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THE IMPACT OF STRATEGIC ENTREPRENEURSHIP TO ESTABLISHED FIRM PERFORMANCE IN A DYNAMIC ENVIRONMENT

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Abstract

PT. Pertamina Hulu Energi (PHE) as an established firm is facing dynamic environment indicated by degenerative existing competitive advantage which solely leans on existing competitive advantage, but less in exploring opportunities—not balancing in opportunity seeking behaviours and advantage seeking behaviours. The firm is affected by internal and external factors. External factors is reflected by the dynamic and competitive environment which is changing in technology, market price uncertainty, and local government rules. Entrepreneurial leadership and culture as internal factors are required to promote exploring opportunities and exploiting these opportunities in dynamic environment. Managing resources strategically as the process to create values and competitive advantage requiring the process of structuring the resources portfolio, bundling the capability and leverage the capability meet to expectation of customers as resource orchestration of the firm is currently not satisfied. Strategic Entrepreneurship (SE) complements with opportunity seeking and advantage seeking behaviours constructed by dynamic and competitive environment, entrepreneurial culture, entrepreneurial leadership, and managing resources strategically as resources orchestration of the firm is supposed to create values and sustaining competitive advantage and also having a significant impact to innovation performance. This research has an objective to examining the effect of dynamic and competitive environment, entrepreneurial culture and entrepreneurial leadership to effective resource orchestration which impact to firm's innovation performance. The data will be collected by using survey method to all managers from business level and subsidiaries, then using Structural Equation Model (SEM) analysis and Partial Least Square (PLS) method to test the hypothesis.

Keywords: Established Firm Performance, Firm's Competitive Advantage, Innovation, Resource Orchestration, Strategic Entrepreneurship

1. Introduction

1.1.PT. Pertamina Hulu Energi Performance

PT. Pertamina Hulu Energi (PHE) is a National Oil Company (NOC) which is as strategic operating arm company for PERTAMINA that was established in 2008 and has a vision “to become world class oil and gas company” and Mission “Conducting operations & business portfolio management in upstream oil and gas in a professional and high profit and provide added value for Stakeholder”. This firm is currently managing 55 subsidiaries which operates in upstream oil & gas business. As business level of the firm has objective to growth & sustain their company for future. Unfortunately, from the last 5 years performance and competitive position to other NOCs and IOCs showing not satisfied performance. Looking at the performance of whether PERTAMINA as parent company and PT. Pertamina Hulu Energi are showing

degenerating performance, in figure 1 (Medlock, 2013), PERTAMINA in global competition is still low performance comparing to other IOCs/NOCs in term of revenue, production and number of natural resources. Due to the fact that, it can be concluded that PT. Pertamina Hulu Energi has a really consequently facing degenerating performance in the last five years financial performance, in a low competitive position to the others NOC, and entering threats situation.

Table 1: Means of Key Variables (continued)

Firm	Headquarter Country	Government ownership share	Revenue (\$ million)	Oil reserves (million barrels)	Nat. gas reserves (billion ft ³)	Refining Capacity (thousands barrels/day)	Employees	Revenue per employee	Vertical integration (products/oil prod)
Marathon	US	0	48842.1	792.1	3230.3	991.2	27395	1.765	6.588
Mol	Hungary	0.11	11585.6	119.7	943.1	303.8	17279	0.692	6.307
MurphyOil	US	0	12490.6	330.9	519.7	211.8	6237	1.824	3.783
NIOC	Iran	1	43765.0	127229.0	950214.0	1517.9	114956	0.381	0.426
Nexen	Canada	0	4096.4	682.0	597.9	0	3371	1.165	0
Nippon	Japan	0	50212.7	110.9	1334.0	1252.6	13729	3.684	19.751
Noble	US	0	2171.0	258.1	2528.7	0	1043	2.064	0
OMV	Austria	0.36	18972.7	555.4	2359.3	458.2	30627	0.839	3.217
ONGC	India	0.77	11553.9	3768.9	15692.6	155.9	35893	0.332	0.329
Occidental	US	0	14626.4	2254.0	3839.6	0	8863	1.624	0
PDO	Oman	0.6	9793.3	3194.4	18958.1	65.0	4446	2.167	0.107
PDV	Venezuela	1	76195.7	83753.9	158427.0	3073.9	53391	1.506	0.968
PTT	Thailand	0.79	28706.1	144.1	4795.1	315.9	7530	3.463	8.558
Pemex	Mexico	1	82189.8	14341.1	14126.8	1705.3	139787	0.585	0.467
Pertamina	Indonesia	1	29054.2	2765.0	46753.2	1035.3	28578	1.037	5.168
Petrobras	Brazil	0.42	63511.6	9410.8	11219.8	2105.7	57381	1.038	1.434
Petroecuador	Ecuador	0.89	4609.0	3063.7	611.0	175.9	4011	1.150	0.715
Petronas	Malaysia	1	44752.2	7036.2	104663.0	386.3	30874	1.383	0.856
Pioneer	US	0	1475.7	422.1	2756.4	0	1467	1.000	0
Plains	US	0	1630.0	367.0	1156.3	0	816	1.959	0
QP	Qatar	1	21946.7	12703.1	603147.0	177.8	6976	3.140	0.148
Repsol YPF	Spain	0	59294.7	1415.7	12686.6	1226.8	35208	1.665	2.412
Rosneft	Russia	0.83	26398.1	11091.3	51326.7	493.8	88611	0.253	0.645
Santos	Australia	0	1741.8	147.4	2522.3	0	1743	0.986	0

