Strategic Entrepreneurship and Its Effect on Human Capital and Employee Retention

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Abstract Our knowledge of strategic entrepreneurship continues to grow. However, this knowledge remains more limited in the context of strategic entrepreneurship effects on human capital and employee retention. Herein, the contribution of strategic management and entrepreneurship to strategic entrepreneurship is examined. Building on previous models a conceptual framework of strategic entrepreneurship is proposed to extend our understanding of its effect on human capital and employee retention as well as the human capital and employee retention impact on strategic entrepreneurship. Therefore, the model incorporates human capital and employee retention that effects strategic entrepreneurship and its outcomes in terms of value creation and generation of wealth.

Keywords Strategic management · Entrepreneurship · Strategic entrepreneurship · Human capital · Employee retention · Value · Wealth

1 Introduction

In today's challenging, complex, dynamic, and competitive environment, the interface between strategic management and entrepreneurship provides important insights into the management of entrepreneurial organizations. Strategic management and entrepreneurship are dynamic processes that are focused on the creation of value and generation of wealth. A relevant concept integrating these two areas is "strategic entrepreneurship," defined as taking entrepreneurial actions with strategic perspectives (Hitt et al. 2001b). Strategic entrepreneurship has been recognized as a fundamental role in new value creation demonstrated by innovative employees undertaking operational activities (e.g., Burgelman 1983; Burgelman and Hitt 2007; Covin and Miles 2007;

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Inkpen and Choudhury 1995; Kuratko et al. 1990). There is variation in an organization's ability to achieve both elements of strategic entrepreneurship, while some are more effective at managing the existing and others at creating the new (Kearney and Morris 2015). However, despite the challenges of stable and unstable environments, strategic entrepreneurship must be achieved simultaneously. The more complex the environment, the more entrepreneurial organizations must become to identify new opportunities, sustain competitiveness, create value, and generate wealth.

To emerge within this complex and challenging environment requires strategic entrepreneurship. Human capital is the origin of strategic entrepreneurial behaviors (Ireland et al. 2003). Human capital in terms of individual employees' knowledge, skills, and abilities in addition to their drive and passion to achieve is fundamental for the organization to identify and exploit opportunities and achieve competitiveness, create value, and generate wealth. Human capital has developed as a highly utilized theoretical lens to provide a better understanding of entrepreneurship (Marvel et al. 2014). Human capital is a fundamental driver of entrepreneurial success. If managerial roles are not carefully designed and orchestrated, the outcome can result in excessive stress, poor job performance, and wealth erosion (Upson et al. 2007). Thus, in addition to the right human capital, employee retention is fundamental for strategic entrepreneurship and the success of its outcomes.

The purpose of this chapter is to provide scholarly discourse on strategic entrepreneurship as an organizational construct and its effect on human capital and employee retention. Having defined the scope and objective of this chapter, first, the following section proposes a conceptual model of strategic entrepreneurship to extend our understanding of the effect of the strategic entrepreneurship construct on human capital and employee retention. Second, an overview of the strategic management and entrepreneurship perspective along with an understanding of the integration between them in what is termed "strategic entrepreneurship" to achieve competitive advantage, create value, and generate wealth through opportunity exploration and exploitation is shown. Third, human capital and employee retention is discussed. Following that, the effect of strategic entrepreneurship on human capital and employee retention is reviewed as well as the impact of human capital and employee retention on strategic entrepreneurship which in turn affects the outcomes of strategic entrepreneurship. The final section of this chapter presents its conclusion.

2 Conceptual Framework

The strategic entrepreneurship model presented in Fig. 1 identifies strategic entrepreneurship as a distinct organizational strategy and its effect on human capital and employee retention. The proposed model suggests that strategic entrepreneurship is manifested through the presence of strategic management and entrepreneurship. This model implies that strategic entrepreneurship affects human capital and employee

