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Antecedents of corporate entrepreneurship in SMEs: evidence from an emerging economy

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1 **Antecedents of Corporate Entrepreneurship in SMEs:**
2 **Evidence from an emerging economy**

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14 **ABSTRACT**

15 *Corporate Entrepreneurship research has reached a certain degree of consensus around five core*
16 *internal antecedents that enable CE. But, consensus remains focused on large-sized firms in Western*
17 *economies. Using institutional theory, we argue that contextual factors may undermine the viability of*
18 *internal antecedents in emerging economy contexts. Our qualitative study shows that the organization of*
19 *the internal environments for CE among service sector Kenyan SMEs is much more interactive and*
20 *complex than currently presented in the literature. Specifically cultural and contextual factors appear to*
21 *influence the extent to which the antecedents are able to produce CE activity. Our findings provide a*
22 *more fine-grained depiction of the internal environment for CE in emerging economy SMEs.*
23

24 **INTRODUCTION**

25 What enables corporate entrepreneurship in emerging economy SMEs? Corporate
26 Entrepreneurship (CE) has attracted scholarly interest because it directs firms to recognize and exploit
27 new opportunities (Ireland, Covin, and Kuratko 2009) through innovative and proactive behavior (Dess,
28 Lumpkin, and McGee 1999) that can revitalize and increase the innovativeness of existing organizations
29 (Covin and Miles 2007; Ireland et al. 2009; Zahra, Jennings, and Kuratko 1999). Corporate
30 entrepreneurship is necessary for firms in turbulent, dynamic or highly volatile environments, wherein
31 strategic flexibility and innovativeness are needed to maintain competitive advantages and respond to
32 environmental pressures (Bruton, Ahlstrom, and Obloj 2008; Yiu and Lau 2008). Emerging economies
33 represent such a context but are characterized by competitive, market and institutional differences that
34 condition how managers and employees make judgments about CE and perceive what conditions and
35 actions are legitimate within their context (Ahlstrom and Bruton 2010; Hermelo and Vassolo 2010; Wan
36 and Hoskisson 2003; Yiu and Lau 2008). Because of these crucial differences, the failure of CE research
37 to properly treat the context firms exist and operate in means that the present consensus among scholars

38 about the antecedents of CE, developed almost exclusively in the traditional Western context, is
39 premature and at worst may prove to be entirely wrong.

40 Research into the antecedents of CE (Alpkan, Bulut, Gunday, Ulusoy, and Kilic 2010; Hornsby,
41 Kuratko, and Zahra 2002; Kuratko, Hornsby, and Covin 2014; Seborá, Theerapatvong, and Lee 2010) has
42 converged on the importance of five antecedents creating an entrepreneurial internal firm environment
43 conducive to CE: top management support, time availability, rewards/reinforcement, work
44 discretion/autonomy, and organizational boundaries. These are said to '*prepare*' the firm for CE
45 (Hornsby, Kuratko, Holt, and Wales 2013a). Yet empirical support for some of these antecedents remains
46 mixed (Hornsby et al. 2013a) and scholars have questioned their applicability to CE in non-traditional
47 economic and organizational contexts and across different regions (Hornsby, Peña-Legazkue, and
48 Guerrero 2013b; Phan, Wright, Ucbasaran, and Tan 2009). A new group of studies have since called for
49 an examination of what enables firms to achieve CE in emerging economy contexts (Hornsby et al.
50 2013b; Hoskisson, Eden, Lau, and Wright 2000). An emerging economy context holds very different
51 institutional characteristics compared to the traditional Western origin of CE studies. For example, a
52 collectivist culture, authoritarianism, and deference to authority prevalent in African nations can shape
53 indifference toward entrepreneurship among African employees (Jackson, Kenneth, and Serap 2008;
54 Morris, Davis, and Allen 1994; van Wyk and Adonisi 2012). Institutional differences and institution-
55 specific conditions can also directly affect strategic choices available at the level of the emerging
56 economy firm (Young, Tsai, Wang, Liu, and Ahlstrom 2014). It is far from certain that the antecedents of
57 CE conceived in the tradition of mid-to-large-sized established firms in Western economies transfer to
58 different economic and institutional contexts.

59 In addition to the institutional context, studies must also account for SMEs as a new generation
60 of research shows that SMEs operate differently to their established, larger counterparts in terms of
61 entrepreneurship (Kraus 2011; Zellweger and Sieger 2012) and do not readily fit models built from
62 research into such firms (Sine, Mitsuhashi, and Kirsch 2006). Sine et al. (2006) lament the false logic that
63 SMEs rely on flexibility and a lack of formalization for their success, arguing that these initial conditions

64 are merely a reaction to opportunities in a changing environment. Citing Stinchcombe (1965), Sine et al.
65 (2006) suggest that SMEs need less flexibility and more role specificity to overcome a ‘structural liability
66 of newness’. Such ideas sit orthogonally to the causal mechanisms of CE presented in the literature
67 (Hornsby et al., 2002, 2009; 2013a, 2014).

68 Zahra and Wright (2011) express concern of the failure of entrepreneurship research to engage
69 more fully with context when studying entrepreneurship, arguing the need to pay careful attention to the
70 nature of the context firms operate in to best develop theory. Beyond the institutional and organizational,
71 industry context has also been particular ignored, left as little more than a control variable in most studies.
72 The service sector has specifically languished behind its contemporaries in receiving research attention,
73 and scholars have called for studies that demonstrate how entrepreneurship takes place in service firms to
74 discredit the notion that these result from mere intuition or luck (Storey and Hughes 2013). Thus, to meet
75 the challenge set out by Hornsby et al. (2013b), Hoskisson et al. (2000), Phan et al. (2009), Sine et al.
76 (2006), and Zahra and Wright (2011), the research questions we address are: *(1) Is the current*
77 *conceptualization of the five antecedents of an internal environment for CE applicable and relevant in the*
78 *context of service sector SMEs in an emerging economy? (2) What new or different antecedents to CE are*
79 *seen in the context of service sector SMEs in an emerging economy?*

80 Focusing on these key questions, we draw on an institutional perspective on CE and argue that (1)
81 institutional and cultural factors may undermine the viability of present antecedents to enable CE in
82 emerging economy contexts, and that (2) the resource challenges in this context exacerbate those already
83 faced by service sector SMEs, requiring them to rethink how they enable CE. We examine these issues
84 through a qualitative investigation of service sector SMEs located in Kenya. Kenya has been developing
85 rapidly and represents an important gateway to Africa (Jackson et al. 2008). Part of this growth has been
86 attributed to the rapid rise and proliferation of local SMEs (Matanda 2012; Ronge, Ndirangu, and
87 Nyangito 2002). Despite growing competition (locally and from abroad through international foreign
88 investments) and limited resources, many Kenyan SMEs remain highly dynamic, innovative, and
89 successful, suggesting that CE is rife among them (Jackson et al. 2008).

90 This article makes three contributions. First, we offer a theoretical contribution that affords
91 scholars new and refined insights into the antecedents of CE within the context of emerging economy
92 service-sector SMEs, and from a theoretical position unaccustomed among studies of the antecedents of
93 CE. Our study contributes theoretical development towards a more holistic or complete picture of what
94 drives or constrains CE as called for by Hornsby et al. (2013b) and Hoskisson et al. (2000). Second, we
95 offer an empirical contribution by extending the geographic and contextual reach of empirical knowledge
96 on CE called for by Phan et al. (2009) and Zahra and Wright (2011). Studies to date have arrived at a
97 consensus on the antecedents of an internal environment productive for CE almost exclusively in the
98 context of Western developed economies. By accounting for how the institutional and business context of
99 emerging economy settings reshape or revise these antecedents, our data enlarge scholarly and managerial
100 understanding of how existing ventures become more competitive in emerging economies. Finally, we
101 offer a small methodological contribution via our research design. Zahra et al. (1999) called for better
102 theory building in CE research through the adoption of qualitative methodology. Qualitative methodology
103 enables a much better understanding of the ‘how’ and ‘why’ of CE and is especially useful in contexts
104 where both theoretical and empirical knowledge are thin and immature. Using a qualitative approach
105 allows us to overcome problems associated with the use of single-respondent survey data in
106 entrepreneurship research and address the de-contextualization of CE antecedents by prior studies. Our
107 protocols can also help researchers develop more context-sensitive treatments of CE in future.

108 As scholars we do not have a theoretical framework customized to SMEs or to the emerging
109 economy context that can help us to understand and explain their CE. Appreciating how CE is achieved
110 and practiced among SMEs in emerging economies will help scholars develop better theories and help
111 managers and policy makers arrive at better customized prescriptions to improve the competitiveness of
112 these firms. This study represents a first attempt to consider whether, how, and in what ways the
113 ‘established’ antecedents of CE are applicable in emerging economy SMEs in Kenya and what additional
114 factors are important for an internal environment for CE in emerging economy SMEs.

115

116 ***THEORETICAL BACKGROUND***

117 **THE INTERNAL ANTECEDENTS FOR CORPORATE ENTREPRENEURSHIP**

118 Defined as a “*process wherein an individual or a group of individuals, in association with an*
119 *existing organization, create a new organization or instigate renewal or innovation within that*
120 *organization*” (Sharma and Chrisman 1999: p.26), CE broadly describes activities related to the
121 development and pursuit of new business ideas and opportunities within established firms. This definition
122 builds on earlier statements by Guth and Ginsberg (1990) that CE encompasses new corporate venturing
123 and strategic renewal. Later work by Morris, Kuratko and Covin (2011) added a third dimension in the
124 form of strategic entrepreneurship, in which a firm favors, pursues, and implements high-impact
125 innovation. It is the internal environment of the firm that originates, enables, and incubates CE activities
126 that may go on to represent these larger outcomes (Hornsby et al. 2013a). Although various definitions of
127 CE exist, we adopt Sharma and Chrisman’s (1999) definition, as it is sufficiently broad to avoid
128 excluding important issues that may otherwise go undetected. This is also appropriate given that what
129 constitutes CE and its outcomes in emerging economy and service sector SMEs is neither well-known nor
130 well-circumscribed as yet (Kraus 2011).

