

***BUILDING ENTREPRENEURIAL BEHAVIOUR CAPABILITIES FOR STRATEGIC ENTREPRENEURSHIP IN SMES**

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Abstract

The objective of this paper is to investigate the challenges of developing entrepreneurship within existing Small and Medium-sized Enterprises (SMEs). Nowadays, SMEs have to improve their business strategy at a drastically fast pace to overcome the challenges of a turbulent environment. They must be actively involved in innovation and successful change activities which could contribute in added value to the continuity of their business growth. Based on resource-based view of the firm theory (RBV), we try to make use of the managerial mechanisms that would increase the entrepreneurial behaviour capabilities (EBC) for strategic entrepreneurship in SMEs. RBV provides the theoretical underpinnings for understanding how the organisational resources (e.g., human resources) can be managed strategically. There are five elements of EBC (management support, work discretion, rewards, time allocation, and organisational boundaries) that been identified and is it discussed in the context of SMEs achieving strategic entrepreneurship.

Keywords: behaviours, capabilities, entrepreneurship, SMEs, strategic

1.0 Introduction

Entrepreneurs in Small and Medium-sized Enterprises (SMEs) are known for their rare strategies in developing competitive strength for organisational growth, especially for the long term period. However, they have to improve their business strategy at a drastically fast pace to overcome the challenges of a turbulent environment in highly competitive markets. For

example, entrepreneurship can be one of the fundamental business strategies for these organisations. Thus, they must start to develop such new intangible strategic assets for the success of businesses. The development of brands, reputation, and the culture of the organisation is enthusiastically viewed as providing sustainable sources of business advantage (Chong, Holden, Wilhelmij and Schmidt, 2000). One way of acquiring business advantage in SMEs can be done through entrepreneurial behaviours. This is a viable concept to be encouraged and could be expected to enhance organisational performance (Kuratko and Montagno, 1989).

And nowadays, many changes have altered the identity or culture in these organisations, since they had to undergo restructuring and downsizing. According to Zahra, Kuratko and Jennings (1999), the organisation has introduced entrepreneurial spirit throughout their management and this entrepreneurship becomes the elixir that successful organisations require to survive. Entrepreneurship is concerning about the discovery and exploitation of lucrative opportunity that could bring profits by an individual (Venkataraman, 1997), who builds up an organisation from the perspective of entrepreneurial opportunities. Hence, the existing SMEs need to exercise their entrepreneurial opportunities which can be defined as “the business environment where entrepreneurs cluster new or existing materials, services, products and some initiatives of innovation that bring profits in buying and selling activities” (Casson, 1982).

1.1 Entrepreneur

Schumpeter (1950) described an entrepreneur as a person or an individual who is willing and able to convert a new idea or invention into a successful innovation of products or services. Meanwhile, entrepreneurship can be a process of creating something new through new businesses by dedicating the necessary time, effort, and finance, and overcoming risks that are generally in response to identified opportunities in order to achieve monetary reward, independence, and personal satisfaction.

1.2 Strategic Entrepreneurship

Strategic entrepreneurship (SE) involves synchronised opportunity-seeking and advantage-seeking behaviours and results in continuously improving firm performance. Based to Ireland *et al.* (2003) study, SE is about the utilisation of entrepreneurial opportunities through organisational performance to achieve sustainable competitive advantage and wealth creation. In order to thrive in the long term, SMEs would face challenges towards their innovation and new business development efforts. So, they must exploit managerial mechanisms, for instance entrepreneurial behaviours, as a strategy to successfully achieve their goals. An organisation’s strategy is the roadmap of actions towards the accomplishment of its long-term business objectives. Therefore, SE is regarding how the entrepreneur is involved in business innovation and successive changes, which can be used to sustain competitive advantage and also take advantage of new profit opportunities (Covin and Slevin, 2002). Business innovation is an ability to apply creative solutions to problems to enhance organisational productivity (Schumpeter, 1950) and it has also been highlighted by Covin and Slevin (2002) as an important factor used to symbolise the domain of entrepreneurship.

