



## THE IMPACT OF STRATEGIC ENTREPRENEURSHIP PROCESS ON START-UPS COMPETITIVENESS AND PERFORMANCE IN INDONESIAN CREATIVE INDUSTRY

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### Abstract

The digital revolution's growth towards Industry 4.0 opened up huge opportunities in the development of digital businesses. In addition, the existence of the digital revolution led to the disruptions of the business environment caused the firm to quickly adapt, or lose its businesses. Firms are required to be agile and innovative which must be supported by an experimentation culture and risk taking, solid and bright exploration in exploiting opportunities.

The purpose of this research is to understand the interaction of various strategic entrepreneurial factors to run an innovation process that will have an impact on the firm's performance. Business opportunities cannot just be found or created and utilized, but must be carefully identified and managed so that they can be a source of innovation. Products produced from the innovation process will in turn contribute to the firm's innovation performance. This will create its competitive advantage. It is not a simple matter, but can be done as long as it applies the principles of strategic entrepreneurship. That's about the way of creating added value that we offer in understanding entrepreneurial factors in the creative industry.

The creative industry ecosystem that exists today in Indonesia is rife enough to be studied. We hope to gain a better understanding of the opportunities and challenges facing creative industry entrepreneurs. The results of this study will illustrate entrepreneurial factors that are prominent in the world of creative industry entrepreneurship. For this purpose, we will specifically review the Strategic Entrepreneurship of start-ups and/or small-scale businesses based on Internet technology (using websites and/or applications) in Indonesia.

**Keywords:** Competitive Advantage, Creative Industry, Innovation Performance, Strategic Entrepreneurship.

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### 1. Introduction

The development of the digital revolution towards Industry 4.0 caused a disruption in the business environment. This makes high-level risks and uncertainties inherent in innovation management. This disruptive change in the digital era is different from traditional dynamic competition in two aspects, namely the speed of change and betting involved, which creates a wave of new innovations (Utoyo & Fontana, 2017). According to Hitt et al. (2011), Strategic Entrepreneurship is related to advantage-seeking and opportunity-seeking behaviors and resulting in value for individuals, organizations and/or society. Wealth is created only when combining effective opportunity-seeking behavior (i.e., entrepreneurship) with effective advantage-seeking behavior (i.e., strategic management), Ireland et al. (2003).

Organizations must twine entrepreneurial behaviors and attitudes that raise adaptation and innovation (Renko et al., 2013). This combination attributes to develop a consistent stream

of innovation and to remain ahead in a dynamic over a disruptive environment (Utoyo & Fontana, 2017).

## **2. Strategic Entrepreneurship**

Kuratko and Audretsch (2009) assert that SE is a broad arrangement of entrepreneurial phenomena that may lead to new businesses aggregated to the company. Ireland et al. (2003) posits that SE involves simultaneous opportunity-seeking and advantage-seeking behaviors, in which innovation management is embedded in SE (Musa and Fontana, 2014).

Several theoretical bases, including the resource-based view (RBV) of the firm, human capital, social capital, organizational learning, and creative cognition are integrated in this work. This integration, that form SE is important because it addresses how combining and synthesizing opportunity-seeking behavior and advantage-seeking behavior leads to wealth creation (Ireland et al., 2003).

The integration of entrepreneurship with strategy addresses two important features in SE development. First, it addresses the utilization of creativity and entrepreneurial thinking in developing a core strategy for the organization. Entrepreneurial thinking deals with the aspect of motivating people. Second, integration addresses the need to develop a strategy to guide the entrepreneurial activities taking place within the firm (Musa and Fontana, 2014).

Therefore, in a disruptive environment, it is very important for companies to have a dynamic capability framework (Utoyo & Fontana, 2017), accumulate unique resources, develop their capabilities, and create value through continuous reconfiguration of resources (Zhou et al., 2017). The ability to create additional wealth grows in companies and individuals with superior skills who can sense and seize entrepreneurial opportunities (Teece, 1998).

Exceptional business opportunities cannot be achieved by companies without the efforts of the management team to innovate. Mintzberg and Waters (1982) characterized entrepreneurial strategy by its degree of deliberateness and clear vision with flexibility to allow such vision to change. All forms of SE have one thing in common: they all involve the exhibition of organizationally consequential innovations that are adopted in pursuit of competitive advantage, making innovations the focal point of SE (Musa and Fontana, 2014).

