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The Intersection of Entrepreneurship and Strategic Management: Strategic Entrepreneurship

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Abstract

Strategic entrepreneurship is based on the integration of entrepreneurship and strategic management. Strategic entrepreneurship is a new approach in management literature. Moreover, today's business world requires an orientation towards strategic entrepreneurship. Strategic entrepreneurship is also a necessity for companies to create maximum wealth. In this study, strategic entrepreneurship that is the intersection of entrepreneurship and strategic management is analyzed.

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1. Introduction

The importance of entrepreneurship which has become a popular subject today is gradually increasing day by day. Not only entrepreneurship being the dynamo of development, but also strategy and strategic thinking particularly in terms of companies has become highly important. Today's business world has to be entrepreneurial and strategic in order to create wealth and to be competitive. In this sense, the concept of strategic entrepreneurship that is the intersection of entrepreneurship and strategic management appears as a new approach in management literature. In this study, strategic entrepreneurship is analyzed, and its importance for companies is discussed.

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2. Entrepreneurship

The concept of entrepreneurship stands for "the act of being an entrepreneur", and has been derived from the French word "entreprendre" meaning "pursuing the opportunities; undertaking- embarking; meeting the needs and demands via initiating an innovation and work" (Özer and Topaloğlu, 2007: 440). Also the concept of entrepreneurship derived from the German word "unternehmen" stands for the act "üstlenmek" in Turkish (Güney, 2008: 55).

The notion of entrepreneur has been derived from the "intare" root in Latin, "enter (introduction) and pre (first)" word roots in English and meaning "entrepreneur", i.e. the one first initiates and starts. According to the historical records, the notion of entrepreneur was first used to express those who undertook guiding the long military journeys in the 17th century French military terminology. However, this term was first used by the economist Richard Cantillon who lived in France at the beginning of the 18th century and it was defined as "the person who buys and manufactures the production inputs and services today in order to sell at a cost not yet determined" (İraz, 2005: 149).

As of the French economist J.B. Say, entrepreneurship has been accepted as the fourth production factor and therefore entrepreneurship has been included in such classical production factors as labor, capital and nature. However, the subject has become more important with the notion of "dynamic entrepreneur" suggested by J.Von Schumpeter. Here, dynamic entrepreneurs who apply new sales markets, new processes, new sources of supply, new products and new organization types and substitute the old one with the new one are considered as the most important actors of economic growth (Müftüoğlu and Durukan, 2004: 6). Cantillon and Knight defined the entrepreneurship by the characteristics of taking risk and interpreted entrepreneurship as "the process of utilizing the opportunities by taking risk for profit". Schumpeter defined entrepreneurship according to its innovative characteristics. Kirzner defined entrepreneurship according to its opportunist characteristics. Accordingly, Kirzner defined entrepreneurship as "the entrepreneur who takes the profit opportunity and highlighted the importance of competition" (Abiyev and Özgür, 2013: 126,127).

The notion of entrepreneurship gaining importance in the rapidly globalizing world is a multi-dimensional phenomenon that can be defined as "the process of gathering the unique combination of sources with the purpose of watching an opportunity" (Özer and Topaloğlu, 2007: 440). Entrepreneurship can also be defined as "factories of thought and hopes that take the action to create the future in terms of strategic competition, and create value by building sources and skills" (Top, 2006: 7). Various definitions are made about entrepreneurship and regarding all of these definitions it is seen that the notion of entrepreneurship includes innovation and creativity, and the managers of companies acting in line with the modern business administration principle explain the concept of entrepreneurship with such notions as flexibility, taking risks, innovation, creativity, dynamism and being development-oriented (Güney, 2008: 59).

