



Identification of domains for a new conceptual model of strategic entrepreneurship using the configuration approach

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Abstract

Purpose – The aim of this paper is to structure and synthesize the existing scholarly works in the young and emerging field of “strategic entrepreneurship” (SE) as well as to develop a theoretical model, thereby contributing to further theory-building.

Design/methodology/approach – As the results of a review of extant literature, four different elementary domains conceptualizing SE on the basis of the configuration approach could be identified: the strategy, the entrepreneur, the environment and the structure and resources of the firm.

Findings – The SE model contributes to the understanding of how firms can create value. It has been shown beforehand that the configuration approach is suitable for strategic management as well as for entrepreneurship in the sense of new venture creation and arguably can be transferred to the larger level of SME strategy as well.

Research limitations/implications – With the four dimensions of SE, this paper has so far only been able to deliver a starting point for further research which (empirically) investigates their interplay and attempts to derive “optimal configurations” of the dimensions, e.g. with regard to different firm sizes and environmental conditions. This empirical part is still outstanding.

Practical implications – The major managerial implication of the SE approach is the possibility to develop more entrepreneurial and innovative thinking, especially in SMEs and young ventures. This stands in contrast with classical strategic management approaches, which characteristically emphasize administrative management and focus on day-to-day business.

Originality/value – This paper is the first to model SE by using the configuration approach, thereby providing a solid theoretical foundation for future empirical research.

Keywords Management strategy, Entrepreneurialism, Modelling, Organizational theory

Paper type Conceptual paper



1. Introduction

Strategic entrepreneurship (SE) has created a new promising field of research, but in order to utilize the new research opportunities offered, a more profound understanding of it has to be developed. In fact, understanding SE is at such an initial stage that in a recent article, Schindehutte and Morris (2009, p. 242) even need to raise the question

whether SE is a “framework, model, theory, paradigm, concept or a simple point of interface”.

Although first conceptual models concerning SE have already emerged (especially Ireland *et al.*, 2003; Ireland and Webb, 2007), novel models need to be developed, and the domains adopted in the proposed models need to be analyzed in detail. This study attempts to increase understanding of SE along these lines. The objective is to identify domains for a new conceptual model of SE. The emphasis is on model building by looking at integral domains of the concept and on gaining a profound understanding of these domains and their interactions. For the final model, a rational number of domains has to be chosen: the number of domains must be large enough to capture the essence of the concept, but the number should not be so large that it makes the model overly complicated.

This study utilizes a developmental configuration approach as its theoretical basis. A configuration is a conceptual model expressed by a set of (interrelated) variables. The variables can reinforce each other or block the effects of each other and various sub-groups of variables can represent different domains. The developmental configuration approach refers to a research method in which new configurations are built. The power of the developmental configuration approach is that it enables the building of detailed conceptual models consisting of large numbers of variables with complicated and interrelated relationships. The basis for the developmental configuration done in the present study is a thorough review of academic literature in the young and emerging field of SE.

SE has been introduced to capture a firm’s effort to simultaneously exploit existing competitive advantages while exploring what needs to be done in the future to remain successful. SE can be deemed as the intersection between entrepreneurship and strategic management. The identification and exploitation of new opportunities is the essence of entrepreneurship; the essence of strategic management is in how opportunities can be transformed into sustainable competitive advantages (Zahra and Dess, 2001; Venkataraman and Sarasvathy, 2001; Kuratko *et al.*, 2005).

In recent years, more and more scholars have called for the integration of the two research fields of entrepreneurship and strategic management (Meyer and Heppard, 2000; McGrath and MacMillan, 2000). The need for this integration emerges as entrepreneurs require a more rigorous strategic perspective in their planning and actions, while strategists require new resources in order to exploit opportunities (in most cases under uncertain conditions).

The promises of the new field of research is pointed out, e.g. by the recent spin-off of the *Strategic Entrepreneurship Journal* from the world-class *Strategic Management Journal* in 2007. The development of new conceptual models of SE by means of the developmental configuration approach is intended to serve as a basis for research on managing opportunity-seeking (i.e. exploration) and advantage-seeking (i.e. exploitation) behavior.

2. Theoretical foundation

2.1 Entrepreneurship

Entrepreneurship is a field of research which has its theoretical roots in the eighteenth century, when the Irish banker Richard Cantillon (1755) used this term to differentiate self-employed entrepreneurs from employed workers. He was the first to link entrepreneurship and risk taking under uncertain conditions. Later, the elements of innovation (Schumpeter, 1933 [1934]) and proactive behavior completed this definition

(Miller, 1983). Nowadays, entrepreneurship is commonly considered to be a stimulus to create value as a result of the actions of individual firms (Peng, 2001). It has been deemed to be the instrument to cope with the new competitive landscape and its enormous speed of change (Brock and Evans, 1989; Hitt and Reed, 2000).