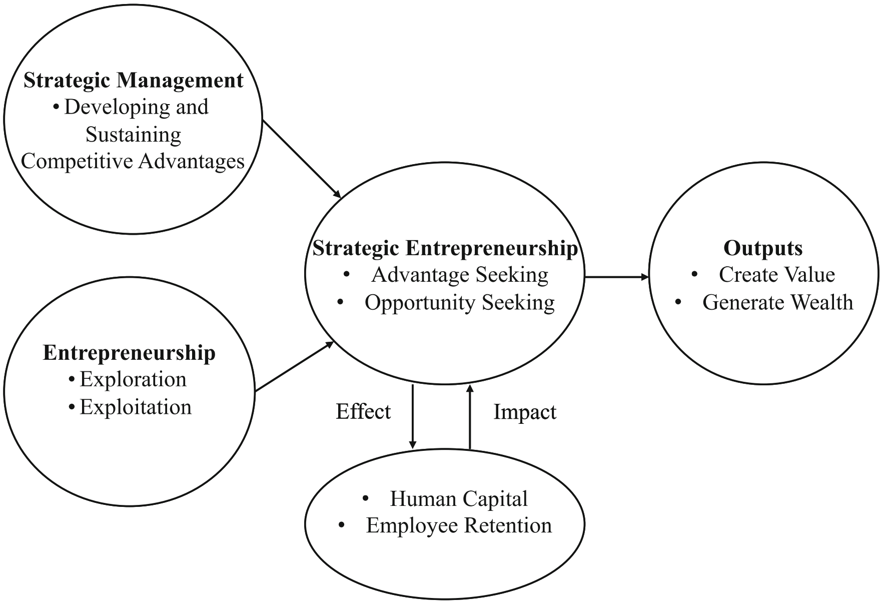

Fig. 1 Strategic entrepreneurship model: A conceptual model proposal

retention and in turn human capital and employee retention has an impact on strategic entrepreneurship that in turn affect the strategic entrepreneurship outcomes.

2.1 Strategic Management Perspective

Strategic management is specific goal-oriented actions undertaken by an organization to gain and sustain superior organizational performance. Hitt et al. (2011: 6) defined strategic management as "the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns." Within strategic management, "the sustainability of competitive advantage is recognized as an important determinant of firm performance" (Ireland 2007: 7). Therefore, scholars of strategic management aim to achieve a greater understanding of the main causes of any performance differentials among organizations (Ireland et al. 2003). Achieving effective competitive positioning is a key determinant of the organization's ability to create value and wealth for stakeholders and society (Ketchen et al. 2007; Porter 1980). More specifically, at the core of strategic management is creating competitive advantages and wealth (Chen et al. 2010). Therefore, having a comprehensive knowledge of strategic management enables management to view the organization in its entirety and position the organization for superior performance.

There is no universal strategy that can be applied to organizations. The core essence of strategy is being unique. The field of strategic management deals with both intended and emergent initiatives undertaken by senior management involving the utilization of human capital and appropriate resources to enhance the organizations' performance and competitiveness, create value, and generate wealth. Strategic management needs to develop a strategy that focuses on the best ways for the organization to create and sustain a competitive advantage while simultaneously identifying and developing new opportunities (Hisrich and Kearney 2013).

Strategic management integrates analysis, formulation, implementation, and evaluation and control in its pursuit of competitive advantage and superior performance. *Strategic analysis* is monitoring, evaluating, and disseminating of information from the internal, competitive, and external environments. Therefore, strategic management must focus beyond the current internal, competitive, and external environment and envisage the organization's market position in the short, medium, and long term. This requires the ability to evaluate the resources and core competencies in terms of how they can be utilized to create new sources of value. *Strategic formulation* is a process of investigation, analysis, and decision-making that provides the organization with the criteria for achieving and sustaining competitive advantage. This includes defining the competitive advantages of the business (Strategy), crafting the corporate mission, specifying achievable objectives, and setting policy guidelines (Wheelen et al. 2014). *Strategic implementation* is a process by which strategies and policies are put into action through the development of programs, budgets, and procedures (Wheelen et al. 2014). *Evaluation and control* requires the monitoring of corporate activities and performance results so that actual performance can be compared with desired performance. If there is a gap between the actual and desired results, this needs to be evaluated, and corrective action needs to be undertaken. Thus, effective strategic actions, which are undertaken in the context of a carefully integrated strategy analysis, formulation, implementation, and evaluation and control, result in desired strategic outcomes. Strategic management is not just a strategy or a plan but a way of thinking for the sustainable competitiveness, value, and wealth of the organization.

2.2 Entrepreneurship Perspective

Historically, the term entrepreneurship has referred to the individual who recognizes opportunities and takes on the challenge of exploiting that opportunity into a successful business enterprise. While some definitions focus on the creation of new organizations, some focus on the generation of wealth and ownership and others on discovery and exploiting opportunities. Entrepreneurship is the dynamic process of generating incremental wealth and stimulating the surrounding environment. This wealth is generated by individuals who have the willingness to take personal and professional risks, including equity, time, and career.

