Strategic Entrepreneurship and Sustainable Competitive Advantage: A test of Ireland's model of Strategic Entrepreneurship

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Abstract

The purpose of this research is to conduct a test of Ireland's model of Strategic Entrepreneurship. Prime concern on stakeholders is a crucial aspect in each business success. Among the wide spectrum of organizational strategies, Strategic Entrepreneurship pays a greater emphasis. This research details are practical as well as empirical with regard to the notion of Strategic Entrepreneurship. Focally, strategic Entrepreneurship is an integration of Entrepreneurship (Opportunity Seeking Behavior) and Strategic Management (Advantage Seeking Behavior). Thus I conclude that amalgamation of Strategic Management and Entrepreneurship (I.e. Strategic Entrepreneurship) inevitably leads to create wealth, value and survival of the business.

***Keywords**: Strategic Entrepreneurship, Opportunity seeking behavior, Advantage seeking behavior, Competitive Advantage.*

Introduction

In spite of the type and the size of the venture, remaining entrepreneurial is vital for the success of the venture. Considering all the factors affecting venture success, it's evidential that the firm level construct which depicts the entrepreneurial strategy is important. Given this we acknowledge the concept utilization of Ireland, Hitt, & Sirmon, (2003), on Strategic Entrepreneurship and state that entrepreneurial strategy and superior firm performance can be achieved through the views of opportunity seeking behavior and advantage seeking behavior.

Opportunity seeking behavior under Entrepreneurship contributes for an organization to gain competitive advantages. Advantage seeking behavior under Strategic Entrepreneurship will also contribute for an organization to gain competitive advantages. Organizations that are entrepreneurial oriented, practice opportunity seeking behavior. Therefore entrepreneurial organizations will have the capability to generate competitive advantages over those of other conservative organizations. Firm can pursuit superior performance by simultaneously practicing opportunity seeking and advantage seeking behaviors. In other words combination of advantage seeking behavior and opportunity seeking behavior impose a great impact on creation of competitive advantages and creation of wealth. Strategic Entrepreneurship refers to the combination of these two dimensions. Therefore organizations that practice both of these dimensions will create wealth in long run. Here we develop a model of entrepreneurial continuum which explains how these dimensions are integrated to create wealth.

In particular, a developing country like Sri Lanka largely value Entrepreneurial Ventures. That is because entrepreneurial ventures significantly contribute to employment generation, GDP, innovation, technological advancements etc. Adding to that, they fail; that is because they don't seek for "Competitive Advantage". A seminal paper in Strategic Entrepreneurship (SE) by Ireland, Hitt, & Sirmon, (2003) postulated the same proposition of SE, as an integration of two constructs; they are, opportunity seeking behavior (Entrepreneurship) and advantage seeking behavior (Strategic Management) to create superior firm performance.

Every venture plays an important role in any economy through generation of employments, contributing to the growth of GDP, embarking on innovations and stimulating other economic activities. In Sri Lanka thousands of ventures start annually, but the problem is they do not consider about their survival. Every venture conducts their businesses under same conditions. But lot of ventures start today and close tomorrow. This happens due to the strategies that they are using, short sighted strategies which don't deliver a unique product or service to the market, this ultimately leads for failure.

So this research identifies above problem & focus on "Up to what extent Strategic Entrepreneurship is practiced in Sri Lankan Entrepreneurial Ventures."

Several researches are being conducted regarding strategic entrepreneurship & sustainable competitive advantage, but in this research our sole attention is to test the Ireland's model of strategic entrepreneurship according to the Sri Lankan context with the depiction of the dimensions of opportunity seeking behavior and advantages seeking behavior.

In Sri Lankan context this kind of researches are rare, so in that case we need more updated research in this area so this research focuses to capture the most up to date information. So it will contribute to provide more realistic information about how Sri Lankan entrepreneurs practice strategic entrepreneurship.

Literature Review

Strategic Entrepreneurship involves simultaneous opportunity seeking (i.e., Entrepreneurial) and advantage seeking (i.e., Strategic) behaviours (Ireland, Hitt, & Sirmon, 2003). Shane & Venkataraman, (2000) suggested that discovering and exploiting profitable opportunities is the foundation for creation of wealth through entrepreneurship. Further he says Entrepreneurship's attention to wealth creation centers on identifying new and emerging opportunities in the market place (shane & Venkataraman, 2000).