131 Firms that exhibit CE are typically viewed as dynamic, flexible entities prepared to take
132 advantage of new business opportunities as they appear (Kuratko, Goldsby and Hornsby 2012). Firms
133 also stand to gain improvements in business performance from CE with longstanding longitudinal
134 evidence anchoring this belief (Zahra and Covin 1995). Uncontrollable factors such as environmental
135 hostility and rapid technological advancement may push entrepreneurial activity to take place inside an
136 organization (Bradley, Aldrich, Shepherd, and Wiklund 2011), because successfully competing in such
137 environments requires a strategic intent towards entrepreneurial activity (Ireland et al. 2009; Morris et al.
138 2011). Such a strategic intent can be achieved through purposeful managerial actions to create a pro-CE
139 organizational architecture (Hornsby et al. 2013a; Ireland et al. 2009). Assessing and determining a firm’s
140 current organizational environment or state of ‘*organizational preparedness for CE*’ represents an
141 important element for successfully implementing a CE strategy (Hornsby et al. 2013a, p.937).

142 The five antecedents of CE are contained in the CE Assessment Instrument (CEAI) (Hornsby et
143 al. 2002, 2013a, 2014), and provides a means of profiling a firm’s internal environment for CE. The five
144 antecedents are deemed necessary for an internal environment favorable for CE behavior to emerge.
145 These five antecedents are: *top management support* (the extent to which the top managers support,
146 facilitate, and promote individual and collective entrepreneurial behaviors), *work discretion/autonomy*
147 (the extent to which top managers provide decision making latitude, freedom from excessive oversight,
148 and authority and responsibility to lower level employees), *rewards/reinforcement* (the extent to which
149 organizations are willing to use systems that reward employees based on entrepreneurial activity), *time*
150 *availability* (the extent to which employees are expected to invest ‘slack’ time on their most salient tasks
151 given their roles and responsibilities), and *organizational boundaries* (the extent to which the
152 organizational structure enhances the flow of information between the external environment and the
153 organization and among its departments/divisions).

154 Recent efforts to examine the CEAI have started to apply the instrument to different settings
155 (Alpkan et al. 2010; de Villiers-Scheepers 2012; Holt et al. 2007; Seborá et al. 2010), but still emphasize
156 its current form in revised theoretical and conceptual frameworks of CE (e.g., Ireland et al. 2009;
157 Kuratko, Ireland, Covin, and Hornsby 2005). Empirical support has been found for the antecedents of
158 management support, work discretion/autonomy, and rewards/reinforcement for a range of
159 entrepreneurial activity (Holt, Rutherford, and Clohessy 2007; Hornsby et al. 2009; Seborá et al. 2010).
160 But support for the time availability dimension is lacking (Holt et al. 2007; Hornsby et al. 2009), while
161 the organizational boundaries dimension suffers from measurement problems (Holt et al. 2007; Hornsby
162 et al. 2009). The levels and types of resources that an organization has access to (Hornsby et al. 2013a)
163 and the possible interactions among dimensions have also not received attention. Thus, further
164 consideration needs to be given to other meaningful dimensions and the context in which these
165 dimensions become meaningful.

166 A particular problem exists in the present de-contextualization of the antecedents of CE. This in
167 part stems from the dominance of quantitative methodologies in the research into these antecedents (and

168 CE in general) (de Villiers-Scheepers 2012; Hornsby et al. 2009; Seborá et al. 2010) and theoretical
169 assumptions which are based on the experiences of larger firms from developed economies such as the
170 U.S. (Hornsby et al. 2002; Rutherford and Holt 2007) and Canada (Hornsby, Kuratko and Montagno
171 1999). Therefore, rather than being a simple function of the five ‘established’ antecedents, further
172 differences in the makeup of those dimensions and in their influence on enabling CE may come from
173 contextual differences among different types of firms in different types of economies. Cause for concern
174 also comes from studies into SMEs. In examining the CEAI measure in the context of a knowledge-
175 intensive European SMEs, Christensen (2005) noted that the five existing antecedents were not sufficient
176 in enabling entrepreneurship in such contexts. Differences across cultural norms and values may further
177 yield differences in the patterns and conceptualizations of the existing CEAI dimensions (de Villiers-
178 Scheepers 2012; Hornsby et al. 2013b).

179 Outside of the CEAI measure itself and looking at the effects of entrepreneurial orientation,
180 Frank, Kessler, and Fink (2010) reported that a positive connection between firm entrepreneurial behavior
181 and business performance only occurred in cases in which a dynamic environment is combined with high
182 access to financial capital and when a stable environment is combined with low access to financial
183 capital. The findings of Frank et al. (2010) stand in contrast to existing observations about SMEs in
184 emerging economies. For example, despite growing competition and complex operating environments
185 (i.e., a dynamic environment), and limited access to and availability of resources (including financial),
186 many emerging economy SMEs remain vibrant, innovative and successful, suggesting that CE is rife
187 among them (Jackson et al. 2008). For these reasons, the paper now moves to analyze the potential
188 antecedents of CE in the context of emerging economy SMEs, and Kenya in particular.

189

190 **ANTECEDENTS TO CORPORATE ENTREPRENEURSHIP IN EMERGING ECONOMY SMEs**

191 The benefits and value of CE are not restricted to large established firms from developed market
192 economies (Hitt, Ireland, Sirmon and Trahms 2011). CE also holds promise for SMEs in emerging
193 economy contexts (Gómez-Haro, Aragón-Correa, and Córdón-Pozo 2011; Lou and Junkunc 2008) as it

194 offers a means through which emerging economy SMEs can (re)vitalize activities, reconfigure resources,
195 and set in place the entrepreneurial mindsets indispensable to competing effectively in such highly
196 turbulent environments (de Villiers-Schemers 2012; Yiu and Lau 2008). But the body of knowledge on
197 how CE is enabled in such firms in such contexts remains thin (Phan et al. 2009).

198 Vossen (1998) suggested that the main advantage of SMEs over larger firms is their
199 entrepreneurial behavior. If so, the organizational antecedents that encourage and support CE might then
200 be valid across firms of any size. However, unlike their larger counterparts, SMEs compete in competitive
201 markets with only limited resources (Carrier 1996; Zahra and Pearce 1994) and exhibit different internal
202 organizational challenges brought about by growth. Such challenges may impact how support for CE is
203 organized in SMEs. For example, Sehora et al. (2010) only found the CEAI dimensions of management
204 support and rewards (through recognition) to be significantly related to improving CE in Thai SMEs;
205 owner/manager leadership style (Kantur and Iseri-Say 2013) and the nature of their personal relationships
206 with employees have been suggested as more important determinants of CE among SMEs
207 (Castrogiovanni, Urbano, and Loras 2011); and Sine et al. (2006) found the classic Burns and Stalker
208 view that firms, irrespective of size, benefit from an 'organic' structure in dynamic environments to be
209 misleading for young and small firms.

210 Recent empirical evidence suggests that the emerging economy context matters for employees'
211 perceptions of the internal environment for CE (de Villiers-Scheepers 2012; van Wyk and Adonisi 2012).
212 This can be explained by institutional theory, and prior research has shown that the institutional
213 environment can affect the nature and scope of entrepreneurial activities among firms (Bruton et al. 2010;
214 Gómez-Haro et al. 2011; Ireland et al. 2009). Institutions refer to the cognitive, normative, and regulative
215 structures that provide stability and meaning to behavior (Scott 1995). Institutions can be formal
216 (regulations, normative, contracts, etc.) or informal (codes of conduct, attitudes, values, etc.), but informal
217 institutions are particularly important in that they also provide behavioral short cuts for individuals and
218 organizations as they 'come from socially transmitted information and are a part of the heritage that we
219 call culture' (North 1990, p.37). An institutional perspective on CE proposes that the behaviors exhibited

220 by firms, and the decisions made by their managers and employees, are shaped by formal and informal
221 institutional arrangements (Bruton, Ahlstrom, and Li 2010; Gómez-Haro et al. 2011; Hoskisson et al.
222 2000; Ireland et al. 2009; Puffer, McCarthy, and Boisot 2010). Thus, how the CEAI dimensions are
223 perceived by individuals and how CE is enacted in response to those institutional arrangements can be
224 expected to differ between SMEs in emerging and developed economies (Bruton, Ahlstrom, and Li 2010;
225 Yiu and Lau 2008).

226 Kenya represents a growing emerging economy, wherein local SMEs represent a critical vehicle
227 for employment creation and poverty reduction. Many Kenyan SMEs continue to find themselves
228 competing in highly globalized environments, but with limited access to critical resources (Bowen and
229 Mureithi 2009; Mwobobia 2012). Such resource constraints suggest that Kenyan SMEs are more likely to
230 face proportionately greater risk from innovation failure than larger firms and receive fewer rewards for
231 being entrepreneurial (Sorescu and Spanjol 2003). Additionally, the availability of financial resources has
232 been shown to influence African SME managers' perceptions of innovation (Freel 2005), while the
233 quality of human capital (Hausman 2005; Kiggundu 1988) has been found to affect the innovative
234 behavior of African SMEs (Blunt and Jones 1992; Jackson et al. 2008). In short, wider resource
235 constraints may make it difficult for emerging economy SMEs to organize and provide support for
236 entrepreneurial initiatives (Frank et al. 2010).

237 The service sector accounts for about 63 percent of Kenya's Gross Domestic Product (GDP) and
238 has historically led Kenya's economic growth (Library of Congress 2007). The limited research into firm-
239 level entrepreneurship among service sector firms has tended to re-confirm the benefits of CE for firm
240 performance (Kraus 2011). Research has also shown service sector SMEs to have significantly higher
241 levels of entrepreneurship than manufacturing firms (Rigtering, Kraus, Eggers, and Jensen 2014). In
242 Kenya, manufacturing accounts for as little as 14 percent of GDP (Library of Congress 2007). Scholars
243 have suggested that the specific characteristics of service sector firms such as the intangibility of their
244 products (Bateson 1992) and their simultaneous production and consumption (Lovelock 1984), make

245 service sector firms more labor- and less capital-intensive than manufacturing sector firms. This suggests
246 that the service sector context might further influence the antecedents of CE in these firms (Kraus 2011).

