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6 **Antecedents of Corporate Entrepreneurship in SMEs:**
7 **Evidence from an emerging economy**
8

9 **ABSTRACT**

10 *Theoretical, conceptual and empirical development in corporate entrepreneurship (CE) research has*
11 *matured into consensus around five core antecedents of an internal environment that ‘prepares’ a firm*
12 *for CE: top management support, time availability, entrepreneurship-relevant rewards/reinforcement,*
13 *work discretion/autonomy and flexible organizational boundaries. But, this maturity and consensus are*
14 *narrowly conceived in the tradition of mid-to-large-sized established firms in Western economies, taking*
15 *for granted that these same conditions prepare SMEs in emerging economies for CE as well. Drawing on*
16 *an institutional perspective, we argue that this assumption is false: institutional and cultural factors can*
17 *undermine the viability of these antecedents in enabling CE in emerging economy contexts, and resource*
18 *challenges in this context exacerbate those already faced by SMEs, requiring them to rethink how to*
19 *enable CE. We examine these internal antecedents of CE in the context of Kenyan SMEs operating in*
20 *service sectors. Our qualitative study shows that the organization of Kenyan SMEs’ internal*
21 *environments for CE is much more nuanced, interactive and complex than currently presented in Western*
22 *treatments and studies. We also observe that cultural and contextual factors appear to influence the*
23 *extent to which antecedents put in place then encourage, enable and produce CE activity. We extend*
24 *knowledge on the existing antecedents to provide a more fine-grained depiction of the internal*
25 *environment for CE in emerging economy SMEs.*
26

27 **INTRODUCTION**

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

39 and Hoskisson 2003; Yiu and Lau 2008). Because of these crucial differences, the failure of CE research
40 to properly treat the context firms exist and operate in means that the present consensus among scholars
41 about the antecedents of CE, developed almost exclusively in the traditional Western context, is
42 premature and at worst may prove to be entirely wrong.

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

62 In addition to the institutional context, studies must also account for SMEs as a new generation
63 of research shows that SMEs operate differently to their established, larger counterparts in terms of
64 entrepreneurship (Kraus 2011; Zellweger and Sieger 2012) and do not fit models built from research into

65 such firms (Sine, Mitsuhashi, and Kirsch 2006). Sine et al. (2006) lament the false logic that SMEs rely
66 on flexibility and a lack of formalization for their success, arguing that these initial conditions are merely
67 a reaction to opportunities in a changing environment. Citing Stinchcombe (1965), Sine et al. (2006)
68 suggest SMEs need less flexibility and more role specificity to overcome a ‘structural liability of
69 newness’. Such ideas sit orthogonally to the causal mechanisms of CE presented in the literature
70 (Hornsby et al., 2002, 2009; 2013a, 2014).

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

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

91 investments) and limited resources, many Kenyan SMEs remain highly dynamic, innovative, and
92 successful, suggesting that CE is rife among them (Jackson et al. 2008).

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

111 As scholars we do not have a theoretical framework customized to SMEs or to the emerging
112 economy context that can help us to understand and explain their CE. Appreciating how CE is achieved
113 and practiced among SMEs in emerging economies will help scholars develop better theories and help
114 managers and policy makers arrive at better customized prescriptions to improve the competitiveness of
115 these firms. This study represents a first attempt to consider whether, how, and in what ways the

116 'established' antecedents of CE are applicable in emerging economy SMEs in Kenya and what additional
117 factors are important for an internal environment for CE in emerging economy SMEs.

118 ***THEORETICAL BACKGROUND***

119 **THE INTERNAL ANTECEDENTS FOR CORPORATE ENTREPRENEURSHIP**

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

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

142 current organizational environment or state of ‘*organizational preparedness for CE*’ represents an
143 important element for successfully implementing a CE strategy (Hornsby et al. 2013a, p.937).

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

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

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

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

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

193 The benefits and value of CE are not restricted to large established firms from developed market
194 economies (Hitt, Ireland, Sirmon and Trahms 2011). CE holds promise for SMEs in emerging market
195 contexts (Gómez-Haro, Aragón-Correa, and Córdón-Pozo 2011; Lou and Junkunc 2008) as it offers a
196 means through which emerging economy SMEs can (re)vitalize activities, reconfigure resources, and set
197 in place the entrepreneurial mindsets indispensable to competing effectively in such highly turbulent
198 environments (de Villiers-Schemers 2012; Yiu and Lau 2008). But, the body of knowledge on how CE is
199 enabled in such firms in such contexts remains thin (Phan et al. 2009).