Entrepreneurship describes the process of value creation through the identification and exploitation of opportunities, e.g. by developing new products or by seeking new markets or both (Shane and Venkataraman, 2000; McCline *et al.*, 2000). Entrepreneurship focuses on innovation by identifying market opportunities which competitors have not yet identified or exploited and on creating a unique set of resources to exploit these opportunities (Davidsson *et al.*, 2002). Entrepreneurial opportunities arise from uncertainty. An appropriate set of resources is required to exploit entrepreneurial opportunities (Hitt *et al.*, 2002). One of the key challenges for entrepreneurs is dealing with strategic changes required by the growth of their enterprises (Thompson, 1999).

2.2 Strategic management

Strategic management evolved into a field of research in the 1960s, especially through Chandler (1962), Ansoff (1965) and the Harvard textbook from Learned *et al.* (1965). One of the goals of research in strategic management is to analyze how firms can achieve their goals in terms of competitive advantage, profits and profitability (Rosen, 1995; Saloner *et al.*, 2001).

The basis of strategic management is the notion that strategy creates an alignment between an enterprise's internal strengths and weaknesses on the one hand and its external opportunities and threats on the other hand (Andrews, 1987). Strategic management deals with how enterprises develop sustainable competitive advantages leading to the creation of value (Ireland *et al.*, 2003; Ramachandran *et al.*, 2006). A competitive advantage results from a long-lasting value difference between the offerings of the firm compared to corresponding offerings of its competitors (Duncan *et al.*, 1998). The possession of valuable, rare, non-imitable and non-substitutable resources (Prahalad and Hamel, 1990) as well as a favorable market position (Porter, 1985) are regarded as major sources for sustainable competitive advantages (Wernerfelt, 1984; Barney, 1991).

2.3 Strategic entrepreneurship

The intersection of entrepreneurship research (opportunity seeking) and strategic management research (advantage seeking) constitutes a new field of research called SE. It deals with the actions a firm undertakes in exploiting new innovations, which result from the firm's efforts to continuously explore opportunities (Ireland and Webb, 2007). SE involves taking entrepreneurial actions with a strategic management orientation (Hitt *et al.*, 2001a; Ireland *et al.*, 2003). Both perspectives are necessary for value creation; neither is sufficient on its own (McGrath and MacMillan, 2000). If entrepreneurship is understood as the identification and creation of new opportunities, and if strategic management is understood as the transformation of these opportunities into a (sustainable) competitive advantage (Kuratko *et al.*, 2005; Venkataraman and Sarasvathy, 2001; Zahra and Dess, 2001), then entrepreneurial opportunity seeking can also be regarded as strategic behavior with the aim of value creation (Ireland *et al.*, 2003; Ramachandran *et al.*, 2006).

Many authors have increasingly advocated the importance of organizational and strategic variables for entrepreneurship research, since entrepreneurial behavior is of major importance for firms if they want to succeed in competitive environments,

regardless of size and age (Covin and Slevin, 1989; Zahra, 1993). Thus, there is no fundamental contradiction between “routinized” strategic planning activities and “entrepreneurial” opportunity taking. Both disciplines – strategic management and entrepreneurship – are often complementary and mutually supportive (Ireland *et al.*, 2003). For example, research has consistently found that entrepreneurial firms are more likely to utilize formal strategic management instruments than conservative firms (Shuman *et al.*, 1985; Bracker *et al.*, 1988; Woo *et al.*, 1989).

Figure 1 shows the intersection of the two research fields of entrepreneurship and strategic management, which lead to SE.

From Ireland and Webb (2007), Copyright 2007 with permission from Elsevier.