There is no acceptable universal definition of entrepreneurship. Entrepreneurship is a phenomenon that takes many forms such as private sector entrepreneurship, corporate entrepreneurship, public sector entrepreneurship (governpreneurship), and social entrepreneurship. Furthermore, entrepreneurs are found in all professions—education, medicine, research, law, architecture, engineering, social work, distribution, and government. While these forms and professions may be somewhat differentiated from each other, they do, however, include similar concepts, for example, exploration and exploitation of opportunities, creativity, innovation, and risk-taking. A broad definition of *entrepreneurship* and *corporate entrepreneurship* "is the process of creativity and innovation by committing the necessary time and energy, taking responsibility for all the risks and uncertainties, and taking personal satisfaction" (Hisrich and Kearney 2013: 9).

As a result of long-standing positions in the entrepreneurship literature, Shane and Venkataraman (2000: 218) describe entrepreneurship as "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited." Within the field of entrepreneurship, opportunities are a core concept. Therefore, opportunities should be viewed as emerging through the constant shaping and development of (raw) ideas that are undertaken (Dimov 2007). More specifically, entrepreneurship can be defined as the "identification and exploitation of previously unexploited opportunities" (Hitt et al. 2001b: 480). Entrepreneurship is focused on seeking and exploiting new opportunities that will create value for the organization, customers, and stakeholders. For those business opportunities that exhibit low degrees of novelty, the exploration process should be shorter and exploitation be accelerated, and the reverse applies to those business opportunities that exhibit high degrees of novelty (Choi et al. 2008).

In recognizing the importance of entrepreneurship and its evolution into the twenty-first century, Kuratko (2009) developed an integrated definition that recognizes the critical factors required for this phenomenon:

> Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks, formulate an effective venture team, marshal the needed resources, build a solid business plan, and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion, (Kuratko 2009: 5)

Entrepreneurial organizations create value by leveraging innovation to exploit new opportunities and to create new product-market domains (Miles 2005). The pursuit of entrepreneurial opportunities is concerned with the creation of new forms of economic value rather than refining or altering existing sources of value (Eckhardt and Shane 2003). Value must be created before wealth can be generated. Thus, a central function of entrepreneurship is generating wealth through value creation (Knight 1921). Entrepreneurial organizations need to build organizations for today's work and tomorrow's innovation.

2.3 Integrating Strategic Management and Entrepreneurship

Strategic management and entrepreneurship have generally developed independent of each other; however, they are both focused on organizational adaptation to environmental change and exploitation of opportunities created by uncertainties and discontinuities in the creation of wealth (Hitt and Ireland 2000; Venkataraman and Sarasvathy 2001). Strategic management and entrepreneurship are dynamic processes that are intended to enhance organizational performance (Kuratko and Audretsch 2009). Furthermore, they are process organizations that undertake to reduce and/or take advantage of uncertainty and ambiguity and generate more value and wealth (Hitt et al. 2011).

Strategic management provides the context for entrepreneurial actions (Ireland et al. 2001). Entrepreneurship involves exploring and exploiting entrepreneurial opportunities. However, to create the most value and generate wealth, entrepreneurial organizations must also think and behave strategically. This calls for an integration of entrepreneurial and strategic thinking. McGrath and MacMillan (2000) integrated the thinking from strategic management and entrepreneurship in the development of their entrepreneurial mindset concept. By emphasizing an entrepreneurial mindset, leaders aim to achieve and sustain competitive advantage for the organization. Hamel (2000) argues that managers can enhance the possibility of new wealth-creating strategies inside their organizations by dreaming, exploring, creating, pioneering, and inventing. Strategic capabilities can reflect the organizations' ability to "pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm" (Eisenhardt and Martin 2000: 1107). It is an ability to envision all the organization's resources and capabilities and determine how they can be effectively and distinctively synergized to generate new sources of value and wealth. Entrepreneurial capabilities have been defined as the "ability to identify and acquire the necessary resources to act upon opportunities identified in the market, or to create new market opportunities" (Karra et al. 2008: 443). While strategic management focuses on achieving competitive advantage and entrepreneurship focuses on the exploration and exploitation of opportunities, the integration of these two disciplines achieves something much bigger. Thus, "strategic entrepreneurship is the integration of entrepreneurial (i.e. opportunity seeking behavior) and strategic (i.e. advantage seeking) perspectives in developing and taking actions designed to create wealth" (Hitt et al. 2001b: 481). The integration of those two disciplines is supported by the way opportunity and advantage-seeking behaviors are seen as complementary.