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane & Venkataraman, 2000). Entrepreneurship is simply identifying a new opportunity and implementing that opportunity as a new venture.

Strategic Entrepreneurship involves simultaneous opportunity seeking (i.e., Entrepreneurial) and advantage seeking (i.e., Strategic) behaviours (Ireland, Hitt, & Sirmon, 2003). By focusing on both of these dimensions, Strategic Entrepreneurship scholars suggest that firms create and sustain wealth by exploiting current competitive advantages while identifying opportunities which will create future competitive advantages (Ketchen, Ireland, & Snow, 2007).

The creation of a firm's wealth depends upon its competitiveness. The process of wealth creation can be achieved through competitive advantages. Competitive advantages can arise from a firm's ability to exploit market opportunities. Shane & Venkataraman, (2000) suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship. Further he says Entrepreneurship's attention to wealth creation centers on identifying new and emerging opportunities in the market place (shane & Venkataraman, 2000). Competitive advantage oriented to novelty, entrepreneurial actions are newly fashioned behaviors through which companies exploit opportunities others have not identified or exploited (Ireland R. D., Hitt, Camp, & Sexton, 2001). Therefore opportunity seeking behavior helps organizations to find unexploited opportunities which the competitors haven't discovered so far. Thus discovering opportunities are only half of a firm's challenge.

To have entrepreneurship, you must first have Entrepreneurial Opportunities (Shane & Venkataraman, 2000). Given this, we can postulate that, entrepreneurial opportunities are vital to successful entrepreneurship. Then what is entrepreneurship? Shane & Venkataraman, (2000) further suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship. Ireland, Hitt, & Sirmon, (2003) in their seminal work, state that small entrepreneurs are successful in identifying entrepreneurial opportunities when compared to the large enterprises.

Opportunity seeking behaviour is well established in entrepreneurial literature (Simsek, Heavey, Prabhakar, & Huvaj, 2011) . Entrepreneurship focuses on newness and novelty in the form of new products, new process and new markets as the drivers of wealth creation. (Shane & Venkataraman, (2000) suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship.

We know for a fact that, strategic management, as the term implies, talks about how to formulate a competent strategy to run a business. Further we know, competitive advantage plays an important role in this regard. Competitive advantage is the notion which describes the way to differentiate you as a good corporate. When there is a large number of players existing in the market, the keen company should know how to position their value proposition in a lucrative manner. For an example, the well-known Amazon Incorporation is selling books online. They differentiate themselves from other players in the market with a lucrative strategy, (i.e. selling online). Another example, BMW, they differentiate themselves as the ultimate driving machine within the intense competitive car industry. Simply stated, they have a good strategy which implies competitive advantages. Further, we know for fact that those examples are considered as benchmarks in respective industries. Thus strategy plays a vital part in firm success.

This kind of strategy is known as advantage seeking behaviors, (Ireland, Hitt, & Sirmon, 2003). Further they suggested that, advantage seeking behaviors are closely associated with large enterprises when compared to the small ventures. Thus the author builds the second proposition as (Ireland, Hitt, & Sirmon, (2003) suggested, strategic management (i.e. advantage seeking behavior) is another construct to create wealth.

Methodology

This research tests the Ireland's model of Strategic Entrepreneurship. Therefore research based on a theory testing and research approach is used for the research study which is the "inductive approach". This involves testing the theories that already exists and these tests were carried out with questionnaires. Furthermore, the data were collected through a survey research to get information from the selected sample. The survey was conducted through a structured self-administrated Questionnaire presented to the selected sample.

The hypotheses are as follows:

H_1: There is a positive relationship between Opportunity Seeking Behavior and Competitive Advantage.

H_2: There is a positive relationship between Advantage Seeking Behavior and Competitive Advantage.

Based on the literature review the conceptual framework was developed as follows.