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

212 Recent empirical evidence suggests that the emerging economy context matters for employees’
213 perceptions of the internal environment for CE (de Villiers-Scheepers 2012; van Wyk and Adonisi 2012).
214 This can be explained by institutional theory, and prior research has shown that the institutional
215 environment can affect the nature and scope of entrepreneurial activities among firms (Bruton et al. 2010;
216 Gómez-Haro et al. 2011; Ireland et al. 2009). Institutions refer to the cognitive, normative, and regulative
217 structures that provide stability and meaning to behavior (Scott 1995). Institutions can be formal
218 (regulations, normative, contracts, etc.) or informal (codes of conduct, attitudes, values, etc.), but informal

219 institutions are particularly important in shaping collective sense-making and individual behavior as they
220 ‘come from socially transmitted information and are a part of the heritage that we call culture’ (North
221 1990, p.37). An institutional perspective on CE proposes that the behaviors exhibited by firms, and the
222 decisions made by their managers and employees, are shaped by formal and informal institutional
223 arrangements (Bruton, Ahlstrom, and Li 2010; Gómez-Haro et al. 2011; Hoskisson et al. 2000; Ireland et
224 al. 2009; Puffer, McCarthy, and Boisot 2010). Thus, how the CEAI dimensions are perceived by
225 individuals and how CE is enacted in response to those institutional arrangements can be expected to
226 differ between SMEs in emerging and developed economies (Bruton, Ahlstrom, and Li 2010; Yiu and
227 Lau 2008).

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

239 The service sector accounts for about 63 percent of Kenya’s Gross Domestic Product (GDP) and
240 has historically led Kenya’s economic growth (Library of Congress 2007). The limited research into firm-
241 level entrepreneurship among service sector firms has tended to re-confirm the benefits of CE for firm
242 performance (Kraus 2011). Research has also shown service sector SMEs to have significantly higher
243 levels of entrepreneurship than manufacturing firms (Rigtering, Kraus, Eggers, and Jensen 2014). In
244 Kenya, manufacturing accounts for as little as 14 percent of GDP (Library of Congress 2007). Scholars

245 have suggested that the specific characteristics of service sector firms such as the intangibility of their
246 products (Bateson 1992) and their simultaneous production and consumption (Lovelock 1984), make
247 service sector firms more labor- and less capital-intensive than manufacturing sector firms. This suggests
248 that the service sector context might further influence the antecedents of CE in these firms (Kraus 2011).

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

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

271 negatively with CE. Thus, differences in cultural attitudes are likely to affect how work discretion is
272 interpreted by subordinates and ultimately practiced by superiors.

273 Time availability for managers is seen as an important resource for generating entrepreneurial
274 outcomes (Stopford and Baden-Fuller 1994). While CE authors (e.g., Kuratko et al. 2005) may argue that
275 in entrepreneurial work environments, employees should be allowed to conduct creative, entrepreneurial
276 experiments during a limited portion of their work time, the reality often falls short of this ideal. This is
277 likely to hold true in the context of emerging economy service sector SMEs, where employees and firms
278 find themselves dealing with fast-paced market changes and dynamic competition along with traditional
279 mindsets towards management (Bruton, Ahlstrom, and Li 2010; Jackson et al. 2008; Yiu and Lau 2008).
280 Slack time for entrepreneurial initiatives among African employees may be meaningless because of
281 cultural preferences towards focusing on immediate tasks with known outcomes coupled with respect
282 towards authority figures (Nyambegera, Sparrow, and Daniels 2000). Indeed, both de Villiers-Scheepers
283 (2012) and van Wyk and Adonisi (2012) did not find a significant relationship between time availability
284 and CE.

