Chapter 15

Strategic Entrepreneurship: Competitive Advantages Amidst Globalization and Technological Change

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ABSTRACT

Entrepreneurship deals with how firms explore new short-lived economic opportunities, while strategic management explains how firms create and defend competitive advantages. Traditionally, both fields have existed independent of one another implying that firms can act either entrepreneurial or strategic to be successful. Recent research, however, suggests that in contemporary globalism, entrepreneurial firms are often unable to turn opportunities into competitive advantages due to a lack of strategic resources and capabilities. Similarly, firms lacking entrepreneurship see their competitive advantages erode over time as new emerging market competitors challenge their established rivals and disruptive technologies shake up industry structure more frequently. Strategic Entrepreneurship is the concept that has arisen from this insight. The aim in this chapter is to synthesize prior work on Strategic Entrepreneurship and elaborate on it by proposing a generalized model of the entrepreneurial strategy making process as it has become necessary in today’s competitive landscape.

INTRODUCTION

The 1990s witnessed the simultaneous advent of two powerful contextual forces that drastically altered the global competitive landscape: the globalization of markets and rapid technological change (Held, McGrew, & Goldblatt, 1999; Longhi & Keeble, 2000).

At the beginning of the 1990s, deregulation and liberalization of industries and markets took on a global scale and led to a sharp decline of artificial trade barriers. Increased foreign direct investment and the widening of international trade agree-
ments helped to spread these trends (Dunning, 2000). Today, firms located anywhere can achieve economies of scales and exploit differences in comparative resource endowments, effectively increasing the level of international competition. In many parts of the world this gave rise to new emerging market economies. Although firms from developed markets still dominate the market scene, new emerging market competitors are increasingly challenging their established rivals (Boretos, 2009). Furthermore, globalization also leads to higher levels of performance standards in many competitive dimensions as consumers demand ever more sophisticated products and services (Hitt, Ireland, & Hoskisson, 2009). This is particularly evident in intra-industry statistics, which show that a large amount of trade between countries is based on differentiated and knowledge intensive products and services. Firms today must be able to meet these heterogeneous needs as well as create and serve new needs faster than their rivals (Michael, Storey, & Howard, 2006).

Rapid technological change amplifies these effects as it accelerates the pace of technological innovation, diffusion, and replacement and significantly shortens product lifecycles and reduces the costs of information and communication (Malecki & Moriset, 2008). Moreover, in recent years disruptive technologies emerge more frequently and significantly alter industry structure and boundaries (Hitt, Ireland, & Hoskisson, 2009). As a result, the time for gathering and analyzing information, making strategic decisions based on this information, and acting upon the decisions being made has been significantly compressed.

In this competitive reality of hypercompetition and high velocity markets, firms are increasingly less able to sustain a strategic advantage over a long period of time (D’Aveni, 1994; Eisenhardt, 2000). Instead, they have to find a series of temporary competitive advantages and concatenate them into a sustained competitive advantage by (1) continuously identifying structural changes in their environment that give rise to new short-term opportunities, (2) creating and mobilizing the resources necessary to exploit these opportunities, and (3) acting in response to renew their competitive advantage (Bettis & Hitt, 1995; Hitt, Ireland, Camp, & Sexton, 2001).

Strategic Entrepreneurship is the concept that has arisen from this paradigmatic shift. Central to Strategic Entrepreneurship is the focus on heterogeneity, firm performance, and the acknowledgment of the emergence and far reaching consequences of the new competitive landscape (see Figure 1).

This holistic approach to strategy combines elements from the fields of strategic management and entrepreneurship as both are concerned with how firms create and defend competitive advantages. The central logics of each field represent the Resource-Based View (RBV) that during the 1990s has emerged as the single dominant approach to explain competitive advantages of firms and the Austrian School of Economics and Entrepreneurship (Foss & Ishikawa, 2007). For an extended period, both approaches have existed independent of one another, implying that it is sufficient for firms to act either entrepreneurial or strategic to be successful. However, recent research suggests entrepreneurial firms are often unable to turn opportunities into competitive advantages due to a lack of strategic resources and capabilities. Similarly, firms that lack entrepreneurship see their competitive advantages erode over time as they are unable to renew their underlying resource base (Hitt, Ireland, Camp, & Sexton, 2001; Wiklund & Shepherd, 2003; Wiklund & Shepherd, 2005; Walter, Auer, & Ritter, 2006; Stam & Elfring, 2008). In contrast, Strategic Entrepreneurship highlights that firms need to simultaneously seek short-term economic opportunities and turn them into a series of long-term competitive advantages (Hitt, Ireland, Camp, & Sexton, 2006). Although much work has been done that has highlighted where the fields of strategic management and entrepreneurship can enrich one another, Mathews (2002) cor-
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