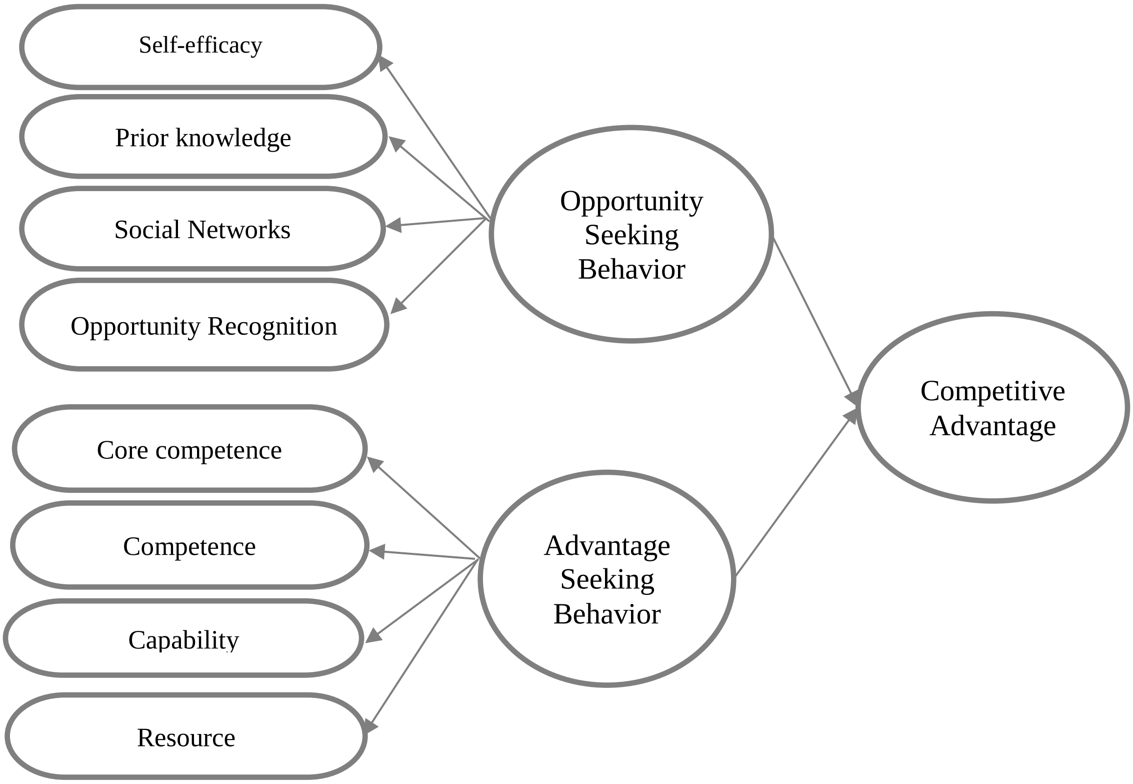

Figure 1: Source (Ireland, Hitt, & Sirmon, 2003)

A seminal paper in Strategic Entrepreneurship (SE) by Ireland, Hitt, & Sirmon, (2003) postulated about SE, as an integration of two constructs; they are, opportunity seeking behavior (Entrepreneurship) and advantage seeking behavior (Strategic Management) to create superior firm performance. This inconclusive knowledge is the underlying premise we strive to address. To support the argument in the study we employ number of variables which were suggested by theoretical as well as empirical investigations. Strategic Entrepreneurship is an integration of Entrepreneurship (Opportunity Seeking Behavior) and Strategic Management (Advantage Seeking Behavior). Here we conclude, an amalgamation of Strategic Management and Entrepreneurship (I.e. Strategic Entrepreneurship) inevitably leads to create wealth, value and survival of the business.

The majority of entrepreneurial opportunity recognition literature has focused on psychological variables, such as personality traits, that may influence individuals in exploiting opportunities (De Carolis & Saparito, 2006). Self-efficacy, Prior knowledge, Social Networks, Opportunity recognition and Sales, employee and equity which comes as a summated value of opportunity seeking behavior. Thus we suggest opportunity seeking behavior leads to competitive advantage of the firm. And we postulate Advantage seeking behavior which comes as a summated value of Core competence; Capability and Resource propensity will inevitably leads to the competitive advantage of the venture.

Data and Procedure of Testing

This research based on a theory testing and research approach used for the research study was the “inductive approach”. This involves testing the theories that already exists and these tests were carried out with questionnaires.

To draw the sample, used the list of entrepreneurs in Sri Lanka of Small Enterprise Development Division, Ministry of Youth affaires.

