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Strategic Entrepreneurship—A Combination of Exploration and Exploitation.

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ABSTRACT: *In today's fast-paced competitive environment, firms face the need to be increasingly quick and adaptive. While being able to achieve certain level of performance based upon existing technologies, firms are equally left flat-footed in the face of emerging and new technologies. The firms need to learn how to integrate strategic and entrepreneurial management to achieve a better balance between advantage-seeking and opportunity-seeking behaviors. Here we discuss strategic entrepreneurship as the means through which firms simultaneously exploit their current competitive advantages while exploring for future opportunities. Both small and large firms face hurdle while pursuing strategic entrepreneurship. While small firms' opportunity-seeking skills may be strong, their limited knowledge and lack of market power hold back their ability to enact the competitive advantages. In contrast, large firms are skilled at establishing competitive advantages, but their heavy emphasis on the efficiency of their existing businesses often undermines their ability to continuously explore for additional opportunities. The basic purpose of existence and growth for business is wealth creation and this paper is an attempt to emphasis that strategic entrepreneurship is a unique, distinctive construct through which firms are able to create their wealth.*
KEY WORDS: *Strategic entrepreneurship, Entrepreneurial opportunities Competitive advantage, Wealth creation*

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I INTRODUCTION

The twenty-first century business atmosphere can be characterized in terms of a new competitive landscape that encompasses increasing risk, decreased ability to forecast, fluid firm, industry boundaries, new structural forms, and an innovative managerial mindset. This new landscape can be described in terms of four powerful forces: change, complexity, chaos, and contradiction [1]; [2] where the entrepreneurial actors have the potential to (1) capture existing markets in some while creating new ones in others, (2) take market share from less aggressive and innovative competitors, and (3) take the customers, assets, and even the employees of existing firms [3]. In this setting, entrepreneurial strategies for both new ventures and established firms are becoming increasingly important as their link to firm success receives additional validation [1];[4];[5]. Managers must maximize the search for new business opportunities while simultaneously maximizing the generation and application of competitive advantages to create organizational value. For this convergence in studies of entrepreneurship (opportunity-seeking behavior) and strategic management (advantage-seeking behavior) is the need of hour and strategic entrepreneurship has recently emerged as a new concept to examine this convergence [5].

To be effective, strategic entrepreneurship demands that firms achieve a balance between the opportunity-seeking behaviors of "entrepreneurship" and the advantage seeking behaviors associated with "strategic management." Entrepreneurial opportunities arise from uncertainty and an appropriate set of resources is required to exploit entrepreneurial opportunities [6]. One of the key challenges for entrepreneurs is dealing with strategic changes required by the growth of their enterprises [7]. Entrepreneurship has been associated with seizing opportunity [8], swift action [9], and rapid economic change [10]. However, not all firms are able to transform entrepreneurial activity into financial gain [11]. Accordingly, a more structured or strategic approach to entrepreneurship has to be examined in a bid to achieve positive organizational outcomes such as Wealth creation [4], competitive advantage [5], product leadership [12], and financial and economic gain [13].

Strategic entrepreneurship as the intersection of entrepreneurship and strategy has subsequently evolved to become the integration of entrepreneurial and strategic concepts i.e combination of exploration and exploitation [4]; [5]. It is concerned with advantage-seeking and opportunity-seeking behaviors resulting in value for individuals, organizations, and/or society. It allows those leading and managing firms to simultaneously address the dual challenges of exploiting current competitive advantages (the purview of strategic management) while exploring for opportunities (the purview of entrepreneurship) for which future competitive advantages can be developed and used as the path to value and wealth creation.

In this paper, we sought to examine the literature on the concept of strategic entrepreneurship to broaden our understanding of how entrepreneurship and strategic management integrate so as to contribute value to firms.

II LITERATURE SUPPORTING INTEGRATION OF ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT

Entrepreneurship and strategic management are both dynamic processes concerned with firm performance. Strategic management calls for firms to establish and exploit competitive advantages within a particular environmental context while entrepreneurship searches for competitive advantages through product, process, and market innovations [14].

