

## **The Relationship between Entrepreneurship and Strategic Management in Small Scale Businesses: An Empirical Assessment of Developing Competitiveness**

**Azzam A. Abou-Moghli**

Department of Business Administration  
Faculty of Business  
Applied Science Private University  
Amman, Jordan

### **Abstract**

*The success of small and medium-sized enterprises (SMEs) is dependent on many factors, some of which are the dominant and prevailing character traits of entrepreneurs. The aim of the study is to examine the five attributes of entrepreneurs, namely; risk-taking, proactiveness, innovativeness, aggressiveness, and autonomy with regard to the success of the business and in particular with the development of competitiveness in the marketplace. The empirical study consisted of 70 small and medium-sized businesses and their owners in Jordan. A questionnaire was formulated and distributed to analyze the opinions of the entrepreneurs in relation to the importance of strategic management pursued by the entrepreneurs. The findings reveal significant relationship between innovative and collaborative entrepreneurs and the success of business. In a similar way, a significant and positive correlation has been found between business success and innovative and proactive entrepreneurs. In contrast, it has been revealed that the contribution of innovative and risk-taking entrepreneurs is not important in the success of business. Similarly, there was an insignificant and negative correlation between business success and a competitively aggressive and proactive entrepreneur. Although, this research revelation would help entrepreneurs to attain success; it is recommended that other studies should be conducted taking the attributes examined in the study and other traits of the entrepreneurs into consideration.*

**Keywords:** Small and Medium-Sized Enterprises, Entrepreneurs, Innovative, Competitiveness, Risk-taking.

### **Introduction**

The competition among SMEs has drastically increased owing to markets and operations going global and to rapid technological developments. Their survival is increasingly dependent on a number of factors which include various strategies followed by entrepreneurs. Entrepreneurship is the study of the processes that are involved in the establishment of a new business as well as the actual progression of starting a new business. Entrepreneurship has been described vaguely by many economists, however, the business dictionary definition of entrepreneurship provides less ambiguity and more clarity. Entrepreneurship can be defined as the ability to establish, manage and grow a business venture, taking into consideration its risks, with an intention of making a profit (Van Praag & Cramer, 2001). The people who establish businesses with these intentions and considerations are called 'Entrepreneurs'. An entrepreneur can either be the manager or the proprietor of a business initiative. In addition, he attempts to make profits by taking initiative and risks (Shane, 2003).

The evolution of an entrepreneur follows certain criteria and conditions. At the exploratory stage, there must be opportunities or situations that must be available for the entrepreneur to exploit his talents and available resources and generate profit. Secondly, entrepreneurship requires uniqueness. This could be a niche, an innovation, or the preferential access that he might be provided when launching his venture (Baker et al, 2016). This differentiation strategy provides the entrepreneur with a competitive advantage over others in the market (Zhao, 2005). Successful entrepreneurs are likely to understand and perceive market needs that are unmet and markets that are underserved. This unique ability of effective entrepreneurs is also an added ingredient that hugely assists in the sustenance and promotion of competitive advantage in such underserved markets. The most significant character trait that an entrepreneur must possess, is the ability to take and withstand risks in the process of establishing a business. Entrepreneurial opportunities comprise of the development of a business plan and strategy, acquiring the necessary material and financial resources, and taking ownership and responsibility for the success or the failure of an enterprise (Shane, 2003).

This is where risk aversion comes into play. More notably, the process of entrepreneurship is risky since, only after the opportunities are exploited are they fully identified. It has been proven that individuals who have a tendency toward risk-taking are the ones that are inclined to exploit business prospects (Burns, 2016).

Currently, many startups are seeking to develop competitiveness and their products are likely to attain and sustain a competitive edge through technological advantage. Contact networks have been utilized to obtain external information for firms to identify similar and compatible firms (Zahra & Wright, 2016). Furthermore, innovation amongst SMEs happen when they are part of groups and coordinate and collaborate well amongst themselves (Klewitz & Hansen, 2014). Networking plays an important role in the development of new products, procedures, and services. The learning that is derived from the collaboration of people, businesses and technologies, leads to innovation and provides a competitive edge (Mitra, 2000). SMEs that align their competitive strategies in line with the necessities of their respective situation, display excellent performance in comparison to those firms that fail to accomplish such an alignment (Jong et al, 2015). The scanning of the environment helps to identify opportunities to take advantage of and learn about conditions that threaten its survival or its performance in the pertinent industry (Beal, 2000).