247 Differences in normative and cognitive factors within the institutional context and challenges
248 faced SMEs within the service sector context are likely to shape managers' and employees' perceptions of
249 CE and the CEAI dimensions (Morris et al. 1994). For example, Hornsby et al. (2009) and Carrier (1996)
250 suggest that effective reward systems should emphasize individual responsibility and provide results-
251 based incentives to spur entrepreneurial activity. However, such assumptions may not hold true in
252 emerging contexts such as Kenya, in which collectivist principles often dominate. A strongly collectivist
253 environment may give rise to an anti-entrepreneurial bias, wherein group performance and reward
254 systems can encourage 'free-rider' or 'social loafing' syndromes (Jackson et al. 2008; Morris et al. 1994).
255 Moreover, Monsen, Patzelt and Saxton (2010) reported a complex interaction among perceived
256 employment risk, profit sharing, and the extra effort employees are willing to exert when participating in
257 new initiatives. With respect to Kenya, Blunt and Jones (1986) found that managers assigned the highest
258 importance to security needs. Therefore reward systems which emphasize individual responsibility and
259 results-based incentives (as seen in present CE antecedents) (Fry 1987; Sathe 1985) may have little effect
260 in spurring CE in such contexts.

261 Hornsby et al. (2002) and Lumpkin and Dess (1996) also proposed that work discretion and
262 autonomy are needed to encourage entrepreneurial endeavor by individuals within firms. This however
263 assumes that individuals are mindful to adopt such practices. Kiggundu (1988) and others noted that
264 management philosophies in Kenya are dominated by principles of classical management, in which there
265 are sharp distinctions and status differences between management and workers. As such Kenyan
266 employees are expected to do their work and obey management's instructions and directives (Beugré and
267 Offodile 2001; Jackson et al. 2008; Kamoche 2011). Unsurprisingly, in their study of the CEAI
268 dimensions in South Africa, van Wyk and Adonisi (2012) found that such authoritarianism correlated
269 negatively with CE. Thus, differences in cultural attitudes are likely to affect how work discretion is
270 interpreted by subordinates and ultimately practiced by superiors.

271 Time availability for managers is seen as an important resource for generating entrepreneurial
272 outcomes (Stopford and Baden-Fuller 1994). While CE authors (e.g., Kuratko et al. 2005) may argue that
273 in entrepreneurial work environments, employees should be allowed to conduct creative, entrepreneurial
274 experiments during a limited portion of their work time, the reality often falls short of this ideal. This is
275 likely to hold true in the context of emerging economy service sector SMEs, where employees and firms
276 find themselves dealing with fast-paced market changes and dynamic competition along with traditional
277 mindsets towards management (Bruton, Ahlstrom, and Li 2010; Jackson et al. 2008; Yiu and Lau 2008).
278 Slack time for entrepreneurial initiatives among African employees may be meaningless because of
279 cultural preferences towards focusing on immediate tasks with known outcomes coupled with respect
280 towards authority figures (Nyambegera, Sparrow, and Daniels 2000). Indeed, both de Villiers-Scheepers
281 (2012) and van Wyk and Adonisi (2012) did not find a significant relationship between time availability
282 and CE.

283 In sum, theoretical explanations suggest that differences among CE antecedents are likely to arise
284 in an emerging economy service sector SME context. To investigate whether and how the antecedents
285 might be relevant or not in firms that do not fit the traditional Western prototype, the paper will now
286 move to discuss the research methodology used to investigate these issues.

287 ***RESEARCH DESIGN AND METHODOLOGY***

288 Hornsby et al. (2002), Zahra and Wright (2011), and Zahra et al. (1999) highlighted the need for
289 qualitative research to better understand the organizational and cultural context in which firm-level
290 entrepreneurship takes place. We adopted a multiple case study approach in order to achieve our research
291 objectives (Yin 2003). According to Yin (2003), '*the case study contributes uniquely to our knowledge of*
292 *individual, organizational, social, and political phenomena*' and '*the distinctive need for case studies*
293 *arises out of the desire to understand complex social phenomena*' (p. 14). The case study method is
294 increasingly used to examine firm-level entrepreneurship (Peltola 2012; Seborá et al. 2010) and has
295 recently been used by several studies to examine constructs such as entrepreneurial orientation (Zellweger
296 and Sieger 2012) and the internal antecedents of CE (Christensen 2005; Kantur and Iseri-Say 2013). This

297 method is well-suited to understanding the antecedents of CE in the context of emerging economy service
298 sector SMEs.

299 In line with our research objectives, we adopted a criterion based purposive sampling strategy
300 (Patton 1990). This approach requires that potential case firms be selected based on meeting specific
301 criterion and looks for cases which are information rich. We searched for SMEs in emerging markets with
302 rich entrepreneurial histories as a means of investigating the internal antecedents that drive their CE.
303 Accordingly, we also looked for potential cases that demonstrated a variety of specific CE related
304 initiatives such as corporate venturing, strategic renewal, and product and process innovation since their
305 inception (see Table 1 for specific examples). Drawing on information from Kenyan Institute of
306 Management's Company of the Year Awards database, we specifically looked for firms that meet the
307 following criteria: (1) were of small or medium size, (2) initiated and implemented two or more CE
308 initiatives (regarding the product, service, process or strategic renewal) within the past five years, and (3)
309 were part of the services sector.

310 We chose the Kenyan services sector as the research site for our empirical investigation because
311 it has been described as one of the most entrepreneurially-oriented sectors of the Kenyan economy
312 (Nyanjom and Ong'olo 2012). Through active government support and through opening up foreign
313 competition, the sector has undergone profound political, economic, and social changes over the past 15
314 years (Balistreri, Rutherford, and Tarr 2009; Nyanjom and Ong'olo 2012). As such, SMEs in this sector
315 have found themselves making significant adjustments to their business processes and strategies in order
316 to remain competitive, resulting in the emergence of several highly innovative and entrepreneurial firms
317 within the sector.

318 Fourteen CEOs/Owners of potential firms in Nairobi and Mombasa were contacted regarding
319 their participation in the study. After initial discussion with the CEOs/Owners, it was determined that
320 only 6 of the 14 potential cases met all three of our criteria. The final selection of cases was carried out by
321 considering the variety of industries in which the firms operated in, the possibility of accessing the
322 necessary sources of information and in providing contrasting examples. The four cases selected were

323 KeTours, SafePack, InfoComm and GoodSell, and represented various industries within the services
324 sector: Tourism (KeTours), Retail/sales (GoodSell), ICT (InfoComm) and Health & Safety and
325 Distribution (SafePack).

326 -----

327 INSERT TABLE 1 ABOUT HERE

328 -----

329 We assessed the internal antecedents for CE among Kenyan SMEs using a combination of firm
330 behavior and managerial and employee perceptions drawn from both primary and secondary data (Yin
331 1984;2003;2014). Primary data were collected via a series of semi-structured interviews with 3 to 5
332 individuals from each case firm whom had in-depth knowledge concerning the firms' activities and
333 processes. Environmental changes and organizational factors can be perceived differently by
334 managers/owners and employees alike (Hornsby et al. 2009). We thereby avoided the danger of key
335 informant bias by asking questions of both managers and employees. All interviews were conducted in
336 English by the lead author and a research assistant, lasted between 45 minutes to 2 hours in length and
337 were audio taped. An interview protocol based around Hornsby et al.'s (2002) conceptualizations and
338 CEAI items was developed. Some example questions include, *'Tell me about how your organization's*
339 *top management views, values and seeks to facilitate and support entrepreneurial behavior'* (top
340 management support); *'Can you explain and give examples of how your organization identifies, evaluates*
341 *and rewards innovative and entrepreneurial behavior'* (rewards/reinforcement); and *'How much*
342 *autonomy are you given in your current job?....To what extent does your organization tolerate failure*
343 *from entrepreneurial efforts'* (work discretion/autonomy).

344 Within this schedule, follow-up questions and prompts were used to explore situations where an
345 interviewee reported a lack of evidence for a specific activity, thereby allowing the data collection process
346 to expand towards learning about contextual factors relevant to entrepreneurship within the firm. In
347 addition, interviewees were specifically asked to reflect upon innovative processes and entrepreneurial
348 activities that had taken place in their firms and how these were organized and put into place in support of

349 CE. Secondary data were also collected from company websites and annual reports, and were gathered in
350 order to map out strategic actions relevant to the subject of the study, to describe important contingencies
351 (industry, culture, or environment) relevant to the subject of the study, to document relevant outcomes in
352 this respect, and to accomplish triangulation as put forward by Yin (1984; 2003; 2014).

353 All interviews were carefully transcribed by one author and a research assistant. Both researchers
354 independently coded the contents of the interviews using pre-existing antecedents developed and
355 identified by Hornsby et al. (2002). We chose not to use coding software as the semi-structured nature of
356 the interviews allowed for the rapid identification of key constructs under consideration. The independent
357 coding process led to the development of case protocols approximately 24 pages in length by each
358 researcher. Additionally, tables highlighting the case firms' evolution, and an overview table of the five
359 antecedents were created to enrich the case protocols.

360 We sought to create a profile of each case firm's internal environment for CE using the
361 techniques described by Zellweger and Sieger (2012). Firstly, each researcher independently evaluated
362 the levels of the internal antecedents at the point of investigation using a nine-point scale ranging from 1
363 (low) to 9 (high). To avoid over specification, we formed three rating categories: low (rating 1–3),
364 medium (rating 4–6), and high (rating 7–9), allowing each researcher to develop a graphical illustration of
365 the five internal antecedents for CE in each case (see Figure 1). Subsequently, a rating in any one of the
366 antecedents not only suggests the need for the development of such activities to enhance the firm's
367 readiness for CE, but also that the case firms' experienced difficulties in applying the particular
368 antecedent.