## **3. Entrepreneurial Mindset**

Entrepreneurial mindset is both an individualism and a collective phenomenon; that is, an entrepreneurial way of thinking is important to individual entrepreneurs and managers and employees of mature companies (Covin & Slevin, 2002).

Risk and ambiguity are part of organizational uncertainty (Priem, Love & Shaffer, 2002). Organizations capable of successfully dealing with uncertainty tend to outperform those unable to do so (Brorstrom, 2002). Thus, an entrepreneurial mindset can contribute to a competitive advantage (Miles, Heppard, Miles & Snow, 2000) and is necessary for creating wealth.

This disruptive environment requires firms to have agility, fast innovation, a culture of experimentation, and risk-taking behavior to explore opportunities while at the same time have capabilities to exploit opportunities to create sustainable competitive advantage (Utoyo & Fontana, 2017).

## **4. Entrepreneurial Culture**

Organizational culture is a system of shared values (i.e., what is important) and beliefs (i.e., how things work) that shape the firm's structural arrangements and its members' actions to produce behavioral norms (Dess & Picken, 1999). Entrepreneurial culture is the entrepreneur's system of values and the characteristic elements of the entrepreneur's occupational identities (Nguyen, 2016).

An effective entrepreneurial culture is characterized by multiple expectations and facilitates firms' efforts to manage resources strategically. Committed to the simultaneous importance

of opportunity-seeking and advantage-seeking behaviors, an effective entrepreneurial culture is one in which new ideas and creativity are expected, risk taking is encouraged, failure is tolerated, learning is promoted, product, process and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities (Ireland et al., 2003).

An entrepreneurial culture fosters and supports the continuous search for entrepreneurial opportunities that can be exploited with sustainable competitive advantages (McGrath & MacMillan, 2000).

## **5. Entrepreneurial Leadership**

A specific type of leadership, entrepreneurial leadership is the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors (Covin & Slevin, 2002; Ireland & Hitt, 1999; Rowe, 2001). Covin and Slevin (2002) argued that entrepreneurial leadership is characterized by six imperatives.

They characterized EL through the following imperatives:

- *Nourish an entrepreneurial capability* - focus on the organization's human capital.
- *Protect innovations that threaten current business model* – see knowledge sharing as the key to developing innovation.
- *Understand Opportunities* - EL should communicate how recognized opportunities contribute to organizational performance and how to leverage them.
- *Questioning Leading Logic* - EL should question mainstream thinking that is resistant to change or revision in corporate systems and practices.
- *Re-examine “seemingly simple questions”* – it refers to the ongoing reevaluation of the market and stakeholders of the company's competition.
- *Link entrepreneurship to strategic management* - focus on SE. It involves opportunity identification, growth, vision and strategic renewal, organizational rejuvenation and business model reconstruction.

## **6. Innovation Management**

Innovation management is a growing topic in strategic management research and literature, as achieving innovation is a key factor in organizational survival. Furthermore, innovation management is often referred to as an organization's capability to renew itself to enhance value for their stakeholders through the creation of new or modified ideas (O'Sullivan and Dooley, 2009; Fontana, 2009). Adams et al. (2006) also indicated that competitive success is dependent upon an organization's management of innovation process. Hansen and Birkinshaw (2007) define innovation management or innovation process as an active and conscious process of an organization's control and execution of activities that lead to innovation. In addition, Hansen and Birkinshaw (2007) view the innovation process as a continuous three-stage process involving the creation of new ideas, ideas development, and the diffusion stage. Within these three-phase of process, organization needs to perform internal sourcing, cross-unit sourcing, external sourcing, selection, development, and companywide spread of the idea.

## **7. Innovation Performance**

There are multiple ways to measure innovation performance at the organizational level. Tidd (2001) pointed out that some people often use public domain indicators such as R&D spending, patents and new product announcements to measure innovation performance; others use survey tools to obtain broader indicators, such as researchers and organizations. the ratio of the number of people, the ratio of sales or profits to new products or services, Moreover, innovation performance can also be measured based on the perceptual measures through survey instruments which cover different aspects for innovation system. Innovation

is defined as a new combination of economic and social introduction of new or existing technologies that converts inputs into outputs that produce dramatic or significant changes in value and price relationships based on consumer and/or user perceptions (Fontana, 2009).

## 8. Research Model

Figure 1 shows the research model contemplated in this study. It is clear that Strategic Entrepreneurship (SE) attributes which are embedded in its dimensions can have positive relationships with Innovation Management (IM). Strategic dimension of SE could certainly play an important role in the IM, in particularly in Entrepreneurial Mindset (EM), Entrepreneurial Culture (EC) and Entrepreneurial Leadership (EL). On these premises, we make the following hypotheses:

Hypothesis 1: EM has a positive relationship with Innovation Management.