The research design entails a large scale cross sectional survey utilizing a sample constituting by 100 Small and medium entrepreneurial ventures in Matara, Colombo, Gampaha, Kandy, Kurunagala and Kegalle districts in Sri Lanka. The method of data collection that used to this research was structured Questionnaires.

To summarize and analyze the primary data collected from the questionnaire the researcher used SPSS software and MS Excel software packages. Unit of the analysis was a firm. Data analyzed using Univariate, Bivariate and Multivariate Statistics. Frequencies, means and standard deviations will be used as univariate coefficients to measure the distribution, central tendency and dispersion of the data respectively. Further, correlation coefficient also used to examine the relationship between the desired variables. Main analysis, stepwise regression analysis method.

Data Analysis

We used ten respondents to do the pilot study of this research. The results are as follows.

Table 1: Reliability Statistics

Cronbach's Alpha	No of Items
.803	10

Descriptive analysis of the study

This section present data showing the demographic background of the respondent's that obtained from the questionnaire, and used the analysis to make general observations on the data, such as age, gender, and education level and firms category.

Table 2: Gender proportion of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	94	94.0	94.0	94.0
	Female	06	06.0	06.0	100.0
	Total	100	100.0	100.0	

Table 3: Age category of the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	0	0	0	0
	20- 24	3.0	3.0	3.0	3.0
	25-29	11.0	11.0	11.0	15.0
	30-34	7.0	7.0	7.0	22.0
	35-39	28.0	28.0	28.0	50.0
	40-49	29.0	29.0	29.0	79.0
	50-59	19.0	19.0	19.0	98.0
	60 or above 60	2.0	2.0	2.0	100
	Total	100	100.0	100.0	

Table 4: Level of Education of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 years or Less than	0	0	0	0
	11 years	0	0	0	0
	12 years	2.0	2.0	2.0	2.0
	13 years	2.0	2.0	2.0	4.0
	14 years	15.0	15.0	15.0	19.0
	15 years	2.0	2.0	2.0	21.0
	16 years	24.0	24.0	24.0	45.0
	17 years	0	0	0	45.0
	18 years or above	55.0	55.0	55.0	100.0
	Total	100	100.0	100.0	

Table 5: Business Type of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agricultural commodities	3.0	3.0	3.0	3.0
	Hotels & Restaurants	11.0	11.0	11.0	14.0
	Timber & Furniture	3.0	3.0	3.0	17.0
	Machineries & Equipments	6.0	6.0	6.0	23.0
	Clothing & Textiles	9.0	9.0	9.0	32.0
	Food and Beverage	17.0	17.0	17.0	49.0
	Mineral & Energy	6.0	6.0	6.0	55.0
	Information & Technology	2.0	2.0	2.0	57.0
	Constructions	5.0	5.0	5.0	62.0
	Printing & Publishing	9.0	9.0	9.0	71.0
	Telecommunication, Banking & Insurance	2.0	2.0	2.0	73.0
	Tourism	0	0	0	73.0
	Other	27.0	27.0	27.0	100.0
	Total	100	100.0	100.0	

Correlation analysis of the study

The researcher conducted a correlation analysis to examine the relationship of the Opportunity Seeking Behavior to Competitive Advantage and Advantage Seeking Behavior to Competitive Advantage. From the literature review and conceptual framework the hypothesis were developed to measure the relationship between independent and dependent variables. Therefore, correlation analysis was used to test the relationship from the develop hypothesis on each independent and dependent variable separately.

Table 6: Correlation Analysis

IV \ DV	Competitive Advantage	Opportunity Seeking Behavior	Advantage Seeking Behavior
Self-efficacy	0.269**	0.422**	0.666**
Prior Knowledge	0.216*	0.403**	0.659**
Social Networks	0.231*	0.495**	0.748**
Entrepreneurial Opportunity Recognition	0.110	0.130	0.113
Core Competence	0.475**	0.835**	0.568**
Competence	0.396**	0.830**	0.526**
Capability	0.404**	0.751**	0.501**
Resource	0.489**	0.716**	0.417**
****.** Correlation is significant at the 0.01 level (2-tailed).			
***.** Correlation is significant at the 0.05 level (2-tailed).			