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

289 ***RESEARCH DESIGN AND METHODOLOGY***

290 Hornsby et al. (2002), Zahra and Wright (2011), and Zahra et al. (1999) highlighted the need for
291 qualitative research to better understand the organizational and cultural context in which firm-level
292 entrepreneurship takes place. We adopted a multiple case study approach in order to achieve our research
293 objectives (Yin 2003). According to Yin (2003), '*the case study contributes uniquely to our knowledge of*
294 *individual, organizational, social, and political phenomena*' and '*the distinctive need for case studies*
295 *arises out of the desire to understand complex social phenomena*' (p. 14). The case study method is
296 increasingly used to examine firm-level entrepreneurship (Peltola 2012; Seborá et al. 2010) and has

297 recently been used by several studies to examine constructs such as entrepreneurial orientation (Zellweger
298 and Sieger 2012) and the internal antecedents of CE (Christensen 2005; Kantur and Iseri-Say 2013). This
299 method is well-suited to understanding the antecedents of CE in the context of emerging economy service
300 sector SMEs.

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

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

320 Fourteen CEOs/Owners of potential firms in Nairobi and Mombasa were contacted regarding
321 their participation in the study. After initial discussion with the CEOs/Owners, it was determined that
322 only 6 of the 14 potential cases met all three of our criteria. The final selection of cases was carried out by

323 considering the variety of industries in which the firms operated in, the possibility of accessing the
324 necessary sources of information and in providing contrasting examples. The four cases selected were
325 KeTours, SafePack, InfoComm and GoodSell, and represented various industries within the services
326 sector: Tourism (KeTours), Retail/sales (GoodSell), ICT (InfoComm) and Health & Safety and
327 Distribution (SafePack).

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329 INSERT TABLE 1 ABOUT HERE

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

346 Within this schedule, follow-up questions and prompts were used to explore situations where an
347 interviewee reported a lack of evidence for a specific activity, thereby allowing the data collection process
348 to expand towards learning about contextual factors relevant to entrepreneurship within the firm. In

349 addition, interviewees were specifically asked to reflect upon innovative processes and entrepreneurial
350 activities that had taken place in their firms and how these were organized and put into place in support of
351 CE. Secondary data were also collected from company websites and annual reports, and were gathered in
352 order to map out strategic actions relevant to the subject of the study, to describe important contingencies
353 (industry, culture, or environment) relevant to the subject of the study, to document relevant outcomes in
354 this respect, and to accomplish triangulation as put forward by Yin (2003).

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

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

371 Next, the two researchers met, compared their independent findings and profiles of the case firms,
372 and discussed any discrepancies. Overall, the two researchers were able to agree upon a single profile for
373 each case as there was little disagreement among the independent examinations. Finally, both researchers

374 also considered possible shortcomings and extensions of the existing conceptualization of the antecedents,
375 resulting in a refined conceptualization located in the context of emerging economy SMEs.

376 -----
377 INSERT FIGURE 1 ABOUT HERE
378 -----

379 ***FINDINGS***

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

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

392 -----
393 INSERT TABLE 2 ABOUT HERE
394 -----

395 *Top management support*

396 Prior research in CE focusing on larger organizations has emphasized top management support in
397 facilitating and promoting entrepreneurial behavior through the creation of a pro-entrepreneurial
398 organizational environment and the provision of resources that people require to take entrepreneurial
399 actions (Hornsby et al. 2002; Ireland et al. 2009). The data from our cases largely supports this view for

400 SMEs in an emerging economy context. However, our data also reveals differences in how top
401 management supported CE in emerging SMEs from that of larger firms. In particular, the majority of our
402 interviewees indicated that formalized support mechanisms such as the allocation of financial and non-
403 financial resources in support of new entrepreneurial efforts were either limited or non-existent.

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

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

426 employees with new ideas for projects and products to come to see them directly. Also, in the case of
427 InfoComm and KeTours, top management facilitated CE by informally encouraging and orchestrating the
428 interactions of individuals and teams in order to formulate new ideas or devise new projects.

