

## Investigation of the Influence of Strategic Entrepreneurship on Corporate Performance (Case Study: Companies Situated in Ahwaz No. 1 Industrial Estate)

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### ABSTRACT

The aim of this study was to investigate the impact of strategic entrepreneurship on the performance of industrial companies in Ahwaz. The population of this study will be the number of all Ahwaz's industrial companies. With regard to this matter among all the employees, managers using simple random sampling of 194 that was selected as the sample. In this study, to evaluate the performance of the industrial enterprises of scale derived from strategic entrepreneurship and strategic business model Shyrvkva (2012) was used. Obtained results by using descriptive statistics, mean and standard deviation and inferential statistics, correlation analysis, confirmatory factor analysis was performed by using LISREL software. The results of the study showed that all components of strategic entrepreneurship assumptions on the performance of industrial companies has been influential in Ahwaz (1). Thus, with increasing strategic entrepreneurial component, the performance of Ahwaz's industrial companies was improved.

**KEY WORDS:** Strategic Entrepreneurship, Performance, Industrial companies.

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### INTRODUCTION

Today, entrepreneurship is the main motivating agent in economic development and is regarded as one of the characteristics of a healthy economy. This concept takes pace when one or several persons start a business or it may also take place in an active organization. The latter is called organizational entrepreneurship (Moghimi, 2008). Entrepreneurship is based upon an organization's ability to learn via discovering new knowledge and application of existing knowledge. It is rapidly becoming a weapon for many organizations especially large ones. Entrepreneurship is also an attempt for creation of entrepreneurial skills and inserting these features in an organization's culture. The public sector is not also an exception (Ahmadpour Dariani, 2005). Customer is the main factor for organizational survival, whether in a production or in a service company. If an organization fails to attract customers' attention and to make customers loyal it will not facilitate its long-term growth (Vazifehdost, Rahnama and Mousavian, 2014).

Administrative system and public sector of any country is one of the main bases for growth and development and governments duties. Therefore, inefficiency of this sector will have many problems. Even when the private sector is active, the public sector has many duties and good or bad performance of public sector will have many effects. An entrepreneurial organization is able to seize opportunities and get adapted to its surroundings. Organizational entrepreneurship involves many indices and agents and is affected by many different factors. Therefore, it seems necessary to identify these factors and investigates their impacts on organizational entrepreneurship. However, the common question for researchers and corporate managers has been: "whether strategic entrepreneurship can really influence corporate performance or not?". Therefore, this study investigates the influence of strategic entrepreneurship on corporate performance.

### THEORETICAL LITERATURE

Entrepreneurship has received a lot of attention in the past decade in Iran. policy-makers and researchers of management area have been attracted to identify and understand entrepreneurship processes as a result of the important role of entrepreneurship in creation of wealth and economic growth. Investigation of entrepreneurship process is important for several reasons. The first reason is that entrepreneurship directs the society towards technical and innovative changes and brings economic growth. Furthermore, entrepreneurship balances supply and demand. Another important subject is that entrepreneurship helps new knowledge turn into new services and products. Another reason is that entrepreneurship is a very important profession and it is necessary to understand its role in development of human potentials (Kiakajouri and Roudgarnejad, 2009). Furthermore, entrepreneurship has two main implications for policy-makers of sustainable development in every society. The first is that improvement of employment is facilitated by entrepreneurship and the second is that entrepreneurship increases welfare (Ahmdpour, 2005). Entrepreneurship is something beyond creation of new