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(continued)

Figure 1. Competitive Advantage PERTAMINA against others NOCs. (Source: Peter R. Hartley* and Kenneth B. Medlock III**, 2013)

In this business environment is also affected by the external factors such as uncertainty market oil price, and local regulation from government imposed to this business. By this reason, the firm is insisted to be more creative or innovative to covering changing in dynamic and competitive environment and degenerating financial performance. Zahra (1991) mentioned that the financial firm performance is really affected by level of strategic entrepreneurship of the firm, to be more entrepreneurship has a positive impact to the financial firm performance. By optimization of strategic entrepreneurship is supposed to help the firm, to survive and sustain their business.

1.2. Current Business Environment

Looking into business environment, dynamic and competitive environment have been hitting oil and gas industry indicated by market price uncertainty, change on regulation, shifting in technology, variation of customer preference, existence of withdrawal and new competitors, fluctuation in product and demand impacting to firms' performance (Ireland and Webb, 2006; Volberda, 1983). Oil and gas companies are currently introducing innovative technology, novel operations and newness in order to get superior performance. One of the applying innovative technology as a source of competitive advantage brings oil and gas operations in fast operation responses and low cost operations in exploration, development and operations activities. It is inevitable, market price uncertainty and change on government regulation are also contributing to economics values of firms' activities and actions associate to firms' performance.

Competitive environment can reflect on shifting in technology as introducing a novel or innovative technology (Ireland & Webb, 2006). This technology has been applying so far by International Oil Company (IOC) to create fast operation responses in every stage of oil and gas business cycle such exploration, development and operations resulting in low cost operations. Internet of Thing (IOT)/ Big Data Analytic, Drone Survey Technology, Machine Learning and Data Asset Management as innovative technology have been exploring from innovation to create new way in renewal existing resources ending up with sustaining competitive advantage and wealth. Figure 1 shows that competition shifted in innovative technology giving in benefits in each stage of operations applied by IOC Statoil, Shell, Aker BP, Woodside, Devon, Anadarko and Apache. Strategic position leading in low cost operations has been realizing by implementing innovative technology as entrepreneurial actions and activities in organization of International Oil Companies (IOC). Innovative technology promoting in low cost operations combining with market price uncertainty, change on regulation and economy to form dynamic and competitive business environment is rigorously affecting on sustaining competitive advantage of the firms.

1.3. Strategic Entrepreneurship in Oil and Gas Business

Optimizing to convert all of natural resources and reserves to production in oil and gas sector must be occurred as competitive advantage within rapidly change environment indicated by performing dynamic capability of the firms (Teece, 2004). Established firms are commonly able to survive with strong exploiting the existing competitive advantage but less opportunity seeking behaviour in dynamic and competitive environment (Hitt and Ireland 2011). A Balance in exploring opportunity seeking in this environment and exploit it to sustaining competitive advantage is becoming a central of discussion which PT. PHE not optimize to explore opportunities and exploit this opportunities by using entrepreneurial behaviours, actions and activities in entire organization setting and operations to push mobility of natural resources and reserves as creating superior firms' performance.