369 Next, the two researchers met, compared their independent findings and profiles of the case firms,
370 and discussed any discrepancies. Overall, the two researchers were able to agree upon a single profile for
371 each case as there was little disagreement among the independent examinations. Finally, both researchers
372 also considered possible shortcomings and extensions of the existing conceptualization of the antecedents,
373 resulting in a refined conceptualization located in the context of emerging economy SMEs.

374

375 -----

376 INSERT FIGURE 1 ABOUT HERE

377 -----

378 ***FINDINGS***

379 **ANTECEDENTS OF CORPORATE ENTREPRENEURSHIP IN KENYAN SMEs**

380 Analysis of case data showed that a supportive organizational climate is a crucial aspect of
381 entrepreneurial SME firms in emerging economies. However, our data indicates that our case firms
382 perceived and successfully implemented only two of the five established antecedents of CE; namely top
383 management support and organizational boundaries. In contrast to the prevailing view in the CE literature,
384 our case firms faced obstacles and hurdles to accommodating rewards/reinforcement, work
385 discretion/autonomy, and time availability in CE (de Villiers-Scheepers 2012; Seborá et al. 2010). In
386 particular our cases show that the specific profiles of the antecedents associated with successful CE in
387 emerging economies and SMEs may also differ considerably from their Western and larger firm
388 counterparts. Moreover, our findings also demonstrate that cultural, contextual and resource availability
389 matter with respect to how managers can realistically put in place in an effort to spark CE. The following
390 section and Table 2 discusses these in more detail.

391 -----

392 INSERT TABLE 2 ABOUT HERE

393 -----

394 *Top management support*

395 Prior research in CE focusing on larger organizations has emphasized top management support in
396 facilitating and promoting entrepreneurial behavior through the creation of a pro-entrepreneurial
397 organizational environment and the provision of resources that people require to take entrepreneurial
398 actions (Hornsby et al. 2002; Ireland et al. 2009). The data from our cases largely supports this view for
399 SMEs in an emerging economy context. However, our data also reveals differences in how top
400 management supported CE in emerging SMEs from that of larger firms. In particular, the majority of our

401 interviewees indicated that formalized support mechanisms such as the allocation of financial and non-
402 financial resources in support of new entrepreneurial efforts were either limited or non-existent.

403 Several managerial level respondents stressed that their firms generally took a long-term
404 approach to projects and hence resources were carefully planned in advance and committed to such
405 projects only after much due diligence had taken place. Moreover, both the R&D manager of SafePack
406 and CIO of InfoComm admitted that in an emerging economy like Kenya, procuring resources, especially
407 financial resources from the market was extremely difficult and hence their firms had to employ a
408 *'conservative and cautious approach'* to managing their firms' current resources stocks. Similarly
409 GoodSell's project manager stated, *'We need to constantly think of the long term goals of the company.*
410 *They (management) look at the company's budget very tightly and are not in the habit of freely spending*
411 *it.'* Hence, among our case firms, the careful and diligent use of resources is a matter of priority, and
412 long-term innovation is vulnerable compared to responses to short-term business pressures. Our findings
413 here further support that a firm's interest in entrepreneurial activities can be influenced by management's
414 perceptions of resource slack and availability and its willingness to make those available. Normally, this
415 would be thought to deprive entrepreneurship within the firm, yet these case firms are known for their
416 innovation and entrepreneurship. This implies that context is fundamental to making judgments about
417 CE.

418 Observations and discussion with the respondents also highlighted the importance of informal
419 mechanisms in support of entrepreneurial activity provided by top management. Both managerial and
420 non-managerial respondents alike consistently talked about the role played by top managers in identifying
421 and personally bringing to the owners' attention promising entrepreneurial initiatives. For example,
422 KeTours' Operations and Planning Director claimed that KeTours is a place where *'when senior*
423 *management see that an idea has potential they are willing to quickly bring it the attention of the owners'*.
424 Similarly, at both InfoComm and SafePack, top managers maintain an open door policy and encouraged
425 employees with new ideas for projects and products to come to see them directly. Also, in the case of

426 InfoComm and KeTours, top management facilitated CE by informally encouraging and orchestrating the
427 interactions of individuals and teams in order to formulate new ideas or devise new projects.

428 The findings above resonate with Western studies in that senior management often develop the
429 vision for entrepreneurship, which stimulates the engagement of others in similar pro-entrepreneurship
430 behavior (Ireland et al. 2009). Accordingly, we find that our case firms tend to exhibited moderate to high
431 levels of top management support for CE (see Figure 1). But, our findings further suggest that such top
432 management support differs in important ways, especially with respect to exactly how they supported CE.
433 For instance, in contrast to earlier research, our findings suggest that in emerging economy SMEs,
434 financial and resource support can be limited, creating a much stronger competition for viable ideas only
435 to emerge to the surface. Our findings further highlight the importance of more informal mechanisms
436 such as espousing an entrepreneurial spirit or encouraging employee interactions in this respect.

437 *Rewards/reinforcement*

438 Numerous studies have stressed that CE can be encouraged in both large and small firms by the
439 use of organizational systems which clearly identify and recognize entrepreneurial activity (Carrier 1996;
440 Hornsby et al. 2002; 2013a). In general, interviewees suggest that they were cognizant of how rewards
441 were linked to their own entrepreneurial efforts. However, in contrast to theoretical expectations, our
442 findings revealed that the majority of our case firms lacked specific organizational systems and processes
443 to recognize and reward entrepreneurial efforts. For instance, at SafePack and GoodSell, performance
444 reviews were done in an irregular and ad-hoc manner not linked to entrepreneurial outcomes at all.
445 Moreover, in instances where there were regular performance evaluations (KeTours and InfoComm), they
446 tended to overly emphasize more immediate and easily-observable organizational goals and employee
447 behaviors. As KeTours' Operations and Planning Manager pointed out, *'the annual review is overly*
448 *focused on making sure we stick to protocol and are achieving our efficiency targets'*.

449 Interviews with respondents further identified that their interest in engaging in entrepreneurial
450 activity was further undermined by ambiguities in recognizing entrepreneurial efforts and ultimately who
451 would benefit from them. For instance, at SafePack, evaluations were rather ambiguous, and in the case of

452 GoodSell, cultural considerations were identified as affecting the assessors' discretion in determining
453 whether the employee was behaving entrepreneurially or not. Hence in both these cases, respondents
454 interviewed were found to be less engaged in CE related behaviors as compared to the other case firms.
455 Furthermore, our analysis of the data revealed a general perception among some respondents that
456 entrepreneurial actions on their part would only benefit the firm. One InfoComm employee explained, '*I
457 try new ideas to get new sales and when we get new customers, it's only the company that benefits, I
458 don't. Because he[manager] says it's part of my job. So what good does it do me?*' As such they would
459 rather just be told what to do and achieve their individual targets rather than go out of their way to
460 generate new ideas. Compliance-related behavior is therefore seen as more beneficial despite appearing to
461 negatively impact entrepreneurial actions.

462 Regarding the type of rewards, we identified differences with respect to the value that our
463 respondents attached to certain rewards as compensation for entrepreneurial behaviors. *Prima facie*, all
464 case firms tended to prefer the use of non-financial reward structures to reward individuals to encourage
465 CE. Moreover, our analysis of the data identified financial constraints and cultural attitudes as influencing
466 the firms' choices of rewards. As the founder of KeTours commented, '*normally we operate on a tight
467 budget, and the availability of finances is a key issue..... also employees prefer to be compensated in
468 other ways.*' What appeared to be more valued among employees were informal recognitions afforded by
469 management and/or peers when they engage in innovative behaviors. Receiving sincere thanks or being
470 recognized by management for efforts undertaken were deemed to be valuable reinforcers of
471 entrepreneurial actions. As GoodSell's employee mentioned, '*to be recognized for a job well done is
472 more than enough. It's not [just about] money but knowing you are appreciated.*'

473 Additionally, promotion was identified as a highly valued reinforcer of entrepreneurial actions by
474 various respondents across the case firms. For example, InfoComm regularly offered internal promotions
475 to aspiring and innovative employees. As such, the current crop of managers all rose to their current
476 positions as a result of this policy. Furthermore, interviews with respondents revealed that promotion
477 provided a sense of a job security in a country where there were generally limited opportunities and tough

478 working condition existed. Promotion also afforded employees the opportunity to work with and develop
479 closer relations with the firms' owners and senior managers, something that was noted as being highly
480 valued in the Kenyan culture. In African societies, small firms operate in a system of mutually benefiting
481 reciprocities (Khavul, Bruton, and Wood 2009) and having strong social ties between employees and
482 employer eventually leads to the development of trust and other benefits (Khavul, et al. 2009), which the
483 evidence here suggests may include entrepreneurship.