Creating a business or launching a new activity within an existing firm is an entrepreneurial activity as it involves innovation, pro-activeness and risk-taking. Shane and Venkataraman defined entrepreneurship as a “nexus” that involves entrepreneurial individuals seizing and exploiting lucrative opportunities: “the field involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them”[15]. Furthermore stated that entrepreneurship is about discovering and exploiting new opportunities in the environment thus highlighted the role of opportunity identification and doing some actions to cash these opportunities making environment conducive for wealth creation. As insufficient strategic management would lead to excessive opportunity exploration at the expense of prompting or strengthening advantage, which may ultimately lead to value destruction. Hence, opportunity pursuit needs to be integrated in a strategic framework to bear any significant gain. Strategy is a process of planning that places emphasis on improved decision making brought about by managing resources within a framework of structures, systems and processes thus considering it a primary advantage that differentiates entrepreneurial firms and creates organizational excellence [16]. It provides the context within which firms can exploit identified opportunities, that is, through their current strategic platform and through structured, well-planned actions, thereby aiding firms to specialize and gain competitive advantage.

The combination of entrepreneurship and strategic management has long been acknowledged as an important pathway for financial performance and growth [17]; [18]; [19]. Burgelman refers to the need for both diversity and order, where entrepreneurial activity provides diversity and strategy provides the necessary order [18]. Venkataraman and Sarasvathy argued that entrepreneurship and strategy are conceptually inseparable: “two sides of the same coin” and highlighted the complementary or interdependent nature of the two concepts. The need for this integration emerges as entrepreneurs require a more rigorous strategic perspective in their planning and actions, while strategists require new resources in order to exploit opportunities [20].

Strategic entrepreneurship is concerned with actions the firm intends to take to exploit the innovations that result from its efforts to continuously explore for innovation based opportunities. It is emphasized that strategic entrepreneurship is a balance between opportunity-seeking (exploration) and advantage-seeking (exploitation) behaviors, and highlights the importance of continuous innovation for achieving competitive advantage leading to wealth creation [21]; [22]. In the context of strategic entrepreneurship, Ireland and his team pointed out that strategic entrepreneurship allows firms to managing resources strategically thus leading to competitive advantage [5]. Covin and Miles hypothesized that firms that embrace entrepreneurship as core to their strategies will outperform those that do not over the long run [23]. It was argued that Strategic entrepreneurship involves taking entrepreneurial actions with strategic perspectives. Firms able to identify opportunities but incapable of exploiting them do not realize their potential wealth creation, thus under rewarding stakeholders [5]. Similarly, firms with current competitive advantages but without new opportunities identified to pursue and exploit with these advantages expose their stakeholders to an increased risk such that market changes may diminish the rate of wealth creation or even reduce previously created wealth. They concluded that wealth is created only when firms combine effective opportunity-seeking behavior (i.e., entrepreneurship) with effective advantage-seeking behavior (i.e., strategic management) [5]. Input/output model was developed to understand the strategic entrepreneurship construct. The model identified three dimensions: resource/factor inputs such as individual knowledge and skills, resource orchestration process and outcomes which include creating value for customers, building wealth and creating benefits to stakeholders and society at large. Furthermore stressed that personal satisfaction and fulfillment of personal needs (i.e self actualization) are equally important as financial wealth for individual entrepreneurs [24].