Hypothesis 2: EC has a positive relationship with Innovation Management.

Hypothesis 3: EL has a positive relationship with Innovation Management.

IM could have impact on the organization's innovation performance. We make the following hypothesis:

Hypothesis 4a: Idea Generation has a positive relationship with Innovation Performance (IP).

Hypothesis 4b: Idea Selection has a positive relationship with IP.

Hypothesis 4c: Idea Development has a positive relationship with IP.

Hypothesis 4d: Idea Diffusion has a positive relationship with IP.

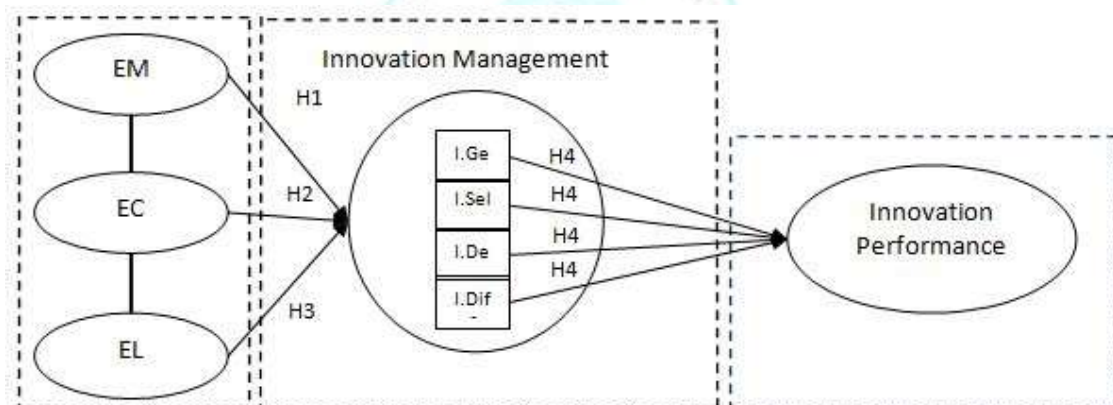


Figure 1. The Strategic Entrepreneurship Model uses an Innovation Management Strategy to Enhance Innovation Performance of Firms

## 9. Proposed Research Design

The premise of this study is that adopting SE process in the organizations enacting disruptive environment will both build dynamic capabilities and enhance innovation performance. Adopting an input-process-output model of Hitt et al. (2011), the study examines the roles of innovation management in SE processes that depends or interdepends on three dimensions of SE Model. The first dimension is a resource factor/input, which consists of entrepreneurial mindset, leadership and culture to represent individual and organizational resources. The second dimension is innovation management which enacted as a proxy of resource orchestration, which can be divided into four stages; idea generation, idea selection, idea development, and idea diffusion. The third dimension refers to output and outcome of innovation, which is represented by innovation performance (Fontana & Musa, 2017).

## 10. Planned Findings

In general, the purpose of this study is to understand the interrelationship between entrepreneurial factors and the ability of strategic entrepreneurial processes to improve innovation performance.

This research is ongoing, but the expected results will include:

- a) Entrepreneurial ability to positively influence innovation management process. The higher the company's entrepreneurial spirit, the more balanced the company's strategy is in developing and exploring core capabilities;
- b) The ability strategy positively influences the ability to deploy innovation. The more strategies a company has based on its core competencies, the more coordination of innovation capabilities needs to be coordinated;
- c) Managing innovation capabilities has a positive impact on innovation performance. The more companies can coordinate their innovation capabilities, the more companies can improve their innovation performance.

It is important to ensure the validity and reliability of the measuring instruments for evaluating all variables and indicators. A pre-test is conducted to determine if the question in the form of a questionnaire can be clearly understood without further explanation. The pretest results are analyzed by the model's confirmatory factor analysis to test the validity of the measurement and reliability variables. In this study, a pre-test or pilot survey was arranged to assess the appropriateness of the English-Indonesian translation (face effectiveness) stated in the questionnaire. Reliability testing includes an assessment of conceptual clarity, and all phrases in the questionnaire are applicable to this study. In addition to facial effectiveness, statistical data were collected on the collected data to assess the validity and reliability of the study. The selected respondents were asked to complete the survey and were promoted to key respondents for review effectiveness.



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