Competing in this industry, National Oil Company (NOC) is facing two challenges first on how to explore opportunities within dynamic and competitive environment and second on how exploit opportunities by deploying their constraint resources. A Firm's sustaining superior performance is required to simultaneously balance supply and demand of natural resources as result of exploration and exploitation activities for future sustaining competitive advantage. Opportunity seeking and advantage seeking behaviours need to be encouraged to create firm's competitive advantage. Ability to explore opportunities then exploit these opportunities are introduced as strategic entrepreneurship creating values for customer and wealth by orchestrating resources, structuring-bundling-leveraging (Teece, 1997) and promoting sustaining competitive advantage (Hitts and Ireland 2011). Strategic entrepreneurship is affected by external environment such as munificence (circumstances providing value for the firm), hostility and connectedness (Scheepers, 2012 and Hitts Ireland 2011). External environment & organization factors of the firms affects strategic entrepreneurship as input process output (Hitt and Ireland, 2011). Organization factors can be determined as hardware, software and people (Howard, 1992) affects to strategic entrepreneurship to create wealth by introducing new business process, product & services, innovative technology and entering new business venturing. Strategic entrepreneurship is linkage at any level of strategy thus, corporate level, business level and functional level (Lumpkin and Dess, 1999) and affected by environmental factors, organizational factors and individual factors creating value for customer and competitive advantage resulting wealth (Hitt and Ireland, 2011). Established firms use strategic entrepreneurship at level corporate supposed to be Strategic Entrepreneurship (SE) introduced by Bulgerman, 1983, Lumpkin and Dess 1996, and Covin and Miles, 1999 and Ozdemirci, 2011. Strategic entrepreneurship complements with behaviour of risk taking, autonomy, proactiveness, innovativeness and competitive progressive is able to produce entrepreneurial actions resulting firms performance. Innovativeness is able to produce

innovative technology to drive in low cost operations. Ability to exploit come ups in low cost operational driving to cost leadership at business level strategy (Lumpkin and Dess, 1999). Exploring opportunity seeking is to expose on product or services in differently in order to catch up variation of customer preference and product demand fluctuation on dynamic business environment (Lumpkin and Dess, 1999). Oil and gas business is also related to on how to keep sustaining of oil and gas supply because it's unrenewable product consumption. It must be renewed and replenished by balancing exploration and exploitation operations as entrepreneurial activities and actions. Looking into this nature business, strategic entrepreneurship is suggested as fit process and able to explore opportunities, orchestrating firms' resources & capability then exploit it owing to achieve sustaining competitive advantage within this dynamic a& competitive business environment. Strategic entrepreneurship is chosen as one of combination between strategic management and entrepreneurship which have characterization stimulating opportunity seeking behaviour and advantage seeking behaviour influenced by organization resources and environmental factors creating values of customer resulting wealth (Hitt and Ireland 2011). Key combination of strategic management and entrepreneurship wrapped up on strategic entrepreneurship shall be implemented inside the firms to secure sustaining firm performance and competitive advantage. Traditional technology that equipped in mature assets does not appropriate more to increase unrenewable resources even though low cost and fast production or activities to set up as cost leadership strategy. Strategic entrepreneurship is required and embedded inside the firms to compete in this dynamic and competitive environment.

Specific objective of this research is answering research question above; (1). to study affects of environmental factor to strategic entrepreneurship in established firms. (2). to study affects of organizational factors to strategic entrepreneurship in established firms. (3). to study affects of strategic entrepreneurship to firms' performance. This research is supposed to be having a contribution to PT. Pertamina Hulu Energi as established firms on how to stimulating and optimizing Strategic Entrepreneurship affected by environmental factors, organization factors and and Strategic Entrepreneurship for sustaining competitive advantage. This research will give direction or guideline to PT. Pertamina's Leaders in order to seek and achieve sustaining competitive advantage within dynamic & competitive environment. This research focus on factors that stimulating and optimizing Strategic Entrepreneurship (SE) in established firms NOC resulting sustaining competitive advantage and environmental factors, and organization factors as the antecedents of SE. Data is collected as descriptive and inferential using instrument analysis data Structural Equation Modelling PLS.

