

Conceptualizing Strategic Entrepreneurship and SMEs Performance Using the Resource-Based Theory: A Literature Review

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Abstract

Small and Medium Enterprises (SMEs) contribute significantly to socio-economic development of any country. Despite the contribution, poor performance of SMEs has been reported due to various constraints. Strategic entrepreneurship has been identified as one of the approaches that can be used to promote SMEs performance. We aimed at developing a conceptual model that describes the influence of strategic entrepreneurship on SMEs performance under the mediation of competitive advantage. Guided by the Resource-Based Theory, the synergy of the Resource-Based View and the Knowledge Based View, we adopted learning orientation, strategic resources management and entrepreneurial orientation as components of strategic entrepreneurship. Through integrative literature review approach, we developed the conceptual model, which depicts the direct and indirect influence of strategic entrepreneurship components on SMEs performance. Furthermore, the model depicts the mediating effect of competitive advantage on the relationships between strategic entrepreneurship components and SMEs performance. We have contributed to the existing literature through introduction of strategic resources management as a component of strategic entrepreneurship, introduction of direct and indirect influences of strategic entrepreneurship components on SMEs performance and introduction of competitive advantage as a mediating variable between strategic entrepreneurship and SMEs performance. We have recommended for the testing of the proposed model in future studies across different industries to obtain empirical evidence. This would result to further theoretical and practical contributions to the existing knowledge.

Keywords: *Competitive advantage, SMEs performance, Resource-Based Theory, Strategic Entrepreneurship*

1.0 INTRODUCTION

Small and Medium Enterprises (SMEs) significantly contribute to socio-economic development not only in developing countries such as Tanzania but also worldwide. Unfortunately, despite the potential contributions, literature has reported poor performance of SMEs in many countries due to various constraints (see Wang, 2016; Appiah, et al., 2018; Islam & Hossain, 2018; Pasape, 2018). The existing constraints among SMEs are obstacles to their growth. Consequently, the constraints suppress the potential benefits offered by SMEs to socio-economic development of the society.

Studies conducted in Tanzania have unveiled that, growth of SMEs is hindered by lack of financial support from the government, lack of essential entrepreneurial skills (Kazimoto, 2014), inadequate business training, insufficient capital, and anti-entrepreneurial culture (Mashene & Rumanyika, 2014). In a recent study, Nkwabi and Mboya (2019) identified *inter alia* financial and capital constraints as critical among SMEs in Tanzania. Luckily, constraints related to business training and capital issues can be addressed by external stakeholders such as academic institutions and financial institutions

through the provision of formal training and financial loans respectively. However, anti-entrepreneurial culture remains at the heart of the firm to be addressed by individuals charged with day-to-day operations of the enterprises. In alleviating the adverse effects of anti-entrepreneurial culture, SMEs ought to promote entrepreneurial culture.

Entrepreneurial culture involves risk taking, flexibility, variability, and opportunity- and advantage-seeking actions (Dogan, 2015). Literature has shown that, entrepreneurial culture may be promoted through the adoption of strategic entrepreneurship, the synergy of entrepreneurship, and strategic management that involves opportunity- and advantage-seeking actions (Hitt, et al., 2001; Kraus & Kauraren, 2009). Despite its importance in creating competitive advantage and consequently promoting SMEs' performance, past studies have not yet provided the validated components of strategic entrepreneurship (Foss & Lyngsie, 2011; Gelard & Ghazi, 2014; Chai & Sa, 2016, Herath & Mahmood, 2013, Kantur, 2016). Lack of validated components generates ambiguity in understanding the extent strategic entrepreneurship influences competitive advantage, which eventually promotes SMEs' performance.

Entrepreneurs, policy makers, and other stakeholders expect to see a reliable knowledge accumulation regarding strategic entrepreneurship and SMEs' performance. In response to this expectation, several models have been developed in the past studies. Some contributions in developing the strategic entrepreneurship model include Ireland *et al.* (2003), Ireland and Webb (2007), Hitt, et al., (2011), Rezaian and Naeiji (2012), Awang *et al.* (2015), and Shirokova et al. (2019), to mention just a few. Despite the presence of such developed models in past studies, scholars have not yet agreed on the generic model of strategic entrepreneurship, which is universally accepted hence ambiguity in conceptualizing it. Due to the absence of common conceptualization of strategic entrepreneurship, some researchers (e.g. Covin & Wales, 2019) have been applying the term inconsistently. Therefore, lack of consensus in the conceptualization of strategic entrepreneurship calls for a need of developing robust conceptual models that may offer further theoretical and empirical contributions to the existing knowledge.

