

Role of Strategic Entrepreneurship and Strategic Management of Human Resources in Fledging Companies

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Abstract: Small and risk able companies are remarkably skilled at identifying entrepreneurship opportunities. Upon arrival, these new companies encounter high environmental uncertainty. This turbulence can quickly lead to disintegration of these companies because of being barely effective in development and maintenance of competitive advantages needed for benefiting from these opportunities by the course of time. Besides establishment of company, the entrepreneurs can be hopeful to their long-term survival only if their resources are strategically utilized. Objective of strategic entrepreneurship attitude is to organize the resources so as to help identification and utilization of entrepreneurial opportunities contributing to development of competitive advantage. Among others, human resource is highly significant due to its scarcity, non-substitutability and non-limitability. In the current paper, significance of strategic entrepreneurship as an opportunity and strategic human resources management as the most important competitive advantage was comprehensively studied in wealth production for fledging companies.

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1- Introduction

Wealth is created only in combination and effective behavior of opportunity-searching, and through behavior of advantage prospect. Entrepreneurship is comprehension of an opportunity and identification of opportunity is entrepreneurship [1]. WRIGHT et al. through a resource-based attitude stated that maintenance of competitive advantage can be more achieved via unification of human capital in certain circumstances than by groups such as top managers and other elites under the title of organizational success or failure variables.

Strategic entrepreneurship refers to agency's insistence on superior performance via simultaneous implementation of opportunity-seeking and benefit-oriented activities. Strategic management of human resources pertains to uniformity and coherency issues. Strategic uniformity or unification is essential for establishing alignment between strategy of human resources and strategy of company. The researchers and scientists hold the opinion that the personnel are the most important competitive advantage of organizations. They believe that human capital of company meets all strategic requirements. This capital is highly significant due to scarcity, non-substitutability and non-imitability.

Literature review is presented in the first section of the present paper, and then, strategic entrepreneurship and strategic management of human resources are generally discussed. The current study intends to propose a model to analyze the relationship between these two important concepts since they

have been widely taken into account by many researchers in connection with fledging companies.

2- Strategic Entrepreneurship

Exploration, evaluation, and extraction of opportunities are defined as features of entrepreneurship [2]. Small firms are more skilled at finding opportunity while their limited knowledge and small market share impair their capability of exploiting the prospective opportunities.

Success of entrepreneurial companies can be assessed in terms of strategic opportunities they identify, evaluate, and ratify. Therefore, opportunity recognition significantly suggests how companies are created through transforming entrepreneurship attitudes into strategic advantage.

SHIN & NEKATARMAN (2000) stated that discovery, evaluation and extraction of opportunities are the defined features in entrepreneurship scope. Opportunity recognition signifies converting information into knowledge. Ideas are generated and evaluated for their quality and consistency so that the information will be analyzed and combined for knowledge generation (NONAKA, 1994).

Three key concepts of strategy

- 1) **Competitive advantage:** is achieved for the companies which appreciate value of its customers
- 2) **Distinctive capabilities:** treatment opportunities of company are determined taking the approach of maintaining

competitive advantage by means of its potentials

- 3) **Strategic coordination:** means maximizing coordination of competitive advantage of a company and its capabilities. It also means maximization of resources using the

available opportunities in the external environment [3].

Based on the formerly conducted researches, concept of strategic entrepreneurship can be expressed in the following figure:

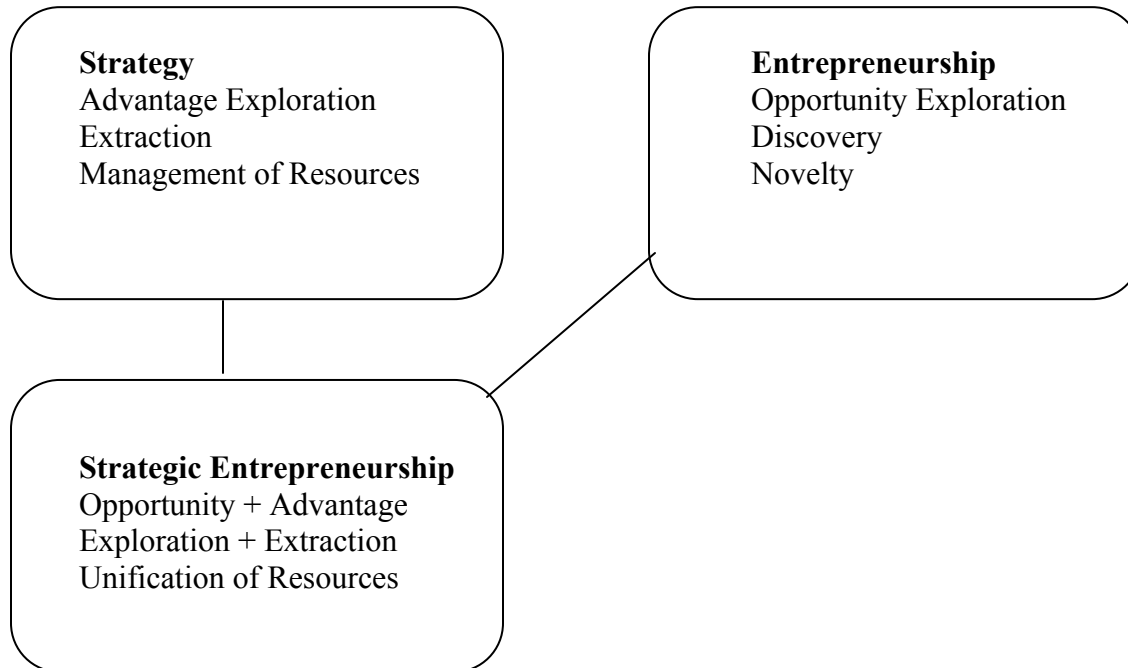


Figure 1: Concept of strategic entrepreneurship

Strategic entrepreneurship is formed by combination of entrepreneurial activities and processes of opportunity discovery and also strategic activities related to acquisition of competitive advantage. It ultimately contributes to value creation and mitigation of competitive threats. GREEN states: the small businesses seeking for strategic entrepreneurship must provide themselves with a rich collection of resources and capabilities from either insides or outsides of the organization. Strategic entrepreneurship enables the companies to react appropriately against the environmental changes [7].

Knowledge is a key tool for success in competition among companies and even nations. Knowledge needs to be effectively managed in individuals and organizations in order to guarantee value creation. Meanwhile, mechanism of achieving and maintaining competitive advantage is among the forthcoming challenges of most companies regardless of size, age or industry. Neglecting the economical conditions and competitive viabilities of the current technology status, the companies are likely to confront this challenge in management of their

knowledge system. According to ZUCK [9], knowledge creation capability and maintenance of the learning process through this feature is a competitive advantage because today's developed innovative knowledge will be the principal knowledge of tomorrow. Knowledge does not merely consist of intangible resources and assets linked to organizations but there is also intellectual capital which comprises those intangible assets that are not registered in financial statements but might account for 80% of market value of an organization [10]. According to BONTIS, human capital is structural capital and relational capital but intellectual capital does not suffice for wealth creation by itself. Some activities are required for strategic management of intangible assets. This indicates that resources are not by themselves capable of determining performance difference of companies. In fact, company's specific resources may generate consistently competitive advantage only when they are managed strategically [11]. Most important items of these resources include:

Financial Capital

Financial capital includes all different monetary resources of companies for development and execution of strategies. For risking companies, financial resources are mainly provided by riskable investors or even family members [12]. New risking investors, especially those from independent growing organizations, encounter adverse situations i.e. they must be able to appropriately surpass those companies which possess financial resources. The reason is the fact that they enjoy the needed skills for pursuing opportunities and development of competitive advantages for wealth creation [3].

Human Capital

Having a resource-based attitude, WRIGHT et al. stated that in certain circumstances maintenance of competitive advantage can be more effectively achieved through unification of human capitals rather than fulfillment by groups such as top managers or other elites under the title of organizational failure or success variables. This competitive advantage could be attained through augmentation of value and significance of independent human capital, or at least, semi-private and non-renewable human capital.

Social Capital

Social capital is a set of interpersonal relationships (internal social capital) and also relationships among individuals and organizations (external social capital). Companies rely on internal social capital for knowledge transfer aimed at utilizing entrepreneurial opportunities which support production and successful usage of competitive advantage. Accordingly, internal social capital is associated with the acquired attraction capacity. External social capital consists of relationships among heads of companies and other notable persons in the organizations [8].

