





# Bridging imagination and strategy in SMEs: The role of ideas and strategy in SME performance



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**Background:** Ideas have become the new battleground for small and medium enterprises' (SME) success. In the digital age, competition is no longer focussed on information but on how they can compete to generate inventive ideas.

**Aim:** This study investigates the impact of founders' imaginativeness on SME performance. The mediating influence of strategic flexibility, moderating SME resources and intra-organisational knowledge sharing determines the relationship between imaginativeness and SME performance.

**Setting:** The evolving landscape of competition in the digital age, where the ability to generate innovative ideas has become paramount for SMEs. Recognising the significance of founders' imaginativeness in driving business performance, the study seeks to delve deeper into this relationship.

**Methods:** The study employed a quantitative approach to investigate the relationship between founder imaginativeness and SME performance, utilizing data from 98 Indonesian SMEs.

**Results:** The findings indicate that founder imaginativeness is one of the important points in SME performance. Furthermore, strategic flexibility mediates the impact of imaginativeness on SME performance, whereas intra-organisational knowledge sharing and resources moderate the impact of imaginativeness on SME performance.

**Conclusion:** The findings offer practical insights for SMEs navigating the digital age, highlighting the importance of fostering founder imaginativeness. enhancement strategies. Using a psychoanalysis lens and a combination of several theories, this study emphasises the significance of fostering a culture conducive to imaginative thinking and knowledge sharing within SMEs.

**Contribution:** By cultivating a culture that values creativity, collaboration, and continuous learning, SMEs can create an environment that fosters innovation and long-term success, driving organisational performance and growth.

**Keywords:** SME performance; strategic flexibility; imaginativeness; firm resources; intra-organisational knowledge sharing.

## Introduction

Entrepreneurship has long been recognised as a key driver of local economic vitality, with significant potential for bolstering economic performance, as highlighted by Al-Qudah, Al-Okaily and Alqudah (2022), Stoica, Roman and Rusu (2020) and Urbano et al. (2020). Entrepreneurs and their ventures play a crucial role (Stoica et al. 2020) in stimulating economic growth by generating employment opportunities (Franzke et al. 2022) and fostering innovation (Berger et al. 2021). However, the entrepreneurship landscape is fraught with challenges, especially for small and medium enterprises (SMEs), where the scale burden often translates into higher failure rates compared to larger counterparts (Dabić et al. 2023). This underscores the pressing need for research into this crucial yet under-explored domain, as emphasised by Mayr et al. (2020). Understanding the dynamics of SME performance and the factors contributing to their success or failure is essential for policymakers, stakeholders and entrepreneurs alike, because it not only shapes the entrepreneurial ecosystem but also

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impacts broader economic outcomes. Therefore, delving deeper into the complexities of SMEs and their entrepreneurial endeavours is imperative for fostering sustainable economic growth and development.

In entrepreneurship, the early stages of business often confront a notable risk of failure (Lee et al. 2022). This precarious landscape is particularly pronounced within SMEs, where founders emerge as central figures wielding significant influence over organisational trajectories (Amankwah-Amoah et al. 2021; Chowdhury, Terjesen & Audretsch 2015). Unlike their counterparts in larger corporations, SME founders exhibit a distinct inclination towards chasing opportunities, driven by their pivotal role in driving organisational agendas. In huge corporations, the founder does not personally manage the company but hires the chief executive officer (CEO). In most SMEs, the founder acts as the CEO. Founder CEOs have higher degrees of accomplishment motivation, risk taking and tolerance for uncertainty (Langowitz & Allen 2010). Their agility in identifying and seizing opportunities, coupled with their adeptness in navigating change, shapes the developmental direction of SMEs.