Guided by the Resource-Based Theory and by advancing the knowledge accumulated from past studies, we attempted to develop a conceptual model of strategic entrepreneurship and SMEs performance through integrative literature review approach.

2.0 THEORETICAL REVIEW

In order to systematically identify the potential components of strategic entrepreneurship, we used the Resource-Based Theory which is a composite theory derived from the Resource-Based View and Knowledge-Based View (Theriou, Aggelidis & Theriou, 2009).

The Resource-Based View suggests that firm's competitive advantage and superior performance emanate from the firm's specific resources and capabilities that are costly to be copied by rivals. In addition, such resources are valuable, rare, imperfectly imitable and non-substitutable; thus, the strategy of the firm of carrying out its business depends on the available resources (Barney, 1991).

Although it is widely agreed that, the Resource-Based View has emerged as one of the substantial theories of strategic management (Akio, 2005; Barney, Ketchen & Wright, 2011; Connor, 2005), some researchers have identified several weaknesses regarding its use in strategic management and entrepreneurship studies. The most cited weaknesses are three fold, first, the role of entrepreneurial strategies and abilities as one of the crucial sources of competitive advantage has been overlooked

(Akio, 2005; Priem & Butler, 2001). secondly, no broad explanation on how strategic assets are created or acquired (Connor, 2002); and thirdly, the Resource-Based View falls short on how and why certain firms have competitive advantage in situations of rapid and unpredictable change (dynamic environment) (Teece, Pisano & Shuen, 1997). In an attempt to alleviate the identified weaknesses, the Knowledge Based View has been introduced as an extension of the Resource-Based View (Curado, 2006).

The Knowledge Based View assumes that knowledge is the critical input in production and the primary source of value (Grant, 1996). However, building of distinctive capabilities and core competencies within the firm calls for knowledge management processes of creating, acquiring, storing, sharing, and deploying knowledge. Thus, firms should first build knowledge management capabilities so as to gain abilities of creating other necessary distinct capabilities and core competencies (Pemberton and Stonehouse, 2000 cited in Theriou *et al.*, 2009). Moreover, there is a growing consensus that competitive advantage can be obtained through knowledge management capabilities (Halawi, Aronson & McCarthy, 2005). In practice, organizations are also continuously increasing the development of knowledge management capabilities to obtain competitive advantage (Halawi *et al.*, 2005). Therefore, incorporation of the Knowledge Based View into the Resource-Based View continues to be the subject of much attention to most scholars (Borchert, 2008). The integration of the Resource-Based View and the Knowledge Based View yields the Resource-Based Theory, which stands a better chance to describe the influence of strategic entrepreneurship on SMEs performance under the mediation of competitive advantage than the individual views when used in isolation.

From the above argument, the Resource-Based Theory suggests that firm's competitive advantage and superior performance emanate from firm's specific resources and capabilities that are costly to be copied by rivals (Barney, 1991) and that the firm capabilities create core competencies (Pemberton & Stonehouse (2000) cited in Theriou *et al.* (2009)). In conclusion, we can say that the Resource-Based Theory is centred on the ground that competitive advantage of a firm, which leads to firm's performance is a result of knowledge management capabilities, firm resources, and strategy.

The integration of the Resource-Based View and Knowledge Based View to form a Resource-Based Theory is justified in the following grounds: first, the two perspectives are complimentary in explaining sources of competitive advantage through direct and indirect effects on firm performance. Secondly, both perspectives seek to explain the same phenomenon of sustained competitive advantage and thirdly, the unit of analysis, that is, a firm is the same in both cases (Theriou *et al.*, 2009).

3.0 METHODOLOGY

Despite the existence of many approaches of literature review, systematic, semi-systematic, and integrative literature reviews are the commonly used in the existing literature (Snyder, 2019). The application of each approach depends on various factors as shown in Table 1.

Table 1. Literature review approaches

	Systematic	Semi-systematic	Integrative
Typical purpose	Synthesize and compare evidence	Overview research area and track development over time	Critique and synthesize

Research questions	Specific	Broad	Broad or narrow
Search strategy	Systematic	May or not be systematic	Usually not systematic
Sample characteristics	Quantitative articles	Research articles	Research articles and other published texts
Analysis and evaluation	Quantitative Evidence of effect, inform policy and practice	Qualitative/quantitative State of knowledge, themes in literature, theoretical model	Qualitative Taxonomy or classification, theoretical model

Source: Adapted from Snyder (2019)

Since we aimed at developing a conceptual model of strategic entrepreneurship and SMEs performance under the mediation of competitive advantage as a contribution to the body of knowledge, based on the “typical purpose,” systematic and semi-systematic approaches were deemed inappropriate in this study. Systematic approach aims at synthesizing and comparing evidence while semi-systematic approach aims at over viewing research area and tracking development overtime. Therefore, the integrative approach, which aims at critiquing and synthesizing evidence, was found appropriate and hence used in this literature review (See Table 1).