484 In considering the above evidence, we find that the current conceptualizations of CE regarding
485 rewards and reinforcement did not fit well with the experience of emerging economy SMEs. Accordingly,
486 our scoring of rewards and reinforcement was mostly low across our case firms (see Figure 1). More
487 specifically, our findings suggest that resource considerations and uncertainties in the institutional
488 environment can influence the capacity of SMEs in emerging economies to design and ultimately reward
489 their employees for CE related activities (Jackson et al. 2008). Additionally, our findings also allude to a
490 distinction between the type of entrepreneurial rewards valued by employees in emerging economy SMEs
491 and those from Western larger firms. Given the uncertain environmental conditions in societies like
492 Kenya, where collective responsibilities towards kith and kin are very real (Nyambegera, Sparrow and
493 Daniels 2000), predictable rewards and incentives such as promotion and job security are preferred
494 amongst our case firm respondents. This stands in stark contrast to the earlier findings from larger firms,
495 where the value of promotion as a reward has been discredited (Carrier 1996)

496 *Work discretion/autonomy*

497 Prior research suggests that entrepreneurial outcomes arise from those that have latitude and
498 freedom from excessive oversight, enjoy some level of responsibility, and are not excessively penalized
499 for failure from experimentation (Hornsby et al. 2002). However, our data suggested that respondents in
500 our case firms generally had little opportunity to exercise individual work discretion because of cultural
501 expectations and the general work environment. Our case analysis indicated that management's
502 expectations of their own behaviors in the workplace are central to how work discretion was ultimately
503 viewed and afforded to their subordinates. Amongst our case firms, there was a strong belief and

504 expectation among senior management in particular that they should take *'the lead'* and *'be involved in*
505 *every aspect of the firm activities'*. In this vein, the founder of GoodSell expressed his reservations about
506 giving *'too many opportunities to make decisions to employees'* because he preferred to be actively
507 involved in all of the firm's decision-making processes, particularly when it came to allocation and use of
508 financial resources. Most of those interviewed also shared similar opinions, as SafePack's Engineering
509 Director stated, *'decisions are largely top down and I have to follow the rules and budget I am given.'*
510 Although some leverage was afforded to staff in terms of implementing ideas, this privilege was found to
511 be largely afforded to a special few who had strong ethnic and familial ties with the owners and/or senior
512 management: *'In this firm (SafePack), if you are close to the top people, they listen to you, they let you*
513 *make decisions. But you have to earn your spot in that circle.'*

514 Informal discussions and observations with respondents further revealed that while some
515 preferred to have empowerment in their jobs, many still preferred to defer decision making to those
516 higher up the hierarchy. Interestingly, such preferences continued to prevail even though some of the
517 firms (KeTours, InfoComm and GoodSell) moved towards decentralized organizational structures and
518 changes to work structures and roles, designed to specifically increase individual autonomy. Our finding
519 here is consistent with existing studies that reveal how collectivist societies like Kenya are akin to
520 authoritarianism and in-group authority relationships (Kemmelmeyer et al. 2003). Our data also indicated
521 that deference to authority not only influenced individual employees' interest in engaging in innovative or
522 entrepreneurial activity, but also the case firms' ability to quickly identify and exploit entrepreneurial
523 opportunities in the market. For example, GoodSell had missed out on several opportunities to expand its
524 business domain into new areas, as the Sales Director felt it necessary to always confer with the founder
525 first.

526 With regards to tolerance of failure, few if any of the case firms were willing to tolerate failure
527 from entrepreneurial experimentation. In fact, the case evidence indicated that attitude towards tolerating
528 failure was strongly linked to very stringent cost-benefit or financial control systems embedded within
529 each firm. There was a general attitude among the case firms that failure is unacceptable and could lead to

530 a loss of face, not just for the employee but to the firm as a whole. GoodSell's project manager asserts
531 that, '*only the best ideas are supported because if you fail, you let a lot of people down.*' Moreover,
532 because resources are limited, access to financial resources was reserved for only those projects that are
533 likely to succeed. Hence, there is little opportunity for experimentation and testing of new ideas.

534 Our findings here are line with those of van Wyk and Adonisi (2012) regarding the negative
535 effects of authoritarianism on CE in the African context. Our case evidence suggests a nuanced pattern of
536 work discretion wherein top-down decision making and stringent organizational processes limited the
537 individuals' entrepreneurial behaviors necessary for successful CE. From these findings, it seems that few
538 firms offer their key employees opportunities for work discretion and those that do seem to implant a very
539 stringent cost-benefit or financial control system. Such financial control systems are noted to have an
540 aggravating effect on CE (Barringer and Bluedorn 1999). In considering the above evidence, we note that
541 the experiences of emerging economy SMEs with respect to affording employees work discretion for
542 entrepreneurial initiatives did not align well with our current conceptualization of the antecedent. Thus we
543 found that most of our case firms displayed mostly low levels of work discretion (see Figure 1).
544 Moreover, our findings regarding how financial controls and cultural attitudes towards hierarchal
545 relationships hamper the case firms' CE, builds on to existing theoretical expectations.

546 *Time availability*

547 In contrast to the role that the CE literature assigns to time availability, our case firms provided
548 little slack time outside of non-essential tasks (Hornsby et al. 2002). When asked during the interviews
549 whether they had time to work on entrepreneurial ideas in the last three months, almost all our
550 respondents voiced a strong desire to have more '*free time*' to do so. When asked why their time for
551 entrepreneurial efforts was limited, our respondents identified a number of salient factors both within and
552 outside of their respective organizations that influenced their time availability. Externally, we note that
553 our case firms found themselves competing in highly dynamic and competitive environments. For
554 instance, KeTours operates in the highly emergent tourism sector in Kenya, and faces relentless

555 competition from both local and increasingly overseas competitors. Similarly both SafePack and
556 InfoComm are constantly striving to establish themselves in their respective markets.

557 In such situations, we found respondents to be particularly focused on salient tasks such as
558 meeting sales targets, building reputation and addressing customer needs as they were considered
559 necessary for competing in such markets. As such ‘slack time’ for entrepreneurial initiatives was
560 considered almost too valuable of a resource to be freely given. SafePack’s Training Coordinator claimed
561 that, *‘in small and rapidly growing firm, time to work on new ideas to improve systems and process is*
562 *largely limited because very little time available, as we were often required to focus on more pressing*
563 *issues’*. Furthermore, we also note that in the cases of KeTours and InfoComm, lack of technological
564 availability and sophistication in the Kenyan marketplace also increased managers and employees time
565 spent on such tasks.

566 Two main issues emerged that appeared to affect respondents’ time availability for
567 entrepreneurial activity, both of which have received little attention in the existing literature. First,
568 amongst three of our four case firms (KeTours, SafePack and InfoComm), there was a strong push by
569 management to become ISO9000-certified in order to remain competitive in their markets. However both
570 the CEOs of SafePack and InfoComm acknowledged that the pursuit of effectiveness and efficiency
571 through the certification process came at the expense of organizational innovativeness. As the CEO of
572 SafePack explained, *‘at first we were mostly geared towards trying to be the innovative leader in our*
573 *market place, but now, our focus is much more production planning and technology planning.’*
574 Consequently such changes have also had a trickledown effect on employees’ time availability for
575 entrepreneurial efforts. For instance at KeTours and InfoComm, managers now spend a considerable
576 amount of their time on routine tasks and the documentation of procedures and processes as opposed to
577 working on more entrepreneurial initiatives. As the Chief Information Officer of InfoComm explains,
578 *‘with all these new process coming into place, compliance is a major issue..... by and large my job is just*
579 *to make sure things run smoothly as possible.’*

580 Second, the role of human capital emerged as an important driver of innovative activities in these
581 firms, a notion supported by studies of SMEs (e.g., Alpkan et al. 2010). However, prior research has also
582 demonstrated that SMEs, particularly those from Africa, often face difficulty in acquiring the necessary
583 human capital resources, hence affecting their growth and development prospects (Smith and Watkins
584 2012). Our data indicated a similar story. Across the board, our firms found it difficult to recruit quality
585 human resource among Kenyan graduates. Particularly lacking were graduates or employees with
586 entrepreneurial skills and competencies necessary to work in such fast growing and dynamic firms. As a
587 result, managers often found themselves being highly involved in overseeing the actions of employees.
588 For instance, middle managers from both GoodSell and SafePack revealed that much of their time was
589 spent on monitoring the work of their subordinates as many of them did not possess the necessary skills to
590 complete their jobs sufficiently. SafePack's R&D manager explained that, *'I need to keep track of what*
591 *my team is doing. And that keeps me busy most of the time.'*

592 In sum, our findings suggest that emerging economy SMEs experienced difficulties in providing
593 slack time for entrepreneurial activities by important groups of people across the firm, in ways that has
594 not been properly accounted for by the existing conceptualization of this antecedent. Our scoring of the
595 antecedent indicates low levels of time availability of entrepreneurial activities across the four case firms
596 (see Figure 1).

597 Prior research has suggested a cascading effect with respect to time availability and
598 organizational positioning (Hornsby et al. 2009). However, our evidence indicates that in emerging
599 economy SMEs, despite their organizational positions and titles, many of the employees' job roles and
600 scopes still remain quite narrow. However, our findings do further highlight that a focus on efficiency and
601 multitasking can further undermine time availability for entrepreneurial initiatives and a further degree of
602 interaction among elements of the internal environment put in place by top managers which is hitherto not
603 well understood in the CE literature (Hornsby et al. 2009). Secondly, our findings highlight the
604 aggravating effects of skill deficiencies among human capital resources with respect to facilitating CE
605 through their effect on time availability and its subsequent use (Hayton and Kelly 2006). Hence we

606 suggest that future conceptualizations of the time availability antecedent also take into consideration the
607 role played by the firm's quality and stock of human resources.

608 *Organizational boundaries*

609 Flexible organizational boundaries are useful in promoting entrepreneurial activity because they
610 enhance the flow of information between the external environment and the organization and between
611 departments/divisions within the organization (Miller, Fern, and Cardinal 2007). Throughout our cases,
612 we noted efforts by the owners and top managers over the past five years to move away from their
613 existing centralized and silo organizational structures by moving towards more cross-functional team-
614 based structures (KeTours and GoodSell) or specific project teams (InfoComm and SafePack).
615 Furthermore, our in-depth interviews revealed that such structural changes were also accompanied by
616 changes to organizational processes, designed to effectively identify and screen innovative ideas. For
617 instance, at SafePack, the CEO and top management implemented a new form for, and monthly review
618 process of, innovative suggestions (which may help mitigate the issue of time availability as well).
619 Similarly at InfoComm, employees had developed an idea generation system, which is reviewed every
620 three months where the best idea is selected and implemented. In general, our respondents indicated that
621 such changes to process were positive developments. Our finding here is consistent with other studies
622 promoting the role of information sharing and flexible organizational structures.

