ENTREPRENEURIAL STRATEGIES AND THE USE OF STRATEGIC IMPLEMENTATION MECHANISMS: A SURVEY OF MICRO- AND SMALL ENTREPRENEURS

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ABSTRACT

The aim of this article is to understand the mechanisms of strategic implementation as used by entrepreneurs in the processes of establishing new functional strategies (production and marketing) for their companies. A survey of 169 micro- and small businesses was carried out. The results show that the relation between the use of strategic process by micro- and small entrepreneurs is middling, but the general use of implementation mechanisms is low and the correlation with the adoption of entrepreneurial strategies is weak. The possibility of justifying the use of these strategies is tenuous when associated with entrepreneurs’ stronger mastery of strategic management techniques.

Key-words: Entrepreneurship; Strategy; Implementation.
ESTRATÉGIAS EMPREENDEDORAS E O USO DE MECANISMOS DE IMPLEMENTAÇÃO ESTRATÉGICA: UM LEVANTAMENTO COM MICRO E PEQUENOS EMPREENDEDORES

RESUMO

Neste artigo, objetiva-se entender os mecanismos de implementação estratégica usados pelos empreendedores no processo de estabelecimento de novas estratégias funcionais (produção e marketing) nas empresas. Para tanto, realizou-se um survey com 169 micro e pequenos empreendedores da cidade de São Paulo. Os resultados demonstram que a relação entre o uso de processos estratégicos inovadores por parte dos micro e pequenos empreendedores é mediana, que o uso de mecanismo de implementação de modo geral é baixo e que a correlação com a adoção das estratégias empreendedoras é fraca, sendo muito tênue o poder de explicação do uso das estratégias associado a um domínio maior dos empreendedores quanto a técnicas de gestão estratégica.

1 INTRODUCTION

Brazil is gaining strength as a country of micro-entrepreneurs, with 84% of its companies fitting this profile, followed by small firms representing 14%; just 2.4% of Brazilian businesses have average or large structures (Sebrae, 2007).

Some indicators characterize the current circumstances experienced by these micro- and small entrepreneurs. Recent surveys show that the projections for job creation in established business ventures are very limited. Some 60% of these entrepreneurs do not expect to create any jobs in their businesses within the next five years. Most projected new job creation was limited to the generation of five jobs or fewer, on the part of 24% of these entrepreneurs. Only 6% of micro- or small entrepreneurs expect to create more than twenty jobs in the long term (the next five years) (Kruger et al., 2008).

Other data confirm Brazilians businesses’ limited structure, particularly with regard to financing conditions for expansion: 55% of ventures can only count on a credit line of up to R$2,000.00, and only 7% of these ventures have access to financing over R$30,000.00 (Kruger et al. 2008).

Also of note is the precariousness of these financing sources; in 76% of these cases the resources are informally provided by a relative. The provision of bank credits and government programs is extremely limited, reaching only 10% of these micro- and small entrepreneurs.

The discussion presented here demonstrates the dilemma of the survival of micro- and small entrepreneurs, and within this context this article aims to foster debate on the subject. In addition to starting out in an environment hindered by a number of barriers, micro- and small entrepreneurs face the challenge of the strategic management of their business. By and large, previous articles have focused on the reasons for the beginning and end of these ventures, and on the entrepreneurs’ behavior in these situations. However, the present study seeks to understand the strategic management of micro- and small entrepreneurs, particularly the implementation of strategic management—an issue little debated or explored in the field of organizational strategy, and even less in discussions of entrepreneurial strategies focused on small businesses.
This article therefore aims to understand the implementation mechanisms used by micro- and small entrepreneurs in their processes of establishing new functional strategies (production and marketing) for their firms.

We begin with a review of the studies on entrepreneurial strategies, aimed at clarifying the choice of production and marketing strategies as innovative processes, a subject little explored in the existing literature on entrepreneurship. Next, we review the discussions of strategic implementation, which serve as a basis for building the variables examined by the survey of micro- and small firms. Results are based on an unprecedented survey of 169 micro- and small entrepreneurs from the industrial and the retail sectors in the city of São Paulo.