In order to have a streamlined focus on the subject matter, we conducted a critical literature review on peer reviewed conceptual articles published in international journals related to strategic entrepreneurship and SMEs performance. Literature review was carried out between September 2018 and March 2019. All conceptual articles containing ‘strategic entrepreneurship’ or ‘strategic orientations’ as key words were eligible for inclusion in this study. However, since we aimed at developing conceptual model, empirical articles were not the subject matter of this study; hence, they were excluded.

We conducted literature search on the internet using Google search engine. The key words “strategic entrepreneurship” produced *inter alia* a Chai and Sa’s (2016) article. The authors developed a model relating strategic entrepreneurship and performance of small and medium enterprises of Malaysia. Backward search through review of literature cited in Chai and Sa (2016) revealed that Ireland *et al.* (2003) developed one of the pioneer models in the field of strategic entrepreneurship. Further search returned no articles containing “strategic entrepreneurship” in the titles. Literature search using “strategic orientations” yielded *inter alia* a Herath and Mahmood’s (2013) article. Finally, further search returned no articles containing “strategic orientations” in the titles. Having obtained the three articles, literature search was terminated and thereafter literature review continued using Ireland *et al.* (2003), Herath and Mahmood (2013) and Chai and Sa (2016) articles.

Since the articles developed conceptual models on strategic entrepreneurship and SMEs performance, we considered them relevant to this study. We critically reviewed these articles to obtain constructs that create competitive advantage and eventually promote SMEs performance as postulated by the Resource-Based Theory. Therefore, we identified constructs, which are representatives of knowledge management capabilities, firm’s strategy, and resources owned or controlled by the firm.

3.1 Review of Ireland’s et al., (2003) model

The model consists of four key components of strategic entrepreneurship, these are (1) entrepreneurial mind-set, (2) entrepreneurial culture, and entrepreneurial leadership, (3) managing resources strategically and applying creativity and (4) developing innovation. Entrepreneurial mind-set,

entrepreneurial culture and entrepreneurial leadership and applying creativity and developing innovation reflect the firm's intangible assets (Barney, 1991). Intangible assets may be defined as corporate entrepreneurship characterized by pro-activeness, striving aspirations, a team work approach, dilemma resolution and a learning capability (Connor, 2002). These assets may create competitive advantage and eventually promote SMEs performance. Since intangible assets are not vulnerable to imitation such as physical assets, it has been found that differences in performance among different firms are much driven by intangible assets rather than physical assets (Connor, 2002).

Therefore, in an attempt to combine entrepreneurial mind-set, entrepreneurial culture and entrepreneurial leadership and applying creativity and developing innovation into a single construct, we found that entrepreneurial orientation fits to explain them. Entrepreneurial orientation is an explanatory construct from the entrepreneurship literature (Foss & Lyngsie, 2011). Empirical test on the Ireland's *et al.*, (2003) model revealed that entrepreneurial mind-set and innovation are important components of strategic entrepreneurship (Gelard & Ghazi, 2014). These findings suggest that entrepreneurial orientation has the potential of being a component of strategic entrepreneurship.

Another component of Ireland's *et al.*, (2003) model is the firm's strategy presented in action such as managing resources strategically. The firm's strategy of carrying out its business depends on the available resources. However, the possession of valuable, rare, imperfectly imitable, and non-substitutable resources (Barney, 1991) without effective management of such resources is likely to suppress the attainment of competitive advantage, which could lead to SMEs performance. Therefore, in order to benefit from such resources, firms ought to adopt strategic resources management approach as suggested in Ireland *et al.* (2003). The strategic resources management reflects the firm's strategy that is centred on effective utilization of resources such as financial, human, and social capital (Ireland *et al.*, 2003).

The notable pitfall of Ireland's *et al.*, (2003) model is the sequential relationship of the proposed components rather than the simultaneous relationship, which integrates both opportunity- and advantage-seeking actions (Chai & Sa, 2016). In addition, the model is silent on the creation and application of knowledge as a source of competitive advantage that can lead to the promotion of the firm's performance.

