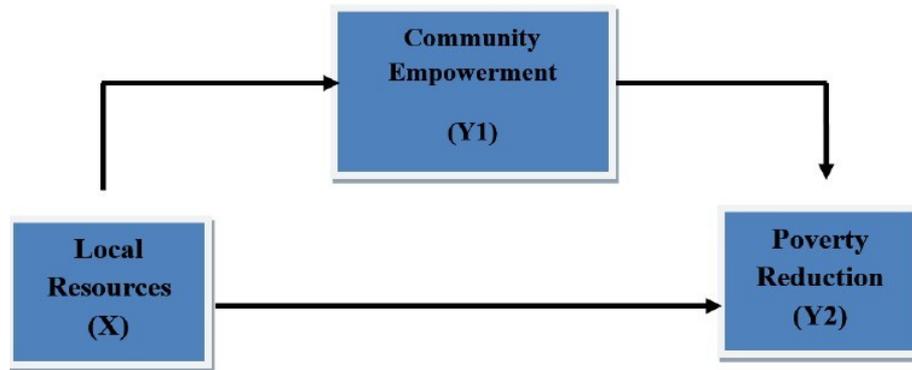


Figure 1. Model of Study

Collis' study (1991) that examined the contribution of local resources to global competition in particular and to strategic management in general.

Moreover, Moser (1998) has investigated how asset management affects household poverty and vulnerability. Those assets consisting of tangible and intangible assets will provide benefits to community if they are well managed. Hence, local resources management will impact on economic development which in turn increase income and reduce poverty. Therefore, it is proposed that *“local resources management positively influences poverty reduction”*.

Based on the above discussion, a proposed model of study can be figured out in Figure 1.

5. Conclusion

Poverty is a major and pivotal problem across country, specifically in developing countries. Academics in all background of study are challenged to provide contributions in reducing poverty. In other words, it need to be solved using multi discipline approaches. To contribute to this issue, this paper suggests some proposed hypotheses to be tested in empirical study based on literature review.

This paper has also discussed the importance of community empowerment for reducing poverty. Communities need to improve their capabilities and skills through local resources management. They need to be trained to be more entrepreneurs and well informed to get an access to information and technology. To sum up, managing local resources is a useful approach for empowering community that lead to alleviating poverty.

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