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jobs. It has several effects like improvement of creativity, encouragement of innovation, increasing self-confidence, creation and development of technology, creation of wealth in society and increasing general welfare. If it is regarded as a job-creating means, its other benefits will not be utilized. Contrary to our interpretation, entrepreneurship should not be used as identification of opportunities. A new concept called "strategic entrepreneurship" has been developed in strategic management within the past few years. Hit et al (2001) believe that strategic entrepreneurship means doing an entrepreneurial activity with a strategic approach. This approach shows that creation of wealth takes place only when entrepreneurship (seeking opportunities) is accompanied by strategic management (seeking advantage) (Golrod and Ghazi, 2010). Industrial companies live in volatile environments and changes in environmental resources can damage such companies. Entrepreneurs which manage industrial companies should be aware of the importance of environmental resources and strategic approach to entrepreneurship. Long-term survival of these companies depends largely on strategic use of resources such that companies both seize opportunities and create competitive advantage with respect to their competitors. Industrial companies have been developed a lot in Khuzestan Province in Iran within the past few years but the fact that how much attention these companies pay to strategic entrepreneurship and how the influence of strategic entrepreneurship on their performances is not obvious. The main impacts of development of entrepreneurship include innovation improvement, promotion of technology, increasing the number of inventions and production and distribution of income in society which can be followed by increasing national wealth (Aghajani et al, 2007). Therefore, we should plan for entrepreneurship development using existing resources. Therefore, this study tries to investigate the impacts of strategic entrepreneurship on performance of companies situated in Ahwaz No. 1 Industrial Estate. To this end, we try to answer this question: "whether strategic entrepreneurship influences performance of industrial companies in Khuzestan Province?"

### **Definitions for entrepreneurship**

The word entrepreneurship has many definitions. Here we present some famous ones: Timmons defined entrepreneurship as the ability to create and build a valuable thing out of nothing (Kordnaej, 2005). This concept means starting, doing and establishment of a new company or organization. Schumpeter considers entrepreneurship as a force which disturbs economy and calls it "creative destruction" and believes that entrepreneurship directs resources towards potentials for creation of wealth. Therefore, entrepreneurship is the process of gaining profit from a new and unique combination in an ambiguous environment and uncertainty. Entrepreneurs are individuals who innovate, identify commercial opportunities and combine resources to benefit from uncertain environments.

### **The role of entrepreneurship in industrial and economic development**

If we accept that global economy and economic growth is dependent on innovation in the recent century, we should facilitate growth of those who turn idea into product and turn science and knowledge into industry. An entrepreneur is a person who links knowledge to industry and market (Mousavi, 2003). Considering the importance of entrepreneurship and its role in national and global economy, creation of wealth and employment, many scholars have investigated it from different aspects. The main attraction of entrepreneurship is its unlimited innovation. Innovation is an endless process because science does not have any limit. Entrepreneurs are able to provide a new service or product for market. Many entrepreneurs start their business in the form of a small or medium-sized enterprise. Development of SMEs contributes to national growth (Seyyedi Baleh et al, 2010).

### **Corporate performance**

For decades, a company's value was measured by its properties, tangible assets, factories and its equipment. However, it has been found that the real value of a company is somewhere beyond i.e. in potential customers' minds (Heidarzadeh et al, 2011). In management, it is believed that what is not measurable is not manageable. This has made managers to prepare performance evaluation mechanisms so that companies can evaluate their activities and provide controlling and corrective measures. Performance evaluation and effectiveness of private companies have been always considered as an important issue and even in the recent years the public sector also emphasize on responsiveness (Muhammadi, 2007).

Therefore, use of a comprehensive mechanism for monitoring organizational performance in all dimensions is a main issue ahead of managers for preparation of plans and policies. On the other hand, systems, processes and organizational units should be evaluated properly. On one hand, the evaluations influence future planning and on the other hand, they direct existing plans.

Every organization tries to organize its activities as effective as possible. Thus, performance measurement has received a lot of attention in the past 20 years. Specifically, we can notice the shift from financial to non-financial performance evaluation. Since mid-1980s, companies emphasized on need for controlling business processes. They found that they should control and improve their performances continuously and performance measurement has been recognized as a vital element for improvement of business. A management system and performance evaluation process should be balanced and dynamic in order

to be able to support decision-making processes by gathering, distributing and analyzing data. the fact of being balanced requires use of different viewpoints and gives a generalist viewpoint to organizations. Dynamism proposes need for development of a system which controls continuously over the organizational internal and external performance and revises priorities and targets.