However, despite the identified weaknesses, the model captures well the fact that the strategy, which is implemented by the firm, depends on its own resources such that competitive advantage emanates from those resources and the strategy. Therefore, the model may be strengthened by adding more components of strategic entrepreneurship and assessing their direct and indirect influences on SMEs performance under the mediation of competitive advantage to foster both opportunity- and advantage-seeking actions.

3.2 Review of Herath and Mahmood's (2013) model

Based on the authors' argument, development of this model was triggered by the fact that most studies in developing countries have been assessing the effect of a single orientation coupled with other factors on SMEs performance. Thus, the authors proposed a model consisting of learning orientation, market orientation, and entrepreneurial orientation as components of strategic entrepreneurship, which were named strategic orientations (Herath and Mahmood, 2013). These strategic orientations, which reflect strategic entrepreneurship, are actually firm intangible resources (Barney, 1991; Grant, 1996). The model describes the influence of resources on the firm's performance. Of interest to our study are the constructs of learning orientation and entrepreneurial orientation. Learning orientation reflects

knowledge management capabilities through creation, retention, and utilization of knowledge within a firm and entrepreneurial orientation reflects the resources in the form of organizational processes that lead to the creation of new products and markets.

The main shortcoming of Herath and Mahmood's (2013) model is the exclusion of competitive advantage variable. Although the authors clearly explained that strategic orientations are important in creating and sustaining competitive advantage, the variable is not included in the model. On the one hand, competitive advantage depends on the resources owned and controlled by the firm; on the other hand, competitive advantage promotes SMEs performance. Furthermore, the model does not explain the linkage between firm's resources and firm's strategy. We argue that Herath and Mahmood's (2013) model may be strengthened by adding firm's strategy as a component of strategic entrepreneurship and competitive advantage as a mediating variable between strategic entrepreneurship components and SMEs performance.

3.3 Review of Chai and Sa's (2016) model

Failure of past studies in describing strategic entrepreneurship in the form of business exploration and exploitation activities, which ought to be in equilibrium, was the motivation behind the current study (Chai & Sa, 2016). The authors extended the work of Ireland *et al.* (2003) by combining, balancing and engaging opportunity- and advantage-seeking actions by incorporating entrepreneurial orientation, entrepreneurial values, and knowledge creation process as components of strategic entrepreneurship (Chai & Sa, 2016). The model explains the dependence of SMEs performance on entrepreneurial orientation, entrepreneurial values, and knowledge creation process. The independent variables are actually firm's intangible resources (Barney, 1991; Grant, 1996). Although the model by Chai and Sa (2013) explains the dependence of firm performance on resources owned and controlled by the firm, the model falls short of explaining resources as a source of competitive advantage, which promotes the firm's performance. As is the case with Herath and Mahmood's (2013) model, the linkage between firm's resources and the firm's strategy is also not explained in Chai and Sa's (2016) model. We again argue that the model may be strengthened by adding the firm's strategy and competitive advantage as a mediating variable between strategic entrepreneurship and SMEs performance.

Furthermore, the direct and indirect influences of strategic entrepreneurship components and SMEs performance under the mediation of competitive advantage deserve researchers' attention with a view of enhancing both opportunity- and advantage-seeking actions.

4.0 FINDINGS

Review of past models has identified some weaknesses in each model. Guided by the Resources Based Theory that comprises knowledge management capabilities, firm's strategy and resources as important factors in creating competitive advantage and promoting firm performance, we selected constructs from entrepreneurship and strategic management literature as suggested in Foss and Lyngsie (2011). In addressing the identified weaknesses in the past models, we blended the Ireland's *et al.* (2003), Herath and Mahmood's (2013) and Chai and Sa's (2016) models by adopting learning orientation, strategic resources management and entrepreneurial orientation as components of strategic entrepreneurship in accordance with the Resource-Based Theory (Theriou *et al.*, 2009).

4.1 Model constructs

4.1.2 Learning orientation

Learning orientation refers to organization-wide activity of creating and using knowledge to create competitive advantage; it is a firm's degree of commitment to learning, shared vision, open-mindedness and intra-organizational knowledge sharing (Calantone *et al.*, 2002). This definition captures all dimensions consisted in the learning orientation construct as used in past studies.

Empirical results involving the influence of learning orientation on SMEs performance in past studies (e.g. Amin, 2015; Calantone *et al.*, 2002; Eshlaghy and Maatofi, 2011; Mahmood and Hanafi, 2013a; and Yeni, 2015) have shown that learning orientation influences SMEs performance. The recent work of Hussain, et al (2018) has also demonstrated empirically that learning orientation influences SMEs performance.