In addition, the business innovation function depends on the social processes where an individual or a set of people creates sustainable wealth from business activities for the community by combining resources that they discover and exploiting any entrepreneurial opportunity (Ireland, Hitt, Camp, and Sexton, 2001). These opportunities will provide the growth of SMEs in achieving strategic entrepreneurship (Kuratko, Ireland and Hornsby, 2001).

1.3 The Resource-Based View of the Firm (RBV)

The RBV highlights the theoretical underpinnings for understanding how organisational resources (*e.g.*, human resource and organisational culture) can be managed strategically. The theory is commonly used by strategic management scholars and it is now increasingly explored by entrepreneurship scholars to distinguish and explain why performances of organisations are different (Alvarez and Barney, 2001). From the perspective of RBV, an organisation can inculcate competitive advantages and superior performance from its strategic resources that are uncommon, not easy to imitate, or procure (Barney, 1991). For example, SMEs may gain competitive advantage through resource combinations (*e.g.*, entrepreneurial behaviours) that support their competitive positioning in the market place (Borch, Huse and Senneseth, 1999). Entrepreneurial behaviour can be presented as the “entrepreneur’s characteristics or personality within an existing organisation as a set of activities and practices by which individuals at self-sufficiency are able to generate and use innovative resource combinations to identify and pursue opportunities”. Hornsby, Kuratko and Zahra (2002) found five factors that can be related to entrepreneurial behaviours and become most important factors to influence and develop the entrepreneurial behaviour capabilities (EBC).

Here, we introduce the EBC term which highlights the relationship between entrepreneurs and its personality characteristics or behaviours which are critically important. Entrepreneurial behaviour, as suggested by many researchers, can be a major host of purposes of strategic entrepreneurship, including strategic renewal, increased profitability (Vozikis, Bruton, Prasad, and Merikas, 1999), international success (Birkinshaw, 1997), and the effective configuration of resources as the pathway to developing competitive advantages (Borch *et al.*, 1999). For the purpose of this paper, entrepreneurship can be defined as a set of behaviours that initiates and manages the reallocation of economic resources, with the purpose of value creation through those means (Herron and Robinson, 1993). Also, entrepreneurs are defined as individuals who pursue opportunities with the exercising of choices and long-term focus in mind (Miner, 1997). Therefore, this definition can be correlated with EBC, which recognises factors such as management support, work discretion, rewards, time allocation, and organisational boundaries as being important factors (Kuratko, Ireland, Covin and Hornsby, 2005) in analysing the process of SME entrepreneur behaviours in achieving strategic entrepreneurship. The second section of this paper discusses the role of entrepreneurship in the context of SMEs. Section three will explore the area of EBC from the lens of RBV, while the section four looks at the functions of EBC in SMEs. Lastly, section five will round up the paper with a conclusion.

2.0 Small and Medium-sized Enterprises (SMEs)

On a general basis, SMEs are more effective in identifying entrepreneurial opportunities, but are less successful in developing competitive advantages needed to fully realise the value from those opportunities. In contrast, large and established organisations are relatively more effective in establishing competitive advantages, but are less able to identify new entrepreneurial opportunities. However, by discovering the entrepreneurial opportunities, both organisational types, *i.e.* SMEs and large organisations, are able to identify customer needs and thus will develop future revenues (Meyer and Heppard, 2000). SMEs, including micro enterprises, are essential in terms of the relationship between society/community and economic development in any country. For example, in Malaysia, there are more than 500,000 companies in the SME segment, representing the largest percentage of business establishments and supply more than 3 million jobs (Normah, 2006). According to the Bank Negara Malaysia (BNM), SMEs can be presented by three categories as depicted in Table 1.