Table 7: Independent variables and Opportunity Seeking Behavior

Independent Variable	Pearson's Correlation	Significant Level
Self-efficacy	0.422**	0.000
Prior Knowledge	0.403**	0.000
Social Networks	0.495**	0.000
Entrepreneurial Opportunity Recognition	0.130	0.197
****.** Correlation is significant at the 0.01 level (2-tailed).		
***.** Correlation is significant at the 0.05 level (2-tailed).		

Self-efficacy and Opportunity Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a significant relationship between Self-efficacy and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.422 at 0.000 significant level and P value 0.000 is less than the 0.10.

Prior Knowledge and Opportunity Seeking Behavior

Based on the Hypothesis developed by the researcher as above, the correlation analysis was carried out. It is clearly shown that there is a significant relationship between Prior Knowledge and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.403 at 0.000 significant level and P value 0.000 is less than the 0.10.

Social Networks and Opportunity Seeking Behavior

The above Correlation Analysis, is clearly shown that there is a significant relationship between Social Networks and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.495 at 0.000 significance level P value 0.000 is less than the 0.10.

Entrepreneurial Opportunity Recognition and Opportunity Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a relationship between Entrepreneurial Opportunity Recognition and Opportunity Seeking Behavior with a coefficient correlation value (r value) of 0.130 and P value 0.197 is higher than the 0.10.

Table 8: Independent variables and Advantage Seeking Behavior

Independent Variable	Pearson's Correlation	Significant Level
Self-efficacy	0.568**	0.000
Prior Knowledge	0.526**	0.000
Social Networks	0.501**	0.000
Entrepreneurial Opportunity Recognition	0.417**	0.00
****.** Correlation is significant at the 0.01 level (2-tailed).		
***.** Correlation is significant at the 0.05 level (2-tailed).		

Core Competence to Advantage Seeking Behavior

According to the above table, it is clearly shown that there is a significant relationship between **Core Competence to Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.568 at.001 significance level and P value 0.000 is less than the 0.10.

Competence to Advantage Seeking Behavior

Based on the Hypothesis developed by the researcher as above, the correlation analysis was carried out. It is clearly shown that there is a significant relationship between Competence to Advantage Seeking Behavior with a coefficient correlation value (r value) of 0.526 at 0.000 significant level and P value 0.000 is less than the 0.10.

Capability to Advantage Seeking Behavior

According to the Pearson Correlation Analysis, it is clearly shown that there is a relationship between Entrepreneurial **Capability to Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.417 at 0.000 significant level and P value 0.000 is less than the 0.10.

Resources to Advantage Seeking Behavior

According to the above table, it is clearly shown that there is a significant relationship between **Resources and Advantage Seeking Behavior** with a coefficient correlation value (r value) of 0.568 at.001 significance level and P value 0.000 is less than the 0.10.

Testing goodness of the data

Regression Diagnostics

Collinearity

Table 9: Tolerance and Variance Inflation Factors (VIF) of models

Model	Tolerance	VIF
Opportunity Seeking Behavior	1.000	1.000
Advantage Seeking Behavior	1.000	1.000

Tolerance:

Tolerance means the percentage of variance in a variable not associated with other variables. Tolerance has a range from zero to one. A value of near one indicates independence; if the tolerance value is close to zero, the variables are multicollinear. As a rule of thumb, a tolerance of less than .20 indicates a problem with multicollinearity (Kellogg School of Management 2004). As per the research data of the study one may identify that, all tolerance values are 1.000 (100%). So therefore, one can determine that the models do not corresponds with, no multicollinearity. Or in other words, all variables on the study are act independently.

Variance Inflation Factor (VIF):

As a rule of thumb, a researcher can assume that he does not have multicollinearity problem for a particular variable as long as the VIF are considerably less than ten (10). Moreover, A VIF greater than ten would mean that over 90% of the variance in a given predictor variable can be collectively accounted for by the other predictor variables. Therefore, one may recognize that all VIF values in the data set are less than ten (10). It is 1.000. Consequently, one may emphasize that there is no multicollinearity problem in study's model.

The impact of Opportunity seeking behavior on Competitive Advantage

The impact of Opportunity Seeking Behavior on Competitive Advantage can be assessed using the regression models. R square value and F value has been taken into consideration.