3. Identification of domains of SE

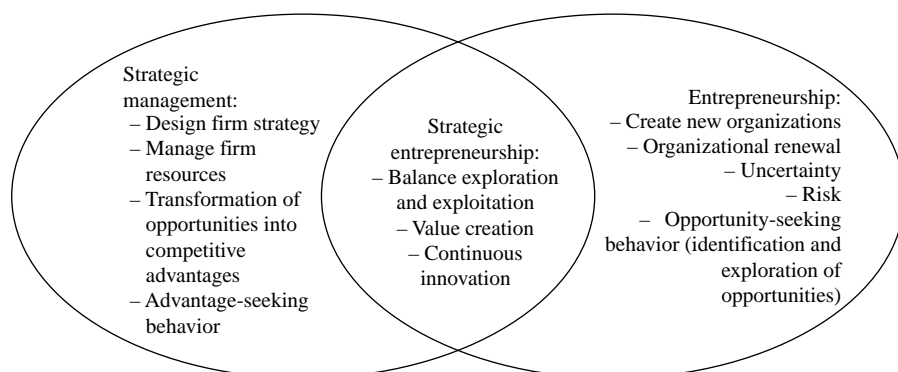
3.1 Methodology

A developmental configuration approach was used as the research methodology in the present study. The developmental configuration approach is a tool for understanding complicated and interrelated relationships among large numbers of variables.

The configuration approach is especially appropriate for the present study, as the objective was to identify domains for a new conceptual model. This approach is powerful in analyzing relationships of several domains simultaneously and, thus, building new conceptual models consisting of more than one domain (Harms *et al.*, 2009).

The configuration approach is an advanced research methodology in comparison to the traditional and more popular mono-causal approach represented by, e.g. the universal approach and the contingency approach (Robinson and McDougall, 2001). The mono-causal approach characteristically leads to artificial over-simplification of the phenomenon of interest. In the mono-causal approach, a reduced number of variables are often used to analyze the interrelatedness of the variables and to assess the strength of the causal relationships (Dess *et al.*, 1993). The mono-causal approach can hardly ever capture the complexity of social reality.

In the configuration approach, each important variable is analyzed in the context of other variables that may have an effect on this variable or could be affected



Source: Ireland and Webb (2007, p. 51), (adapted and amended)

Figure 1.
SE as the intersection
between entrepreneurship
and strategic management

by this variable. Accordingly, the configuration approach broadens the mono-causal approach. Thus, not only dependencies but also interdependencies can be analyzed.

The question of the number of domains in the configuration is very important. No important domains should be left out and non-relevant domains should not be included. In the configuration approach, the probability of including all relevant (mutual) causalities is much higher than when using the mono-causal approach (Dess *et al.*, 1997).

Furthermore, the configuration approach acknowledges the ideas of equifinality which refers to the principle that, in an open system, the same end state can be reached through various paths. The configuration approach takes into account that the configurations that are developed are dynamic and can always change. The change process can be described as a punctuated equilibrium (Miller, 1982).

“Ideal” configurations that represent successful firms can be identified in two ways. First, configurations can be derived empirically. Real types, i.e. taxonomies, can be identified via quantitative and qualitative methods (Scherer and Beyer, 1998), such as clustering (Miller and Friesen, 1977). Second, configurations can be developed by theoretical reasoning (Miles *et al.*, 1978; Mintzberg, 1979; Porter, 1985). This refers to analytical development of ideal types, i.e. typologies. The configuration approach can be used both in quantitative research (Mugler *et al.*, 2003; Wiklund and Shephard, 2005) and in qualitative research. The configuration approach is suitable for creating new theories of organization across all social sciences (Mintzberg, 1990). In this study, the theoretical reasoning approach was used and empirical findings were utilized indirectly by including empirical evidence from previous research studies that are analyzed.

The developmental configuration done was based on a thorough literature review of previous academic research studies on the target concept of SE. The concept is new and the number of studies dealing with it is still fairly limited. The intention was to cover in the literature review the previous studies as fully as possible. All previous studies were carefully analyzed, and theoretical reasoning was used to gain an understanding of each domain of the concept as well as of the interrelationships of the domains. As a result, a rational number of domains were identified and a better understanding incorporating the essence of all studies was gained.

In the literature review, a key word search of “SE” was conducted. All possible journals in the research fields of entrepreneurship and strategic management were included in the search. The electronic databases EBSCO (Business Source Premier) and ABI/Inform/ProQuest were used. As a result, 12 articles could be identified. All of these articles are from the twenty-first century, and six of them are from 2009. The references of all the articles were studied, leading to additional literature sources such as edited books. This method, termed as a “pyramid scheme,” led to a total of 15 academic sources in which SE was the main topic. These sources were used as the first stream of literature in building the conceptual model of this present paper.

The previous research studies on SE mainly attempted to combine conceptual models that originally emerged independently in the research fields of strategic management and entrepreneurship. Among other things, such combined conceptual models have been termed as models of entrepreneurial orientation, resource-based view (Droege and Dong, 2008), agency theory and entrepreneurial governance and control (Audretsch *et al.*, 2009; Meuleman *et al.*, 2009).