Table 1 : SME category

Category		Definitions
Primary Agriculture		A micro, small and medium enterprise in primary agriculture is an enterprise with full-time employees not exceeding than 50 or annual sales turnover not exceeding RM 5 million
Manufacturing Based	Agro- and Manufacturing-Related Services (MRS)	A micro, small and medium enterprise in manufacturing (agro-based) and MRS is an enterprise with full time employees not exceeding 150 or with annual sales turnover not exceeding RM 25 million.
Services (Including ICT)	Sectors	A micro, small and medium enterprise in services is an enterprise with full time employees not exceeding 50 or with annual sales turnover not exceeding RM 5 million.

2.1 Entrepreneurship-driven and constraints

SMEs are often viewed as entrepreneurship-driven compared to large organisations. Some particular reasons are; (1) the entrepreneur is an individual (e.g., owner-manager) who plays almost central roles, and is strong and pragmatic, driven by needs of independence and achievement (Collins and Moore, 1970); (2) the entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation (Schumpeter, 1950); (3) and (3) Mintzberg (1989) linked entrepreneurship to small businesses which are created and characterised by a simple structure that gives the owner the ability to express his leadership. In the meantime, SMEs are also argued to suffer from fragile structure, limited business strategies, and emotional bond with values of families (D’Amboise and Muldowney, 1988). Some of them are less competitive and innovative, which results from traditionally based management and organisational structure practices. Furthermore, there are suggestions that management in SMEs is characterised by limited resources and lack of specialisation (Gilmore, Carson and O’Donnell, 2001).

In nowadays business environment, SMEs are also exposed to uncertain constraints in local and international markets, such as policy and legal framework, finance, socio-cultural values, and technology. These constraints may lead SMEs to struggle by exploiting market opportunities through dramatic change of business strategy and proactive behaviour (Dess, Lumpkin and McGee, 1999). SMEs with limited opportunity must be creative in order to develop new ideas of business strategies such as change in organisational structure (Messegham, 2003) such as human resource capability (e.g., behaviour). Since the promotion of entrepreneurial behaviour is essential to be developed among the entrepreneurs of SMEs, it is important to make sure this plan can be successful in order to survive and flourish. According to Chell, Haworth, and Brearley (1991), “the contradiction is that entrepreneurship appears to be directly related to individual behaviour, and much of human behaviour is too complex to count”. Thus, it is the intention of this paper to investigate the potential source of EBC that can be useful for SMEs to achieve strategic entrepreneurship through the insight of RBV.

3.0 Theoretical Background

The RBV highlights the theoretical underpinnings for understanding how organisational resources (e.g., human resource) can be managed strategically. The theory is commonly used by strategic management scholars and it is now being increasingly explored by entrepreneurship scholars to distinguish and explain why the performances of organisations

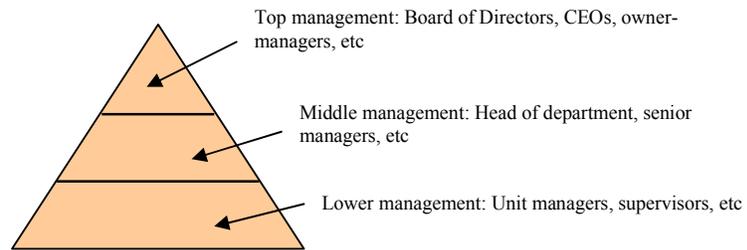
are different (Alvarez and Barney, 2001). From the perspective of RBV, an organisation can provide competitive advantage and superior performance from its strategic resources that are uncommon and difficult to imitate (Barney, 1991). RBV implies that differential endowment of organisational resources is an important determinant of strategy and performance. These resources include assets, capabilities, information, knowledge, technologies, and others, controlled by the organisation, and enabling it to conceive and implement strategies that improve its effectiveness and efficiency.

