



Management Arts

Elixir Mgmt. Arts 50 (2012) 10171-10174

Elixir
ISSN: 2229-712X

Strategic entrepreneurship and small firm competitiveness: a resource-based theoretical perspective

William K. Ladanu

Department of Business Administration, Bowen University, Iwo, Osun State, Nigeria. P.M.B. 284, Iwo, Osun State, Nigeria.

ARTICLE INFO

Article history:

Received: 2 July 2012;

Received in revised form:

16 August 2012;

Accepted: 29 August 2012;

Keywords

Strategic Entrepreneurship,
Resource-Based View,
Small firm,
Competencies,
Competitive Advantage.

ABSTRACT

This paper advances research on strategic entrepreneurship and small firm competitiveness from the Resource-Based perspective. Several scholars have explained the Resource-Based View mainly in the context of the large firms. The paper considers a review of literatures on strategic entrepreneurship and the Resource-Based View and contends small firms lack resources compared with the large ones, however, their “opportunity-seeking” activities is a rare resource. It is opined an understanding of the interactions of these concepts, that is, the simultaneous pursuit of “opportunity- and advantage-seeking” positions is critical for small firms that operate in dynamic competitive environments to create and sustain competitive advantages.

© 2012 Elixir All rights reserved.

Introduction

Small firms form the backbone of many economies (Kroop et al., 2006). According to the El-Gohary et al., (2008) the small enterprises contribute significantly to the economic growth and development of many economies. Okpara (2009) opines small firms are characterised by dynamism, innovativeness, efficiency, flexibility which enables quicker decision making. Consequently, in many countries, small firms are seen as strategic to industrial development and competitiveness (Hallberg, 2000; Kazeem and Van der Heijden, 2006). However, many small firms, as well as large ones, operate in turbulent and rapidly changing environments, faced with increased globalisation and changing customer demands and opportunities (Gosselin and Bauwen, 2006; Swierczek and Ha, 2003; Teece et al., 1997; Moller et al., 2005). In most cases, large firms are more endowed in terms of resources and therefore competences than the small firms (Ketchen et al., 2007). From the foregoing, scholars and practitioners of many small firms remain focused with keen interests in studying and understanding how small firms operate in a dynamic competitive environment. In this context, how small firms strategically align the little resources to achieve and sustain competitive advantage becomes important.

The aim of this study is to increase our understanding of small firm competitiveness through their entrepreneurial activities (opportunity-seeking behaviours) from a Resource-Based perspective. Further, the paper aims at highlighting how small firms can grapple with the challenges in the competitive environment through the strategic (advantage-seeking) as well as entrepreneurial alignment of resources to create and sustain competitive advantages. “Competitive advantage is at the heart of firm’s performance”, opines Bani-Hani and AlHawary, (2009).

This article, continues with a review of literatures on strategic entrepreneurship and the Resource-Based View and

then presents an integration of these concepts in the context of the competitiveness of the small firm.

The concept of strategic entrepreneurship

The concept of strategic entrepreneurship, according to Shindehutte and Morris (2009) is a new concept in the field of management. It is evident from the name, that strategic entrepreneurship welds together the entrepreneurship and strategy domains (Ketchen et al., 2007). The word “strategy” finds numerous definitions in the management field. Mintzberg (2003) considers strategy as a process that is encapsulated in the five P’s of Plan, Ploy, Pattern, Position and Perspective. Wiklund and Shepherd (2003) consider strategy the firm’s strategy in terms of its entrepreneurial orientation. Entrepreneurial orientation reflects the firm’s propensity to strategically achieve its objectives by engaging in innovative, risk-taking and proactive activities (Knight, 2000). Further, Kuratko and Audrestch (2009) consider strategy as the image the firm wants to create for itself and how it hopes to create that image. Mansfield and Fourie (2004) included “organisational learning” as part of the strategy blend of focused actions. What is common to both large and small firms is the use of strategy to achieve and sustain competitive advantages. Also, a clear unambiguous strategy is important for creating and sustaining competitive advantages by the small firms. Despite the fact that the dynamism and flexibility of the small firm come to bear in strategy formulation and implementation, much of the strategy literature has been dominated by the large firms (Gilinsky et al., 2001). Slater and Olson (2000) consider strategies as appropriately unique and necessary for firms to achieve and sustain the desired competitive advantage.