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

438 *Rewards/reinforcement*

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

450 Interviews with respondents further identified that their interest in engaging in entrepreneurial
451 activity was further undermined by ambiguities in recognizing entrepreneurial efforts and ultimately who

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

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

474 Additionally, promotion was identified as a highly valued reinforcer of entrepreneurial actions by
475 various respondents across the case firms. For example, InfoComm regularly offered internal promotions
476 to aspiring and innovative employees. As such, the current crop of managers all rose to their current
477 positions as a result of this policy. Furthermore, interviews with respondents revealed that promotion

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

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

497 *Work discretion/autonomy*

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

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

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

527 With regards to tolerance of failure, few if any of the case firms were willing to tolerate failure
528 from entrepreneurial experimentation. In fact, the case evidence indicated that attitude towards tolerating
529 failure was strongly linked to very stringent cost-benefit or financial control systems embedded within

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

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

547 *Time availability*

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

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

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

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

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

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

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

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

609 *Organizational boundaries*

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

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

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

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

655 ***DISCUSSION AND CONTRIBUTIONS***

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

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

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

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

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

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

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

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

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

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

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

746 Of further interest are our more fine-grained observations about rewards and reinforcement. We
747 find that rewards for entrepreneurial actions can be undermined by signals caused by the outcomes of
748 reward systems (e.g., promotions encouraging job security diminished a sense of need to take
749 entrepreneurial risks). Our data suggested that individuals within the case firms were analytical and
750 reflective in deciding how they behaved in their work. They tended to be less spontaneous in their
751 behavior and less willing to take risks unless it protected their job, and this behavior was hardened by the
752 tendency among the firms to use rewards/reinforcements systems that emphasized job security. Studies
753 have long been of the view that Kenyan employees assign the highest importance to security needs (Blunt
754 and Jones 1986) but we observe empirically that the reticence to entrepreneurship this causes can be
755 overcome by promotion and recognition from managers and peers being provided as rewards for
756 entrepreneurship. Doing so converts the desire for security away from one of restrained behavior to one of
757 entrepreneurship when aligned to such non-financial rewards.

758 Finally, we make a small methodological contribution. In the spirit of Zahra et al. (1999), the use
759 of a qualitative methodology helped us generate a much better understanding of the ‘how’ and ‘why’ of
760 CE in the context of emerging economy SMEs, where knowledge (both theoretical and empirical)

761 remains thin. Using a qualitative methodology over the more traditional quantitative approach in
762 assessing the internal antecedents for CE allows us to overcome problems associated with single-
763 respondent research and the de-contextualization of CE in prior studies. Studies wishing to examine well-
764 established concepts and instruments in different contexts such as emerging economies can use our
765 protocols to develop more context-sensitive treatments of CE in future.

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

774 -----
775 INSERT FIGURE 2 ABOUT HERE
776 -----

777 ***LIMITATIONS AND FUTURE RESEARCH***

778 Our study is not without its limitations. First, adopting a qualitative methodology constrains the
779 generalizability of our findings to the theoretical and analytical alone. Our selection of cases sits within
780 Kenyan service sector SMEs. Our observations might be less relevant to non-service sector SMEs, larger
781 more established firms, and firms from different institutional contexts. However, we note that we did not
782 seek to generalize our findings to these audiences. Instead, we sought to give rich contextualized insights
783 into how the specific antecedents for CE are manifested in emerging economy SMEs.

784 Second, our study is appropriately qualitative in nature given inconsistencies and questions we
785 raised and reported in our literature review on the relevance of the five repeatedly-emphasized

786 antecedents of CE to non-traditional contexts. We also appropriately noted our concern that the
787 dominance of quantitative methodologies in the research into the antecedents of CE has ushered in a de-
788 contextualization of the antecedents of CE that is clearly problematic based on our qualitative findings.
789 Still, a mixed methods approach could have enabled us to provide a larger set of data from which to study
790 the emerging relationships drawn from our qualitative findings. Future research may wish to adopt such
791 an approach to studying CE in non-traditional contexts.

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

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

808 Finally, we urge future research studies to consider how the institutional environment influences
809 the adoption of CE initiatives among emerging economy firms. Earlier, Gómez-Haro et al. (2011) drew
810 scholarly attention to the important influence of both the formal and informal environments on firm-level
811 entrepreneurial activities. We urge future researchers to consider how the external environmental

812 (whether formal or informal) may influence the adoption and implementation of the internal antecedents
813 for CE. Such an approach offers a premise for the development of theoretical frameworks that can further
814 serve small business researchers who are interested in advancing the field towards a greater appreciation
815 of the antecedents of CE efforts and enlarge our understanding of how SMEs can become more
816 competitive in emerging economies