Within this context, as emphasised by Ahn, Minshall and Mortara (2017), the human factor emerges as a critical focal point for further exploration. The individual perspectives and actions of SME founders play a pivotal role in shaping the performance of their ventures (Franco & Prata 2019). Consequently, delving into the micro-level intricacies of the founder becomes imperative for a comprehensive understanding of entrepreneurial dynamics. Previous research has widely discussed the role of founder characteristics on business performance, such as academic qualification (Franco & Prata 2019), leadership (Randøy & Goel 2003) and personality traits (Isaga 2018). However, little attention is paid to how a founder's creativity influences business success. Previous studies attempted to explain how individuals transform ideas into opportunities through action by gradually shifting scholarly attention away from company performance and towards opportunity, an idea and the source of those ideas (Kier & McMullen 2020). Specifically, investigating the imaginative capacity of founders in conceptualising and executing business ideas offers valuable insights into the mechanisms underlying SME development and success. Despite its espoused relevance in entrepreneurial action, imagination is rarely investigated, let alone defined or assessed by entrepreneurship researchers (Kier & McMullen 2020).

At the micro-level, the success or failure of a business can often depend on the viability of its underlying idea, particularly in terms of its potential for exponential economic growth, as Bolton and Chinneck (2013) and Perkins, Lean and Newbery (2017) noted. This highlights

the importance of examining the link between individual-level factors and the broader outcomes experienced by SMEs. Perceptive psychoanalysis offers a lens through which to explore this connection, viewing business members as rational actors and individuals driven by a complex interplay of emotions, unconscious desires and fantasies, as highlighted by Christian-Kliger and Nixon (2012), Gabriel and Carr (2002) and Ozturk et al. (2020). By delving into these deeper psychological dynamics, psychoanalysis provides valuable insights into the irrational behaviours that may manifest across various levels of the organisation, shedding light on the underlying drivers of success or failure (Metallo et al. 2021).

Psychoanalysis approaches promote interpersonal, unconscious and intrapsychic processes under corporate issues and an organisation's dynamic (Arnaud 2012). However, these aspirations may sometimes lead to the 'rationalisation' of views and ideas, potentially hindering rather than facilitating business development. Psychoanalysis has been extensively studied for its ability to provide distinctive insights into organisations and management (Fotaki, Long & Schwartz 2012). Understanding how these subconscious influences manifest in the form of business opportunities, whether favourable or less so, is essential for comprehending SME performance dynamics. Thus, this research seeks to examine the impact of founder imaginativeness on SME performance, recognising the pivotal role of psychological factors in shaping entrepreneurial outcomes.

Psychological analysis is related to the amalgamation of unconscious, irrational and immature components of the self and conscious, intellectual aspects of the self. Today, concepts such as the unconscious, desires, dreams, fantasies and the mind are increasingly used to examine leadership, learning and motivation issues in the entrepreneurial process (Metallo et al. 2021). The psychoanalytic viewpoint and its associated ideas of dream, projection and introjection may help us comprehend the entrepreneurial process. Entrepreneurs 'come to imagine the possibilities for innovative initiatives' by creating new ventures (Kier 2016). They employ their imaginations to develop fresh concepts that entrepreneurial activity reveals as opportunities (Chiles et al. 2010). The founder's imagination can be a two-edged sword; on the one hand, it can encourage excessive bias, which leads to business failure; on the other hand, it can encourage high performance because it can create various imaginations in facing various scenarios, which leads to increased firm performance. Therefore, it is important to understand that founder imaginativeness is a part that contributes to firm performance.

This study uses founder imaginativeness through psychoanalytic mechanisms to construct a framework that identifies connected processes that can explain entrepreneurial performance. Simultaneously, this process is guided by strategy flexibility, firm resources and intra-organisational

information sharing via the internal and external environment. Strategic flexibility (SF) may bridge the mechanism effect of founder imaginativeness on SME performance. Many strategists and management academics agree that SF is critical to organisational adaptation (Herhausen et al. 2021). Strategic flexibility is described as a company's capacity to be proactive or adjust swiftly to changing conditions by utilising a wide range of internal and external options (Bassey, Uwa & Okurebia 2023; Pantoko, Hermawan & Kristaung 2024). We believe SF will mediate the influence of founder imaginativeness on firm performance.