However, RBV research has been criticised for supporting a strategy to decide but be deficient in ways on how to develop it (Priem and Butler, 2001). An understanding on how entrepreneurial actions, and the process and combination of resources have not been previously discovered by organisations to lead it specific heterogeneous resources (Alvarez and Busenitz, 2001). According to Chandler and Hanks (1994), RBV only provides a research setting for empirical work on entrepreneurship. Thus, it gives uncertain understanding about how an organisation can develop a process of identifying strategic resources. Hence, the field of entrepreneurship needs to move further to create specific boundaries to establish the field's legitimacy and distinctive contribution (Busenitz, West, Shepherd, Nelson, Chandler and Zacharakis, 2001). Some research had shown that managing resources in such ways which depends on the organisation's differential performance would enable it to achieve competitive advantages. As suggested by some scholars (Hitt, Bierman, Shimizu and Koachhar, 2001), human resource has direct and indirect impact on organisational performance and is known as a critical factor for organisational success. Human resource can be knowledge, behaviour, and skills that personnel have in the entire organisation (Covin and Slevin, 2002). Therefore, human resource is viewed as a determinant of differential organisational performance (Coff, 2002) and it was suggested that it is most important for the organisation to manage its resources in a strategic manner.

3.1 Entrepreneurial Behaviour

In current business environment, exploiting existing strategic resources (e.g., position in market place, business ventures, etc.) will not able to give extensive momentum for SMEs to create competitive advantages. As Casson (1995) pointed out, an entrepreneur must establish an organisation to exploit his or her entrepreneurial behaviour (as support services) in searching for profits. Entrepreneurial behaviour can be defined as the entrepreneur having a constellation of functions, activities, and actions involved in the perception of opportunities and the creation of organisations (Misra and Kumar, 2000). Fundamentally, entrepreneurial behaviours are the entrepreneur outcome variables. These can include all conscious behaviour executed in the process of opportunity search, opportunity recognition, sense-making, organisation creation, product/service launch, exchange, and growth. The literature suggested that managers at all levels of management play important roles for organisational success (Ireland, Hitt and Vaidyanath, 2002). Traditionally, in the general context of SMEs, the owner (e.g., entrepreneur) of these organisations also becomes the overall manager at any level of managerial position. Principally, the managers could become the foundation of available resources that shape the development, growth, and the direction of organisation to reach it objectives. Figure 1 shows the three levels of position in management structures that must be administered by responsible managers.

Figure 1: Management Structures



Each of these managers has different actions as associated with each managerial role (Miller and Camp, 1985). For example, Burgelman (1984) argued that top management personnel are more concerned with the strategic determination process of creating new businesses into the organisation's portfolio. Meanwhile Ghoshal and Bartlett (1998) viewed middle-level managers as enablers of individual entrepreneurial actions by communicating information exchanges between the two other managerial levels. These middle-level managers are also related to the innovation process that create new ventures, or engaged in strategic actions (Nonaka and Takeuchi, 1995). The lower level of management personnel are responsible to ensure that the decisions and plans taken by the other two levels are carried out. Each manager has different roles, responsibilities, and behaviours in performing their tasks. Burgelman (1983) found two ways for entrepreneurial behaviour to flourish, which are autonomous strategic behaviour and induced strategic behaviour. Meanwhile, Kuratko, Montagno and Honsby (1990) found three other factors, namely management support, organisational structure, and rewards, to be the most important elements that portray managerial behaviours. However, based on an advanced study by Kuratko *et al.* (2005), there are five factors that can be used to structure EBC, in other words, management support, work discretion, rewards, time allocation, and organisational boundaries.

3.2 Definitions of Entrepreneurial Behaviour Capabilities (EBCs)

By responding to the RBV criticisms, and based on Kuratko *et al.* (2005), this paper tries to develop a subset of managerial mechanism, which is Entrepreneurial Behaviour Capabilities (EBC). This approach is concerned with how the SMEs, particularly its owner-manager (e.g., entrepreneur), can create an EBC to achieve strategic entrepreneurship. Table 2 provides the representative list of other definitions of entrepreneurial behaviour that refers to the EBC.