Entrepreneurial orientation is best categorized by five characteristics, namely; risk-taking, proactiveness (Glaub et al, 2014), innovativeness, aggressiveness, and autonomy. The word “entrepreneur” is associated with “small business”. Many small businesses exclusively consist of the owner and a small number of employees (Lechner & Gudmundsson, 2014). However, the objective of entrepreneurs is more ambitious and they are looking for extensive sales, more employees, and expansion of their enterprise. The importance of managerial competence of the owner-manager in a small business cannot be overstated (Shane, 2003). The pressure of these responsibilities might have negative implications and lead to poor performance of entrepreneurs and ultimately to the failure of the firm. There is little empirical research to validate the proposition that efficient strategic management techniques employed by entrepreneurs play a significant role in running of their enterprises. In addition, there is even less understanding of how and why Entrepreneurs contribute to the strategic management of SMEs. Therefore, the present study aims to evaluate the importance of strategic management employed by entrepreneurs to survive in the globally competitive environment.

### ***Literature Review***

Entrepreneurs are strategic managers who oversee the establishment and expansion of an enterprise. Furthermore, entrepreneurship involves a progression where an individual or a group of individuals identify a business prospect and obtain and organize the necessary resources required for its initiation and growth. An entrepreneur strategizes by setting a goal, forming the competitive scope of the firm, creating the organizational capabilities, and taking actions for the implementation of the objectives. A study by Singh, Garg & Deshmukh (2008) aimed at identifying various aspects of strategies followed by SMEs for improving competitiveness of SMEs in the globalized marketplace. Research papers were reviewed and the study revealed that SME's did not focus earnestly to formulate effective strategies to sustain and grow in the competitive environment. In order to endure and compete, the entrepreneurs need to bring their resources, procedures, and their performance in par with the best in their relevant businesses.

In a study by Kuratko and Hodgetts (2007), various character traits of a successful entrepreneur were explored and examined. The study revealed that successful entrepreneurs had persistence, tenacity and dedication to achieve their objectives. Furthermore, successful enterprises are measured by entrepreneurs who drive to innovate, to create jobs and to compete. Their tenacity and determination for accomplishing their goals is pervasive. Entrepreneurs make crucial contributions to economic development through their strategic management skills, innovation, and leadership capabilities. Additionally, entrepreneurs have also played an essential role in job creation, formation of new industries, research and development, productivity, and global competitiveness

Another research study conducted by Komppula (2014), examined entrepreneurs role in improving rural tourism with regard to competitiveness index. Nine semi-structured interviews were conducted by recruiting entrepreneurs and executives of rural tourists' destination in the country of Finland. The results in the study contradict the established Destination Management Organization approach to the development of competition and competitiveness in business organizations.

The findings revealed that there is a significant relationship between progress in rural tourism and communication between enterprises. It was concluded that no tourist destination would succeed and grow without committed innovative, collaborative and risk-taking entrepreneurs.

Brustbauer, (2016) examined the role of Enterprise Risk Management (ERM) in small businesses. The aim of the study was to analyze the prerequisites for the application of ERM and ERM procedures. The impact of ERM on strategic orientation was also analyzed. A survey questionnaire was distributed and the results were ascertained using the structural model. The results revealed that either a passive or an active ERM approach is used by SMEs. An active approach resulted in a strategy that was offensive and a passive ERM tactic resulted in a strategy that was defensive. It was concluded that the application of ERM conceptualization may assist small and medium sized firms to adapt to the volatile business environment. This would help gain strategic advantage and also increase business success and competitiveness.

The hypothesis of this study can be stated as the following;

**H<sub>1</sub>:** There is a significant relationship between entrepreneurship and strategic management in small scale businesses in relation to developing competitiveness.

**H<sub>2</sub>:** There is no significant relationship between entrepreneurship and strategic management in small scale businesses in relation to developing competitiveness.