2. Literature Review

2.1. Strategic Entrepreneurship and Performance

Strategic Entrepreneurship (SE) has a significant impact and correlate to firms' performance indicated by the firms' capability to response dynamic and competitive environmental supporting technological, organizational, operational & business model innovations to promote innovation and renewal activities (Zahra, 1993 and Teece, 1997, 2004). Environment, strategic entrepreneurship and financial performance have been also researched empirically to show firms' ability to achieve sustaining superior performance (Zahra, 1993). Another research empirically shows that strategic entrepreneurship promoting innovativeness, new business venturing and strategic renewal impacting not only to concrete performance-sales, profitability, market share and financial performance but also abstract performance-Handling Difficulties, HR Quality and Meeting Expectations (Ozdemirci, 2011). It is also described that strategic entrepreneurship is integration of strategic management and entrepreneurship as the response to business environment by showing simultaneously exploring opportunities seeking behaviour then exploiting it to become entrepreneurial actions and activities to achieve superior

performance. These strategic actions and entrepreneurial actions are combined to promote innovations, networks, internationalization, organizational learning, top management teams & governance and growth as the source of firms' wealth creation (Hitt & Ireland, 2001). Moreover, organizations that have entrepreneurial orientation producing entrepreneurial action and activities is significant empirically linked to firms' performance which is entrepreneurial orientation as the orientation of the organization to pursue newness by dimensioning of autonomy, innovativeness, risk taking, proactiveness and competitive-aggressiveness (Lumpkin & Dess, 1996).

2.2. Innovation Performance

Strategic entrepreneurship is influenced by the organizational factors and environmental factors in order to create competitive advantage resulting innovation performance, social benefits, organizational benefits and individual benefits (Hitt and Ireland, 2011; Scheepers, 2009, Ozdemirci, 2011). Classical entrepreneurship has four dimensions new business venturing, innovativeness, self-renewal and proactiveness. The firms implement corporate entrepreneurship to get 2 models benefits concrete performance and abstract performance (Ozdemirci, 2011). Another research came up with the innovation exploration and innovation exploitation is moderating by emergent market and competitive market will define innovation performance in term of financial performance thus Unit Past Performance and Branch Past Performance (Jansen, 2006). Variable of exploration and exploitative innovation and financial performance is controlled by unit size, branch size, functional diversity and unit clean focus. Innovation performance can also be measured by internal aspect of innovation performance, technical performance, commercial performance, social performance and economic performance (Fontana and Musa, 2017). Internal performance refers to on how measuring internal performance before and after in term of climate, culture and resources where organization has been successful in fostering innovativeness, knowledge management and a climate to generate new idea, selecting developing and diffusing product resulting from innovation process. Technical performance refers to ability of organization to realize the creative and innovative idea to become products, good and or services. Commercial performance refers to the ability of organization while realizing the idea and innovation by using product, good and or services penetrating to the market. Social performance refers to the creative or innovative product goods and or service has a positive impact to social and community. Economic performance refers to showing an innovative output that having financial performance and ability to generate economics value such as internal rate of return from cost of capital.

2.3. Strategic Entrepreneurship Constructs

For firms to achieve superior performance, it is indicated by having different core competency as triggering industry rivals and orchestrating their resources. It is inevitable that antecedent factors are really affected to strategic entrepreneurship to promote innovativeness, new business venturing and strategic renewal in their organization. These antecedents are independently consist of external factors-business environment and organizational factors-inside organization (Hitt & Ireland, 2011 and Ozdemirci, 2011).

2.4. Entrepreneurial Mindset

Firms has to response rapidly change environment by orchestrating their resource using the dynamic capability frameworks to search opportunities then exploit it by meeting the market (Teece 1997, 2004). External factors are determined as factors influencing organization and individual to make decision making as process to compete in industry rivals. These factors are categorized into munificence, dynamism and interconnectedness (Hitt & Ireland 2011). Munificence is translated as the condition which by firms has ability to identify opportunities and to acquire new resources by exploiting them. Munificence reflects acquiring on raw

material, financial capital, labours and customers. The other side, empiric research showing that two factors – munificence and hostility affecting entrepreneurial intensity of the firms in order to promote innovativeness, new business venturing and strategic renewal (Scheepers, 2012). Munificence is constructed by dynamism, demand of product and technology opportunity within this environment. Dynamism reflects on instability of the market price, shifting in technology process and change demand preferences of buyer (Scheepers, 2012, Ireland & Webb, 2009, and volberda, 1983). New product has been recognizing as the firms exploring niche market by experimenting entrepreneurial actions and activities. If this new product meets the expectation of the buyer, exploiting is accelerated to achieve as first mover advantage. Technology opportunity is recognized also by acquiring it in munificence environment and also introduced as the shifting of innovative technology resulting from innovation process-experimentation-research & development and acquiring technology know-how by special labour (Scheepers, 2012). Hostility describes as the threat environmental influencing to the firms which are consisted unfavourable to change and competitive rivalry. Unfavourable to change appears as the unsupporting of entrepreneurial actions and activities, reluctant to change from rapidly change environment and regulatory. Competitive rivalry as environment is full by the intensity of the competition (Ireland and Webb, 2009). Interconnectedness as the response of individual in organization in order to get information on how to acquire knowledge and opportunities, it is occurred by individual networking, alliances and acquiring the special labours. Interconnectedness occurs to make exploring opportunity by maturing uncertainty information to certain information resulting access of resources putting clear (Hitt & Ireland, 2011).