Learning orientation is among the intangible firm's resources that can be used to promote SMEs performance through building of knowledge management capabilities. According to Theriou *et al.* (2009), knowledge management capabilities involves creation, acquisition, storing, sharing, and deploying knowledge. Based on the definition of learning orientation, it is our opinion that learning orientation fits to represent the knowledge management capabilities component of the Resource-Based Theory.

4.2 Strategic resources management

Resources are managed strategically when their deployment facilitates they have simultaneous and integrated use of opportunity- and advantage-seeking behaviours or actions (Ireland *et al.*, 2003). Strategic resources management is the deployment of tangible and intangible resources through structuring resource portfolio, bundling resources to form capabilities, and leveraging those capabilities to facilitate simultaneous and integrated opportunity- and advantage-seeking actions to create wealth (Ireland *et al.*, 2003). Given the need for firm's strategy to create competitive advantage and eventually outperform the rivals, we are convinced that strategic resources management fits the strategy component of the Resource-Based Theory.

Unlike learning orientation and entrepreneurial orientation, the extent strategic resources management construct influences performance is not yet well reported in literature. However, some past studies (Ireland *et al.*, 2003; Dogan, 2015; Foss & Lyngsie, 2011) have reported it as a component of strategic entrepreneurship. Drawing from the conceptual framework of the Resource-Based Theory, the firm's strategy has direct effects on the SMEs performance; furthermore, resources have both direct and indirect effects through a strategy of SMEs performance (Theriou *et al.*, 2009). Based on this postulation of the Resource-Based Theory, we argue that on the one hand strategic resources management has direct influence on SMEs performance and on the other hand strategic resources management is influenced by learning orientation and entrepreneurial orientation to promote SMEs performance.

4.3 Entrepreneurial orientation

Entrepreneurial orientation refers to 'processes, practices, and decision-making activities that lead to new entry' (Lumpkin & Dess, 1996). The definition points out the final destination of all activities to a new entry that may reflect new market with old products, or old market with new products, which is the cornerstone of entrepreneurship. Entrepreneurial orientation constitutes five dimensions namely, autonomy, innovativeness, risk taking, pro-activeness, and competitive aggressiveness (Lumpkin &

Dess, 1996). Earlier works used three dimensions namely, innovation, pro-activeness and risk taking to measure entrepreneurial orientation (Miller, 1983 cited in Zulkfli & Rosli, 2013).

However, the decision on the choice of the number of dimensions for entrepreneurial orientation seems to depend on the author's preference and research design; some authors (e.g. Amin (2015), Amin, Thurasamy, Mohamad, Aznur and Kaswuri, 2016;, Chenuos and Maru, 2015; Mahmood and Hanafi, 2013a) have continued using three dimensions of entrepreneurial orientation . Other works after Lumpkin and Dess (1996) have continued using five dimensions of entrepreneurial orientation (Bengesi, 2013; Campos & Valenzuela, 2013; Zehir, Can & Karaboga, 2015; Zulkifli & Rosli, 2013). Thus, this work perceives the use of five dimensions as safer than the use of three dimensions, since the five dimensions will create a wider avenue in studying the entrepreneurial orientation than using only three dimensions. This perception is in agreement with the observations of Hussain, Ismail, and Akhtar (2015) that proposed the use of five dimensions of entrepreneurial orientation. Furthermore, our perception is in line with the explanation provided in a study by Covin and Wales (2019) who reported that conceptualizations of entrepreneurial orientation using three or five dimensions are both appropriate for study.

Entrepreneurial orientation being among the firm resources has been reported to influence SMEs performance (Amin *et al.*, 2016; Bengesi, 2013; Campos & Valenzuela, 2013; Fatoki, 2012; Mahmood & Hanafi, 2013a; Mata & Aliyu, 2014; Oni, Agbobli & Iwu, 2019; Zehir, 2015). Hence, taking into consideration the role of resources in conceiving firm's strategy and the creation of competitive advantage as per the postulation of the Resource-Based Theory, the entrepreneurial orientation in our opinion fits to represent the firm's intangible resources as explained in Barney (1991).