### ***Methodology***

The study is regarding small and medium-sized businesses in Jordan. The study has taken an empirical approach to analyze the relationship between entrepreneurship and strategic management in small scale businesses by analyzing the factors that foster competitiveness. The sample consisted of 70 small and medium-sized businesses and their owners. Only a sample of firm owners with less than 50 employees were selected. In addition, entrepreneurs who had founded their firm during the previous five years were included in the study. This selection was made from a random list of firms supplied by the chamber of commerce. The overall response rate was approximately 60%, which were a total of 42 entrepreneurs. However, the research study excluded retail, repair shops, franchises and restaurants. This exclusion criteria were followed in order to choose only those industries that allowed an entrepreneur a substantial degree of freedom to maneuver.

Questions were designed specifically with regard to the strategies that were employed by the owners in the success of their firms. Furthermore, questions were particularly formulated with regard to the development of competitiveness in the modern world of business. These questions were conveyed to analyze the opinions of the entrepreneurs in relation to the importance of strategic management pursued by these entrepreneurs. Additionally, this study was conducted to evaluate the combination of entrepreneurship with strategic management as a vital tool for the success of SMEs in the competitive and fast changing world. The non-probability convenience sampling technique was used for the study. The SMEs were visited randomly by the researchers and the questionnaires were provided to the entrepreneurs. The questions were carefully worded to avoid any misinterpretation and complex terms were also explained in simple language. The data obtained through the questionnaire has been analyzed using descriptive statistics.

### ***Results***

The aim of the study is to examine the success of the business, particularly with the development of competitiveness in the marketplace. The two categories of participants who were recruited were owners and managers of small businesses. The detailed classification for each feature is presented in Table 1. Amongst the total number of respondents; 40(95.23%) were males and 2 (4.76%) were females. Their ages ranged from 20 to 50 years and above. Out of these, 7(16.66%) were between 20-19 years of age; 18 (42.85%) were between 30-39 years of age; 10 (23.80%) belonged between 40-49 and 7 (16.66%) participants belonged to 50 and above age groups respectively. Furthermore, 27(64.28%) participants were graduates, 9 (21.42%) had completed high school and 6 (14.28%) had finished undergraduate studies. In addition, 34 (80.95%) were owners of their business and 8 (19.05%) were managers.

**Table 1: Demographics**

Education	Frequency	Percentages
Graduation	27	64.28
High school	9	21.42
Under graduation	6	14.28
Age		
20-29 years	7	16.66
30-39 years	18	42.85
40-49 years	10	23.80
50+ years	7	16.66
Gender		
Male	40	95.23
Female	2	4.76
Category		
Owners	34	80.95
Managers	8	19.05

**Table 2: Relationship between Autonomous and Proactive Entrepreneur in the Business Success**

Correlations			
		Autonomous Independent	Proactive
Autonomous Independent	Pearson Correlation	1	.042
	Sig. (2-tailed)		.032
	N	42	42
Proactive	Pearson Correlation	.042	1
	Sig. (2-tailed)	.032	
	N	42	42

The relationship between autonomous/independent and proactive entrepreneur in the success of business has been examined in Table 2. The findings have shown a positive and significant correlation between the business success and specific skills of entrepreneur ( $r = 0.042$ ,  $p = 0.032$ ).

**Table 3: Relationship between Innovative and Collaborative Entrepreneur in the Business Success**

Correlations			
		Innovative	Collaborative
Innovative	Pearson Correlation	1	.030
	Sig. (2-tailed)		.048
	N	42	42
Collaborative	Pearson Correlation	.030	1
	Sig. (2-tailed)	.048	
	N	42	42

Table 3 has presented the relationship between innovative and collaborative entrepreneur in the success of business. The findings have shown that innovative and collaborative entrepreneurs are important and their contributions are essential in the success of business ( $r = 0.030$ ,  $p = 0.048$ ).

**Table 4: Relationship between Innovative and Proactive Entrepreneur in the Business Success**

Correlations			
		Innovative	Proactive
Innovative	Pearson Correlation	1	.331*
	Sig. (2-tailed)		.032
	N	42	42
Proactive	Pearson Correlation	-.331*	1
	Sig. (2-tailed)	.032	
	N	42	42

\*. Correlation is significant at the 0.05 level (2-tailed).