Table 2 : Definitions of entrepreneurial behaviour

Author	Definition
Kuratko <i>et al.</i> , (2005)	EBC relates to the discovery, evaluation, and exploitation of entrepreneurial opportunities.
Aldrich and Zimmer (1986)	EBC relates to the internal locus of control, low aversion to risk taking, aggressiveness, ambition and a high need for achievement.
Begley and Boyd (1987)	EBC describes the need for achievement, internal locus of control, moderate propensity for risk taking, and tolerance for ambiguity.
Burgelman (1983)	EBC involves key activities such as coaching, strategic building, delineating, and negotiating.

These definitions illustrate how EBC can be a process to construct the capability of an organisation (through the entrepreneur), to build up its competences and physical resources alongside with the ever changing business environment. Ronstadt (1984) suggested entrepreneurial behaviour is something to do with the organisation's resources and entrepreneurial opportunities, which are characterised by innovation, pro-activeness, and risk-taking. An organisation with EBC adoption has motivation and is more willing to explore and continuously search for opportunities and solutions outside their realm and even willing to partake in risky business adventures Lumpkin and Dess (1996). The process of entrepreneurship is often described as essentially enabled by three main drivers: an entrepreneur, entrepreneurial opportunities, and resources that are acquired and deployed by the organisation in pursuing its objectives (Ronstadt, 1984). Therefore, as one of the more important organisational resources, EBC should be treated as part of the business strategy for SMEs to achieve their goals and objectives. RBV reviews EBC and its capability requires a specific management attention and investment, in order for their economic value to be fully realised – resources and capabilities that are socially complex, path dependent, tacit and onward (Barney, 1995). Next, we discuss how the functionality of EBC can be realised in SMEs in order to achieve their strategic entrepreneurship.

4.0 Entrepreneurial Behaviour Capabilities (EBCs) and Small and Medium-sized Enterprises (SMEs)

In this paper, the focus is on EBC that exists in SMEs, which can be facilitated to exploit its current competitive advantages and explore for future opportunities, and the competencies required to successfully pursuing them (Covin and Miles, 1999). An implementation of effective EBC becomes a necessary step to achieving various organisational goals (e.g., strategic entrepreneurship and innovations), and according to Hornsby et al. (2002), there are five organisational antecedents that can be formed into these EBC, as discussed in the following.

4.1 Management Support

Management support comes from people (owner-manager) who represent the top position in an organisation (Hambrick and Mason, 1984). Those people could be the president, chairman, CEO, and executive managers. They are able to anticipate, envision, maintain flexibility, and empower others to create strategic change for the whole organisation (Covin and Slevin, 2002). Then they must be willing to facilitate and promote entrepreneurial behaviour by discovery, evaluation, and exploitation of entrepreneurial opportunities (Smith and DiGregorio, 2002). SMEs are characterised by an entrepreneurial management style (Churchill and Muzyka, 1994). Their ability to grow and develop depend on management capability and support, they can manipulate resources which can confer an impact to overall operations. They also can perform as the organisational centre that uses management know-how and ability to identify entrepreneurial opportunities, such as strategic alliances, new investors, technology, and resources. By combining managerial skills, knowledge, and experience together with organisational resources and capabilities, they would effectively exploit market opportunities (West and Meyer, 1998).

A number of writers, such as Hitt *et al.* (2001), also emphasised that successful entrepreneurial organisations achieve their status because of their top management involvement. For example, Smith *et al.* (1994) reported that management support can create a positive relationship with organisational social integration and thus enhance its performance. As recommended by Daily, Certo, and Dalton (2000), management support can become a

major resource for organisational performance, where their capabilities, experience, knowledge (Reuber and Fisher, 1997) and learning are mobilised (entrepreneurial team), possibly leading to successfully achieving their objectives. In addition, Hambrick and Mason (1984) agreed that management support can be a setting for an organisation to make strategic decision-making toward customers, competitors, technology, and entrepreneurship behaviour. As a result, SMEs through management support (Stevenson and Jarillo, 1990) would create an outcome with more innovation products and services. We therefore present the first proposition: *H1 – We predict that in SMEs, there is a positive correlation between management support and the EBC to pursue SE.*