The integration of strategic management and entrepreneurship is a vision-directed strategic analysis with a core focus on entrepreneurial behaviors that continuously develop the organization through the exploration and exploitation of innovative entrepreneurial opportunities that result in value creation and sustained competitive advantage. Strategic management and entrepreneurship "are concerned about growth, creating value for customers, and subsequently creating wealth for owners" (Hitt and Ireland 2005: 228) and multiple stakeholders, including society at large

(Schendel and Hitt 2007). In today's global competitive environment, the most successful strategies are those that are integrated with entrepreneurial activities that create superior value and generate wealth.

Through strategic entrepreneurship, leaders can develop strategies that focus on (1) sustained competitive advantages that are a core part of strategic management and (2) exploration and exploitation of opportunities that future competitive advantages can be developed and sustained. It is the simultaneous use of existing advantages and the identification of future opportunities that sustain competitive advantage and the ability to continuously create value and generate wealth. The integration is beneficial for all organizations in today's dynamic, competitive environment. Organizations that can develop competitive advantages today while exploring and exploiting opportunities to cultivate tomorrow's advantages increase their chance of sustained competitiveness and value and wealth in the long term.

2.3.1 The Concept of Strategic Entrepreneurship

Research into strategic entrepreneurship began to develop in the twenty-first century (Hitt et al. 2001b; Ireland et al. 2001). Since 2001, research on strategic entrepreneurship has grown at a rapid pace (e.g., Ireland et al. 2001; Ireland and Webb 2009; Kuratko and Audretsch 2009, 2013; Meyer et al. 2002). Strategic entrepreneurship is a form of corporate entrepreneurship (Morris et al. 2011), which is concerned with an organization's ability to better perform current activities or operations (exploitation) while at the same time seeking new opportunities (exploration) (Ireland et al. 2009), resulting in individual, organizational, and/or societal value. More specifically, "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 new and/or enhanced capabilities" (Hitt et al. 2011: 69). However, some scholars have adopted a more generic conceptualization of the term strategic entrepreneurship—that is, one in which a multitude of specific phenomena may be involved (Stokvik et al. 2016). Similarly, this multiple-phenomena perspective is reflected in Covin and Kuratko's (2010: 208) observation that:

> strategic entrepreneurship approaches have as their commonality the exhibition of large-scale or otherwise highly consequential innovations that are adopted in the firm's pursuit of competitive advantage. These innovations may or may not result in new businesses for the corporation. With strategic entrepreneurship approaches, innovation can be in any of five areas—the firm's strategy, product offerings, served markets, internal organization (i.e., structure, processes, and capabilities), or business model.

In spite of inherent conflicts that arise between the forces of stability and change, strategic entrepreneurship argues they must be accomplished simultaneously, although the relative emphasis on one or the other is context-specific and changes over time (Volberda et al. 2001). However, it is a challenge to achieve this balance because organizations frequently have limited resources and need to determine the level of resources they can allocate to exploit current opportunities versus those allocated to explore future opportunities. Thus, the effectiveness of strategic entrepreneurship achieving competitiveness, value, and wealth is dependent on human capital and the organizations' ability to attract and retain high-caliber management and employees.

2.4 Human Capital

The theory of human capital was originally developed to study the economic value of education (Becker 1964; Schultz 1960) and demonstrates that people possess varying skills, knowledge, and experience that have economic value (Marvel 2013). Human capital is a critical resource for organizations, because without people with the right knowledge, skills, and abilities, the organization will cease to exist. Human capital has been defined as the "individual capabilities, knowledge, skill, and experience of the company's employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning" (Dess and Lumpkin 2001: 26).