The relationship between innovative and proactive entrepreneur in the success of business has been examined in Table 4. The findings have shown a positive and significant correlation between the business success and innovative and proactive entrepreneur ( $r = 0.331$ ,  $p = 0.032$ ).

**Table 5: Relationship between Innovative and Risk-taking Entrepreneur in the Business Success**

Correlations			
		Innovative	Risk taking
Innovative	Pearson Correlation	1	.192
	Sig. (2-tailed)		.223
	N	42	42
Risk taking	Pearson Correlation	.192	1
	Sig. (2-tailed)	.223	
	N	42	42

Table 5 has presented the relationship between innovative and risk-taking entrepreneur in the success of business. The findings have shown that the contribution of innovative and risk-taking entrepreneurs is not important in the success of business ( $r = 0.192$ ,  $p = 0.223$ ).

**Table 6: Relationship between Competitively Aggressive and Proactive Entrepreneur in the Business Success**

Correlations			
		Competitively Aggressive	Proactive
Competitively Aggressive	Pearson Correlation	1	-.058
	Sig. (2-tailed)		.714
	N	42	42
Proactive	Pearson Correlation	-.058	1
	Sig. (2-tailed)	.714	
	N	42	42

The relationship between competitively aggressive and proactive entrepreneur in the success of business has been examined in Table 6. The findings have shown a negative and insignificant correlation between the business success and competitively aggressive and proactive entrepreneur ( $r = -0.358$ ,  $p = 0.714$ ).

**Discussion**

The results have shown a better understanding towards the relationship between entrepreneurship and strategic management in small scale businesses. Particularly, the findings have shown a positive and significant relationship between innovative and proactive entrepreneur, innovative and collaborative entrepreneur and independent and collaborative entrepreneur. These findings have been consistent with previous studies. For instance, Karimi & Walter (2016) have explored different personality traits such as proactiveness, risk-taking and autonomy of entrepreneurs in relation to the adaptation of innovative business models. It was revealed that all the above traits were essential and played a significant role in the effective adaptation of business innovation. The results are consistent with the present study, with regard to the relationship between innovativeness and the success of a business. Similar results have been obtained by the study showing a positive relationship between the success of a business and the innovative attributes of the entrepreneur.

The results contradict the findings of the study conducted by Ebbers (2014), in which it was revealed that social collaboration and networks formed by entrepreneurs did not have a significant role getting business projects. In a study, Lonial & Carter, (2015) contend that though market, entrepreneurial, and learning orientations play a significant positive role individually in the progress of SMEs, they must not be seen in isolation. It was revealed that a strong relationship exists between entrepreneurial, market and learning orientation and the success of SMEs. It was concluded that while these organizational orientations may be implemented separately, there must be a joint adoption of all the three orientations for the success of SMEs.

In a study by Leković & Marić (2016), the role of innovation in the accomplishment of consistent competitive edge was analyzed. The findings of the study revealed that technological modernization played a significant role in the success of small sized businesses. In addition, any organizational modification in the procedures and approaches were also essential for the progress of small businesses. It was concluded that, for innovation to take place, there had to be a change in the strategy. This change would be, to develop the appropriate human resource to attain the objective of small businesses.

Consecutively, it was emphasized that collaboration and networking did not have any significant positive effect on the progress and growth of the business. Social networking did not have a positive effect on the number of businesses providing business projects to entrepreneurs. However, the results of the present study reveal that entrepreneurs who are collaborative play a significant role in the success of small sized businesses and that networking was essential for the success of small and medium sized enterprises.

### **Conclusion**

It is concluded that specific character traits and attributes of entrepreneurs play a significant role in the success of small and medium sized firms. A positive and significant correlation has been found between business success and innovative and proactive entrepreneur. In a similar way, there is a significant positive relationship between autonomous and proactive entrepreneur and the success of business. In contrast, there was a negative and insignificant correlation between business success and competitively aggressive and proactive entrepreneur. Similarly, the findings also reveal that the contribution of innovative and risk-taking entrepreneurs is not significant in the success of small and medium sized firms. It is recommended that importance must also be given to the inherent attributes of entrepreneurs in relation to the potential of success to be attained in their relevant businesses. Future studies should investigate the relationship between traits of entrepreneurs and the subsequent success or failure of the enterprises by undertaking different countries and sample sizes in their studies.