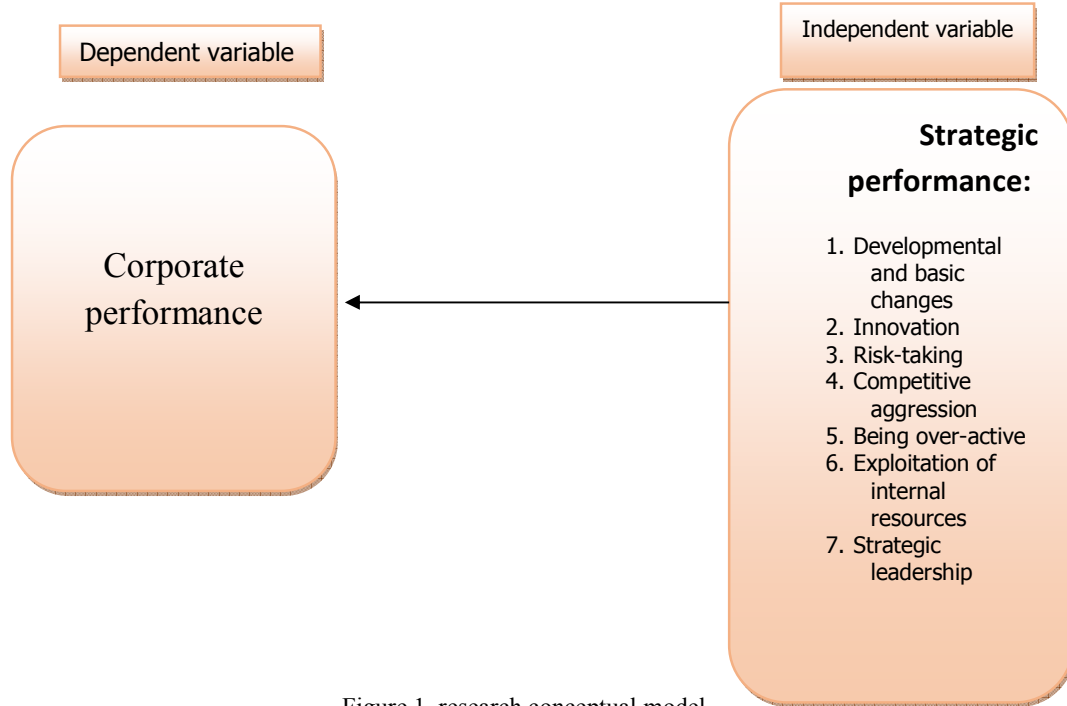


Figure 1. research conceptual model  
Reference: Shirokova, Vega and Sokolova, 2012

Considering the conceptual model, the research hypotheses are as follows:

1. Developmental and basic changes influence organizational performance.
2. Innovation influences organizational performance.
3. Risk-taking influences organizational performance.
4. Competitive aggression influences organizational performance.
5. Being over-active influences organizational performance.
6. Exploitation of internal resources influences organizational performance.
7. Strategic leadership influences organizational performance.

## MATERIALS AND METHODS

### The sample

Statistical population of the research included all companies in Ahwaz industrial estates. Considering the fact that the questions distributed among companies contained information regarding financial performance of the companies and only senior managers are aware of this kind of information, we referred to senior managers and used simple random sampling for selecting sample members. The questionnaires were distributed both directly and on telephone.

Table 1. demographic information

variable	dimensions
gender	Male: 67.9%, female:32.1%
age	Below 25: 10.6%, 25-30: 25.5%, 31-40: 33.2%, 41-50: 23%, 51 and above: 7.7%
education	High school diploma and below: 32.5%, associate's degree: 13.9%, bachelor degree: 41.6%, master degree and above: 12%
Bank service use time	Below 1 year: 18.2%, 1-3: 25.2%, 4-7: 33.6%, above 7 years: 23%

We used a questionnaire based on Shirokua's strategic entrepreneurship model (2012) in order to gather data on measurement of strategic entrepreneurship and performance in industrial estates companies. Cronbach's alpha was used for evaluation of reliability of the questionnaire. Thus, 20 questionnaires were primarily

distributed among respondents and Cronbch's alpha was equal to 0.876 which is greater than 0.7. Therefore, the questionnaire is reliable enough to be distributed among respondents. Then, the questionnaires were distributed among statistical population members. The respondents' demographic data are summarized in table 1.