4.4 Competitive advantage

Competitive advantage refers to the firm's superiority in terms of market performance that leads the firm to outperform its competitors (Safarnia, Akbari & Abbasi, 2011). As explained by Barney (1991), competitive advantage occurs when a firm implements a value creating strategy that is not concurrently implemented by rivals. It is a result of the firm's ability to own and control valuable, rare, imperfectly imitable, and non-substitutable resources (Barney, 1991). Competitive advantage can be achieved through various strategies such as marketing differentiation, innovation differentiation, and low-cost strategies (Safarnia *et al.*, 2011). These strategies can be explained in different perspectives: firstly, marketing differentiation strategy involves the provision of uniqueness and points of differences on marketing activities such as improving firm's image, customer service, advertising, promotions, and distributions. Secondly, innovation differentiation strategy ensures uniqueness and superiority in functionality, design, performance, and consumption performance. Thirdly, low cost strategy facilitates acquisition of low cost products through superior refinement, exploitation, and control of facilities and resources (Safarnia *et al.*, 2011).

Therefore, competitive advantage can be measured using various dimensions such as differentiated products, market sensing, collaboration with partners, focus on high value customers, market responsiveness, customers as assets, information transparency and supply chain leadership (Ramaswami, Srivastava & Bhargava, 2006).

However, although competitive advantage of a firm is influenced by entrepreneurial orientation (Mustafa, et al., 2015) and learning orientation (Martinette & Obenchain-Leeson, 2012), there is scanty empirical evidence in literature, which have found the influence of strategic resources management on competitive advantage as explained in Ireland *et al.* (2003), Dogan (2015) and Foss and Lyngsie (2011).

Furthermore, the effect of competitive advantage on SMEs performance is not yet extensively studied (Mahmood & Hanafi, 2013a; Mahmood & Hanafi, 2013b). Some studies, which have attempted to study its influence on SMEs performance, have faced challenge of using heterogeneous measures. Despite the use of such measures, some studies (e.g. Ismail, et al., 2010; Majeed, 2011; Muafi & Roostika, 2014; Wijetunge, 2016; Zhou, et al., 2009) have demonstrated that SMEs performance is positively influenced by the firm's competitive advantage. Recently, the work of Navarro-García, Rey-Moreno and Pires de Lima (2018) has shown that competitive advantage mediates the relationship between strategic resources and firm performance. Likewise, Wijayanto et al., (2019) has empirically demonstrated that competitive advantage has a positive and significant effect on financial performance.

Therefore, based on the aforementioned findings and suggestions, we argue that competitive advantage construct is a mediating variable between strategic entrepreneurship components (learning orientation, strategic resources management, and entrepreneurial orientation) and SMEs performance.

4.5 SMEs performance

The concept of "performance" refers to the outcomes of the firms' business activities (Kotane & Kuzmina-Merlino, 2017). Following investment of resources in running the firms' business activities, owner-managers of SMEs are interested in knowing the business health of their enterprises. However, there is no consensus among scholars on generic SMEs performance measures (Mahmood & Hanafi, 2013a; Mahmood & Hanafi, 2013b). Although financial performance seems to be used by most SMEs in measuring performance (Maduekwe & Kamala, 2016), firm owner-managers combine both financial and non-financial approaches to measure performance (Chong, 2008; Maduekwe & Kamala, 2016). According to Maduekwe and Kamala (2016) measures of financial performance include, sales growth, cash flows, operating income, net profit margin, and return on investment. Examples of non-financial performance measures are the response time to customers, customers' satisfaction, percentage of repeat customers, and employees' turnover rate (Maduekwe & Kamala, 2016).

Financial performance measurement is regarded as a traditional approach while non-financial measurement is regarded as a modern approach in measuring SMEs performance (Joshi, Kumar & Al-Ajimi, 2015). In order to gain insights on SMEs performance, we argue that the use of both financial and non-financial performance measures provides deeper insights on SMEs performance.

4.6 Model presentation

The conceptual model (Figure 1) of strategic entrepreneurship and SMEs performance developed under the Resource-Based Theory perspective is composed of five constructs namely, learning orientation, strategic resources management, and entrepreneurial orientation, which are the components of strategic entrepreneurship. Other constructs include competitive advantage (a mediating variable) and SMEs performance.

The model is our own construct based on the works of scholars including Bengesi (2013), Calantone *et al.* (2002), Chai and Sa (2016), Grinstein (2008), Herath and Mahmood (2013), Ireland *et al.* (2003), Theriou *et al.* (2009) and Ramaswami *et al.* (2006).