### **Acknowledgments**

The author is very thankful to all the associated personnel in any reference that contributed in/for the purpose of this research.

### **Conflict of Interest**

The research has no conflict of interest and is not funded through any source.

### **References**

- Baker, W. E., Grinstein, A., & Harmancioglu, N. (2016). Whose innovation performance benefits more from external networks: entrepreneurial or conservative firms? *Journal of Product Innovation Management*, 33(1), 104-120.
- Beal, R. M. (2000). Competing effectively: environmental scanning, competitive strategy, and organizational performance in small manufacturing firms. *Journal of small business management*, 38(1), 27.
- Brustbauer, J. (2016). Enterprise risk management in SMEs: Towards a structural model. *International Small Business Journal*, 34(1), 70-85.
- Burns, P. (2016). *Entrepreneurship and small business*. Palgrave Macmillan Limited.
- Ebbers, J. J. (2014). Networking behavior and contracting relationships among entrepreneurs in business incubators. *Entrepreneurship Theory and Practice*, 38(5), 1159-1181.

- Glaub, M. E., Frese, M., Fischer, S., & Hoppe, M. (2014). Increasing Personal Initiative in Small Business Managers or Owners Leads to Entrepreneurial Success: A Theory-Based Controlled Randomized Field Intervention for Evidence-Based Management. *Academy of Management Learning & Education*, 13(3), 354-379.
- Jong, J. P., Parker, S. K., Wennekers, S., & Wu, C. H. (2015). Entrepreneurial behavior in organizations: Does job design matter? *Entrepreneurship Theory and Practice*, 39(4), 981-995.
- Karimi, J., & Walter, Z. (2016). Corporate entrepreneurship, disruptive business model innovation adoption, and its performance: The case of the newspaper industry. *Long Range Planning*, 49(3), 342-360.
- Klewitz, J., & Hansen, E. G. (2014). Sustainability-oriented innovation of SMEs: a systematic review. *Journal of Cleaner Production*, 65, 57-75.
- Komppula, R. (2014). The role of individual entrepreneurs in the development of competitiveness for a rural tourism destination—A case study. *Tourism Management*, 40, 361-371.
- Kuratko, D. F., & Hodgetts, R. M. (2007). *Entrepreneurship: Theory, Process, Practice* 7th ed. (Mason, OH: Thomson/Southwestern Publishing).
- Lechner, C., & Gudmundsson, S. V. (2014). Entrepreneurial orientation, firm strategy and small firm performance. *International Small Business Journal*, 32(1), 36-60.
- Leković, B., & Marić, S. (2016). Innovativeness as a Source of Competitive Advantage for Entrepreneurial Ventures and Small Business. *Strategic Management*, 21(3), 3-12.
- Lonial, S. C., & Carter, R. E. (2015). The impact of organizational orientations on medium and small firm performance: A resource- based perspective. *Journal of Small Business Management*, 53(1), 94-113.
- Mitra, J. (2000). Making connections: innovation and collective learning in small businesses. *Education+ Training*, 42(4/5), 228-237.
- Shane, S. A. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Edward Elgar Publishing.
- Singh, R. K., Garg, S. K., & Deshmukh, S. G. (2008). Strategy development by SMEs for competitiveness: a review. *Benchmarking: An International Journal*, 15(5), 525-547.
- Van Praag, C. M., & Cramer, J. S. (2001). The roots of entrepreneurship and labour demand: Individual ability and low risk aversion. *Economica*, 68(269), 45-62.
- Zahra, S. A., & Wright, M. (2016). Understanding the social role of entrepreneurship. *Journal of Management Studies*, 53(4), 610-629.
- Zhao, F. (2005). Exploring the synergy between entrepreneurship and innovation. *International Journal of Entrepreneurial Behavior & Research*, 11(1), 25-41.