The strength of human capital is that it possesses most of the knowledge in an organization, particularly the tacit knowledge that is unique and difficult to imitate. Human capital represents the acquired knowledge, skills, and capabilities of a person that allow for unique and novel actions (Coleman 1988). The essence of human capital is the intelligence and competencies of the organization's human resources, which significantly contribute to the achievement of competitive advantage. According to Chandler (1962), of all resources available to an organization, human resources are perhaps the most important. Additionally, it is frequently the most unique organizational resource. Human capital is recognized as key to organizational success (Hitt et al. 2001a, 2001c). More specifically, human capital "... blends traditional aspects of personnel management (e.g., employee skills, knowledge, abilities) with economic principles of capital accumulation, investment, deployment and value creation that underlie much of strategic management" (Snell et al. 2001: 635). By investing in the human capital of management and employees, the benefit for the organization will be desirable outcomes that create value, generate wealth, and are unique and difficult to imitate.

2.5 Employee Retention

The role of employee retention is of critical importance for entrepreneurial organizations. Human capital is a fundamental asset to organizations with the relative costs of staff turnover including recruiting costs, training costs, loss of tacit knowledge, and lost productivity being a major challenge and barrier to organizational success. The dominant paradigm in staff turnover research has its roots in Mobley's (1977) model of staff turnover, which "posits that job and working conditions affect job satisfaction which in turn leads to thoughts of quitting, to evaluation of the utility of searching behavior, job search, evaluation of alternatives, comparison of alternatives vs. the present job, intention to quit or stay, and finally to turnover or retention behavior" (Staw 1984: 642). It is critical that organizations have effective recruitment and selection processes in place in order to attract and retain the right caliber of staff that will emerge within the organizational culture. Employee retention is one of the biggest problems facing entrepreneurial organizations (Kemelgor and Meek 2008). Therefore, when the organizational culture is focused on entrepreneurship, they create a culture of cutting-edge exploration and exploitation that should aim to motivate employees to stay with their organization, thus creating competitive advantages in these organizations through achieving higher employee retention than competitors.

The retention of skilled workers can contribute to the long-term competitive advantage of entrepreneurial organizations (Kemelgor and Meek 2008). Organizations committed to an entrepreneurial strategy can achieve higher employee retention in comparison to organizations that adopt a more conservative strategic approach (Haar and White 2013). Organizations that want to increase employee retention need to develop a strong entrepreneurial strategy that drives and motivates management and employees to feel part of the organization.

2.6 Effect of Strategic Entrepreneurship on Human Capital and Employee Retention

There is an increased interest in human capital within the entrepreneurship literature over the last three decades. Human capital is the source of strategic entrepreneurial behavior (Ireland et al. 2003). Human capital is of paramount importance to the field of entrepreneurship. Ireland et al. (2003) propose that effective strategic entrepreneurship helps individuals overcome fears associated with disruptive innovations and new business models. Therefore, the process of strategic entrepreneurship undertaken by an organization affects how human capital engages with strategic entrepreneurship and how effective the organization is at maximizing the retention of high-caliber employees. Thus, effective entrepreneurial leadership (Covin and Slevin 2002) is a key element in managing strategic entrepreneurship effectively across levels of the organization. Through effective strategic entrepreneurship, human capital:

1. Is vital to the discovery and creation of entrepreneurial opportunities (Alvarez and Barney 2007; Marvel 2013)
2. Facilitates the exploitation of opportunities by acquiring financial resources and launching ventures (Bruns et al. 2008; Dimov 2010)
3. Supports the accumulation of new knowledge and the creation of advantages for new firms (Bradley et al. 2012; Corbett et al. 2007)

According to Hitt et al. (2001a), human capital has both a direct and indirect (through interactions with strategy) effects on organizational performance. Furthermore, their results show that the initial cost of human capital exceeds the value of the benefits it produces (Hitt et al. 2001a). However, as human capital increases (knowledge grows), the value it creates exceeds the costs (Ireland et al. 2003). Therefore, organizations need to strategically manage their human capital to facilitate the simultaneous and integration of opportunity and advantage-seeking behaviors to create value and generate wealth.

A clear vision focusing on the importance of strategic entrepreneurship as well as a commitment to develop human capital facilitates individuals' efforts to develop entrepreneurial capabilities such as agility, creativity, and skills to manage resources strategically (Alvarez and Barney 2002). The challenge facing organizations today is recognizing the creative competencies of its human capital and allowing those individuals to have the power to utilize their potential. Therefore, appropriately designing job roles to effectively manage change and employee retention is therefore important for strategic entrepreneurship. Furthermore, by supporting a culture of change, strategic entrepreneurship can decrease fear, stress, and ambiguity associated with risk-taking, innovative, and proactive activities (Upson et al. 2007). This requires designing more customized strategic entrepreneurship systems that better maximize wealth creation for organizations (Ireland et al. 2003). To engender strategic entrepreneurship, the organization must leverage human capital to explore and exploit opportunities. Therefore, in addition to nurturing the human capital for the greater good of the organization, previous experiences of success may enrich an individual's human capital, as they affirm what operational knowledge, emotional intelligence, and heuristics are appropriate to navigate new entrepreneurial endeavors (Wolfe and Shepherd 2015). To better facilitate this, leaders must clearly communicate the entrepreneurial strategy and encourage, motivate, and support all employees to be entrepreneurial and to implement the strategy and accomplish the organization's goals toward value creation and generation of wealth.