Entrepreneurial mindset can be reflected on the orientation of organization or individual as response to the business environment or as ability to rapidly sense act and mobilize even under highly uncertain condition of environment (MacGrath and MacMillan, 2000). Entrepreneurial mindset is importance for manager to think and act entrepreneurially (Covin & Slevin, 2002). It constructed by the recognizing entrepreneurial opportunities, entrepreneurial alertness, real option logic, entrepreneurial framework and entrepreneurial register (Ireland, 2003). Recognizing entrepreneurial opportunities is defined as on how organization or managerial or individual to find opportunity in market with uncertain condition. Entrepreneurial alertness viewed as opportunities become feasible. Real option logic happens when the firm has ability to allocate resources to look in term of the risk and returns. Entrepreneurial framework viewed when the real option logic organization or managerial or individual has framework such as goals, and timing to pursuing entrepreneurial opportunities. An opportunity register is where the firm list down the entrepreneurial opportunities (McGrath & MacMillan, 2000).

2.5. Organization Culture

Organization has to response the external factors in order to achieve sustaining superior performance balancing exploring opportunities and exploiting existing advantage. Exploring opportunities and exploiting the existing advantage has solely come up within the organization those are supported by organizational factors. Perception on entrepreneurship by reflecting on individual, organization, culture, process and system as the source of resources for the strategic entrepreneurship embedded into the organization-entrepreneurship inside existing organization (Antoncic and Hisrich, 2001). Entrepreneurial culture and entrepreneurial leadership are the importance component for the firms in order to create new business venturing, innovativeness and strategic renewal (Hitt & Ireland 2011). Entrepreneurial culture is created to stimulate entrepreneurial actions and activities encouraging by the leadership inside the organization. Enforcement entrepreneurial culture supporting organizational, process, people and system to having entrepreneurial mindset and entrepreneurial leadership is suggested to create the vision-as the long-term prospect which the firms able to deploy all their resources as response to opportunities seeking behaviour creating competitive advantage and

wealth for individual, organization and social. It is able to be defined that entrepreneurial has a looping on entrepreneurial organization culture, entrepreneurial leadership and opportunity seeking & advantage seeking behaviour which is connected inside the organization.

Organizational factors help in influencing optimization of strategic entrepreneurship by imposing on managements support, autonomy, reward, time of availability, and organizational boundary (Honsby, 2002). Management support are done by managers in order to encourage the entire organization to facilitate entrepreneurial actions and activities inside the organization (Hornby, 1993). They also encourage the entrepreneurial culture and process as a part of management support to promote these entrepreneurial actions and activities. Management support are able to vary any type of activity such as supporting the new idea, encouraging new business process and system and motivate employees to explore the opportunities (Hornsby, 2002). Autonomy is reflected by the ability of employee within an organization to promote exploring opportunity and make decision in completion of opportunities while risk taking is encourage and mistake is tolerate by minimizing the risk and waste, then exploiting opportunities into competitive advantage. Balancing tension of exploration and exploitation require ambidextrous organization competencies whether in contextual and structural (Birkinshaw, 2011). Reward can be translated as an encouragement to employees to engage in innovative, proactive and risk-taking behaviour which an organization can provide reward in terms of incentives based on the performance. By providing reward and incentives are supposed to stimulate challenges, promoting the new idea and engage in innovative behaviour (Hornsby, 2009). Time availability reflects on the availability of resources that need to be deployed for entrepreneurial activity while enhancing, exploring and exploiting these opportunities (Pinchot, 1985; Covin and Slevin, 1991; Kreiser et al., 2002). Organization boundary reflects on rigidity of administrative or governance to conduct entrepreneurial activities and routine activities. Exploring opportunities requires flexibility of administrative or governance such as tolerate the mistake and promote risk taking by experimentation or research & development (R&D). Exploitation needs the effective guideline while the opportunities meet the market, so that acceleration is required in order to be more competitive. Fix guidance administrative or governance in place as affective to create efficient cost (MacCormac, 2015; Ireland & Webb, 2006).