2 THEORETICAL REVIEW

2.1 ENTREPRENEURSHIP AND STRATEGY

A brief review of recent literature addressing strategic issues in an entrepreneurial context reveals a series of debates which analyze various strategic aspects.

A number of studies contemplate the process of formulation of strategies in micro- and small firms, starting with a multiple case study dealing with strategy-building processes that take into consideration two aspects: the entrepreneur’s behavioral characteristics and the adaptation of management models from large firms to the reality of micro- and small firms (Bernardes, 2006). A similar study verified the relationship among the diverse variables of the strategy-forming process through a survey of micro- and small firms in the state of Minas Gerais (Santos et al., 2007).

Another debate presents models of formulation of production strategies for small firms; the challenge for these researchers is to generate models specific to small firms, as the existing proposals concentrate on models for large firms (Barros Neto et al., 2000).

For technologically-based firms in particular, studies seek to trace the way strategy formulation is configured, and identify not a continuous formulation but development by portions, named “Quantum Strategy Formation” (Perussi Filho et al., 2007).
Another debate in the field involves the influence of technological strategies on knowledge management and innovation in software firms. Rabelo (2006) presents a qualitative and quantitative methodology showing that different approaches to technological strategy do not cause significant differences in innovations. However, in considering technological strategies and knowledge, changes are found in the way firms adapt technologies and internalize information (Rabelo, 2006).

In a case study to trace the entrepreneurial profile of businesses in the logistics sector in a municipality of greater São Paulo, researchers reported multiple characteristics that are determinant for innovative actions (Nassif et al., 2007).

For its part, a study conducted of entrepreneurs in three small firms from the state of Ceará evidenced characteristics that were determinant to the success of their business and the generation of innovations (Barros, 2004). Yet another study, involving the bread industry in São Paulo, aimed to detect the influence of the entrepreneurial profile and the strategies adopted to foster innovation. Results showed that the process of innovation is continual and occurs chiefly due to the entrepreneur’s own capacity and personality (Benedetti et al., 2005).

Micro- and small firms from the state of Santa Catarina which were involved in the “Entrepreneurial Talent Award 2003,” carried out by SEBRAE, participated in a survey comparing the performance of the marketing strategies of finalist and non-finalist firms. This demonstrated the connection between these strategies and entrepreneurial actions (Silveira, 2005).

In another study of corporate entrepreneurship, which examined the steel producer Usiminas, the author reported the influence of entrepreneurial culture on the strategic decisions of this organization (Pardini, 2005).

In a study of the entrepreneurial decision process for the creation of new businesses under conditions of uncertainty and without clear objectives, using the effectuation approach, the authors investigated the Buscapé website and observed that in certain instances decisions are made without clear objectives (Tassic and Andreassi, 2007).

Several themes, including discussions about the Resource-Based View (RBV) in the field of creation of new ventures and how they aid the sustainability of fledgling firms, are present in a theoretical article by Binder (2007).

However, even after analyzing all these recent debates about
entrepreneurship, we found no record of a discussion on the issue of implementation of the production and marketing strategic process in micro- and small firms, the subject of this article, which intends to contribute to the development of this field.

2.2 STRATEGY IMPLEMENTATION

Even if organizations have well-defined strategic plans, there is a critical stage in this process which precisely addresses the implementation of strategies. Studies reveal that organizations fail in 70% of their attempts to implement new strategies. This is a cause for concern, because in the absence of correct implementation, even the best-designed strategies will not meet their objective; the ability to execute these strategies is therefore more important than the complexity of the plan itself (Aaltonen and Ikavalko, 2002; Kaplan and Norton, 2001; Verweire and Van den Berghe, 2004; Miller, 2000).