4.2 Work Discretion

To achieve strategic entrepreneurship, SMEs are encouraged to practise work discretion. This requires a top level management to tolerate failure, provide decision-making independence, be diplomatic, act professionally, allow freedom from excessive oversight, and give delegation of authority and responsibility to other staff. However, there is reluctance from top management (owner-manager) to delegate responsibility to others, for instance to middle-level managers. According to Gilmore *et al.* (2001) top management have uncertainties about the risk in the selection of appropriate staff to handle some business situations. However, with proper training, courses, learning skills and being cooperative with others, these uncertainties can be easily manageable. SMEs are known for their pessimistic reputation with its complexities of personal, social, cultural, and familial influences. However on the positive side, these characteristics have been highlighted as key strategic advantages (Aldrich and Waldinger, 1990). They also take advantage of their size, flexibility, and organisational structure to become a successful business. According to Mintzberg (1989), since SMEs have simple organisation structures, their management team is free to dissemble their leadership.

Nowadays, more and more SME owner-managers have applied technology as a highway to create opportunities for improved business performance. As part of work discretion practice, owner-managers believe that implementation of electronic Commerce (e-Commerce) will increase their sales (Simpson and Doherty, 2004), business promotion (Rowley, 2001), and development of electronic services (Heung, 2003). Delegation of authority to middle-level managers or family employees who have expertise in e-Commerce will ease operations, for example, on-line marketing implementation. It is also believed that knowledge and interest (e.g., good judgement) in technology by the owner-manager plays a significant function in determining e-Commerce activity in SMEs (Sarah and Sally, 2006). Main features why work discretion can work efficiently in SMEs are because of (1) top management functions as a key player can make fast strategic decisions without bureaucracy or formalisation, (2) belief and trust in family members for authority dissemination are more delightful, (3) employees with ability to work independently and demands less supervision, and (4) the simple and flexible organisational structure. Thus, by implementing work discretion as one way for formulating a SME business strategy is believed to be a successful factor for them to achieve strategic entrepreneurship. We therefore present the second proposition: *H2 – We predict that in SMEs, there is a positive correlation between work discretion that management allocates and the EBC to pursue SE.*

4.3 Rewards

Organisational outcomes can be either intrinsic (e.g., reputation, image) or extrinsic (e.g., total sales). Perceptions of these outcomes are made by the top management who plays a key role for achieving the organisation's visions and missions. By the nature of business, rewards or incentives are something that are given or received in return for achieving excellent outcomes.

It can come in the form of financial incentives or other tangible rewards that can create different effects or reflects the employees' efforts (Zenger, 1992; Stajkovic and Luthans, 1997). In general, there are two categories of rewards; (1) internal rewards and (2) external rewards. Internal rewards are given by the organisation to its employees for achieving a certain degree of satisfaction and performing ultimate responsibility for the success of projects in which they are involved in. These rewards are as a return for excellent hard work, and from the study by Block and MacMillan (1993), there are four categories of incentives: (1) equity and equity equivalents, (2) bonuses, (3) salary increases and promotions, and (4) recognition systems and rewards. Basically, rewards are more important than just a return but also as a key factor for employee motivation (e.g., to achieve self achievement, satisfaction, and objectives) toward the organisation outcomes, such as increased sales, productivity, market share, reduced waste, and labour efficiencies. Some of them use rewards as a channel for employees to spend extra hours on new ideas and working outside of normal routines to pursue an idea (Hornsby, Kuratko and Montagno, 1999). Lastly, rewards would lead to specific organisational desires, such as reestablishment of competitiveness and enhancement of organisational innovation capability (Kuratko et al., 2005).