Strategic entrepreneurship lays emphasis on entrepreneurial opportunities identification and strategic balance regardless of firm size. The firms are characterized by high degrees of uncertainty and there is a need to simultaneously maximize their ability to recognize and pursue new business opportunities while minimizing the strategic risk related to venture development by improving the formation, management and leverage of temporary competitive advantages. Sonfield and Lussier developed an entrepreneurial strategy matrix that measured risk (probability of major financial loss) and innovation (creation of something new and different). In terms of measurement, the newer and more different the proposed product or service is, the higher it would be scored on a measurement scale. The model allows even the most inexperienced entrepreneurs to characterize their new or existing venture situations and identify appropriate strategies. The value of the entrepreneurial strategy matrix is that it suggests appropriate avenues for different entrepreneurs. When the entrepreneur identifies the cell that best describes the new or existing venture being contemplated, then certain strategies are indicated as more likely to be effective [25]. Barringer and Bluedorn examined the relationship between entrepreneurship intensity and five specific strategic management practices and conclude that scanning intensity (continuously learn about events and trends in the environment), planning flexibility (the capacity of a firm's strategic plan to change as opportunities and threats emerge so as to capitalize on change),locus of planning (depth of employee involvement and participation in the firm's strategic activities) and strategic controls (basing performance on strategically relevant criteria capable of rewarding creativity, pursuit of opportunities and innovation with further rewards for incremental but substantive progress) as important firm-level conditions which positively influence entrepreneurial intensity [26].

The degree to which the firm believes in terms of innovativeness, risk-taking, internationalization, organizational governance, and growth allow entrepreneurs to increase their knowledge that in turn leads to higher quality of entrepreneurial and strategic actions. It was argued that entrepreneurial and strategic actions are often intended to find new market or competitive space for the firm to create wealth [27]. Firms try to find new ways of doing business disrupting industry's existing competitive rules, leading to the development of new business models that create new competitive environment.

From the above literature it has been found that many of the key topics in entrepreneurship research, like new venture creation, innovation and opportunity-seeking do apply to the strategic management paradigm for matching resources with opportunities to creating competitive advantage and finally wealth creation.

III DISCUSSION AND CONCLUSION

The dynamic and complex competitive environments that have become increasingly common produce multiple challenges for firms seeking to create value and wealth. Uncertainty and ambiguity are the two outcomes in the current business environment. Strategic management and entrepreneurship are organizational processes firms use to reduce and/or take advantage of uncertainty and ambiguity and create more value and wealth.

Strategic Entrepreneurship has the potential to become a very valuable concept for new firms and established firms alike, which both need to be simultaneously entrepreneurial as well as strategic [4]. Deeper understanding of strategic entrepreneurship can help firms to position themselves better in today's ongoing environmental changes as well as to develop sustainable competitive advantages. Strategic entrepreneurship allows the firm to apply its knowledge and capabilities in the current environmental context while exploring for opportunities to exploit in the future by applying new knowledge and enhanced capabilities. To be effective, strategic entrepreneurship demands that firms achieve a balance between the opportunity-seeking behaviors of "entrepreneurship" and the advantage seeking behaviors associated with "strategic management." The entrepreneurship part of Strategic entrepreneurship requires flexibility and novelty, while the strategic management part seeks stability and predictability. However, achieving this balance is challenging because firms have finite resources, where trade-offs must be made between the amount of resources allocated to exploit current competitive advantages and those allocated to explore for opportunities for the future. Achieving this balance requires an organizational structure capable of supporting the twin needs of exploitation and exploration.

On the one hand, firms that are able to identify potentially valuable opportunities but are unable to transform them into products and services cannot create value. On the other hand, firms that are able to build competitive advantages but lose their ability to identify entrepreneurial opportunities are also not able to create value [5]. These situations are two types of pitfalls that strategic entrepreneurship can help to overcome. Accordingly, firms of all kinds, sizes and ages need to engage in strategic entrepreneurship to develop both opportunity-seeking and advantage-seeking behavior.

From the above discussion, Strategic entrepreneurship is a process that facilitates firm efforts to identify opportunities with the highest potential to lead to value creation, through the entrepreneurial component and then to exploit them through measured strategic actions, based on their resource base. The goal of strategic entrepreneurship is to continuously create competitive advantages that lead to maximum wealth creation. Therefore, Strategic entrepreneurship is found to be relevant across the full life cycle of organizations, although historically, strategic management has largely been associated with mature organizations and entrepreneurship largely associated with young ventures. Thus strategic entrepreneurship implies a long-term view of value creation resulting from simultaneous engagement of opportunity- and advantage-seeking behaviors.

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