3- Strategic Resources Management

Strategic management of the resources portfolio includes elimination of resources when they are potentially unable to create wealth and unification of those resources for establishing wealth-generating capabilities in the company. Strategic management of human resources include: relating human resources management to long-term and short-term strategic objectives of organization for improvement of its performance and creation of an organizational culture intended to strengthen flexibility and creativity (Truss et al, 1994). Objective of strategic human resources management is to create strategic capability through guaranteeing and assuring that the organization possesses skilled, committed and motivated staffs for attempting to attain competitive advantage.

Purchase, unification and elimination of resources would maintain company's capability with regard to appreciation and utilization of opportunities and development of competitive advantages, which include the following stages [7].

3-1- Organizing Resources Portfolio

Resource portfolio is the sum of all tangible and intangible resources which a company owns or controls. The important process of organizing resources portfolio incorporates perpetual identification, unification and elimination of resources (DIERICKX & Cool, 1989). This process states that resource portfolio changes consistently and leads to ownership or control of a dynamic collection of tangible and intangible assets. All organizations require resource. Therefore, identification of resources is vitally significant for new riskable companies as well as current organizations.

3-2 Unification of resources

Strategic entrepreneurship attitude suggests that the objective of tangible and intangible resources is to organize themselves aimed to help identification and utilization of entrepreneurial opportunities leading to development of competitive advantages. Resources are unified to create abilities such as research and development, marketing and uniform production. These capabilities are usually needed for selection and implementation of company's strategies. The uniquely created capabilities cause the companies to unify resources in some cases aimed at maintaining their current competitive advantages. Unification of resources in this manner can be effective when companies are competing in relatively stabilized markets or when their commodities are somewhat distinctive from their rivals. Gradual progresses in the current capabilities are suitable when these capabilities have the minimal value or are rare or might be non-substitutable and partially imitated. The most effective set of unified capabilities contributes to application of this set in an appropriate way for benefiting from opportunities and development of competitive advantages [7].

3-3- To use capabilities as leverage

After organizing and unification, the decision must be made with the intention of creating capability using unification of intra-unit or extra-unit resources of business. For different companies, the decisions are made independently in company level and also in business units [8]. In independent commercial companies, unification of resources intended to maximize appreciation and utilization of opportunities requires coordinated usage of unified resources among organizational duties [12]. Resource

managers effectively learn how to create considerable value through unification of capabilities. Effective unification of resources is more largely dependent on the outcome of managerial decisions rather than superior competitive potentials of companies. Additionally, majority of effective decisions with respect to unification of resources are made for identification of opportunities and money allocation for those creative and entrepreneurial opportunities [14]. Creativity and innovation are achieved if strategic management is deployed. Innovation is crucially important in taking use of entrepreneurial opportunities, and consequently, in strategic entrepreneurship.

Strategy coherency of human resource activities for management and flourishing of manpower is mentioned as an instance to have a glance at human resources management from strategic standpoint and in the frame of definition proposed by NEOBEN & BRIANT (2004). From viewpoint of this definition, personnel can be regarded as center and pivot of human resources management.

These activities shall emphasize on the following essential needs [3]:

- Supporting organizational strategies and objectives
- To guarantee that activities of human resources will create added value
- Supporting cultural changes plans
- Discovery and development of personnel's latent talents
- Designing a process which leads to maximization of personnel's participation level
- Providing job promotion opportunities for talented personnel
- Perpetual emphasis on training and development of all individuals who work in the organization
- Design, execution and management of systems for guaranteeing access to related experiences
- Presenting special vocational instructions

How personnel can improve the competitive advantage:

Team work: Let appropriate people work together

Training (instruction): Train the personnel progressively for success of team work

Empowerment: Enable the individuals to generate a competition

Notes: Grant payments and incentive rewards on the condition of performance results

Coherent Strategy of Human Resources

Some sort of human resources management needs to be present in alignment with organizational culture so that coherent performance and personnel can be accompanied with organizational effectiveness [4].

Motivation strategy: This attitude deals with effective individual performance via motivating by reward payment.

Participation strategy: independence and accountability are major slogans of organizations which apply this strategy. In this strategy, personnel are expected to be flexible and to adapt themselves to new changes

Investment strategy: organizations deploy this strategy in order to improve the personnel who are expected to be creative and innovative in fulfilling their duties.