In a competitive environment, managers of firms need the efficient and effective application of resources strategically and entrepreneurially to create and sustain competitive advantages (Ireland et al., 2001; Kuratko et al., 2001). In fact, Jantunen et al., (2005) succinctly stated that “organisational and

technological capabilities may offer sustainable competitive advantage to a firm in rapidly changing markets only if it is able to recognise changes and understand their consequences, and reconfigure its firm-specific asset base and processes continuously to match the requirements of the environment". In other-words, firms need to be entrepreneurially inclined as well as being strategic too. Entrepreneurship is considered significant at enabling firms face the intense competitions at the local and global levels (Zahra et al., 2000). It is equally important to governments (Kor et al., 2007) and has significant advantages to the economy too (McDougall and Oviatt, 2000). The attention of the firm's entrepreneurial activities centers on opportunity-seeking behaviours as well as the continuous envisioning of new concepts and processes (Schendel and Hitt, 2007; Shane and Venkataraman, 2000). In fact, many scholars that include Lee et al., 2001; Zahra et al., 2003; Ogunsiji and Ladanu, 2010; Burgelman, 2002; Ireland and Webb, 2007; Ireland et al., 2003; agree entrepreneurial activities coupled with the strategic orientation of the firm towards opportunities and resources are necessary for competence building and leveraging to create and sustain competitive advantages. Strategic entrepreneurship therefore entails the simultaneous pursuit of opportunity- and advantage-seeking behaviours of firms (Steffens et al., 2009; Kuratko and Audrestch, 2009).

We contend that strategic entrepreneurship (advantage- and opportunity-seeking activities) is necessary particularly for small firms that will enable them use their flexibility to adapt and deal with the dynamism of opportunities in the competitive landscapes to create wealth, competitive advantages and sustain market positions.

The resource-based view

The Resource-Based View (RBV) is a dominant theoretical framework in the strategic and entrepreneurship fields developed to explain how firms achieve and sustain competitive advantages (Barney, 1991; Barney and Mackey, 2005; Wernerfelt, 1984; Alvarez and Busenitz, 2001; Caldeira and Ward, 2001; Teece et al., 1997). The RBV theory contends that firms' resources and capabilities are the sources of their competitive advantage, hence wealth creation. Further, according to Barney (1991), firms will have competitive advantage when the resources are:

1. Valuable: having some strategic value for the firm;
2. Rare: resource is unique and difficult to obtain or find by competitors;
3. Imperfect imitability: resources cannot be imitated or copied by competitors; and
4. Non-substitutability: competitors do not have a substitute or alternative to accomplish the same results.

This theory therefore considers firms as heterogeneous entities with resources that can be classified as tangible and intangible assets. Other researchers simply classify resources to be human (knowledge and experience of the personnel), physical (plant, equipments and machineries), technological, organisational capital and financial capital. Resources are necessary and must be efficiently and effectively utilised to create capabilities that will achieve and sustain competitive advantages. Capabilities, opines Sanchez (2004) are "repeatable patterns of action in the use of assets to create, produce and/or offer products to a market". Consequently, firms need to strategically enhance their resources (which are mainly internal) and capabilities such as to create difficult-to-replicate competences by competitors in a dynamic environment.

The RBV despite the criticism, conceptually and empirically has been shown to be significant at enhancing value creation and therefore continues to be a dominant force in the understanding of firms' competitiveness.