Organization culture is defined as a system of shared values and beliefs affecting the structural of organization and team member actions to create behavioural norms (Dess & Pickens, 1999). Opportunity seeking and advantage seeking behaviours is one of product of culture from entrepreneurial leadership endorsed inside the organization. An effective entrepreneurial culture is characterized by introducing new idea and creativity, risk taking is encourage, tolerate the failure, learning is promoted to accumulate the knowledge, product, process and administrative innovation are championed and continuous change is symbolized by as a conveyor of opportunities (Ireland, 2003). This culture is created to help an organization to have opportunity seeking and advantage seeking behaviours by implementing entrepreneurial mindset as the organization's orientation.

2.6. Entrepreneurship Leadership

Leadership is important to having a role to create entrepreneurial culture inside the organization. Leadership is endorsed to have the ability to influence others with managing resources strategically in order to promote opportunity seeking and advantage seeking behaviours (Ireland, 2003). Covin and Slevin (2002) argued that entrepreneurial leadership is characterized by six imperatives that nourish an entrepreneurial capability, protect innovation threatening the current business model, make sense of opportunity, question the dominant logic, revisit the “deceptively simple questions”, and link entrepreneurship and strategically management. To nourish an entrepreneurial capability is indicated by human capital as the

source of strategic entrepreneurship behaviours in order to develop entrepreneurial capability such as agility, creativity and skill to manage resources strategically. Protecting innovation which threatens the current business model is translated on stimulating development of the new competitive advantage introducing and share disruptive innovation entails organization by the leadership. Open share and effective communication is embedded into entrepreneurial leadership. Making sense of opportunity is defined as leadership able to communicate and translated the opportunity to organization goals promoting values until individuals goals. Questioning the dominant logic shows that leadership is able to conceptualize their business and evaluate the needs of resource allocation. Revisiting the deceptively simple question is translated by leadership on how a simply question related to viable of market align to success of the firm's goals. It can be said that revisiting over the time by simple questions on how the firms identify the opportunities and how to manage its resources to exploit these opportunities. Linking entrepreneurship and strategically management shows that effective entrepreneurial leadership create the value of the firms by implementing entrepreneurial mindset which is promoting the entrepreneurial culture to develop opportunity seeking and advantage seeking behaviours.

Leadership in this role has a function to encourage entrepreneurial culture and promoting innovation and tolerating the risk in order to create strategic entrepreneurship within the organization of the firms. Fontana and Musa (2017), mentioned that there are four dimension in order to generate character of entrepreneurship thus, strategic, communicative, motivational and personal and or organization dimension. This 4 dimension is supposed to have impact in building character of entrepreneurship which has future vision on how to communicate this vision into entire organization and encourage or motivate members or organization and how to build creativity and innovative entire individual and organization.

2.7. Managing Resources Strategically

In order to manage resources, the firm is focused on three basic resources i.e. financial, human capital and social capital. Financial is utilized in acquiring all type of resources, human capital focus of knowledge as the source of strategic entrepreneurial behaviours and social capital is translated as relationship of individual whether inside and outside organization that help organization capability on purchase or spill over the knowledge while sensing the surrounding environment (Teece, 1997). Managing resources strategically on the three types of resources has the objective to create values for the customer resulting the competitive advantage and wealth. Managing resources is also grounded the Resource Based Theory (RBT) which is characterized by the values, rare, in imitate and un-substitute of resources (Barney, 1991). Resources able creating values characterized by valuable and rare then creating competitive advantage introduced by imitate and un-substitutable resources (Ireland, 2003). To create values, rare, imitate and unsubstituable resources are not solely occurred by its self. It requires the process structuring the resources portfolio, bundling the resources to create capability and leveraging capability to market's opportunity (Ireland, 2011, 2007, 2003). It is also called resources orchestration which is the process of having sub processes such structuring (acquiring, accumulating and divesting), bundling (stabilizing, enriching and pioneering) and leveraging (mobilizing, coordinating and deploying).