When studying SMEs, resources are one of the most crucial components. As small firms, their limitation is one of the main reasons for SME performance (Beliaeva et al. 2020; Wenke, Zapkau & Schwens 2021). Previous research conducted by Amadasun and Mutezo (2022), Batrancea et al. (2022) and McMahon (2001), have shown a positive and significant association between small business growth and access to adequate financial resources. This study anticipates that the presence of resources will moderate the influence of the founder's imaginativeness on firm performance; the more resources they hold, the better the facilitation of performance will be, thus increasing the performance of SMEs. Aside from resources, intra-organisational knowledge sharing is essential in the current era of open innovation. Intra-organisational knowledge sharing is the fundamental enabler of collaboration, and it will likely become more significant soon. Knowledge sharing is an essential component of knowledge management that aids in the transformation of individual knowledge into organisational knowledge and the enhancement of firm performance (Wang, Sharma & Cao 2016). As a result, this study anticipates that intra-organisational knowledge sharing will moderate the impact of founder imaginativeness on the performance of SMEs.

Based on the foregoing explanations, this research has several objectives. Firstly, this research will examine the influence of founders' imaginativeness on SME performance by mediating strategic flexibility. Secondly, it analyses strategic flexibility mediating founder imaginativeness and SME performance. Thirdly, this study analyses a resource as a moderating variable on the influence of founder imaginativeness on SME performance. We conduct this research in Indonesia because SMEs are crucial to this country's economic growth. In Indonesia, there were more than 60 million SMEs as of 2017; their contribution to employment increased by 97.02%, while the growth of SMEs reached 99.99%, contributing 60.00% to the gross domestic product (GDP) (Mahendrawathi & Nurmawati 2021). According to the official definition provided by the Indonesian government, a company falls into one of three categories: micro, small or medium. A micro company has sales turnover of up to 300m IDR (Indonesian Rupiah) and net assets of up to 50m IDR; a small company has sales turnover of more than 300m IDR and less than 2.5 billion IDR and a medium company has net assets of more than 50m IDR and less than 10bn IDR. Fourthly, this study will analyse the influence of intra-organisational knowledge sharing on the influence of founder imaginativeness on SME

performance. This research combines the lenses of Upper Echelon Theory (UET), resource-based view (RBV) and knowledge-based view (KBV) of the firm to explain the mechanism of influence of each variable in the research.

## Literature review and hypothesis development

Cognitive psychology studies often inquire how an entrepreneur works at the micro-level (Dabić et al. 2023). Entrepreneurial cognition has been extensively researched to characterise how entrepreneurs think and behave (Sasseti et al. 2018). Mitchell et al. (2002) define entrepreneurial cognition as 'the knowledge structures people use to make assessments, judgements, or decisions involving opportunity evaluation, venture creation, and growth'. The cognitive approach offers us some valuable lenses through which to investigate entrepreneur-related phenomena and address some of the significant challenges that we have been mainly ineffectual in examining up to this point. However, most studies on imagination are used to forecast new ventures. We believe that imagination is not only restricted to business creation but can also predict business success.

Cognition and cognitive psychology are concerned with investigating individual perceptions, memories and thinking (Estes 1978). Cognitive psychology arose to describe the mental processes that occur within individuals when they interact with others and their surroundings (Mitchell et al. 2002). This study converts the entrepreneur's cognitive level into his founder's imaginativeness towards his business idea. They must be protected because ideas 'constitute the lifeblood for firms in generating new products or services, new business models, new processes, and bringing about general organisational or strategic change' (Van Den Ende, Frederiksen & Prencipe 2015).

To explain the micro-foundations of both entrepreneurial actions (Shepherd 2015), more research on their origins is required. Not only does imagination include images, but it also includes mental simulation (Kier & McMullen 2020). Mental simulation is based on the cognitive power of the imagination to anticipate physical and social contexts, devise methods and tactics that lead to the attainment of goals, reasons and purpose and prepare for various behavioural responses (Gaglio 2004). According to Kier and McMullen (2020), imaginativeness is divided into three categories: creative imaginative, social imaginative and practical imaginative. Product innovation is facilitated by entrepreneurs anticipating the impact of adding new information to the price system via new products or services. Social imaginativeness enhances communication and market response by assisting entrepreneurs in anticipating the impact of adding new exchanges into the price system. Finally, practical inventiveness supports administration by assisting businesses in considering the feasibility and appropriateness of adding new production structures to the price system through organising and project management. The founder of an SME will be able to

project how their firm will develop over time using these three types of imaginativeness, which will assist the performance of SMEs.