Combining strategic entrepreneurship and the resource-based theory to understand firm competitiveness

Firm competitive advantage has mainly been considered from the perspectives of the Structure/Position approach (Porter, 1980) and that of the Resource-Based View of the firm (Wernerfelt, 1984; Barney et al., 2001; Fiol, 2001; Morgan et al., 2006). For this paper, we base our arguments of strategic entrepreneurship and firm competitiveness using the RBV. We hold the perspective that resources alone do not create and sustain competitive advantage. Scholars including Grant (1991) and Kay (1993) hold the same view. Firms must implement strategies effectively and efficiently their resources and capabilities to create and sustain CA (Barney, 2002). Grant (1991) considers capabilities as the arrowheads of competitive advantage (CA) while resources are the dominant source of the firm's capabilities. Also, Alvarez and Busenitz (2001) contend that entrepreneurial behaviours or activities are necessary to combine different resources such that will generate new heterogeneous resources and new capabilities for the firm. In other-words, firms need entrepreneurial and strategic behaviours in order to create heterogeneity of their resources to create something of value for customers. To Alvarez and Busenitz (2001), "heterogeneity is a common attribute of both the Resource-Based View and entrepreneurship". It is anticipated that such new heterogeneous resources and capabilities must be valuable, rare, imperfectly imitable and difficult to replicate by competitors to create and sustain competitive advantage.

Small firms have limited resources and capabilities compared to large firms. Consequently, small firms need a combination of different kinds of resources and capabilities for competitive advantage (Zahra et al., 2006; Fleisher and Bensoussan, 2003). The opportunity-seeking and therefore entrepreneurial behaviours of small firms is greater compared to large enterprises however their deficiencies in resources limits the appropriate utilisation of these opportunities to create and sustain competitive advantages. However, Ketchen et al., (2007) opines "large firms tend to be skilled at establishing competitive advantages", albeit through advantage-seeking behaviours despite the limitations of operational structures and procedures.

Overall, we believe that for small firms to survive, create and sustain competitive advantage in a dynamic environment, they need to strategically deploy their opportunity-seeking skills and enhance their advantage-seeking behaviours such that will accentuate customer values that are rare, valuable, imperfectly imitable and that cannot be substituted for by competitors.

Conclusion and recommendations

In this paper, we have used the RBV, a leading framework in the strategic management field and strategic entrepreneurship to further our understanding of small firm competitiveness. Further, that for large as well as small firms, though resources are the major drivers of firm competitiveness, resources alone cannot achieve and sustain competitive advantage. Hence small firms achieve competitive advantage inspite of their deficiencies or the lack of resources compared with large firms by creating distinctive competences from their opportunity-seeking behaviours. This is a valuable, rare, imperfectly imitable and non-substitutable resource that the small firm deploys with its

characteristic manner of dynamism and flexibility in a dynamic environment.

However, a combination of advantage-seeking and opportunity-seeking (strategic entrepreneurial behaviours) and in a balanced mix is crucial to achieving and sustaining CA in a dynamic environment. Consequently, we recommend small firms need to enhance their opportunity-seeking resource towards advantage-seeking positions that dynamically create new capabilities that favour sustainable competitive advantage.