Entrepreneurship initiates and develops a change in the structure of society and business administration. This change increases production and growth, but the basic element that facilitates this change and development is innovativeness. Moreover, it is the leading actor in the process of transferring the economic sources from low productivity areas to high ones as it enables the use of unused production factors by combining the entrepreneurial production sources in a new fashion (İGİAD, 2008: 22). On the other hand, entrepreneurs increasing the competition pressure in the market push other companies to improve their activities and efficiency or to tend towards innovations. Success achieved by entrepreneurs not only provides the society with new job opportunities and wealth, but also offer preference diversity to consumers (İraz, 2005: 172,173).

Today, individuals having the spirit of entrepreneurship in the society must realize themselves in order for a region or country to develop in economic and social terms. An increase in entrepreneurship implies an increase in competition, employment, innovation, quality and efficiency and acceleration of economic development (Özkul and Dulupçu, 2007: 89). Therefore, the policies related to the development of entrepreneurship highlighted as an

important factor of economic development in many researches are highly important. Entrepreneur incentives and support mechanisms lay at the center of these policies.

3. Strategic Management

The word strategy has been derived from the Greek word "strategos", the combination of "stratos (the army)" and "ago (to lead)" meaning the "military general" (David, 2005: 24,25). Some authors have uttered that the word strategy has been derived from a Latin word "stratum" etymologically. The word "stratum" means "path, line, river bed" in Latin. The dictionary meaning of strategy can be defined as "the art of ensuring and arranging the unity of action in order to reach a goal". Strategy is a commonly used word particularly in military terminology (Aktan, 2008: 5,6). The purpose of military strategy defined as "the art of planning and managing the acts and activities of armies in a war" is to gain a victory by using current sources most efficiently and economically. The condition of battle field, getting information about opportunities and dangers, the condition of their own troops, determining the strengths and weaknesses, investigating the condition of enemies and the amount and quality of combat vehicles constitute the basis of military strategy. Moreover, the strategies in military field are planned by taking into account the possible actions of enemies, and if the actions of enemies don't exist, then there is no need for strategies; plans are made and applied (Ülgen and Mirze, 2004: 33).

The history of strategic planning started in military. The main purpose of business and military strategy is to gain competition advantage. Business strategy is similar to military strategy in many ways. Military strategies have learnt so many things for centuries utilized by today's business strategies. Business and military organizations try to use their own strengths with the purpose of using the weaknesses of the opponent. Nevertheless, there is a difference between military and business strategy. Business strategy is formulized, applied and evaluated with the assumption of competition. Military strategy depends on the assumption of conflict (David, 2005: 25).

The concept of strategy that was started to be used in the science of management in time can be defined not only as "the ways to follow to reach the purpose of an organization" (Aktan, 2008: 6), but also as "composition of final result-oriented, long-term and dynamic decisions determined to reach a purpose by examining the activities of rivals" (Ülgen and Mirze, 2004: 33). As of the first days when Henry Mintzberg began his academic studies, mostly highlighted subject became "creating a strategy". Mintzberg analyzed the strategy as targeted ones and realized ones comparatively. According to Mintzberg, strategy can appear in five different ways (first letters "P" in English) (Livvarçin, 2014: 147,150):

- Plan: Strategy is a plan expressing the pre-determined conscious behaviors to be exhibited in case of a certain condition.
- Ploy: Strategy is a ploy exhibited to knock a rival or obstacle out.
- Pattern: Strategy is the consistency and pattern in behavioral patterns exhibited to reach a certain purpose. Even if plans change, no change is expected in pattern.
- Position: Strategy is the position of the organization within a market or environment.
- Perspective: Strategy is the perspective determining how an organization perceives its environment and the world.