2.8. Structuring Bundling and Leveraging

Structuring the resource of a portfolio consists of three sub process acquiring, accumulating and divesting. Acquiring on how the firms acquire resources from the merger acquisition of asset or purchase the resources from the market (Barney, 1986). Accumulating is set to accumulate the resources as stock resources (Dierickx & Cool, 1989). Divest is translated as divest resources as a part of control the resources (Ireland, 2007). Bundling resources is defined as the process of bundling the resources in order to form capability (Sirmon, 2011, 2007). This bundling resource

requires three sub process thus, stabilizing, enriching, and pioneering. Stabilizing is the process introducing incremental improvement from the existing capability. Enriching is the process of extending existing capability by keeping the skill up to date. Pioneering is defined as the process of creating new capability which is aligned to the firm's competitive context. It can be said that extending existing capability and creating new capability align to the firm's competitive context are able to be produced by stabilizing, enriching and pioneering sub process of bundling resources. Leveraging capability has occurred in order to exploit market opportunities introducing value for the customers and wealth for owners. This process requires sub processes such as mobilizing, coordinating and deploying (Ireland, 2007). Mobilizing is the process of identifying a firm's capability meet with market opportunities of the firms. Coordinating is the process of integrating identified capability into effective capability configuration. Deploying is the process of using effective capabilities to support firms' strategy by implementing resource advantage, opportunity and entrepreneurial strategy.

2.9. Strategic Entrepreneurship Model

Strategic entrepreneurship model previously introduced as a four contracts Entrepreneurial Mindset, Entrepreneurial Culture and Leadership, Managing Resources Strategically, applying creativity and development innovation to create competitive advantage resulting wealth creation (Hitt & Ireland, 2003), see figure 2.1. Later then, this model was improved into input process and output model consists on environmental factors, organization resources, individual resources affecting resource orchestration to create value for customers or competitive advantage resulting wealth and other benefits such as social benefits, organizational benefits and individual benefits (Hitt and Ireland, 2011), see figure 2.2.

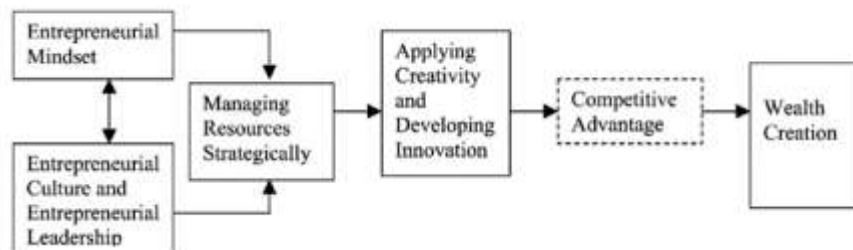


Figure 2. 1. Strategic Entrepreneurship Model (Hitt & Ireland, 2003).

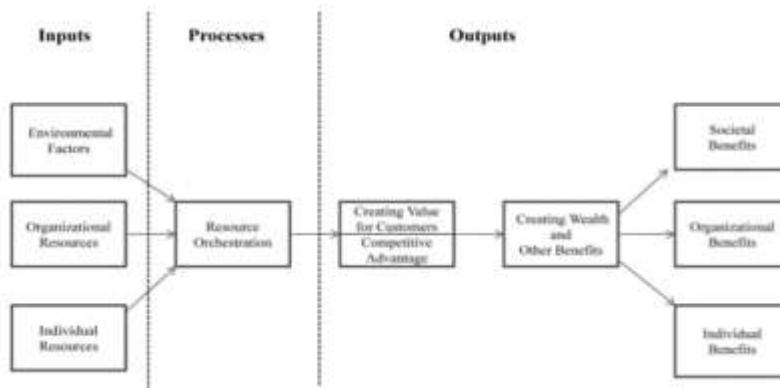


Figure 2. 2 Strategic Entrepreneurship Model (Hitt & Ireland 2011).

By looking at the strategic entrepreneurship process, its effects can be seen by the environmental factors such as dynamism, hostility and heterogeneity (Kuratko, 2004) and interconnectedness (Hitt and Ireland 2011). Next, individual or managers response to this environment creating internal organization environment support entrepreneurial actions and activities as triggering transformation or refocus internally to create organization having on entrepreneurial behaviours pursue integrating all of their resources as the innovation process converting into wealth for individual, organization and social. Innovation as the central of strategic entrepreneurship while orchestrating resources and as process to introduce a new method and technique producing new product and services, or new combination of old method and techniques in converting into output to create both economic and social value (Fontana & Musa, 2009).