4- Model Presentation

The abovementioned discussions about definitions and significance of strategic entrepreneurship and strategic management of human resources can be illustrated using the model below. For establishing relationship between strategic entrepreneurship and strategic management, the most vital resource for riskable companies i.e. human resource was used.

4-1- Model Analysis

Small businesses have features such as simple organizational structures with high flexibility and low formality, direct involvement of management in the processes, acceleration of decision-making process and also existence of limited organizational boundaries which provide more opportunities to gain resources for the company. These businesses also benefit from advantage of large companies with less external risks, and hence, can establish relationship with their beneficiaries including customers, providers and rivals. The studies conducted on viability of human resources management in small entrepreneurial institutions are scattered.

By the course of time, personnel further exhibit themselves as major origin of competitive advantage. The ability to share attempts and perform independent activities, innovation exposure, and adoption of creative approaches for economical growth and thrives are considered as vital factors. Significant and substantial skills in working environment signify a need to promoting one's perception toward the role of human resources management for founding successful entrepreneurial institutions.

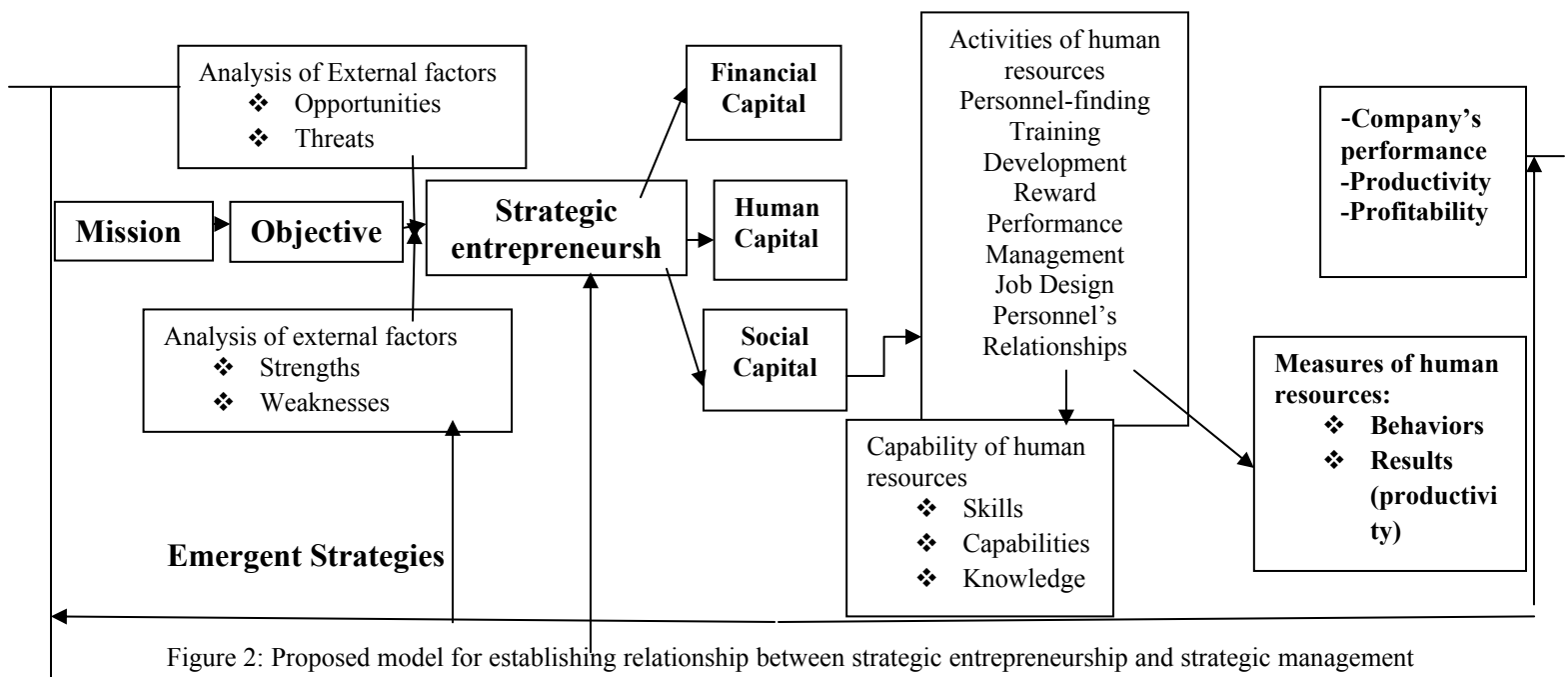
Strategy Codification**Strategy Implementation**

Figure 2: Proposed model for establishing relationship between strategic entrepreneurship and strategic management of human resources

Some management scientists hold the notion that concentration on human resources can lead to an essential success in achieving superiority to the rival companies. Appropriate use of superior resources as an efficient means can contribute to improvement of organizational productivity [4].