Strategies followed by companies or firms in the science of management against their rivals have caused a discipline firstly called strategic planning and then strategic management to be born (Aktan, 2008: 6). There are various definitions of strategic management from different perspectives. But from a modernist perspective, strategic management can be defined as "use of current production sources (natural sources, human sources, capital, infrastructure, raw material etc.) efficiently and effectively for the company to maintain its lifetime in the long-run, to gain competition advantage and profit higher than average" (Ülgen and Mirze, 2004: 26). Strategic management, a management technique used in taking decisions for the future in an organization has some basic characteristics. These are indicated in Table 1 (Aktan, 2008: 6):

Table 1. Some Basic Characteristics of Strategic Management

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|---|
| <ul style="list-style-type: none"> • The purpose of strategic management is to increase the future performance of the organization and to raise profitability and efficiency. Strategic management also aims to form a vision for the future. After setting the vision, mission is determined to reach this vision. However, determining vision and mission is not sufficient for organizational success; strategies and action plans should also be formed to reach the purpose. |
| <ul style="list-style-type: none"> • Strategic management ensures planning, organization, coordination, application and control of the future activities of the organization. |
| <ul style="list-style-type: none"> • Strategic management is a subject actually concerning top management. Strategic planning created by the top management are applied and monitored by the strategists who will serve in lower levels. |
| <ul style="list-style-type: none"> • Strategic management, a management technique allowing the evaluation of internal and external environment of the organization enables the analysis of strengths and weaknesses of the internal structure of the organization itself. Also, strategic management allows determining the status of the organization against other organizations. In short, the sources of organization, strengths and weaknesses, opportunities and dangers in the external environment are specified and analyzed with strategic management. |
| <ul style="list-style-type: none"> • Strategic management helps "strategic thinking". In this sense, the truest tactics and strategy are tried to be determined and they are applied. |
| <ul style="list-style-type: none"> • Strategic management utilizes competition and portfolio analyses in creation and selection of strategies. The purpose of portfolio analyses is to help the organization make more rational decisions in such matters as staying in or pulling out of the market or merging with other firms. |
| <ul style="list-style-type: none"> • Strategic management highlights the importance of the fact that an organization based on the team work can reach its goals. Determining the strategies are performed with a wide participation in top management and the most optimal decision-making technique for the firm is selected. |
| <ul style="list-style-type: none"> • Strategic management helps determining and solution of the problems in the organization most efficiently. In this regard, total quality management techniques are utilized on a wide scale. |

Source: Prepared by using Coşkun Can Aktan, "Stratejik Yönetim ve Stratejik Planlama", Çimento Endüstrisi İşverenleri Sendikası (ÇEİS), Çimento İşveren Dergisi, V.22, P.4,2008, http://www.ceis.org.tr/dergi_Docs/makale132.pdf, (9.12.2014), p.7.

As can be seen in the table, the sense of strategic management which is highly important in increasing the performance of organizations, efficiency and profitability allows strategic thinking and helps efficiently determining and solving the problems that may occur in the organization.

4. Strategic Entrepreneurships

Business environment changes rapidly in today's world. This environment becomes more complicated day by day and organizations/companies must adapt to this change. Changing business world require new perspectives in order to be competitive. Today's complex environment can be defined with such concepts as hyper-competition power, innovativeness, speed, aggression, adaptability and flexibility. These concepts also reflect the field of entrepreneurship. Therefore, today's companies have to be flexible, strategic and entrepreneurial. Regarding this matter, many scientists in the literature discuss the consolidation of entrepreneurship and strategic management, and believe that entrepreneurship and strategic management are related to creating wealth and they should consolidate. In this sense, we come across with the strategic entrepreneurship approach which is a new field for business and management literature. Strategic entrepreneurship is based on the integration of entrepreneurship and strategic management (Genç, 2012: 72,73).

Strategic entrepreneurship defining the entrepreneurial activity with a strategic perspective emphasizes the importance of managing the entrepreneurial sources or activities strategically in order to get the competition advantage (Tantau, 2008: 79). Entrepreneurial action is defined as "strategic actions realized with an entrepreneurial mentality". Strategic entrepreneurship can be defined as "the fact that entrepreneurial and strategic perspectives complement each other in application of the actions designed for creating wealth" (Karadal, 2013: 35).