Because it is a complex and difficult process for organizations, organizational changes resulting from an implementation should be aligned with communication plans that are transparent to the employees involved, showing them the benefits arising from these changes, in order to obtain the required credibility and involvement (Forman and Argenti, 2005; Lane, 2005).

However, it is essential to identify the steps involved in this entrepreneurial strategy process, from the initial formulation of these strategies to their subsequent implementation and the discussion of the competences needed for their execution, which is the main area of the present debate. It is important to discuss the implementation step due to the difficulty organizations usually encounter there, without downplaying the importance of the preliminary step in this process (Zagotta and Robinson, 2002).

This implementation step is seen as the more robust and deserves the label of “core competence,” applied by several authors (Biglar, 2001; Fauli and Fleming, 2005; Joyce et al., 2003).

The causes of failure of these implementations of strategy are often the lack of an integrated view of this process, as was verified in international studies addressing this issue (Beer and Eisenstat, 2000; Raps, 2004). The loss of the central concept around the implementation model occurs more easily than in the
formulation stage, the latter being commonly found in organizations through systems that bring models, processes, and even techniques for their adaptation (Aaltonen and Ikavalko, 2002; Alexander, 1985; Goold, 1991).

As we know, correctly implemented strategies carry the elements capable of generating superior organizational performance (Braganza and Korac-Kakabadse, 2000). And as already postulated by Cravens (1998), it is exactly this coordination and integration of the participating activities, through human resources and their functions, that will lead to the greatest challenge to strategy implementation. This leads some organizations to create groups dedicated to coordination of the implementation process (Kaplan and Norton, 2005).

However, this integration should be analyzed in light of the necessary strategic alignment, as seen in the model developed by Verweire and Van de Berghe (2004), which can be considered a useful tool to formulate, implement, and change strategies, and also facilitates the identification of the essential components in managing and operationalizing systems.

In sum, the model proposed by Verweire and Van de Berghe (2004) considers the following dimensions: intended objectives, operational processes, support of the processes, assessment and control, and organizational behavior.

These dimensions should in turn be aligned with the degree of maturity of the organization, which importantly involves determining the stage of business growth so that the appropriate path can be followed. The maturity level can be classified as: beginner, low, average, and high. The chances for success will be greater when the degree of maturity and the dimensions of the business are taken into account.

An interesting model of strategy implementation was recently proposed by Pryor et al. (2007), called “5 P’s: Purpose, Principles, Processes, People and Performance.” This model traces the connections between the purpose of the strategy, the structure of internal and external processes, the influence of this structure on employees’ behavior, and its corresponding results in the organization’s performance. In other words, it considers the strategy responsible for the structure, which in turn guides the behavior of employees, who are responsible for the results.

For this reason, a special emphasis should be placed on the role of leaders, and one can find studies specifically focused on these agents though
questions about how they contribute to the success or failure of this process. It is noted that these leaders are responsible for coordinating their subordinates, thereby influencing their perspective of the organization as it undergoes a strategy implementation (Schaap, 2006; Weymes, 2003).

In a deeper analysis of the characteristics of this model of strategy implementation we note that the first element, purpose, includes the organization’s mission, its vision, its objectives, its strategies, and its instruments of measurement and feedback. These are essential elements for the strategic orientation and the adequate use of the necessary resources.

The second element of this model, **principles**, addresses the question of how organizations should maintain their integrity, including their ethical values, and how they can make employees buy in to these values.

The third element, **processes**, details the inputs (people, material, and equipment), which though methods in force are transformed into outputs (products and services). This step encompasses the structure, systems, and processes used to produce goods and supply services. If these processes are not well recorded, their improvement becomes more difficult.

The fourth element, **people**, refers to employees, consumers, and suppliers. If there is an alignment between these human resources the implementation has a greater chance of success. People are responsible for ensuring the implementation, and if there are conflicts among them this plan may be derailed.