Founders, according to UET logic, are thought to rely on their cognitive base for decision-making and strategising behaviours because they rarely, if ever, can expect perfect information and, even if they could, would not have the time or capacity to process all of the information required to make a strictly rational decision (Cristofaro et al. 2024). As a result, founders influence their thinking and judgements based on their preconceived beliefs of situational factors (Lanivich et al. 2023). The implications of managerial discretion for upper echelons theory are simple – and profound: upper echelons theory predicts organisational results in direct proportion to the amount of managerial discretion available (Hambrick 2007). Most empirical upper echelons research has used samples from American businesses. As a result, verifying this idea concurrently in the context of Asian developing countries is a crucial aspect to consider. Founders might use their imagination to envision alternative situations in the decision-making process to help the firm. As a result, the first hypothesis of this study is:

**H1:** Founder imaginativeness has a positive effect on the performance of SMEs.

Given the ever-changing nature of the environment, a firm's capacity to shift direction rapidly and reorganise strategically is critical to its success in obtaining long-term competitive advantage (Clauss et al. 2021). Strategic flexibility refers to the ability to trigger intentional changes and adapt to environmental changes through constant changes in current strategic actions, asset deployment and investment plans (Herhausen et al. 2021). Through the founder's imagination, they can create a strategic scheme. The strategy literature has explained three ways strategic scheme activities are influenced: scanning, diagnosis and choosing alternatives (Carroll 2020; Nadkarni & Herrmann 2010). Firstly, strategic schemas filter the information that strategic managers pay attention to and believe is significant for strategy building. Secondly, strategic schemas influence diagnosis by allowing decision-makers to infer cause-and-effect relationships in unclear data. Thirdly, because diagnosis drives strategic action selection, strategic schemas influence firm reactions to environmental change and the type and breadth of competitive behaviours. Strategic flexibility is essential to a business's competitive advantage in uncertain situations. However, no complete consensus exists on the relationship between strategic flexibility and business performance (Gorondutse, Arshad & Alshuaibi 2021; Guo & Cao 2014).

Small and medium enterprises experience more competition and respond increasingly to external conditions than large established enterprises. They are motivated to adopt entrepreneurial measures to survive and develop, such as strategic flexibility (Bashir 2023). Finally, previous research on strategic flexibility has primarily focussed on developed economies with relatively stable business environments,

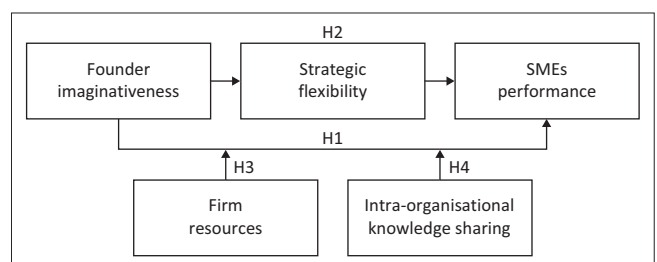
with only a few studies conducted in emerging economies where market conditions are rapidly changing and institutional environments are rather volatile (Dixon, Meyer & Day 2010; Dwikat et al. 2023). As a result, organisations confront increased challenges because of environmental changes, making strategic flexibility even more vital. Therefore, through that mechanism, strategic flexibility may mediate the relationship between founder's imaginativeness and SME performance. Thus, the second hypothesis of this study is:

**H2:** Strategic flexibility mediates the relationship between the founder's imaginativeness and SME performance.

This study was conducted in Indonesia, a developing country. Previous research (Zulu-Chisanga, Chabala & Mandawa-Bray 2021) mentioned that 99% of enterprises in developing nations are SMEs. In these circumstances, Colombo et al. (2012) and Paul, Parthasarathy and Gupta (2017) demonstrate that the most significant barrier for SMEs in developing nations is a lack of resources. As a result, it is critical to consider resources as an intrinsic component of SMEs. This study employs the RBV theory to explain the impact of resources. The resource-related element to company performance is explained by the RBV of the firm, which recognises a firm's resources and capabilities as a key source of competitive advantage and better finances (Cuthbertson & Furseth 2022; El Nemar et al. 2022). We argue that resources enable a firm to attract the market, interact with other firms and managers, deal with competition and develop new products and services to meet many market requests. Previous research shows that firm resources, both tangible and non-tangible, influence firm performance (Inmyxai & Takahashi 2009). This, in turn, leads to improved firm performance. Thus, firm resources will moderate the impact of founder imaginativeness on firm performance. The higher the firm resources, the greater the impact of founder imaginativeness on firm performance. Hence, the third hypothesis of this research is:

**H3:** Firm resources moderate the relationship between founder imaginativeness and firm performance.

Today, knowledge is one of the meaningful resources (Chen et al. 2006). Intra-organisational knowledge sharing refers to collective attitudes or behavioural routines connected to the diffusion of learning throughout different organisational units (Moorman & Miner 1998). With the rise of the information-based economy, knowledge is a crucial means of generating wealth and prosperity, and an important driving force for firm success (Riege 2007). Many



SMEs, small and medium enterprises.

**FIGURE 1:** Research framework.



studies suggest the existence of significant links between knowledge and firm performance (Liu & Abdalla 2013).

The KBV, which arises as an extension of the RBV, emphasises that enterprises benefit from knowledge, intangible assets and intellectual capital because these resources are difficult to replace, mimic or shift (Ferreira et al. 2022). In the context of KBV, knowledge elements are coupled, dissected and recombined to discover the optimal match required to improve exploitation and exploration simultaneously (Fawad Sharif et al. 2022). Knowledge elements, according to the KBV, cause relearning in the form of new abilities that develop a reaction to volatility and market dynamism, ultimately influencing organisational results (Fawad Sharif et al. 2022). Therefore, given the importance of knowledge today, this study will investigate intra-organisational knowledge's function in moderating founder imaginativeness's influence on SME performance. When intra-organisational knowledge sharing is high, cooperation between business units that assist one another will form. This will help entrepreneurs realise their ideas through information sharing. As a result, the fourth hypothesis is:

**H4:** Intra-organisational knowledge sharing moderates the relationship between founder imaginativeness and firm performance

## Method

This research includes 98 SME founder respondents as research samples, and this research unit is at the organisational level. The study's sample has been carefully considered in light of its aims on founder imagination, strategic flexibility, resources and knowledge sharing in SMEs. Small and medium enterprise founders are the central corporate vision, strategy and resource allocation architects. Therefore, the respondent in this research was an SME founder. The sample approach used in this study is convenience sampling with online survey distribution. This strategy was used to reach out to SME founders, who served as key informants for their organisations. Convenience sampling via online questionnaires provides practical benefits in terms of accessibility and efficiency. Despite the limited sample size, we followed a strict set of protocols to obtain a representative sample. To the best of our knowledge, there are a lot of SMEs in an economy, but not all of them are representative enough or of high enough quality to warrant study. The entrepreneur resources instrument is measured using a questionnaire developed by Wu (2007). Small and medium enterprise performance and strategic flexibility are measured using an instrument developed by Ren et al. (2020). Founder imaginativeness is measured through 18 questions consisting of three dimensions, namely social imaginativeness, practical imaginativeness and creative imaginativeness, developed by McMullen and Kier (2017). Intra-organisational knowledge sharing instrument was developed by Calantone, Cavusgil and Zhao (2002). The 5-point Likert scale was utilised in the questionnaire.