The model depicts the influence of learning orientation on SMEs performance, the influence of learning orientation through entrepreneurial orientation on SMEs performance and the influence of learning orientation through strategic resources management on SMEs performance. Other relationships depicted in the model include the influence of entrepreneurial orientation through strategic resources management on SMEs performance and the mediating effect of competitive advantage on the influence

of learning orientation, strategic resources management, and entrepreneurial orientation on SMEs performance

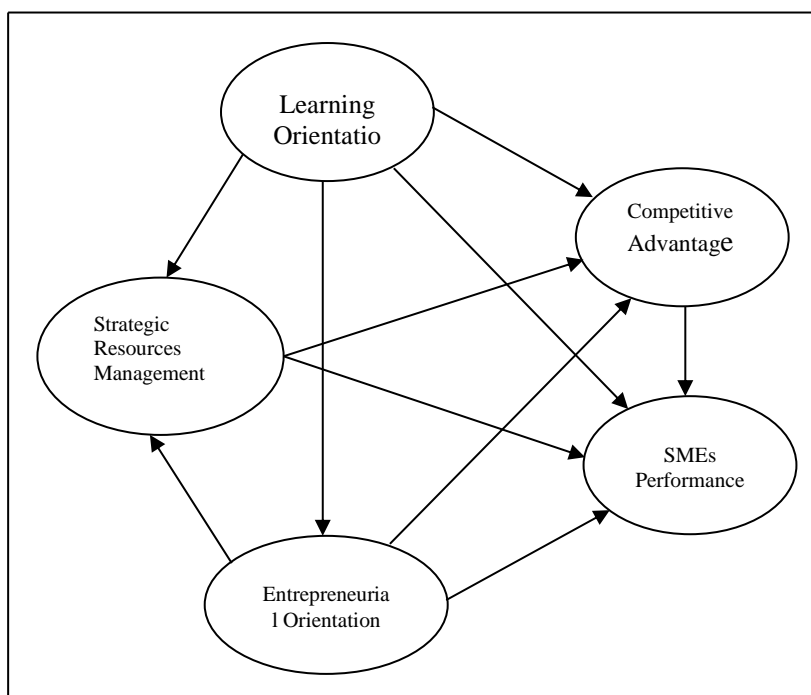


Figure 1: Proposed strategic entrepreneurship and SMEs performance model

5.0 DISCUSSION OF FINDINGS

Strategic entrepreneurship appeals to a combination of opportunity and advantage-seeking actions (a combination of entrepreneurship and strategic management approaches) so as to obtain competitive advantage that is necessary to promote SMEs performance. Guided with the Resource-Based Theory (Theriou *et al.*, 2009), we adopted entrepreneurial orientation construct from entrepreneurship and learning orientation construct from strategic management literature as components of strategic entrepreneurship. Interestingly, both constructs determine the strategy the firm employs in undertaking its business; hence, we also adopted a strategic resources management construct from strategic management literature as a component of strategic entrepreneurship.

The model (Figure 1) shows the direct and indirect influences of strategic entrepreneurship components on SMEs performance under the mediation of competitive advantage. In one relationship, the model depicts that, learning orientation has a direct influence on SMEs performance, which suggests that the firm that embraces learning orientation is likely to promote performance using knowledge-based assets.

This suggestion is in line with the findings from past studies, which empirically proved that learning orientation has a positive and significant influence on SMEs performance (Amin, 2015; Calantone *et al.*, 2002; Eshlaghy & Maatofi, 2011; Mahmood & Hanafi, 2013a; Yeni, 2015). A recent study by Hussain *et al.* (2018) has also shown that learning orientation has a positive and significant influence on SMEs performance. This relationship depicts the fact that knowledge as a generic resource promotes SMEs performance as postulated in the Resource-Based View.

In another relationship, the model depicts the indirect influence of learning orientation through entrepreneurial orientation on SMEs performance. This relationship requires the influence of learning orientation on entrepreneurial orientation and the influence of entrepreneurial orientation on SMEs performance. Although not commonly mentioned in literature scholars (e.g. Wang, 2008; Ma'toufi and Tajeddini, 2015; Hussain *et al.*, 2018) obtained empirical evidence showing that learning orientation influences entrepreneurial orientation. Likewise, literature has revealed that entrepreneurial orientation influences SMEs performance (Amin, 2015; Amin *et al.*, 2016; Bengesi, 2013; Campos & Valenzuela, 2013; Fatoki, 2012; Mahmood & Hanafi, 2013a; Mata & Aliyu, 2014; Rauch *et al.*, 2009; Yeni, 2015; Zehir *et al.*, 2015). Therefore, the proposition of the model that learning orientation indirectly through entrepreneurial orientation influences SMEs performance is in line with the findings from past studies. This proposition presents the fact that knowledge as unique and strategic resource is a source of other resources that eventually promote SMEs performance as per postulation of the Knowledge Based View.