Lastly, the fifth element, performance, is the result of the four components described above. For the desired performance to be achieved, it is important to establish measurement systems to provide people with greater involvement in what they do (Pryor et al. (2007).

Another recent model of strategy implementation, involving nine steps, was developed by Thompson et al. (2006). It is worth highlighting its general outline: acquisition of necessary resources, stimulus to organizational culture and climate conducive to these changes, establishment of budgets, verification of whether policies in force facilitate implementation, benchmarking, installation of efficient communication systems, stimulus to employees to attain desired objectives, establishment of awards when targets are met, and exercising and stimulating internal leadership.
One can thus recognize the complexity involved in the process of strategy implementation, particularly for micro- and small entrepreneurs, which have limited resources for managing this process. Nevertheless, it is a strategic process that tends to generate competitive differentials for these firms, and therefore deserves more attention.

3 METHODOLOGY

3.1 CHOICE OF RESEARCH METHOD

Because it uses a sample, the survey obtains stronger data representation and better approximation with the reality experienced in the segment of micro- and small firms in Brasil, and gains strength as descriptive quantitative research (Creswell, 1994). In opting for a descriptive quantitative survey, the possibility of analyzing how the data relates with other elements gains great relevance (Cervo and Bervian, 2002).

Researchers administering surveys should pay attention to the following steps: delimit the population to be studied, while establishing precise parameters for the reliability of the observations that will emerge; check for the existence of biased questions which may generate erroneous conclusions while gathering data; and correctly use statistical knowledge in the analysis (Leedy, 1997).

According to Filipini (1997), three objectives can be accomplished through the use of surveys: investigation, which facilitates the discovery of different dimensions of an event; confirmation, whose objective is testing a theory in order to establish cause and effect relationships among the variables; and description, which reveals the event and the opinion of stakeholders.

3.2 DATA COLLECTION

The population chosen for the survey consisted of micro- and small firms (MPE) from the city of São Paulo, operating in the industrial and retail sectors. The sample extracted from the population followed non-probabilistic criteria of convenience.
Two reasons justified the choice of MPEs: relevance and convenience. MPEs account for 98% of firms in Brazil’s economy, employ 53% of officially employed workers (SEBRAE, 2006), and are responsible for 28% of national revenue (SEBRAE, 2000). In São Paulo they represent 98% of businesses (SEBRAE-SP, 2007) and 67% of employed people (SEBRAE, 2000). Whereas in 2004 the number of MPEs grew 23%, middle and large-sized firms grew just 18% (SEBRAE-SP, 2007). In the same year, 53% of MPEs were operating in the commerce sector, 34% in services, and 13% in industry. The ones that experienced the greatest growth were those in the service sector (SEBRAE-SP, 2007).

The convenience is due to the greater ease of access to people responsible for managing MPEs. When analyzing larger firms, besides the difficulty of access, contacts with different people are necessary, not always in similar departments from firm to firm. An MPE owner, or managing director, in addition to having knowledge of all areas of the firm, has greater access to key personnel, which is useful when an opinion is required to answer the questions presented. Although it is a non-probabilistic sample, for the sake of convenience the number of firms surveyed followed the rule of sample size (Rea and Parker, 2000). We considered the reliability level to be 95% and margin of error to be more or less 7%, and worked with a proportion of 0.5 when the true proportion (p) is unknown. It is worth emphasizing that the final number of firms studied was 169.

Data collection was conducted through personal interviews to ensure reliability in the administration of the questionnaire, insofar as they involved complex questions requiring a strong guarantee that the questionnaire was confidential—for academic purposes only—and that data handling would be adequate. Under no circumstance would firm names be reported, nor any detail that allowed their identification.