Both academic fields, i.e. entrepreneurship and strategic management focus on utilizing the opportunities and adapting to the change. Accordingly, one of the most distinct connections between entrepreneurship and strategic management is opportunities. Opportunities rank at the centre of both entrepreneurship and strategic management. For example, it takes places in a part of SWOT analysis. Companies create value by determining the opportunities in their own external environment. After that, they develop competition advantage to utilize them (Kraus and

Kauranen, 2009: 38,41). The question of "How can companies succeed creating and maintaining competition advantage while determining the new opportunities and trying to utilize them?" is a question that lies behind the strategic entrepreneurship and places that into the junction of entrepreneurship and strategic management. Therefore, strategic entrepreneurship is a notion related to the behaviors of seeking opportunity and benefit that result in creation of value for society, organizational and/or individuals (Karadal, 2013: 35).

In short, strategic entrepreneurship focuses on how "the behavior of seeking opportunity and the behavior of seeking advantage" will be synthesized and combined with the purpose of creating wealth. It is important to note that strategic entrepreneurship cannot be limited to big established firms and the field of corporate entrepreneurship. Alternatively, "both new enterprises and the established firms need to be entrepreneurial and strategic at the same time" and "small and big companies must learn how to position the integration of strategic entrepreneurship and cooperative innovation in order to create wealth" (Monsen and Boss, 2009: 73,74).

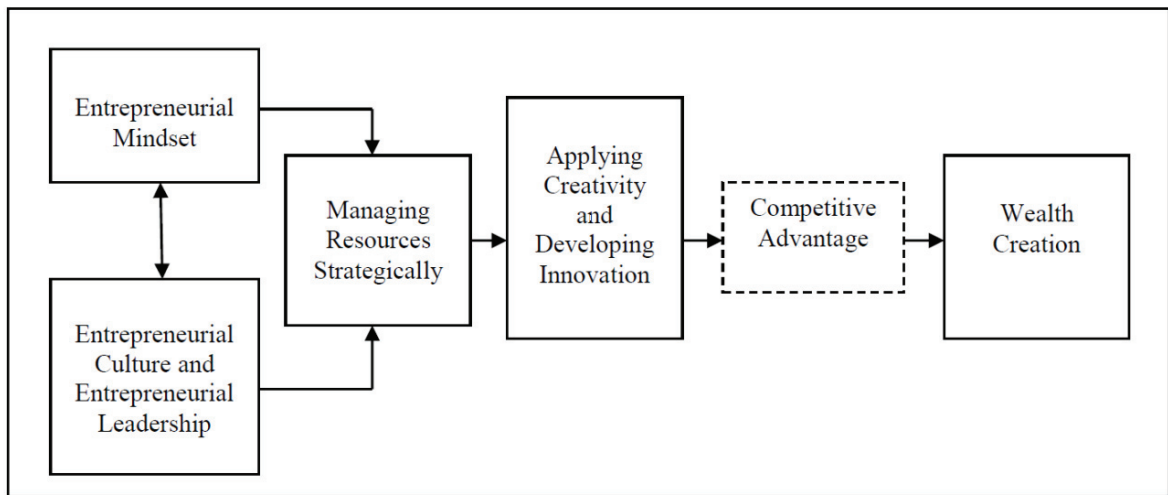


Fig. 1. A Model of Strategic Entrepreneurship

Source: R. Duane Ireland, Michael A. Hitt and David G. Sirmon, "A Model of Strategic Entrepreneurship: The Construct and its Dimensions", *Journal of Management*, 29(6), 2003, p. 967.

Nonetheless, it has been suggested that there are six junction fields between strategic management and entrepreneurship. They are internationalization, top management teams and governance, innovation, organizational learning, growth, organizational networks, flexibility and change. A powerful and efficient strategic entrepreneurship model built upon these junction fields, giving the opportunity of competition advantage to companies and composed of four strategic entrepreneurship dimensions has been suggested. These are an entrepreneurial mindset, entrepreneurial culture and leadership, managing resources strategically and applying creativity and developing innovation (Foss and Lyngsie, 2011: 9). Understanding these junction fields allows entrepreneurs be involved in entrepreneurial and strategic activities of higher quality (Karadal, 2013: 37). As a result of these points, a strategic entrepreneurship model has been created as can be seen in Figure 1.