2.7 Impact of Human Capital and Employee Retention on Strategic Entrepreneurship and Its Outcomes

The uniqueness of human capital stems from the fact that people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets (Becker 2008). Human capital is distinctive to the organization and increases the organizations' capabilities. Organizational knowledge predominately resides in its human capital. Scholars have consistently found that owners and managers with greater human capital are more likely to discover opportunities and succeed (e.g., Marvel and Lumpkin 2007; Marvel et al. 2014; Rauch et al. 2005; Unger et al. 2011). Human capital of managers and employees is linked with superior competitive advantages (Crook et al. 2011; Radaelli et al.

2018). Furthermore, individual competencies, together with their personal drive, motivation, and passion to achieve, are fundamental for an organization to explore and exploit opportunities and achieve a competitive advantage as a source of value, wealth, and long-term success.

Human capital (intangible resources) is necessary for organizations to engage in strategic entrepreneurship for achieving and sustaining a competitive advantage (Ireland et al. 2003). Furthermore, intangible resources are more likely to be associated with a strong entrepreneurial capability because they are socially complex and more difficult for rivals to understand and imitate (Ireland et al. 2009). Tacit knowledge is particularly important in identifying entrepreneurial opportunities (McGrath and MacMillan 2000) and achieving competitive advantage (Coff 2002). Innovation is increased by the quality of the human capital and enhanced labor productivity (van Ark and Piatkowski 2004). According to Katz et al. (2000: 7), "it is the human resources that paradoxically spell success or failure for all firms, and especially entrepreneurial ones." Furthermore, Unger et al. (2011) completed a comprehensive meta-analysis study based on 70 studies with an overall sample size of 24,733 that integrated over 30 years of human capital research in entrepreneurship. Their study concluded "there is an overall positive relationship between human capital and entrepreneurial success" (Unger et al. 2011: 352). Hence, entrepreneurial organizations create value through their selection, development, and use of human capital (Lepak and Snell 1999) and the retention of high-caliber employees to explore and exploit entrepreneurial opportunities.

Human capital and employee retention is critical for the implementation of an organization's entrepreneurial strategy. For people to work toward the organization's strategy, they must clearly know what that strategy is and how essential entrepreneurship is to the realization of the organization's objectives. To reach its full potential, however, human capital must be effectively managed (Lesser and Prusak 2001). Leaders need to identify any gaps in human capital that need to be filled to facilitate exploration and exploitation of current competitive advantages. Additionally, the capabilities of human capital should be continuously enhanced to develop and sustain competitiveness, create value, and generate wealth.

3 Conclusion

Strategic entrepreneurship is the integration of two interfaces: strategic management and entrepreneurship. For strategic entrepreneurship to be successful, its effect on human capital and employee retention as well as the impact of human capital and employee retention on strategic entrepreneurship which in turn affects the outcomes need to be clearly understood. The implications of strategic entrepreneurship are important for both theory and practice to recognize how organizations that effectively manage and retain human capital to explore and exploit opportunities establish and sustain competitive advantage and create value and generate wealth. The more challenging, complex, dynamic, and competitive the environment, the more important strategic entrepreneurship is for achieving and sustaining competitiveness and generating wealth. This cannot be achieved without human capital and the retention of the right caliber of management and employees. Organizations with an entrepreneurial strategy that drives and motivates human capital to identify potentially valuable opportunities and enables them to exploit them to develop a competitive advantage will create value and generate wealth. Thus, human capital significantly impacts the ability of an organization to effectively exploit today's competitive advantages while successfully exploring tomorrow's opportunities for sustained competitive advantages. Human capital and employee retention is fundamental in driving this process; therefore, leaders need to continuously leverage human capital to create value and generate wealth for the organization.

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