3.3 EXPOSITION OF THE MODEL AND CONTRUCTION OF VARIABLES

In order to generate the proposed model, entrepreneurs were asked about their involvement with the following activities in the first set of questions that comprised the two dependant variables (production and marketing strategies):
✓ Production strategies, composed of:
  − Increased use of production capacity or customer service;
  − reduced production or operation costs;
  − increased employee productivity;
  − supply of products or services of better performance;
  − assurance of consistent and reliable quality;
  − improved reliability;
  − decrease in production or operations;
  − offer a large quantity of products or services;
  − offer a large quantity of models;
  − fast production changes pursuant to sales;
  − production adjustment.

✓ Marketing strategies, composed of:
  − Acknowledgement of consumers’ needs;
  − segmentation;
  − identification of market niches;
  − offer of new forms of payment;
  − increased functions of products or services;
  − actions to optimize sales;
  − investment in new products or services;
  − sales promotions;
  − opening of channels of communication with consumers;
  − actions to reduce operational costs.

The micro- and small entrepreneurs surveyed answered the questions on a four-point scale, showing the degree to which they incorporated these actions into their daily routines. For the independent variables, representing mechanisms of implementation used by the entrepreneurs, a second set of questions was used, aimed at discovering the frequency of use. This part was composed of questions about the following elements: action plans, timetables, organization of team co-ordination activities, adequate direction or allocation of resources, and description of norms and rules. The options for answering followed a four-point scale, ranging from “never used” to “often used.”
4 RESULTS ANALYSIS

Multiple linear regression models were used in the analysis with the aim of verifying how the use of entrepreneurial marketing and production strategies relies upon implementation mechanisms.

Table 1 shows the correlation between dependant and independent variables. Although there is a significant correlation between them, it has low intensity, evidencing only an average use of entrepreneurial strategies, associated with a low use of implementation mechanisms—as also noted in the descriptive data (Table 2).

Action plans constitute the implementation mechanisms used, followed by timetables, with little concern for the organization of activities and the prescription of rules and norms. Likewise, although entrepreneurial strategies are used, this does not occur in a regular manner, presenting a usage intensity just above the average.

<table>
<thead>
<tr>
<th>Table 1: Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action plans</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Marketing</td>
</tr>
<tr>
<td>** 0.01</td>
</tr>
</tbody>
</table>

Source: Authors

<table>
<thead>
<tr>
<th>Table 2: Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>** MEAN **</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Marketing</td>
</tr>
<tr>
<td>Action plans</td>
</tr>
<tr>
<td>Timetables</td>
</tr>
<tr>
<td>Organization of team co-ordination activities</td>
</tr>
<tr>
<td>Adequate direction or allocation of resources</td>
</tr>
<tr>
<td>Conceiving and prescribing models, norms, and rules</td>
</tr>
</tbody>
</table>

Source: Authors
It was expected that implementation holds some importance for the establishment of entrepreneurial strategies, but this importance is very low. To confirm this proposition, multiple linear regression tests were performed (Table 3), which confirmed that entrepreneurial strategies have a low explanatory power for implementation strategies. In other words, entrepreneurs’ ability to use implementation mechanisms has very little impact on the adoption of innovative strategic processes.

It can be seen that a general pattern is followed by micro- and small entrepreneurs. For some, what stands out is the implementation of innovative strategic processes to master various implementation mechanisms that are not in common use, such as organizing team co-ordination activities and allocating adequate resources.

**Table 3: Multiple Regression**

<table>
<thead>
<tr>
<th></th>
<th>Production</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>2.26</td>
<td>2.151</td>
</tr>
<tr>
<td>Action plans</td>
<td>0.032</td>
<td>0.005</td>
</tr>
<tr>
<td>Timetables</td>
<td>0.004</td>
<td>0.03</td>
</tr>
<tr>
<td>Organization of team co-ordination activities</td>
<td>0.089**</td>
<td>0.029</td>
</tr>
<tr>
<td>Adequate direction or allocation of resources</td>
<td>0.025</td>
<td>0.106**</td>
</tr>
<tr>
<td>Conceiving and prescribing models, norms, and rules</td>
<td>0.023</td>
<td>0.023</td>
</tr>
<tr>
<td>Adjusted R square</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Significance</td>
<td>**0.5</td>
<td>**0.05</td>
</tr>
</tbody>
</table>