623 More importantly though, given the conceptual ambiguities surrounding the organizational
624 boundaries antecedent (Hornsby et al. 2013a), our case findings shed new insights as to how
625 organizational boundaries facilitate CE. In particular, our case analysis highlights the importance of top
626 management in creating arenas for promoting interpersonal relationship and trust among employees,
627 teams and departments, which subsequently promote idea generation and ultimately CE. For example, at
628 InfoComm and GoodSell, senior management facilitated the coming together of individuals and teams in
629 order to formulate new ideas or devise new projects. However, in both these firms, such actions and
630 efforts were not undertaken as 'first moves' or initiatives but instead were reactions to disputes. The lead
631 Software Engineer of InfoComm pointed out that teams are constantly quarrelling over technical details

632 of their projects or ideas. This inhibits their proactive behaviors (e.g., looking for new solutions to the
633 problem). Similarly, KeTours' top management believes that it is their responsibility to overcome such
634 issues. As the Managing Director pointed out, *'when managers disagree I sit down with them to discuss*
635 *the pros and cons of their ideas and the sources of their concern. I find that this helps them to come up*
636 *with a common or more practical solution'*. Hence, by acting as relationship brokers, top management
637 promotes interconnectedness among individuals and departments and this drives information sharing
638 which would otherwise be suppressed.

639 This view of how organizational boundaries come to play a role in CE is contextually very
640 different from its conceptualization in the literature as that of boundary spanning individuals. Rather,
641 boundaries are broken when top managers broker and facilitate relationships and new solutions among
642 otherwise quarreling team members or departments/divisions. This evidence also implies that constructive
643 conflict may play a relevant role in CE within the emerging economy SME context. Again, this is
644 hitherto not considered in the literature on CE. Thus, we add important insights into the current
645 conceptualization of organizational boundaries as an antecedent of CE. Our case evidence suggests that
646 top managers may assume the role of intrapreneurs themselves and purposefully act as builders of
647 networks or human interactions within their businesses, subsequently promoting CE through collective
648 entrepreneurship (Toledano, Urbano and Bernadich 2010). This may be especially important in the
649 context of SMEs and emerging economy firms, because such close working relationships between
650 employees and management hold the potential to enhance levels of trust and communication between and
651 among these groups. Secondly, by shaping organizational boundaries, top managers' active involvement
652 in bringing people together regularly might be one way to compensate for the otherwise limited
653 availability of resource and time for entrepreneurial actions.

654 ***DISCUSSION AND CONTRIBUTIONS***

655 In response to recent calls for research on what enables CE in emerging economy SMEs
656 (Hornsby et al. 2013b; Hoskisson et al. 2000; Phan et al. 2009) and comparable calls to action to examine

657 CE activity across different regions (Gómez-Haro et al. 2011; Hornsby et al. 2013a) and contexts (Zahra
658 and Wright, 2011), this paper makes three theoretical, empirical and methodological contributions.

659 As a theoretical contribution, our study shows that a supportive internal organizational
660 environment is as important for CE in SMEs in emerging economies as it is for their established Western
661 counterparts, *but*, and more importantly, our findings reveals that the manifestation of this internal
662 organizational environment is very different to the status quo presented in current theory. This provides
663 compelling evidence to support Zahra and Wright's (2011) claim that the reduction of context to a simple
664 control variable masks fundamental knowledge that is crucial to the advancement of theory across the
665 field of entrepreneurship. For example, our case firms exhibited only 2 of the 5 traditional antecedents of
666 CE, namely top management support and organizational boundaries. On the surface, this might suggest
667 that some of the established antecedents do replicate at the SME level and in the emerging economy
668 context. But this is not the case. Although our case firms provided top management support and
669 manipulated organizational boundaries to promote CE, they did so in ways that differed from treatments
670 reported in the literature so far (e.g., Hornsby et al. 2002, 2013a, 2014). They were executed differently
671 and contextualized to the circumstances of emerging economy SMEs. For top management support,
672 formalized support mechanisms for allocating financial and non-financial resources towards
673 entrepreneurial efforts were limited and managers conservatively and cautiously managed their firms'
674 resource stocks. Instead, managers oriented the allocation of resources towards entrepreneurial projects by
675 adopting a much longer term perspective and increasing the due diligence behind entrepreneurial
676 initiatives. Interestingly, these results are not consistent with studies of other emerging economies. Seborá
677 et al. (2010) found support for the more traditional characterization of top management support in Thai
678 SMEs, which suggests that regional institutional differences are more important than economic ones to
679 understand the motivation of CE.

680 These results also differ from studies of SMEs in Western economies. Frank et al. (2010) reported
681 that in difficult, dynamic environments, for firm entrepreneurial behavior to take place productively, high
682 access to financial capital is needed. Yet our Kenyan SMEs were vibrant and entrepreneurial despite

683 limited access to such resources. Moreover, informal support was also important in this context as for
684 non-managerial employees, top managers showed a willingness to rapidly bring the best ideas of their
685 other managerial and non-managerial employees to the attention of owners. Our findings extend those of
686 Castrogiovanni et al. (2011). The personal relationships top managers hold with their employees is an
687 important form of non-resource support that motivates CE among our emerging economy service sector
688 SMEs. This shows a need for models of, and judgments about, CE to be far more culturally contextually
689 sensitive. Our findings enrich a context-sensitive analysis of the antecedents of CE (de Villiers-Scheepers
690 2012; Hornsby et al. 2013b; Phan et al. 2009; Zellweger and Sieger 2012) by providing a fine-grained
691 representation of top management support as an enabler of CE in emerging economy SMEs.

692 Of further interest is our finding about organizational boundaries as an antecedent of CE. These
693 raise important questions about how entrepreneurship in emerging economy SMEs might come about. We
694 found support for this antecedent but its execution was very different to expectations in the established
695 literature (e.g., Hornsby et al. 2002, 2013a, 2014), and it appears to be quite vulnerable to context
696 sensitivity. Historically, the notion of organizational boundaries has been presented as one of
697 entrepreneurial individuals spanning organizational boundaries to link disparate parts of the firm together,
698 sharing knowledge and enabling novel knowledge to emerge and new innovative ideas and initiatives to
699 germinate. In our case firms, individuals, teams and departments across the firms exhibited regular
700 quarrelling and were brought together across boundaries by top managers acting as brokers and
701 negotiators to bring people together. Thus, the whole process of germinating dialogue and new solutions
702 to emerge was orchestrated heavily. So far, this problem has not surfaced in investigations of the
703 antecedents of CE, but our findings resonate with prior concerns that a strongly collectivist environment
704 may give rise to anti-entrepreneurship sentiment and group performance to suffer from dysfunctional
705 syndromes (Jackson et al. 2008; Morris et al. 1994). This is likely to be further exacerbated by the fact
706 that management philosophies in Kenya are dominated by sharp distinctions in status differences among
707 groups of employees across the firm (Kiggundu 1988). We contribute an extension to the present

708 theoretical framework of CE antecedents by showing that boundary spanning behavior must be led by
709 managers first, and not left to employees alone as advocated in current theory.

710 These observations can also be further understood when considering our findings about work
711 discretion. Few opportunities for work discretion were granted outside of top management and top
712 managers themselves sought hands on involvement in projects with employees, and particularly in
713 decision-making. Taken with our observations about organizational boundaries, it is quite possible then
714 that individuals and teams simply did not consider autonomously crossing boundaries viable because of
715 the absence of, and some lack of desire for, absolute work discretion. Therefore, we enrich the body of
716 theory for examining CE by demonstrating the value of institutional and cultural lenses to understand
717 what enables CE in contexts for removed the traditional Western perspective. Individuals were not
718 mindful to adopt work discretion even when provided by top manager, contradicting the emphasis placed
719 on work discretion and autonomy in current theory (Hornsby et al. 2002; Lumpkin and Dess 1996)
720 Theoretical development in the field of CE will need to rely on institutional theory and contextual
721 analysis if we are to progress our knowledge about situationally-relevant antecedents and enablers.

722 Also apparent from our data were interactions among the antecedents of CE unforeseen in the
723 existing literature. For example, offering work discretion is compromised by the existence of strong
724 financial controls and stringent cost-benefit regimes while time availability is rare. Also, work discretion
725 was rebalanced by top managers purposefully crossing organizational boundaries to resolve problems
726 caused by quarrelling teams. This illustration paints a different image of the use of organizational
727 boundaries as a means of stimulating CE by reducing information-seeking time, reducing costs,
728 overcoming the limitations of time unavailability, and increasing confidence in top management support
729 for entrepreneurial initiatives. Such complicated interactions have yet to be modelled in current
730 frameworks of CE. These findings reveal that a black box between antecedent conditions and CE
731 outcomes that is at least in part a function of emerging economy SMEs context.

732 As an empirical contribution, we observe that for employees, entrepreneurship within the context
733 of the job and securing promotion coupled with a close relationship with supportive and active top

734 managers sets the context for CE to take place, even in what might otherwise appear as unproductive
735 conditions in more traditional contexts. For example, while employees were cognizant of how rewards
736 were linked to their entrepreneurial efforts, promotion and non-financial rewards such as recognition for a
737 job done well were most valued, and employees respected the need for compliance behavior. Ideas of
738 compliance and deference are orthogonal to our knowledge of what entrepreneurship in SMEs requires,
739 and we add empirical evidence to a group of studies that collectively reveal the problems of deference to
740 authority (e.g., Beugré and Offodile 2001; Jackson et al. 2008; Kamoche 2011; van Wyk and Adonisi
741 2012). In our case firms, that deference to authority even overruled a cultural expectation of obedience of
742 managerial instructions. Thus, even when granted autonomy and asked to engage in entrepreneurship,
743 deference to authority suppressed them from taking up of those initiatives. This new empirical
744 contribution raises further questions about the theoretical and practical accuracy of current frameworks.