Validity and reliability tests were performed before evaluating the study hypothesis. The test results show that the Kaiser–Meyer–Olkin (KMO) test is 0.869 with a loading factor value for each variable above 0.5; therefore, all variables are valid. Reliability testing results are calculated via Cronbach's alpha; the results show that the Cronbach's alpha variable imaginativeness is 0.903, the SME performance variable is 0.940, the strategic flexibility variable is 0.812, the intra-organisational knowledge sharing variable is 0.732 and the firm resource variable is 0.866. The hypothesis testing was carried out using Statistical Package for the Social Sciences (SPSS) IBM, Chicago, US. The data that have been collected through the online survey instrument developed earlier in the text are then coded and analysed using SPSS. Firstly, we conduct descriptive analysis. Next, the independent was tested for dependent variables. Secondly, we conduct a mediating and moderating analysis based on Baron's recommendation. Thirdly, we draw the result and discuss it based on the result.

## Ethical considerations

Ethical approval to conduct this study was obtained from Universitas Negeri Yogyakarta and Directorate of Research and Community Service Universitas Negeri Yogyakarta ethics committee (No. T/54.1/UN34.9/KP.06.07/2023).

## Result

This study comprised 98 respondents, of which 59 (60.2%) were SMEs engaged in tangible products and 39 (39.8%) were engaged in services. Based on the business sector, as many as 29 (29.6%) are in the culinary business, 20 (20.4%) each are in the transportation and retail sectors, 13 (13.3%) are engaged in the property sector, 4 (4.1%) are engaged in the fashion sector and 12 (12.2%) are engaged in other fields. Based on the business age, the majority of SMEs who were respondents in this study were 2–4 years old (37, 37.8%), followed by SMEs who were more than 8 years old (23, 23.5%), SMEs who were less than 1 year old as (21, 21.4%) and SMEs aged 5–7 years (17, 17.3%). Based on their income in 1 year, 50 (51%) SMEs had an income of 250m – 500m (IDR), 23 (23.5%) had an income of more than 500m (IDR), and 25 (25.5%) had an income of less than 250m (IDR). Table 1 displays the respondent profile descriptions.

The results of research hypothesis testing can be seen in Table 2. This research tests the influence of founder imaginativeness on the performance of SMEs. The results of statistical testing for Model 2 in Table 2 show that the hypothesis is accepted ( $\beta$ : 0.529;  $p < 0.001$ ). The second hypothesis states that strategic flexibility mediates the influence of founder imaginativeness on SME performance. The results of testing the mediating variable are carried out in several steps. Firstly, it is preceded by testing the independent variable against the dependent variable (model 2). Secondly, it is continued by testing the independent variable against the mediating variable (model 7). Thirdly, testing the mediating variable against the dependent variable

(model 4) and finally testing the independent and dependent variables simultaneously against the dependent variable (model 4). The entire model shows significance, and according to Baron & Kenny (1986), the mediating variable is accepted if the test results at the last stage variable show significant results on the mediating variable. Based on these steps, the results of statistical testing in model 4 show that the second hypothesis is accepted ( $\beta: 0.631, p < 0.001$ ). The results of testing the third hypothesis, which states that firm resources moderate the influence of founder imaginativeness on SME performance, can be seen in model 5. The results show significance, therefore the third hypothesis is accepted ( $\beta: 0.452, p < 0.001$ ). The results of testing the final hypothesis are accepted. They can be seen in model 6, which shows that intra-organisational knowledge sharing moderates the influence of founder imaginativeness on SME performance ( $\beta: 0.637, p < 0.001$ ).

**TABLE 1:** Respondent demographic profile.

Category	Frequency	%
<b>Business type</b>		
Goods	59	60.2
Services	39	39.8
Total	98	100.0
<b>Business sector</b>		
Culinary	29	29.6
Transportation	20	20.4
Retail	20	20.4
Property	13	13.3
Fashion	4	4.1
Others	12	12.2
Total	98	100.0
<b>Business age (years)</b>		
< 1	21	21.4
2–4	37	37.8
5–7	17	17.3
> 8	23	23.5
Total	98	100.0
<b>Number of employees</b>		
1–3	54	55.1
4–6	22	22.4
7–9	9	9.2
> 9	13	13.3
Total	98	100.0
<b>Income (million)</b>		
< 200	25	25.5
200–400	50	51.0
> 400	23	23.5
Total	98	100.0