On the other hand, external rewards may come from an association, for instance European Commission (EC) gives recognition to SMEs that have performed and achieved a stunning achievement in some categories. For example, the following awards are given to SMEs which excel in increased export, technology and innovativeness, and ICT: (1) *Export Awards* - for SMEs that have achieved substantial and sustained increase in export earnings, based on the products manufactured and the size of operations, (2) *Technology and Innovation Awards* - for SMEs that have made significant advances in the application of technology to a production or development process, leading to increased efficiency and improved product quality, and (3) *Information and Communication Technology (ICT) Awards* – bestowed to SMEs to stimulate the use of ICT by SMEs and are designed to reward SMEs for creative uses of ICT, since ICT offers a plethora of opportunities for SMEs to become more efficient, flexible, and customer-oriented. As a third factor of EBC, rewards are undeniably a key element that provides SMEs a driven power of human psychology to achieve strategic entrepreneurship. Therefore, we present the third proposition: *H3 – We predict that in SMEs, there is a positive correlation between rewards that the management awards and the EBC to pursue SE.*

4.4 Time Allocation

Time is not an exchangeable item. Unlike other resources or commodities, it cannot be deposited, replaced, or extended. Time has its own magnitude (e.g., 24 hours) and therefore what becomes a central management issue is how to manage time and it is often that lack of time is one of the key constraints that SME owner-managers have to deal with (Hisrich and Peters, 1998). Time allocation has to do with the workload that an individual, group, and organisation have to complete within the time required. Also, these jobs are structured in ways that support their efforts to achieve the organisation's short and long-term goals. How time is well understood and managed, or ways to use it entirely depends on their own personal discretion (Robbins, Bergman, Stagg and Coulter, 2000). Unfortunately, the study of time usage within SMEs is a relatively poorly understood phenomenon (Lane, Ding, Dandridge and Rudolph, 1999). According to Clayton (1998), most owner-managers in SMEs have chronic time shortage because they regularly sacrifice their own time off, weekends, and social time. This shows how important time is to these SME managers and how they have to find and spend very large amounts of time on their business and activities associated with it.

Time becomes an issue in SMEs because of the presence and absence of sufficient time to understand, analyse, and act upon business problems, which is a key determinant in successful management within the organisation (Svenson and Maule, 1993). According to Stalk (1998), time can act as a competitive resource. Therefore, how can time be treated as a source of competitive advantage? Time Management (TM) can be one strategy where SMEs can use to increase productivity and performance. The following are some examples that can be implemented. (1) *Doing the right thing* – managers/employees must be given clear guidelines, procedures, and approaches in their process to accomplish some tasks. They can be supervised in groups and teams, and be monitored from time to time as to better processes for completing tasks more efficiently. (2) *Avoiding unnecessary things* – this can be done in several ways, such as doing it right at first time, prioritise tasks, and implement flexible scheduling. As suggested by Shuman and Seeger (1986), by getting right information or correct data the first time, an organisation is likely to be more successful in making their business and innovation strategies quicker. (3) *Efficient problem handling* – let them (employees) be involved and participate in problem-solving meetings and as suggested by Badore (1992), they would have a unique understanding of their environment and insights that could enable them to develop effective solutions. Also according to Johnson and Rice (1987), employee involvement and collaboration with top management would drive more improvement efforts to solve more critical problems. Therefore, we present the fourth proposition: *H4 – We predict that in SMEs, there is a positive correlation between time allocation that management provides and the EBC to pursue SE.*

4.5 Organisational Boundaries

Generally in SMEs, the entrepreneurial behaviour issues focus on areas that surround the owner-manager capabilities, for instance, how they seek and create new recognition, opportunity, and ability to reorganise resources (e.g., new inventions and innovations). However, not many discover the limitations that they may pose, for example, what and how their behaviours can be in the way of achieving efficient organisational growth. Hence, the organisational boundaries are related to the limitations that restrict the owner-managers through its expected outcomes which come from the organisational resources. Owner-managers have their own skills, thoughts, and means when organising their business. According to Forbes (1999), the understanding on how entrepreneurs think and make strategic decisions become significant research topics in the entrepreneurship field. Among them are cognitive thinking which is likely to have strengths and weaknesses in various competitive environments but a potential source of competitive advantage (Barney, 1991).