In addition, the model proposes that learning orientation indirectly and through strategic resources management influences SMEs performance. This relationship combines the influence of learning orientation on strategic resources management and the influence of strategic resources management on SMEs performance. Likewise, the model displays the indirect influence of entrepreneurial orientation through strategic resources management on SMEs performance. Since literature is limited regarding the indirect influence of learning orientation through strategic resources management on SMEs performance and the indirect influence of entrepreneurial orientation through strategic resources management on SMEs performance, we were unable to compare the findings from past studies with the model propositions. Therefore, empirical testing of the model in future studies will be of great value to the existing literature. However, the relationship presents the fact that knowledge as a unique and strategic resource is a source of the firm's strategies as postulated in the Knowledge Based View.

Finally, the model shows the mediating effect of competitive advantage on the relationships between strategic entrepreneurship components and SMEs performance. The mediating effect combines the influence of strategic entrepreneurship components on competitive advantage and the influence of competitive advantage on SMEs performance. Past studies have shown that competitive advantage of a firm is influenced by entrepreneurial orientation (Mustafa *et al.*, 2015) and learning orientation (Martinette & Obenchain-Leeson, 2012). It has also been suggested that competitive advantage is influenced by strategic resources management (Ireland *et al.*, 2003; Dogan, 2015; Foss & Lyngsie, 2011). Despite the scarcity of studies on the relationship between competitive advantage and SMEs performance (Mahmood & Hanafi, 2013a; Mahmood & Hanafi, 2013b), some studies have demonstrated that SMEs performance is positively influenced by the firm's competitive advantage (Ismail *et al.*, 2010; Majeed, 2011; Muafi & Roostika, 2014; Wijetunge, 2016; Zhou *et al.*, 2009). Thus, we argue that the mediating effect of competitive advantage on the relationship between strategic entrepreneurship components and SMEs performance is in line with the empirical findings from past studies. The mediating effect of competitive advantage on the relationships between strategic entrepreneurship components and SMEs performance presents the fact that firm's resources and

strategies create competitive advantage, which eventually promotes SMEs performance as postulated in the Resource-Based View and the Knowledge Based View.

Since the developed model presents both the direct and indirect influences, we are of the opinion that the model stands a better chance to explain conceptually the influence of strategic entrepreneurship on SMEs performance under the mediation of competitive advantage.

6.0 CONCLUSION AND RECOMMENDATION

In this work, we reviewed the existing literature related to the influence of strategic entrepreneurship on SMEs performance under the Resource-Based Theory perspective. Strategic entrepreneurship entails the integration of entrepreneurship and strategic management approaches. In order to fulfil this requirement, we used the Resource-Based Theory which is a composite theory derived from the Resource-Based View and the Knowledge Based View. We have therefore operationalized the Resource-Based Theory into a workable model that presents the direct and indirect influence of learning orientation, strategic resources management and entrepreneurial orientation on SMEs performance and competitive advantage as a mediating variable. Upon successful empirical testing, the model is expected to yield the best combination of the strategic entrepreneurship components that will best create competitive advantage and hence promote SMEs performance.

The study has contributed to the existing literature on strategic entrepreneurship and SMEs performance in three ways: first, it has introduced strategic resources management as a firm's strategy to be combined with learning orientation and entrepreneurial orientation, which are intangible resources. This combination is proposed with a view of enhancing both opportunity- and advantage-seeking actions. We have found no evidence on the use of this combination in the past studies.

Second, the study has proposed determination of direct and indirect influences of strategic entrepreneurship components on SMEs performance as opposed to past studies, which have concentrated on direct influence. The indirect influences are expected to enhance more opportunity- and advantage-seeking actions than the direct ones.

Third, the study has introduced competitive advantage as a mediating variable between strategic entrepreneurship and SMEs performance in accordance with the Resource-Based Theory. Literature is deficient of studies investigating the mediating effect of competitive advantage. These contributions are part of the efforts of advancing and establishing a well-organized body of knowledge in strategic entrepreneurship and SMEs performance.

Since the conceptual model has theoretically been validated, empirical testing on the developed model would unveil the missing empirical validation regarding the influence of strategic entrepreneurship components on SMEs performance under the mediation of competitive advantage. We hereby recommend that the developed model be tested in future studies across different industries to obtain empirical evidence that would yield further theoretical and practical contributions in the existing knowledge.

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