**TABLE 2:** Summary of result.

Model	Performance						Strategic flexibility
	1	2	3	4	5	6	7
Business type	-0.19	-0.20	-0.20	-0.20	-0.15	-0.20	-0.00
Form of business	0.01	-0.09	-0.08	-0.10	-0.02	-0.07	0.01
Tenure	-0.04	-0.05	0.04	0.03	0.00	0.04	-0.12
Revenue	-0.10	-0.06	-0.07	-0.06	-0.10	-0.06	0.01
Imaginativeness	-	0.53***	-	0.16	-	-	0.58***
Strategic flexibility	-	-	0.72***	0.63***	-	-	-
Imaginativeness x Resources	-	-	-	-	0.45***	-	-
Imaginativeness x Intra-organisational knowledge sharing	-	-	-	-	-	0.64***	-

\*\*\*,  $p < 0.001$ .

## Discussion

Identifying and comprehending characteristics that influence company performance are critical and required for developing suitable economic policies. According to Bosma, Wennekers and Amorós (2012), entrepreneurship is a dynamic process in which business prospects are continually being born, and entrepreneurship is the opportunity to meet business and individual demands on the market. Entrepreneurship is a global process and phenomenon that has emerged in recent decades, and it appears that it will become much more significant in the next years. This research proves that founder imaginativeness has a positive effect on the performance of SMEs. Simultaneously, this research implies the use of UET in the context of Asian countries. Without imagination, the recipe for creativity is missing its secret ingredient: the catalytic element that allows for new connections and combinations (McMullen & Kier 2017). The research findings shed light on the variables affecting SME performance, emphasising the critical role that founder imagination plays. Our findings are consistent with the previous theoretical framework developed by Wardoyo et al. (2023), which identified imagination as the key to entrepreneurial innovation and venture ideation. Thus, creative issue solving, such as that used in new venture ideation, necessitates using all four ingredients: effort, knowledge, imagination and evaluation. This study proves that the upper echelon has an impact on firm performance. A study about UET (Abatecola & Cristofaro 2020) noted that corporations led by young executives are more risk averse than their older counterparts and that corporations with homogeneous executive profiles make decisions faster than their heterogeneous counterparts. That well-educated dominant coalitions are more focussed on product innovation.

The status of SME businesses is becoming increasingly complicated as globalisation and information technology accelerate. Our research on the relationship between strategic flexibility and SME performance both confirms and expands on Nadkarni's and Herrmann's (2010) definition of strategic flexibility as quick adaptation to changing conditions. While the majority of their study concentrated on structural changes, our findings indicate that organisational agility and competitive adaptation are more comprehensive ways that strategic flexibility

manifests in the setting of today's Asian SME. This result confirms the conclusions made by Ren et al. (2020), who focussed on the structural features of flexibility. The variation may be explained by the fact that our study focussed exclusively on SMEs rather than larger companies, indicating that smaller businesses may use flexibility in different ways than larger businesses.

This research result prove that firm resource and intra-organisational knowledge sharing moderates the influence of founder imaginativeness on SME performance.

Our findings are particularly interesting in terms of the moderating impacts of firm resources and intra-organisational knowledge sharing on the relationship between founder imaginativeness and SME performance. Building on the core RBV theory, our findings show that resource availability has a major impact on founder imagination and performance. This goes beyond their core competency area and implies a more dynamic interaction of resources and leadership traits. Similarly, while Calantone et al. (2002) emphasised the importance of knowledge preservation and sharing, our data show a more nuanced relationship in which knowledge sharing serves as a vital regulating mechanism. According to the heterogeneity approach, a firm achieves competitiveness not because of its resources but because of its competence in making better use of its resources, and productive services of resources must be discovered over time as entrepreneurs interact with its resources and make subjective decisions about resource allocation, deployment and maintenance (Marris & Penrose 1961). This is similar to the concept of core competencies in RBV of competition, which explains a firm's success based on its competencies (Abu Bakar & Ahmad 2010). Knowledge sharing in the SME is defined as the level of confidence with which the SME will share their knowledge with other members of the organisation (Meflinda et al. 2018). It is demonstrated by using the annual report, other official papers, methodologies, models and directions, understanding of where to share information and who should share knowledge, experience and knowledge of how to utilise it, and education and training expertise. Thus, this research confirms the RBV and KBV in the SME context.