Some use heuristic approaches which are based on past experience, experiment, or belief that simplify the decision-making process (Busenitz and Barney, 1997). However, strategic decisions that are made from the limited, belief, or key experiences may not be reliable for the organisation's future. Owner-managers cannot depend on the expected outcomes that are based on some rewards or bonuses because the result would be different for each subsequent year. Also, they cannot anticipate how much time is needed within a year to accomplish some job improvements and innovations as compared to the proceeding year. These managers must realise that they are dealing with employees who have some limitations, both psychologically and physically. Additionally, their respective organisations would have their own limitations, like in human resources, financial constraints, competitors, customers, market changes, and technology applications.

Therefore, these managers must certainly understand why some changes are necessary to present the organisation with an opportunity for differentiation. One way to do that is through

organisational learning, which is illustrated by different consistent experiences, knowledge, and learning behaviours among the entrepreneurs (Westhead, Ucbasaran and Wright, 2003). A number of scholars have acknowledged the importance of organisational learning as a factor to influence entrepreneurial behaviour change and performance improvement (Hult, Ketchen and Nichols, 2002). The process of organisational learning can happen through information and knowledge acquisition, dissemination, and sharing. Importantly, when the owner-managers know their own capabilities, they are able to get what they expect and become more realistic. By the nature of entrepreneurs, they usually build on results from the repeated outcomes of success or failure (as a process or organisational learning) to reach their decisions (Alvarez and Busenitz, 2001). Therefore, we present the fifth proposition: *H5 – We predict that in SMEs, there is a positive correlation between organisational boundaries that the management identifies and the EBC to pursue SE.*

5.0 Conclusion

This paper highlights the managerial mechanisms that facilitating the SME objectives towards strategic entrepreneurship. Five different components of EBC were presented as an approach for SMEs to strengthen their business strategy. When viewing EBC from a broad perspective, this managerial mechanism has provided all actions that are need by the organisation to execute the discovery, evaluation, and exploitation of entrepreneurial opportunities (Smith and DiGregorio, 2002), as well as the way they think and make decisions to allow them to function effectively in the pursuit of their objectives. Many different studies have underlined the importance of SMEs and their ability to keep surviving in turbulent environments. This is because of their flexible advantages, including being able to quickly change in such unpredictable environments, the primary role played by the solely decision-maker/owner-manager, a simple organisation structure, an essentially local market, the implicit strategy, and a little planning and control (D'Amboise and Muldowney, 1988). Most importantly, the presentation of EBC in SMEs is the human resource/owner-manager (including their employees) that can be represented as unique organisational resources (Daily *et al.*, 2000). Other than EBC, skills for interpersonal communication, decision-making, teamwork, and creativity become extras for the SME development (Lovellace, Shapiro, and Weingart, 2001).

To date, the precise effects of entrepreneurial behaviour on individuals and organisations are not widely known (Kuratko *et al.*, 2005). However, it is believed that through the combination of EBC and organisational management, it would be more strategic for SME business development to move towards an international entrepreneurship, business diversification, and innovation. According to Zahra and George (2002), an international entrepreneurship can be defined as “the process of creatively discovering and exploiting opportunities that sprawl outside the firm’s domestic markets in the quest of competitive advantage”. Meanwhile, through business diversification, SMEs can trade their products and services through electronic-Business (e-Business). With the ability to exploit new technologies and to respond quickly to changing market needs, SMEs can use their innovation ability to turn a new idea into a working product efficiently. An implementation of EBC is considered important for SME survival. Apparently, it is because of those characteristics being unique and having socially complex resources that may be difficult for competitors to imitate since they are hard to systematically manage and influence (Alvarez and Busenitz, 2001). And when a firm’s resources and capability are socially complex, they are likely to be sources of sustained heterogeneity (Barney, 1995). Therefore, if the existing SMEs are able to exercise their EBC as a part of their business strategy, they would probably be in the right path to achieve strategic entrepreneurship.

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