Chapter 21

Entrepreneurship and Competitive Strategy

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ABSTRACT

In today’s turbulent business environment, organisations which adopt entrepreneurial strategies are likely to be more capable of identifying potential opportunities, relocating resources, and shifting managerial commitments quickly, and in developing unique products and services.

The intertwined relationship between competitive strategy (business level strategy) and entrepreneurship is critical in making strategy more potent and organisations more competitive. Different competitive strategies, namely Miles and Snow’s prospector, defender, analyser, and reactor strategies and Porter’s generic, low cost, differentiation, and focus strategies are analysed, clearly showing how these integrate with entrepreneurship. An integrated entrepreneurial competitive strategy is critical to the success of today’s organisation.

INTRODUCTION

Though the two fields of strategic management and entrepreneurship have developed largely independent of each other, each enriches our understanding of the other, (Venkataraman & Sarasvathy, 2001). Venkataraman & Sarasvathy aptly used Shakespeare’s Romeo and Juliet metaphor to suggest that strategic management research without the entrepreneurial perspective is like having the balcony without Romeo and entrepreneurship research without the strategic perspective like Romeo without a balcony. Without the other, the whole story falls apart. Whether one argues that strategy subsumes entrepreneurship or that entrepreneurship subsumes strategic management, it is difficult to deny the apparent intersection and the continuing influence of strategy on the field of entrepreneurship (Meyer, Neck, & Meeks, 2002).

These two fields have been viewed as inseparable twins and the relationship has been coined, Strategic Entrepreneurship by Hebert &
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Brazeal (1999); Hitt, Ireland, Camp, & Sexton (2002); Kirby (2003); Kuratko & Welsh (2004); Meyer et al. (2002); and Wickham (2006). Legge & Hindle (2004) refer to it as, entrepreneurial business planning.

Whether strategy is viewed at strategic, business or operational level, the entrepreneurial element would still be part of it. In recent years the need for managers to adopt entrepreneurship when formulating their strategies has become apparent and many have come to realise that this could be their bridge to remaining competitive. Today’s turbulent environments require firms to continuously innovate to remain competitive. This calls for an extensive analysis to recognise and exploit environmental change, (Ensilage, Fernandez, & Vazquez, 2000).

Some strategy researchers have described the current business competitive environment as one of hyper-competition, a situation with very intense and continual increasing levels of competition, Coulter (2005). The hypercompetitive conditions according to Drejer (2004) are not a threat, but an opportunity for agile and dynamic organisations. Those organisations which adopt entrepreneurial strategies are likely to be more capable of identifying potential opportunities, relocating resources, shifting managerial commitment quickly, and developing products and services.

The study of entrepreneurship is quite young and while a great deal of understanding about entrepreneurship has been achieved in the past decade, integrative approaches have been rare, (Antoncic, Cardon, & Hisrich, 2004; Cooper, Markman, & Niss, 2000; Ma & Tan, 2006). This chapter makes a contribution to the growing integrative approaches of the two areas of study as well as to the theory in the young field, entrepreneurship. Instead of probing the broad areas of strategic management and entrepreneurship, this study focuses on the relationship between competitive strategy (business level strategy) and entrepreneurship. It aims to show that competitive strategy without entrepreneurship is like Romeo without the balcony. Without the other competitiveness may not be realised. The chapter shows how a select set of common business strategies are intertwined and are enriched by entrepreneurship (entrepreneurial aspects). The well researched area of competitive strategy and the relatively new area of entrepreneurship are integrated. The presentation focuses on how competitive strategy can be formulated from an entrepreneurial point of view or how entrepreneurship is built into competitive strategy, making strategy more potent and enables organisations to be more competitive.

Although there seems to be an endless number of approaches to defining strategy, the ways an organisation competes are actually quite limited. The traditional (and popular) approaches are the Miles & Snow’s (1978) adaptive strategies and Porter’s (1980) generic competitive strategies, (Coulter, 2005). As also noted by Olson & Slater (2002) the Porter (1980) and Miles & Snow (1978) typologies of strategy are the frameworks that have most often been shown to effectively represent management strategic sources. Competitive strategy is concerned with patterns of choices managers make over which markets to serve and how the business creates more value for buyers than its competitors. The above observations form the basis for selecting the above strategies for analysis.

Entrepreneurship elements, innovation, venturing, pro-activeness, risk, strategic renewal and competitive aggressiveness (Antoncic & Peters, 2003; Covin & Slevin, 1991) form the basis of the chapter discussion. The different competitive strategies, namely Miles and Snow’s prospector, defender, analyser and reactor strategies and Porter’s generic, low cost, differentiation and focus strategies are analysed, clearly showing how these integrate with entrepreneurship. The importance of the entrepreneurial competitive strategy is emphasised before concluding.