Table 10: Regression Statistics

Regression Statistics	
R value	.345
R Square	.119
F- Value	13.217
Observations	100

R value stands at .345 (34.5 %), implies that 34.5 percent of fitness can be observed in the sample regression line. Furthermore, it measures 34.5 percent of the total variation in the advantage seeking behavior.

F value is 13.217 that is significant at 5% level (P=.000) which suggests that the indicators of one independent variable have significantly explained 11.9% of the variation in the competitive advantage. And also indicates the model is more or less moderately good fit for the data. Remaining 88.51% variance in the opportunity seeking behavior is attributed to other variables.

Table 11: The impact of Advantage Seeking Behavior on Competitive Advantage

Regression Statistics	
R value	.565
R Square	.319
F value	22.725
Observations	100

R value stands at .565 (56.5 %), implies that 56.5 percent of fitness can be observed in the sample regression line. Furthermore, it measures 56.5.5 percent of the total variation in the opportunity seeking behavior.

F value is 22.725 that is significant at 5% level (P=.000) which suggests that the indicators of one independent variable have significantly explained 31.9% of the variation in the competitive advantage. And also indicates the model is more or less moderately good fit for the data. Remaining 68.1% variance in the opportunity seeking behavior is attributed to other variables.

Empirical findings, conclusion and suggestions

For this research purpose researcher collects data from a sample of 100 respondents. The sample consists with respondents who owned small and medium enterprises in Si Lanka.

In addition to this research, quantitative phase shows that opportunity seeking behavior and advantage seeking behavior directly affect to the competitive advantage. All the independent variables show positive significant relationship with the dependent variable.

For this research purpose researcher developed two hypotheses & all two hypotheses are supported in the research.

Hypothesis testing

Summary of data analysis is given below through hypothesis testing.

Table 12-The Summary of Hypothesis Testing

No	Hypothesis	Results	Tools
H_1	There is a significant impact on Opportunity Seeking Behavior to Competitive Advantage	Accepted	Regression
H_2	There is a significant impact on Advantage Seeking Behavior to Competitive Advantage	Accepted	Regression

Objective of this study was to observe the relationships between opportunity seeking behavior and advantage seeking behavior on competitive advantage.

Results showed that there are significant relationships exist and those relationships are significant. Above hypothesis testing proves the relationships predicted.

Limitations of the study

Base of literature this research consider only the opportunity seeking behavior and advantage seeking behavior that highly relevant to the competitive advantage of a venture. There are may be some variables that affect to the competitive advantage. This research secondary data collect from base only limited geographical area in Sri Lanka with a sample of 100.In this research only used secondary data collection method is questionnaire. Most of the literature sources and base articles are overseas, so there are not 100% matching to Sri Lankan contexts

Recommendation to future research

Use some other independent variables & try to understand the competitive advantage. Consider more respondents as a sample, cover a wide geographical area & use more methods for collecting data. Use more method for collecting secondary data like focus group interviews, interview methods.

Conclusion

Entrepreneurial organizations usually engage in opportunity seeking behavior compared to conservative organizations. Entrepreneurial organizations which identify and exploit potentially valuable opportunities will develop competitive advantages. Therefore opportunity seeking behavior helps an organization to find unexploited opportunities which the competitors haven't discovered so far. Advantage seeking behavior is a dominant perspective within strategic Management. It says competitive advantages can be developed for the organizations with unique (valuable, rare, inimitable, and difficult to replace via substitution) resources. Therefore Strategic Entrepreneurship contributes to our understanding of how firms create wealth. Firms execute simultaneous opportunity seeking and advantage seeking activities will pursuit superior performance. In additionally although opportunity seeking and advantage seeking behavior develop competitive advantages individually, combination of both of these dimensions will help an organization to create sustainable competitive advantages that create wealth in long run.

Entrepreneurial oriented organizations usually practice effective opportunity seeking behavior and gain competitive advantages over their competitors. Entrepreneurial organizations can practice opportunity seeking behavior with advantage seeking behavior will also be able to gain sustainable competitive advantages which can create wealth in long run. In other words entrepreneurial organizations that already practices opportunity seeking behavior by additionally practicing advantage seeking behavior will help to create sustainable competitive advantages. So entrepreneurial organizations have higher tendency in developing sustainable competitive advantages than other conservative organizations.

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