### Limitation and future studies

While the current study provides useful insights into the relationship between founder imaginativeness and SME performance, it has many notable shortcomings that point to compelling future research directions. Firstly, our reliance on convenience sampling via Internet-based questionnaires adds possible selection bias, potentially overrepresenting digitally savvy founders while ignoring those who are less involved with digital platforms. The sample size of 98 SME founders, while sufficient for basic analysis, restricts the statistical power and generalisability of our findings. Future studies could solve this issue by using larger, more diverse samples and more systematic sampling approaches to achieve broader coverage across SME categories and geographical areas.

Secondly, a major constraint derives from our cross-sectional research approach, which collects data at a specific point in time. Given the dynamic nature of the founder's imaginativeness, strategic flexibility and organisational performance, this method may not adequately capture the evolutionary features of these interactions. Future research could use longitudinal designs to investigate how founder imaginativeness affects SME performance over time, especially over distinct business cycles or environmental changes. This would provide greater insights into the temporal dynamics of these interactions, allowing for more robust causal inferences.

### Practical implication

For practitioners and policymakers, our findings have numerous crucial consequences. Initially, SME support programmes can consider including components that encourage and enhance founder imaginativeness and creativity, such as focussed training programmes or mentorship activities. Given the moderating influence of resources and knowledge sharing, strategies aimed at increasing SME performance should take a comprehensive approach that takes into account both actual resource allocation and organisational knowledge management capabilities.

### Conclusion

In the pursuit of understanding the subtle dynamics that shape SMEs, this study discovered compelling evidence of the critical significance of founder imagination. The study goes into numerous significant findings that provide insight on the impact of founder imagination on SME performance and the complex interplay with other organisational elements. The fundamental premise of our research is confirmed because it reveals a strong link between founder inventiveness and improved SME success. Building on the core relationship, our study provides a key mediator: strategic flexibility. We show empirically that strategic flexibility functions as a mediating mechanism, channelling and increasing the positive impact of founder imagination on SME success. This insight emphasises the significance of adaptable tactics in turning imaginative concepts into measurable commercial outcomes.

Another important aspect of our research is the moderating effect of firm resources on the connection between founder imaginativeness and SME performance. It has been discovered that when business resources are abundant, the impact of founder inventiveness on performance is significantly enhanced. This demonstrates the synergistic effect of visionary leadership and considerable organisational resources. Our research identifies intra-organisational knowledge sharing as an important moderator in a knowledge-driven era. The study concludes that a high level of information sharing inside the firm enhances the favourable impact of founder inventiveness on SME success. This research emphasises the significance of a collaborative knowledge culture in obtaining the advantages of entrepreneurial creativity.



Our findings are consistent with the UET, which holds that the characteristics and behaviours of top-level executives influence organisational outcomes. This study adds to the upper echelon theory's application in understanding SME dynamics by focussing on founder imaginativeness. Our research also contributes to a more comprehensive understanding of SME dynamics by connecting the KBV with the RBV. It portrays founder imaginativeness as a linchpin that ties the intellectual capital of knowledge-based resources to the organisation's concrete assets, resulting in a coherent theoretical synthesis that guides strategic decision-making.

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## Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

## Authors' contributions

A.G. conceptualised the study. J.S.L. and S.I. supervised the study. N.N.L. investigated and conducted the project administration.

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## Data availability

The data that support the findings of this study are available from the corresponding author, A.G. upon reasonable request.

## Disclaimer

The views and opinions expressed in this article are those of the authors and are the product of professional research. They do not necessarily reflect the official policy or position of any affiliated institution, funder, agency or that of the publisher. The authors are responsible for this article's results, findings and content.

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