The Impact of Entrepreneurial Management on Business Success of Small Retail Firms

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Introduction. Small retail firms comprise a majority of all small businesses in the US and have a significant impact on the overall economy (“Small Business Advocate,” 2012). Management of small businesses, including retail businesses, entails the planning, organizing, leading and monitoring the use of a firm’s resources. Entrepreneurial management (E-Mgmt) involves innovativeness in the performance of these functions to reduce risk and augment value. E-Mgmt is defined as a set of opportunity-based management practices that help firms remain vital and contribute to value creation for the firm and society (Stevenson, 1983). Edgcomb, Klein, and Thetford (2007) suggested that the success of small firms may be improved through E-Mgmt. The purpose of the present research was to examine the impact of E-Mgmt practices of small retail firms on their perceived and financial business success.

Literature Review and Hypotheses Development. The present study draws upon Stevenson’s (1983) conceptual work regarding E-Mgmt, combined with Brown, Davidsson, and Wiklund’s (2001) operationalization of six sub-dimensions of E-Mgmt (Strategic Orientation, Resource Orientation, Management Structure, Reward Philosophy, Growth Orientation, & Entrepreneurial Culture). Stevenson’s (1983) conceptualization of E-Mgmt offers an opportunity-based view of entrepreneurship that places it within a broader management framework. Using a national sample of small retail-related business operators, the goal of this study was to determine which of the six sub-dimensions of E-Mgmt had a significant influence on business success. Hence, the following hypotheses were posited: H1: The six sub-dimensions of E-Mgmt will have a significant impact on a) perceived business success and b) financial business success of small retail firms.

Methods. Data were collected for this national panel study by means of an Internet-based survey managed by Survey Sampling International (SSI). Participants from the SSI sampling pool were identified within geographic regions of the US to ensure a diverse group of small retail-related firms (e.g., apparel and accessories, home furnishings). Participants were required to be the owner and/or manager of an independently-owned retail establishment. A total of 500 useable surveys were received from eligible SSI panel participants. For the current study, we utilized previously validated scales: E-Mgmt (Brown, et al., 2001) and perceived business success (PBS) (Kaufman, Weaver, & Poynter, 1996), along with financial business success (FBS). All measures consisted of seven-point Likert-type items, with the exception of FBS, which was a categorical item (i.e., Make a profit, break even, or lose money).

Data Analysis and Results. Of the 500 responses collected, 429 were used in the current study, as they fit our criteria of a retail-related firm (e.g., not a home-based business). First, confirmatory factor analyses (CFAs) were conducted with MPlus 6.0 software to determine factor structures. For the E-Mgmt construct, CFA confirmed six sub-dimensions (Strategic Orientation, Resource
Orientation, Management Structure, Reward Philosophy, Growth Orientation, & Entrepreneurial Culture), as proposed by Brown et al. (2001). With the exception of two sub-dimensions (Resource Orientation & Growth Orientation $\alpha < .70$, eliminated from analysis), each had a Cronbach’s $\alpha$ above .70. The remaining five-item PBS had a Cronbach’s $\alpha$ of .93. Next, in SPSS 19.0, using composite variables for each of the four E-Mgmt sub-dimensions, a multiple regression analysis was run to test the effect of E-Mgmt on PBS ($H1a$). Results revealed that only Strategic Orientation ($\beta = .19, p = .001$) was a significant predictor of PBS. This supports the critical role that strategy plays in resource management and opportunity recognition. Using one way ANOVA to test $H1b$, results revealed significant differences between FBS groups [make a profit ($n = 235$)/ break-even ($n = 139$)/ lose money ($n = 54$)] for the following E-Mgmt sub-dimensions: Management Structure [$F (2, 426) = 5.188, p = .006$], Reward Philosophy [$F (2, 425) = 3.433, p = .033$] and Entrepreneurial Culture [$F (2, 426) = 5.188, p = .006$], which illustrated that entrepreneurial managed firms tend to base individual compensation on value creation. Tukey post-hoc tests further revealed that for the make a profit FBS group, the mean value was significantly lower than the break-even FBS group on the following two E-Mgmt dimensions: Management Structure and Entrepreneurial Culture.

Conclusions and Implications. Our findings provide insight for business consultants and retail business owners seeking proven managerial strategies that can enhance their success. Strategic Orientation was the only E-Mgmt sub-dimension that played a role in the PBS of small retailers. This suggests that small retailers could be applying various strategies, but not really monitoring and analyzing outcomes to know if E-Mgmt approaches impacted firm success. Three of the six E-Mgmt dimensions (Management Structure, Reward Philosophy, Entrepreneurial Culture) were found to influence retailers’ FBS, suggesting that both management and entrepreneurial approaches impact small retailer FBS. Because not all sub-dimensions of E-Mgmt influenced business success, other variables such as Entrepreneurial Marketing (EM) should be considered. Hence, future research will include testing of the E-Mgmt construct in a full SEM model with EM strategies to assess the overall impact of entrepreneurial marketing and management on business success.

References.