3. Model and Hypothesis

This research is aimed to find external factors and internal organizational factors affected to resources orchestration of the firm and how to optimizing implementation of strategic entrepreneurship to firm's performance in established firm NOC PT. Pertamina Hulu Energi. Strategic entrepreneurship has been introduced as comprehensive model framing in input-process-output which is generated by the entrepreneurial mindset, entrepreneurial culture, and entrepreneurial leadership as the antecedents of strategic entrepreneurship, by orchestrating firms' resources to create innovation resulting competitive advantage and wealth for individual, organization and social (Hitt and Ireland 2011).

By referring to previous research, figure 3.1 shows a research model and correlation among external factors, organizational factors affected to strategic entrepreneurship to create firms performance.

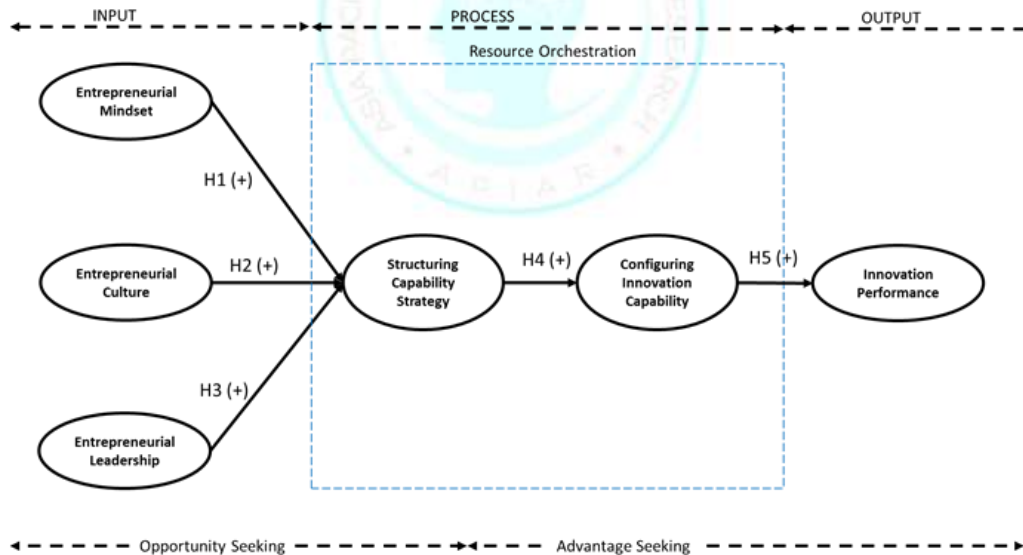


Figure 3. 1 Research Model of Strategic Entrepreneurship

4. Hypotheses & Planned Finding

This research has a main hypothesis to research and find factors that affect strategic entrepreneurship in established firms NOC PT. PHE in order to achieve competitive advantage within dynamic and competitive environment. Following are specific hypotheses need to be tested. Five hypotheses are introduced in order to get factors that affecting the strategic entrepreneurship in the firms. These expected hypotheses are:

- H1. Entrepreneurial Mindset positively affects Structuring Capability Strategy.*
- H2. Entrepreneurial Culture positively affects Structuring Capability Strategy.*
- H3. Entrepreneurial Leadership positively affects Structuring Capability Strategy.*
- H4. Structuring Capability Strategy positively affects Configuring Innovation Capability.*
- H5. Configuring Innovation Capability positively affects Innovation Performance.*

It is expected that the factors that build strategic entrepreneurship occurred into PT. Pertamina Hulu Energi by indicating significantly positive affect reflecting on each constructs such entrepreneurial mindset, entrepreneurial culture and entrepreneurial leadership, structuring capability strategy, configuring innovation capability and innovation performance. This study is a work in progress, but the expected result will include:

- (1) Entrepreneurial-ness positively affects Capabilities Strategy. The higher the entrepreneurial-ness in the company, the more the company's strategy balances between exploitation and exploration in the development of its core capabilities;
- (2) Capabilities Strategy positively affects Configuring Innovation Capabilities. The more the company's strategy based on its core capabilities, the more the orchestration of innovation capabilities need to be coherent;
- (3) Configuring Innovation Capabilities positively affects Innovation Performance. The more the company can orchestrate their innovation capabilities coherently, the more company can enhance innovation performance.



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