817 *CONCLUSION*

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

829

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

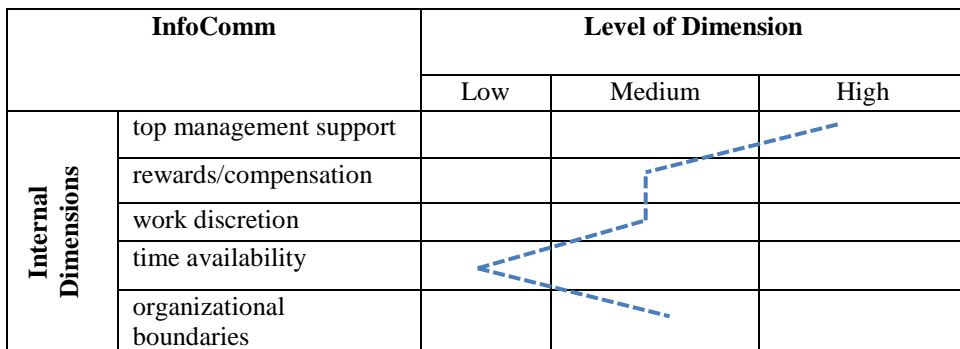
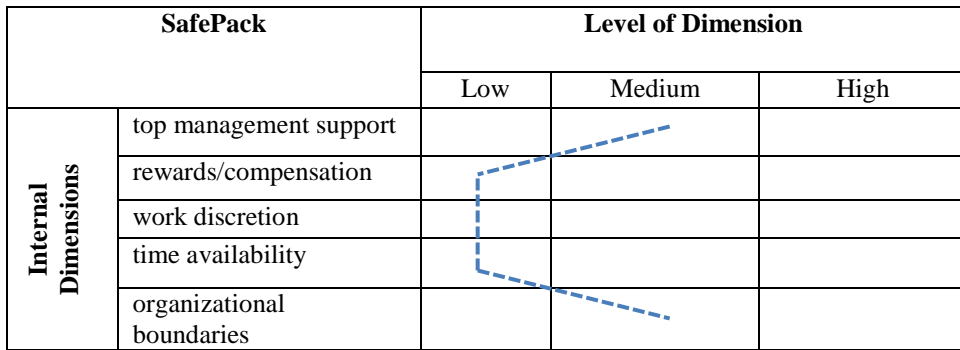
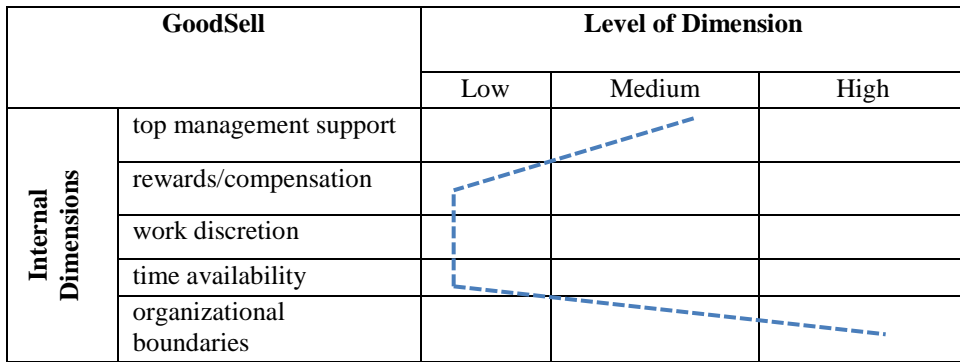