Accordingly, entrepreneurial mindset is basically related to the ability of recognizing the new opportunities, being on the ball and having the ability of successfully using the opportunities. Entrepreneurial culture is a condition in which new ideas and creativity are expected, taking risks is encouraged, failure is tolerated, learning is encouraged, innovations about product, process and management are defended and a continuous change is accepted as the carrier of opportunities (Foss and Lyngsie, 2011: 9).

The elements entrepreneurial culture includes are as follows; taking risk, being active in an unclear environment, seeking opportunities and advantages, flexibility, variability, competing in complexity and environmental harmony. Entrepreneurial culture focuses on opportunities, demands and gap. In short, entrepreneurial culture is based on the evaluation of strengths, weaknesses, opportunities and threats, namely SWOT. This is a classical strategic management approach. Entrepreneurial leadership behavior is based on the coordination of sources and directing them towards the targets. This is a process in which competencies of the company are evaluated, the situation of environment is evaluated and it is focused on expertise-based long-term purposes. Strategic entrepreneurship is also the strategic management of sources. Strategic management focuses on long-term and is based on the coordination of sources for long-term purposes after strengths and weaknesses, possible opportunities and threats of the company are evaluated. In general terms, strategic management of sources is the reaction of the company towards environmental needs. Moreover, it is the process of getting maximum benefit from specialized human resources in the organization. Nevertheless, being innovative in the competition of today's world is a requisite for companies from the "creativity" and "innovation" perspectives. There is a need for innovative behavior in obtaining and maintaining superior competitive advantage (Genç, 2012: 75).

Creativity stands for the production of new and useful ideas in all areas. Creativity is the beginning of innovation and the seed of all reforms. In this sense, creativity that occurs at group and individual level is accepted as a starting point of innovation. Innovation is the implementation of new ideas brought by creativity. In other words, innovation as a process is the visible concrete and solid result of creativity (İraz, 2005: 16,78).

Innovation is also defined as "the act that endows resources with a new capacity to create wealth" and innovation becomes a specific instrument for entrepreneurship (Drucker, 1993: 30). The power of entrepreneur whose main function in modern societies is to continuously realize innovations is evaluated with his/her skill of making innovation and converting these innovations into concrete commercial products (Duran and Saraçoğlu, 2009: 60). Schumpeter emphasizing the importance of innovation within the framework of market dynamics in his studies desired to explain a process in which old values are continuously removed and new ones are created, and therefore economic structure is consistently changed by using the concept of "creative destruction". Innovation is the main factor changing the economic structure from past to present, shaping the competition environment within this structure and determining the competition power of companies. Companies offering and applying the innovations after the creative process state that innovation is the only best way in creating competition advantage in the market, increasing the share of profit and income stream, ranking before the industry, and leaping forwards in competition; therefore, innovation is the most powerful competition weapon if realized properly (İraz, 2005: 83,84).

As a result, consolidation of entrepreneurship and strategy with the purpose of creating maximum wealth is a necessity for companies. For maximum wealth, enlargement or growth, consolidation of entrepreneurship and strategy will direct companies towards a successful process (Genç, 2012: 74). An effective strategic entrepreneurship helps companies develop their relatively sustainable competition advantages (Ireland and Webb, 2007: 50) and respond to all kinds of important environmental changes faced (Tantau, 2008: 79).

Conclusion

Strategic entrepreneurship defining entrepreneurial activity from a strategic perspective helps companies raise their performances and develop sustainable competition advantage via increasing profitability or market share. Therefore, both new enterprises and long-established companies desiring to get today's and tomorrow's competition advantage must learn how to integrate entrepreneurship with strategic management, and must apply strategic entrepreneurship ideally.

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