Source: Authors

The reason why the organization of team coordination activities and the direction and allocation of resources stand out is that these activities are inherent in a firm’s growth and in the loss of the entrepreneur’s direct control over strategic activities. The justification for the relevance of these two mechanisms can thus result from the difference in the evolution of the businesses studied. Evolution here refers to the size of some businesses that tend to leave the stage of micro- and small, or alternately the maturity of these businesses in terms of their duration of operation. Therefore, in order to enhance the explanatory power of the result, two variables were added to the model that mediate size (number of employees) and maturity (years).
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Table 4: Multiple Regression with Control Variables

<table>
<thead>
<tr>
<th></th>
<th>Production</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>2.191</td>
<td>2.102</td>
</tr>
<tr>
<td>Action plans</td>
<td>0.036</td>
<td>-0.001</td>
</tr>
<tr>
<td>Timetables</td>
<td>0.005</td>
<td>0.027</td>
</tr>
<tr>
<td>Organization of team co-ordination activities</td>
<td>0.081**</td>
<td>0.024</td>
</tr>
<tr>
<td>Adequate direction or allocation of resources</td>
<td>0.031</td>
<td>0.107**</td>
</tr>
<tr>
<td>Conceiving and prescribing models, norms, and rules</td>
<td>0.028</td>
<td>0.031</td>
</tr>
<tr>
<td>Years in operation</td>
<td>0.005**</td>
<td>0.007**</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.001</td>
<td>0.003</td>
</tr>
<tr>
<td>Adjusted R square</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Significance</td>
<td>** 0.05</td>
<td>** 0.05</td>
</tr>
</tbody>
</table>

Source: Authors

The result shows that the entrepreneur’s maturity in the conduct of his business makes him use other implementation mechanisms with more intensity than at the startup of the business.

5 FINAL CONSIDERATIONS

The objective set by this article was to show evidence of the use of entrepreneurial strategies and the adoption of implementation mechanisms in micro- and small businesses. The gap existing in the academic literature concerning studies of strategy implementation in the field of entrepreneurship, and even of organizational strategy, was the major motivation for the present study.

Results showed that the relationship between the use of innovative strategic processes by micro- and small entrepreneurs is not intensive—it can be considered average. However, the use of implementation mechanisms is by and large low, as is the correlation with the adoption of entrepreneurial strategies. Therefore, the use of strategies associated with a larger portion of entrepreneurs has little explanatory power for strategic management techniques. For their part, the results, albeit to a small degree, highlight that the maturity of some businesses fosters a stronger use of strategic management techniques.

Such evidence may explain the lack of attention paid to mechanisms of strategy implementation in articles dedicated to entrepreneurship, but the evidence shows that business maturity and the relationship with implementation mechanisms can be an internal barrier, even if a small one, to the success of micro- and small ventures in the long term.
To some extent, the findings of this survey, involving 169 micro- and small entrepreneurs, confirm the lack of structure present in these establishments with regard to the strategic marketing and production process. The operationalization of short-term decisions is more common, demonstrating a lack of concern for outlining future longer-range actions by these organizations.

The contributions of this study lie in suggestions to micro- and small entrepreneurs regarding a greater concern about strategic planning, which might generate a lower failure rate for these organizations and even create competitive differentials in their markets of operation. Agencies that support micro- and small businesses can aid in developing this process with greater chances of success.

Some limitations can be found in this study, particularly because it specifically addresses businesses in the city of São Paulo. Variations might be found when examining micro- and small entrepreneurs from other regions of the country.

Finally, as a suggestion for future research, some questions could be raised about the business sectors involved and even in the identification of sources of innovation in these types of firms. The strategic debate surrounding micro- and small businesses carries with it the search for differentiation that can be provided by innovative products and services, or even by management models that facilitate participation, and consequently the generation of innovations.

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