**Research hypotheses test**

Structural equations modeling technique was used for investigation of the hypotheses. It is a statistical technique which embraces other techniques like multivariate regression, factor analysis, and path analysis and its main emphasis is on latent variables which are defined in terms of measurable indices and observable variables.

In structural model we try to specify whether the relationships among latent variables which have been extracted based on the theory are supported using the gathered data or not? LISREL (version 8.8) software package was used for conducting calculations of structural equations modeling technique.

Fitness of the model is an important point in structural equations modeling technique. This is observable in final output of LISREL. Five important fit indices have been presented in table 2.

Table 2: model fit indices

indices	Allowable value	Numbers calculated
Kai-squared over df	$\chi^2 / df < 3$	2.13
P value	p value < 0.05	0.000
(RMSEA)Root mean square error approximation	0.08 < RMSEA	0.076
(GFI)Goodness of fit index	Above 0.9	0.93
(CFI)Comparative fit index	Above 0.9	0.95
(NFI)Normalized fit index	Above 0.9	0.94

As it can be seen in table 5, all model fit indices are in allowable ranges and indicate fitness of the model. We used the results of LISREL software calculations in two standard (figure 2) and significance (figure 3) states in order to test the hypotheses.

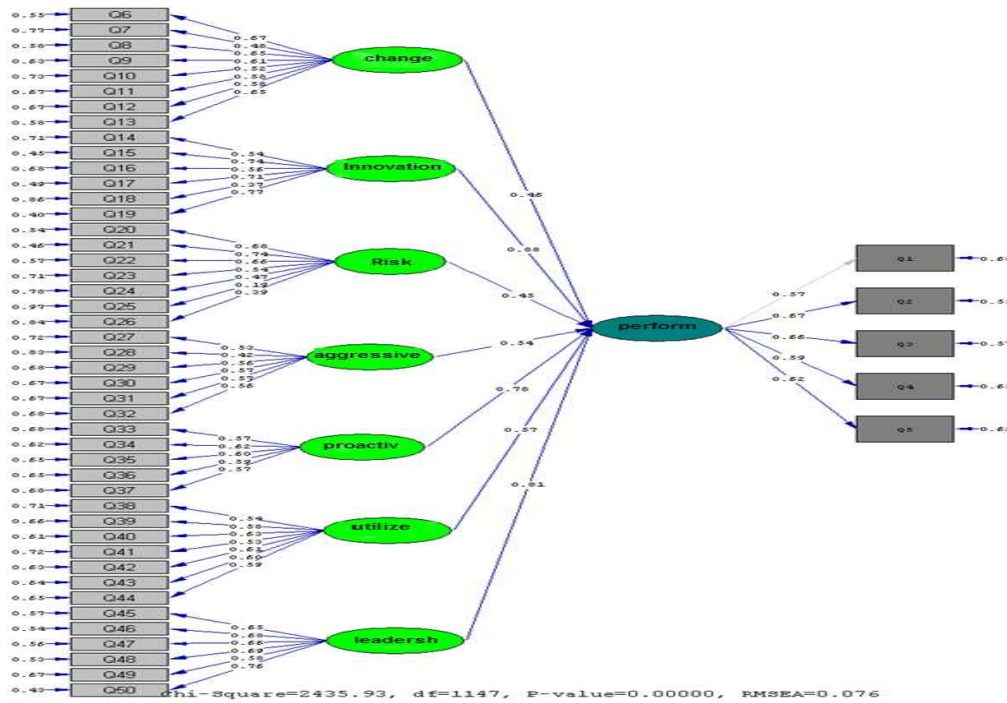


Figure 2. research model in standard state

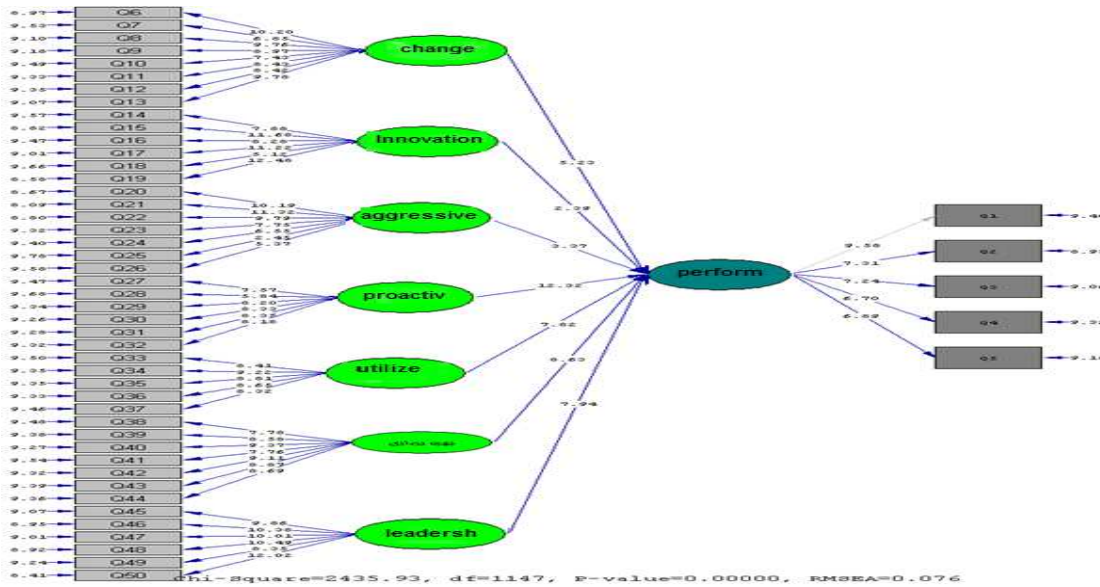


Figure 3: research model in significance state

Considering the research model in standard and significance states, the results of hypotheses test can be summarized and presented in table 3.

Table 3. results of hypotheses tests

hypotheses	Path coefficient (standard)	sig (T)	result