745 Of further interest are our more fine-grained observations about rewards and reinforcement. We
746 find that rewards for entrepreneurial actions can be undermined by signals caused by the outcomes of
747 reward systems (e.g., promotions encouraging job security diminished a sense of need to take
748 entrepreneurial risks). Our data suggested that individuals within the case firms were analytical and
749 reflective in deciding how they behaved in their work. They tended to be less spontaneous in their
750 behavior and less willing to take risks unless it protected their job, and this behavior was hardened by the
751 tendency among the firms to use rewards/reinforcements systems that emphasized job security. Studies
752 have long been of the view that Kenyan employees assign the highest importance to security needs (Blunt
753 and Jones 1986) but we observe empirically that the reticence to entrepreneurship this causes can be
754 overcome by promotion and recognition from managers and peers being provided as rewards for
755 entrepreneurship. Doing so converts the desire for security away from one of restrained behavior to one of
756 entrepreneurship when aligned to such non-financial rewards. Considering the role of SMEs in raising
757 quality of life in emerging economies, these findings lend support to Bruton, Alsthorpe and Si's (2015)
758 call for poverty alleviating mechanisms that go beyond subsistence entrepreneurship. The study
759 highlights the role of institutional actions (George, Nicholson, Corbishley & Bansal, 2014) and conditions

760 necessary for CE. By improving internal conditions, employees are more likely to simply work to survive
761 and in fact are more willing innovate and create new opportunities for growth. In more practical terms we
762 see an emerging connection to improvements in the way firms do business and their potential effect on
763 improving living standards in developing economies.

764 Finally, we make a small methodological contribution. In the spirit of Zahra et al. (1999), the use
765 of a qualitative methodology helped us generate a much better understanding of the ‘how’ and ‘why’ of
766 CE in the context of emerging economy SMEs, where knowledge (both theoretical and empirical)
767 remains thin. Using a qualitative methodology over the more traditional quantitative approach in
768 assessing the internal antecedents for CE allows us to overcome problems associated with single-
769 respondent research and the de-contextualization of CE in prior studies. Studies wishing to examine well-
770 established concepts and instruments in different contexts such as emerging economies can use our
771 protocols to develop more context-sensitive treatments of CE in future.

772 Drawing this discussion together, we offer a revised and extended theoretical framework of the
773 antecedents of CE that can serve small business researchers interested in advancing the field towards a
774 greater appreciation of CE in emerging economies and service sector SMEs therein. This extended
775 theoretical framework is illustrated in Figure 2. Our findings speak to managers and policy-makers who
776 work closely with emerging economy SMEs. Such individuals need to be cautious of adopting and
777 recommending CE frameworks and practices developed in studies of firms within developed economies,
778 and should be more mindful of how entrepreneurial processes and practices may be influenced by context.
779 Our work offers a basis to resolve this problem.

780 -----
781 INSERT FIGURE 2 ABOUT HERE
782 -----

783 ***LIMITATIONS AND FUTURE RESEARCH***

784 Our study is not without limitations. First, adopting a qualitative methodology constrains the
785 generalizability of our findings to the theoretical and analytical alone. Our selection of cases sits within

786 the Kenyan service sector SMEs. Our observations might be less relevant to non-service sector SMEs,
787 larger more established firms, and firms from different institutional contexts. However, we note that we
788 did not seek to generalize our findings to these audiences. Instead, we sought to give rich contextualized
789 insights into how the specific antecedents for CE are manifested in emerging economy SMEs.

790 Second, our study is appropriately qualitative in nature given inconsistencies and questions we
791 raised and reported in our literature review on the relevance of the five repeatedly-emphasized
792 antecedents of CE to non-traditional contexts. We also appropriately noted our concern that the
793 dominance of quantitative methodologies in the research into the antecedents of CE has ushered in a de-
794 contextualization of the antecedents of CE that is clearly problematic based on our qualitative findings.
795 Still, a mixed methods approach could have enabled us to provide a larger set of data from which to study
796 the emerging relationships drawn from our qualitative findings. Future research may wish to adopt such
797 an approach to studying CE in non-traditional contexts.

798 Finally, our study focused only on a direct set of established internal antecedents to CE and
799 searched for anomalies and (in)consistencies within that remit. Studies with a broader scope than ours
800 may consider external and environmental antecedent as well (Frank et al. 2010). Such an approach has the
801 potential to offer small business researchers a theoretical framework in advancing the field towards
802 greater appreciation of the antecedents of CE in non-traditional contexts.

803 Our study leaves a number of questions worthy of further investigation. First, the limited research
804 body of knowledge on CE among emerging economy firms (Hornsby et al. 2013a) remains a concern.
805 Future research may do well to extend this study into other emerging economies and diverse
806 organizational contexts such as larger established firms. Second, our findings suggest that the antecedents
807 of CE established in the literature are subject to context sensitivity in complex ways. Such a theoretical
808 omission represents a problem in present treatments of CE based on our findings. While our paper offers a
809 contribution in carving out deviations from the CEAI model, it implies that a set of hitherto unforeseen
810 and undiscovered mediators and moderators acting on how a firm might organize effectively for CE likely
811 exist. Appreciating how CE is achieved and practiced among emerging economy firms affords scholars

812 the opportunity to develop better theories and conceptual models of CE and managers to arrive at better
813 customized prescriptions to improve the competitiveness of their firms.

814 Finally, we urge future research studies to consider how the institutional environment influences
815 the adoption of CE initiatives among emerging economy firms. Earlier, Gómez-Haro et al. (2011) drew
816 scholarly attention to the important influence of both the formal and informal environments on firm-level
817 entrepreneurial activities. We urge future researchers to consider how the external environmental
818 (whether formal or informal) may influence the adoption and implementation of the internal antecedents
819 for CE. Such an approach offers a premise for the development of theoretical frameworks that can further
820 serve small business researchers who are interested in advancing the field towards a greater appreciation
821 of the antecedents of CE efforts and enlarge our understanding of how SMEs can become more
822 competitive in emerging economies

823 ***CONCLUSION***

824 The central question guiding this study was whether the current conceptualization of the five
825 antecedents of a supportive internal environment for CE remains applicable and relevant in the context of
826 SMEs in an emerging economy. Drawing on the Kenyan service sector SMEs as our empirical starting
827 point, our findings reveal that institutional and cultural variations as well as context-specific features
828 within the Kenyan service sector SME landscape and workplace shaped how CE needed to be organized
829 in these firms. We contribute both theoretically and empirically to the existing literature by suggesting
830 that the organization of Kenyan SMEs' internal environments for CE is much more nuanced, interactive,
831 and complex than currently presented in Western treatments and studies. The findings contained within
832 this study offer an insightful basis on which to further examine how context impinges on entrepreneurial
833 actions in firms outside of the traditional Western context and extend the theoretical framework of the
834 antecedents of CE.

835

**Table 1
Profiles of Case Firms**

	KeTours	GoodSell	SafePack	InfoComm
Year of inception	2004	1988	1995	2005
Number of CE related initiatives implanted since inception	4	7	3	3
Example of CE activity in case firms	External corporate venturing, KeTours saw an opportunity to take advantage of growing demand in adventure tourism in Kenya and Africa. CEO along with VP created a new firm specifically dedicated to developing new products for these markets. Later new company became more closely integrated into KeTours online booking platforms	Strategic renewal in the form of domain re-definition. Since 1995, GoodSell has used its financial resources and market knowledge to enter in new allied business markets. Later in 2003, GoodSell further increased its hold in the markets by developing a sales portal. It was also one of the first firms in Kenya to offer online financing and credit options for customers.	Product and process innovation. After years of distributing imported safety products for the oil and gas industry, SafePack began developing new customized products for the relevant markets. In 2007 Safe pack made the bold move to enter into markets (government clients and personal users) by creating a spin-off venture to deal with new markets.	Since 2007 InfoComm has embarked on a process of rapid new product development. Additionally InfoComm has expanded its core business from software development into providing customers with a total care and maintenance package, through creation of a new internal operating division.
Nature of Services	Tourism/Travel Services	Retail Sales (Online)	Health and Safety Equipment and Distribution Provider	Information Technology Solutions
Number of Interviewees	Founder, Managing Director, Operations and Planning Manager, Sales and Marketing Manager	Founder, Sales Director, Online Projects manager, Marketing and Operations Manager, Employee	CEO, Engineering Director, R&D manager, Training Coordinator	Managing Director, Chief Information Officer, New Projects Manager, Software Engineer
Total Number of Employees	165	80	42	24
Annual Turnover (\$USD)	11.43m	3.1m	0.83m	2.1m
Business History and CE Activities	Initially started as small regional airline. Rapid expansion over the past 6 years, with a number of innovative business practices developed internally. First regional airline to use internet bookings and payment system. More recent innovative activities have been based around developing high quality products, specialized tours	Started as a small real estate firm in the late 1980's. Company has grown rapidly since then and branched out into a number of allied areas, such as property management and online retailing. Recently new innovative practices have emerged which has enabled the company to develop its own online portal, and introduction of financing options for customers and making them the premier online trading company in Kenya.	The company was mainly founded from the efforts of its owner, who previously was working for large oil MNC in Kenya. The main activity was based around providing health and safety equipment to oil and gas companies. More recently as result of CE activities, company has designed their own products and expanded to develop and deliver their own OHS programs for corporate and government clients. The company has also moved into sales and distribution of such product	Business originally founded to provide IT solutions to existing companies. Since 2007 firm has engaged in a number of new projects based on developing and commercializing new software specifically for the East African market. Original business line also expanded designed to offer permanent assistance for clients. Latest CE project involve rebranding and change to organizational structure which resulted in winning lucrative government contract.