References

- Alvarez, S A, & Busenitz, L W (2001). The entrepreneurship of resource-based theory. *Journal of management*, 27, pp. 755-775.
- Bani-Hani, J S and AlHawary, F A (2009). The Impact of Core Competencies on Competitive Advantage: The Strategic Challenge. *International Bulletin of Business Administration*, 6, pp. 93-104.
- Barney, J B (1991). Firm resources and sustainable competitive advantage, *Journal of Management*, 17, pp. 99-120.
- Barney, J, Wright, M & Ketchen, D J (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 6, pp. 625-641.
- Barney, J B (2002), *Gaining and Sustaining Competitive Advantage*, second edition, Prentice Hall.
- Barney, J B and Mackey, T B (2005). Testing Resource-Based Theory. In *Research Methodology in Strategy and Management* (Volume 2), Ketchen D. J., Bergh D.D. (eds.). Elsevier: New York; 1-13.
- Burgelman, R A (2002). Strategy as Vector and the Inertia of Co-evolutionary Lock-in, *Administrative Science Quarterly*, 47, pp. 325-357.
- Caldeira, M M and Ward, J M (2001). Using Resource-Based Theory to interpret the Successful Adoption and Use of Information Systems & Technology in Manufacturing Small and Medium Sized Enterprises. *Global Co-operation in the New Millennium*, The 9th European Conference on Information Systems, Bled, Slovenia, June 27-29, pp. 1159-1169.
- El-Gohary, H, Trueman, M and Fakukawa, H (2008). E-marketing and Small Business Enterprises: A Review of the Methodologies, *Journal of Business & Public Policy*, 2, (2) pp. 64-93.
- Fiol, C M (2001). Revisiting an identity-based view of sustainable competitive advantage. *Journal of Management*, 27, pp. 691-699.
- Fleisher, C S, & Bensoussan, B E (2003). *Strategic and competitive analysis: methods and techniques for analyzing business competition*. Upper Saddle River, New Jersey: Prentice Hall.
- Gilinsky, E, Stanny, R.L, McCline and R. Eyler (2001): Does firm size matter? An empirical investigation into the competitive strategies of the small firm, *Journal of Small Business Strategy*, 12 (2) pp. 1-11
- Gosselin, D P & Bauwen, G A (2006). Strategic Account Management: Customer Value Creation Through Customer Alignment, *Journal of Business & Industrial Marketing*, 21(6), pp. 376-385.
- Grant, R M (1991), *The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation*, *California Management Review*, Spring, pp. 114-135.
- Hallberg, K (2000). A market Oriented Strategy for Small and Medium-Scale Enterprises. IFC Discussion Paper 40. <http://www.ifc.org> accessed 17 June, 2009.
- Ireland, R D Hitt, M A, Camp, S M & Sexton, D L (2001). Integrating entrepreneurship and strategic management action to create firm wealth. *Academy of Management Executive*, 15(1) pp. 49-63.
- Ireland, R D Hitt, M A & Sirmon, D G (2003). A Model of Strategic Entrepreneurship: the Construct and its Dimensions. *Journal of Management*, 29, 1-26.
- Ireland, R D & Webb, J W (2007). Strategic entrepreneurship: Creating competitive advantage through streams of innovation. *Business Horizons*, 50 (1) pp. 49-59.
- Jantunen, A Puumalainen, K Saarenketo, S & Kyläheiko, K (2005). Entrepreneurial orientation, dynamic capabilities and international performance. *Journal of International Entrepreneurship*, 3, pp. 223-243.
- Kay, J (1993). The structure of strategy. *Business strategy review*, 4, pp. 17-37.
- Kazeem, A and Van der Heijden, B (2006). Exporting Firms' Strategic Choices: The Case of Egyptian SMEs in the Food Industry, *SAM Advanced Management Journal*, 71 (3) pp. 21-33.
- Ketchen, D J Ireland, R D & Snow, C C. (2007). Strategic entrepreneurship, collaborative innovation, and wealth creation. *Strategic Entrepreneurship Journal*, 1(3-4), pp. 371-385.
- Knight, G (2000). Entrepreneurship and Marketing Strategy: The SME Under Globalization, *Journal of International Marketing*, 8 (2), pp. 12 - 32.
- Kor, Y Y Joseph, M T and Michael, S C (2007). Resources, Capabilities and Entrepreneurial Perceptions, *Journal of Management Studies*, 44(7), pp.1187-1212.
- Kropp, F Lindsay, N J Shoham, A (2006). Entrepreneurial, Market, and Learning Orientations and International Entrepreneurial Business Venture Performance in South African Firms, *International Marketing Review*, 23 (5) pp. 504-523.
- Kuratko, D F Ireland, R D & Hornsby, J S (2001). Improving firm performance through entrepreneurial actions: Acordia's corporate entrepreneurship strategy. *Academy of Management Executive*, 15(4), pp. 60-71.
- Kuratko, D F & Audretsch, D B (2009). Strategic Entrepreneurship: Exploring Different Perspectives of an Emerging Concept. *Entrepreneurship Theory and Practice*, 33(1), pp. 1-17.
- Lee, C Lee, K & Pennings, J M (2001). Internal capabilities, external networks, and performance: A study on technology-based ventures. *Strategic Management Journal*, 22(6/7), pp. 615-640.
- Mansfield, G M & Fourie, L C H (2004). Strategy and Business Models-Strange Bedfellows? A Case for Convergence and its Evolution into Strategic Architecture, *South African Journal of Business Management*, 35(1), pp.35-44.
- McDougall, P P and Oviatt, B M (2000). International Entrepreneurship: The Intersection of Two Research Paths, *Academy of Management Journal*, 43(5), pp. 903-906.
- Mintzberg, H Lampel, J Quinn, J & Ghoshal, S (2003). *The Strategy Process: Concepts, Contexts and Cases*, New Jersey: Prentice-Hall
- Moller, K Rajala, A and Svahn, S (2005). Strategic Business Nets- Their type and management. *Journal of Business Research*, 58, pp. 1274-1284.
- Morgan, N A Vorhies, D W & Schlegelmilch, B B (2006). The resource-performance relationship in export ventures: the role of resource inimitability and substitutability. *Industrial marketing management*, 35(5) pp. 621-633.