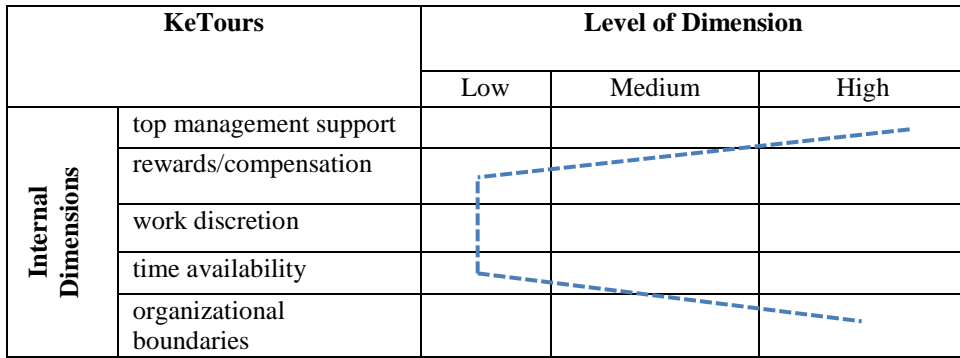
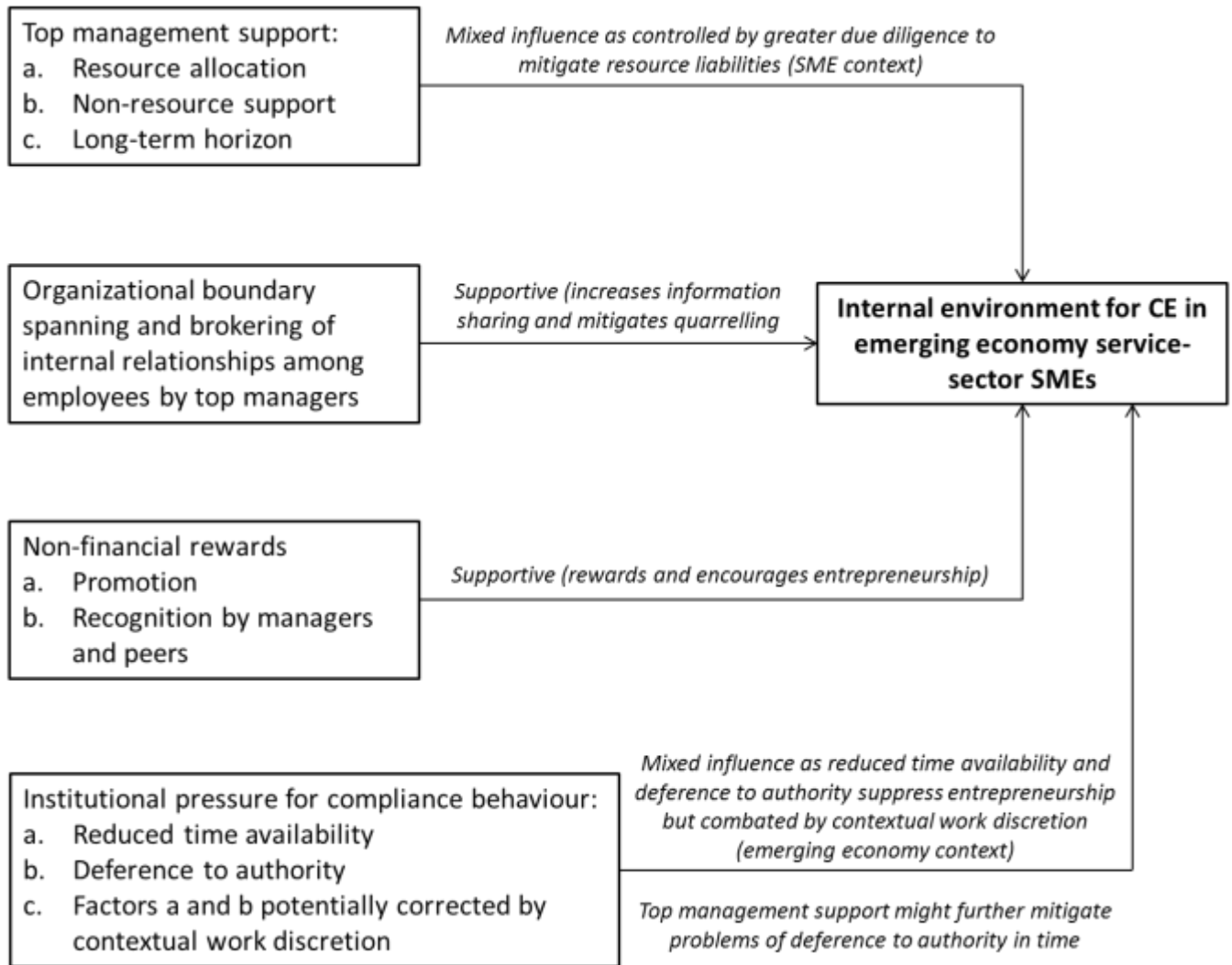


Figure 2
Theoretical framework of factors relevant to CE in emerging economy SMEs



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