Developmental and basic changes----performance	0.46	4.23	supported
Innovation----performance	0.88	2.39	supported
Risk-taking----performance	0.292	2.37	supported
Aggressive competition----performance	0.348	12.32	supported
Competitive over-activity----performance	0.444	7.82	supported
Exploitation of internal resources----performance	0.204	8.63	supported
Competitive strategic leadership----performance	0.264	7.94	supported

Considering the fact that certainty level is assumed to be equal to 0.95 for testing the hypotheses, all hypotheses which have significance numbers outside +1.96 and -1.96 interval are supported. According to table 6, all coefficients for relationships between variables are significant and all research hypotheses are supported. Of all dimensions of strategic entrepreneurship, innovation with a standard factor loading equal to 0.88 if the most effective factor in organizational performance and after that we have developmental and basic changes, being over-active, competitive aggression, risk-taking, competitive strategic leadership and exploitation of internal resources.

**Conclusion**

This study aimed to investigate the influence of strategic entrepreneurship on corporate performance in companies which were active in Ahwaz No. 1 Industrial Estate. Developmental and basic changes, innovation, risk-taking, competitive aggression, being over-active, exploitation of internal resources, strategic leadership were considered as dimensions of strategic entrepreneurship. Data analysis by means of structural equations modeling technique showed that all 7 dimensions influence organizational performance and innovation had the greatest impact (factor loading equal to 0.88) and exploitation of internal competitive resources (factor loading equal to 0.2040) had the smallest impact on organizational performance.

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