Table 2
Cross case analysis of the internal antecedents

Antecedents	KeTours	GoodSell	SafePack	InfoComm
Top Management Support	Championing of ideas & bringing together people; Strong entrepreneurial spirit; moderate resource commitment	Championing of ideas and bringing people together; Low resource commitment	Championing of ideas; Open door policy to employees; low resource commitment	Strong championing of ideas & bringing together people; strong entrepreneurial spirit; Open door policy to employees; Financial support is available.
Rewards/re-enforcements	Limited performance review system, focused on easy to assess goals, limited recognition of individual entrepreneurial efforts Rewards mostly non-financial, e.g. informal recognition	ad-hoc performance review systems, no specific recognition of entrepreneurial efforts Rewards mostly non-financial, e.g. informal recognition, job security	Informal and ad-hoc performance review systems, ambiguous assessment and recognition of entrepreneurial efforts Rewards mostly non-financial, internal promotion, benefits	Formalised performance review system, ambiguous or inconsistent recognition of individual entrepreneurial efforts Some financial rewards, also non-financial rewards, e.g. informal recognition, internal promotion
Work Discretion/Autonomy	Low tolerance for failure; strict operating procedures with regards to processes; moderate delegation of authority; employees prefer to defer to authority	Low tolerance for failure; top-down decision making; strict financial controls; employees prefer to defer to authority	Low tolerance for failure; top-down decision making; strict financial controls; employees prefer to defer to authority	Moderate tolerance for failure; top-down decision making; Moderate financial controls; employees prefer to defer to authority
Time Availability	Limited slack time availability due to unstructured job roles and high market pressure; pursuit of ISO certification increased administrative workload of managers	Limited slack time availability due to high workload; high need to monitor staff activity	Limited slack time availability due to unstructured job roles and high market pressure; high need to monitor staff activity; pursuit of ISO certification increased administrative workload of managers	Some slack time given to employees to pursue entrepreneurial ideas; high pressure to remain competitive in the market; pursuit of ISO certification increased administrative workload of managers
Organizational Boundaries	Flat organizational structure actively encouraging teamwork; Relationship brokering by top management; Organizational learning is encouraged	Flat organizational structure actively encouraging teamwork; Relationship brokering by top management	Some level of team work is encouraged; Monthly review system for innovative ideas in place	Flat organizational structure actively encouraging teamwork; Knowledge management and learning systems are in place; Relationship brokering by top management; Idea generation system in place

Figure 1
CEAI Profile of Cases

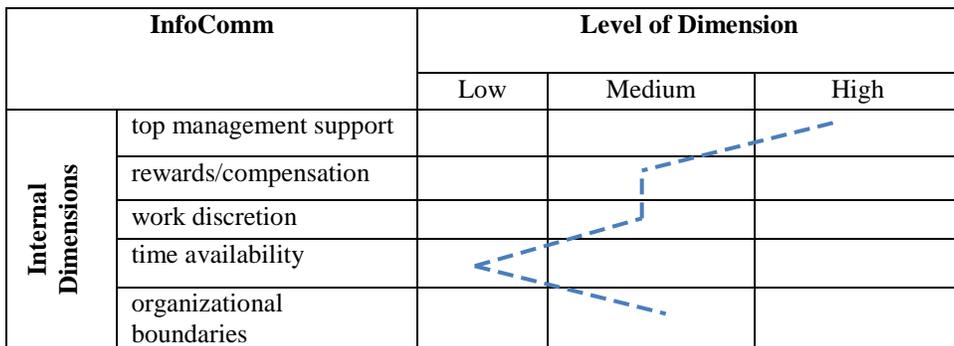
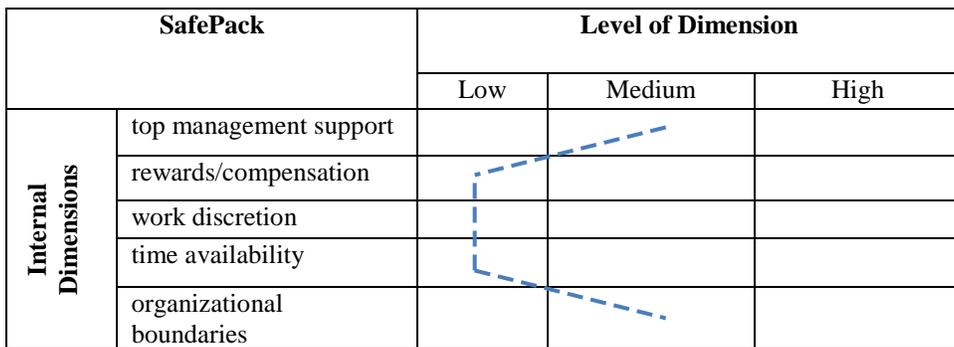
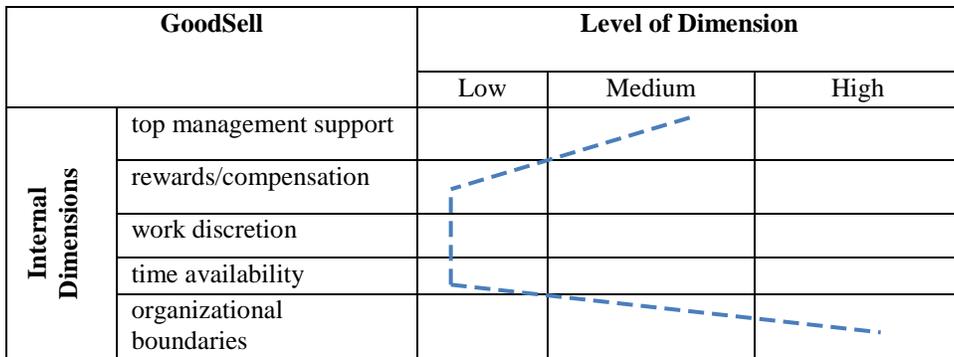
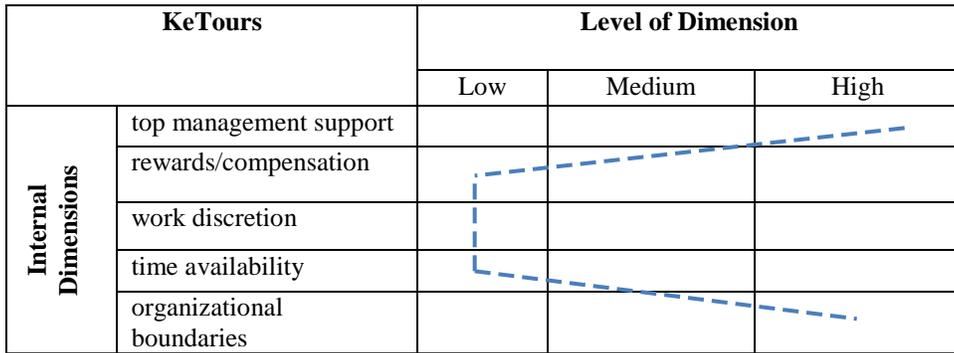
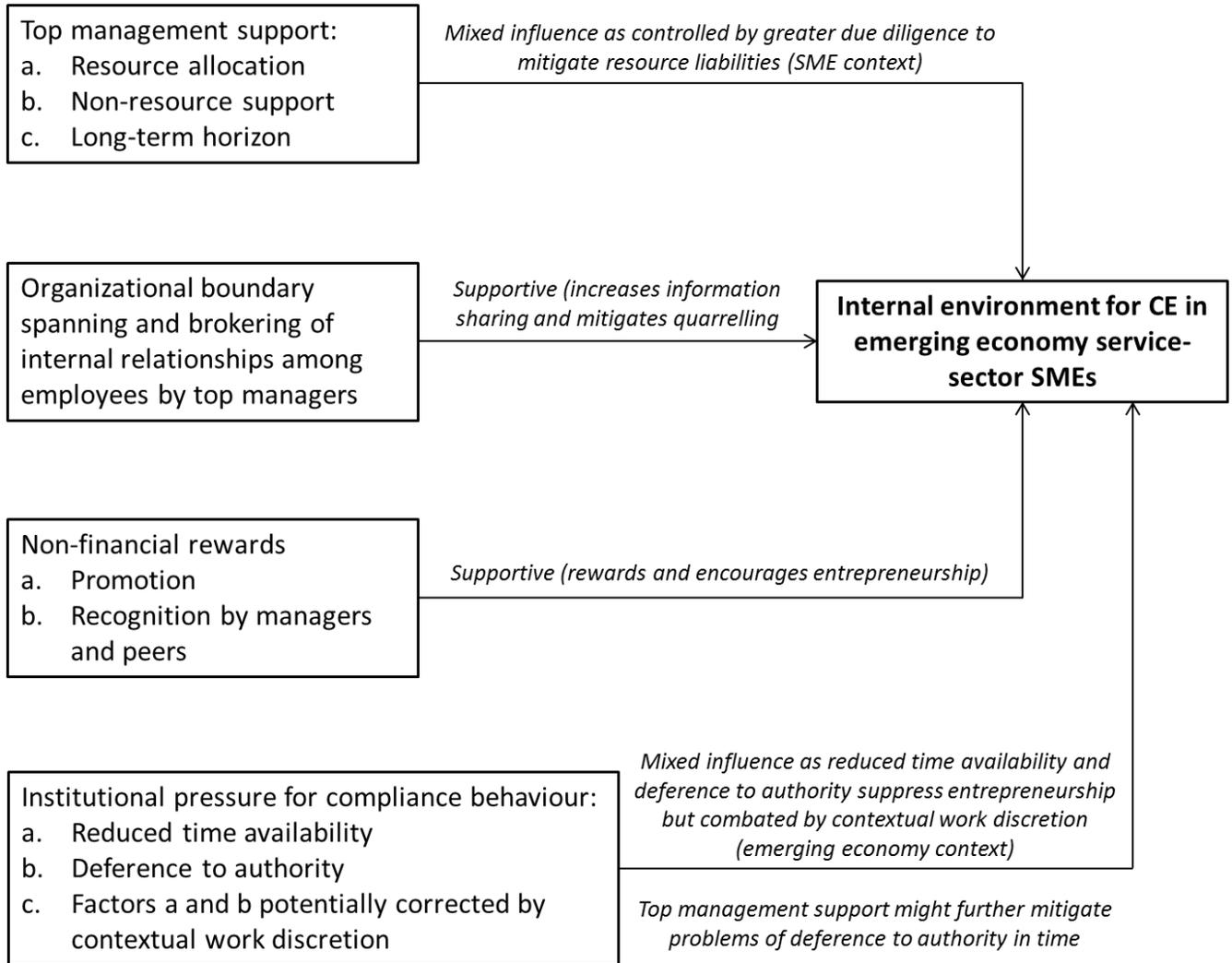


Figure 2
Theoretical framework of factors relevant to CE in emerging economy SMEs



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