Strategic resources in system of human resources management shall be imposed with the intention of enhancing interface of systematic, circumstantial and strategic aspects of benefits. Elements or principal components of human resources management system and strategic attitude can be summarized as below [5]:

- Objectives or output of strategic human resources management
- Processes of human resources management
- Input of human resources management
- Extra-organizational environment
- Intra-organizational environment

Strategic human resources management pursues the following items as part of their variable functions: productivity of work force (manpower), promotion of more suitable services based on customers' perspective and enhancement of manpower's role in codification and implementation of organizational strategies.

Special position of strategic human resources management is highly significant as the agent which realizes functions of entrepreneurship and unification inside the subsystems through

interaction among the subsystems and with the surroundings (intra and extra-organizational). These subsystems will be investigated in subsequent parts. It is attempted to analyze these components from standpoint of companies since this model is proposed for riskable firms.

4-1-1- Personnel-searching

Recruit key persons with positive records to fulfill the new requirements in business with desirable value. Prediction of variation trend, market conditions and obligations, and planning for its commensurate manpower shall be taken into account. In emergent (fledging) companies, use of Internet to search for personnel can be a proper choice for saving the expenses.

4-1-2- Training (Instruction)

In small entrepreneurial organizations, high dissipation rate and fluctuation levels besides intense instability of staff all corroborate the significance of training and instructing personnel and management in order to improve the performance, consistence, adaptation, and survival maintenance [6].

4-1-3- Rewarding the Personnel

Following the growth, entrepreneurial companies are obligated to recruit good staff and allocate suitable rewards for competing with large companies. Reward strategy shall be determined in company prior to making decision about any career.

Many of entrepreneurial companies are not able to pay in cash to their staff and take other

options. For example, flexible working times in which two people share the same work. This is commonplace for persons who do not have full-time work and wish to control their schedule. Nonetheless, the individual is authorized to even do the job at home. This is greatly important for entrepreneurial companies with limited resources and the company is supposed to determine a specific and precise policy for its domain of activities and responsibilities.

4-1-4- Personnel's Relationships

- A) Industrial relationships: management and maintenance of official and unofficial relationships with unions and their members
- B) Personnel's participation: giving the personnel the right to comment and express their opinions; information shall be shared with them; they must be consulted concerning the issues related to mutual interests and benefits
- C) Establishing relationships and transferring useful information to the personnel [3].

This strategy deals with issues like establishment of a viable and dynamic organization and provision of learning and training opportunities for personnel in order to improve their performance.

4-1-6- Performance Management

- A) **Individual and organizational learning:** systematic and disciplined design and codification as an organization that seeks for learning; provision of instructional opportunities for personnel to develop their potentials and capabilities and to prepare them for job promotion.
- B) **Management development:** provision of development and instructional opportunities for managers aimed at enhancing their capability and strength in favorable participation with organization for attaining its objectives and ideals
- C) **Management of occupational succession:** planning and development of occupational routes for talented personnel.

4-1-7- Job-designing

Job-designing is intended to make decisions about content of jobs, their duties and responsibilities and the relationships holding among career-holders and other staffs of organization.

5- Conclusions

In current paper, strategic entrepreneurship attitude was introduced as a factor that plays the role of organizing tangible and intangible resources in a manner that helps detection and utilization of

entrepreneurial opportunities and leads to expansion of competitive advantage. A model was proposed to relate strategic entrepreneurship and strategic management of human resources whose goal is to create strategic capability through guaranteeing and assuring that the organization benefits from skilled, committed, and motivated personnel for attempting to reach competitive advantage. This model uses the most important intellectual capital and most vital advantageous resource i.e. human resource as the interconnecting bridge between these two essential concepts.

Resources

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