- Ogunsiji, A S & Ladanu, W K (2010). Entrepreneurial Orientation as a Panacea for the Ebbing Productivity in Nigerian Small and Medium Enterprises: A Theoretical Perspective. *International Business Research*, 3, 4, (October), pp. 192-199.
- Okpara, J O (2009). Entrepreneurial Orientation and Export Performance: Evidence from an Emerging Economy, *International Review of Business Research Papers*, 5 (6) pp. 195-211
- Porter, M E (1980). *Competitive strategy*. New York: The Free Press.
- Schendel D & Hitt, M A (2007). Comments from the editors: Introduction to Volume 1. *Strategic Entrepreneurship Journal*, 1(1/2), pp. 1-6.
- Schindehutte, M & Morris, M H (2009). Advancing entrepreneurship Research: the Role of Complexity Science in Shifting the Paradigm. *Entrepreneurship Theory and Practice*, 33, 1, pp. 241-276.
- Shane, S & Venkataraman, S (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25 (1), pp. 217-226.
- Slater, S F and Olson, E M (2000). Strategy Type and Performance: The Influence of Sales Force Management, *Strategic Management Journal*, 21 pp. 813-829.
- Steffens, P Davidsson, P & Fitzsimmons, J (2009). Performance Configurations Over Time: Implications for Growth- and Profit-Oriented Strategies, *Entrepreneurship Theory and Practice*, 33(1), pp. 125-148.
- Swierczek, F W & Ha, T T (2003). Entrepreneurial Orientation, Uncertainty Avoidance and Firm Performance. *Entrepreneurship and Innovation*, 4(1) pp. 46 - 58.
- Teece, D J Pisano, G & Schuen, A (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7) pp. 509-533.
- Wernerfelt, B (1984). A resource-based view of the firm. *Strategic management Journal*, 5, pp. 171-180.
- Wiklund, J and Shepherd, D (2003). Knowledge-Based Resources, Entrepreneurial Orientation and the Performance of Small and Medium-sized Businesses, *Strategic Management Journal*, 24 (13) pp. 1307-1314.
- Zahra, S A & Garvis, D M (2000). International corporate entrepreneurship and firm performance: The moderating effect of international environmental hostility. *Journal of Business Venturing*, 15, pp. 469-492.
- Zahra, S A Matherne, B P and Carleton, J M (2003). Technological Resource Leveraging and the Internationalisation of New Ventures, *Journal of International Entrepreneurship*, 1 (2) pp. 163-186.
- Zahra, S A Sapieanza, H J & Davidsson, P (2006). Entrepreneurship and Dynamic Capabilities: A Review, Model, and Research Agenda. *Journal of Management Studies*. 43 (4) pp. 917-955.