Some researchers have tried to identify central variables that influence SE. For example, Schindehutte and Morris (2009) have listed the following variables

as most essential: exploration/exploitation, opportunity, newness, micro-macro interaction or dynamics. They have put forward the so-called complexity theory as a tool for better understanding the complex interplay of these variables.

We chose a different theoretical lens for the same endeavor – the configuration approach. Miller (1987) originally proposed using the four domains of leadership, structure, strategy and environment to identify optimal configurations in strategy research. His model has been further discussed by Dess *et al.* (1993), Mugler (2004) and Harms *et al.* (2007, 2009), the latter proposing that the leadership domain of Miller (1987) should be understood as the founder, since the founder is the driving force of any start-up firm. However, over time, in SMEs and in large firms, the founder may not play a significant role anymore. Therefore, we propose merging these two domains into entrepreneurial leadership, which integrates the entrepreneurial characteristics of the founder with the characteristics of the current leader.

Modifying the model of Harms *et al.* (2007), we propose separating the domains of organizational structure, resources and capabilities. In our perspective, resources are the basis for other domains of the configuration, and capabilities are the result of the interactions of resources. Additionally, we propose differentiating the domains of industry and the development of the firm. Established (large) firms, SMEs and start-up firms need to be differentiated according to the situation they operate in, in terms of the general availability of resources as well as in terms of the acquisition of firm-specific resources. Accordingly, differences need to be distinguished regarding the organizational structures and capabilities of different types of firms. For example, considerable differences exist between small, mature firms in stable and specialized niches on the one hand and young, growth-oriented firms on the other hand. While the former need to guard their market positions, incrementally developing their products and technologies, carefully satisfying their customers' needs in order to stay in business, young, growth-oriented firms first have to test their business models, their offerings and their niches and then shift their focuses towards extending the market niches and increasing market share. Therefore, several partly counteracting forces are at work in the development from a small to a large firm in terms of the need for entrepreneurship and for (more bureaucratic) strategic management. In the growth process, external uncertainty decreases which requires decreasing levels of exploration and planning for alternative courses of action. At the same time, internal complexity increases and adaptability decreases, which sets increasingly higher demands on the implementation side of strategic management.

In sum, we propose the following interrelated six domains for a new conceptual model of SE (Figure 2):

- (1) resources;
- (2) capabilities;
- (3) strategy;
- (4) the entrepreneur;
- (5) the environment; and
- (6) the organizational structure.

Our model combines the comprehensive SE process model by Ireland *et al.* (2003), the domains proposed by Miller (1987) and adapted by Harms *et al.* (2009), differentiated here to reflect the differences in the situations of the firm along its growth process.

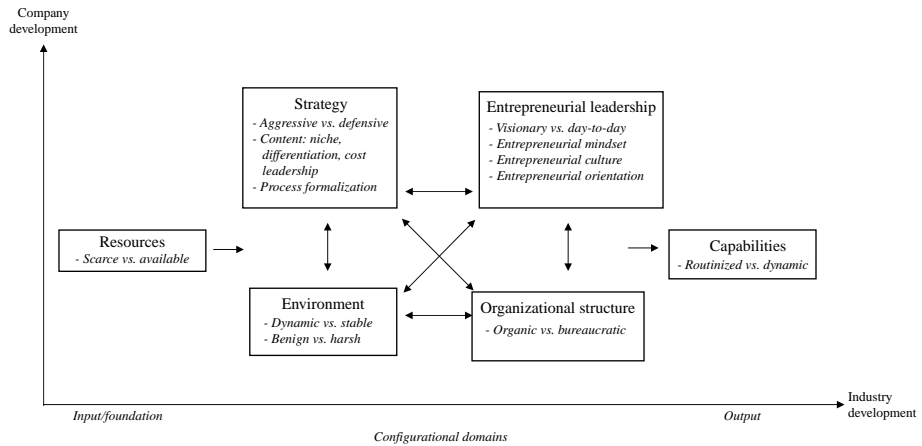


Figure 2. Identifying domains of SE through a developmental configuration approach

Source: Own illustration

3.2 The domains of resources and capabilities

Resources and capabilities are closely interrelated. In explaining organizational growth, Penrose (1959) stressed the importance of human resources and physical resources, mediated by managerial abilities. The latter build on cognitive abilities of actors and their ability to orchestrate the interaction among resources in rendering services for the organization, giving rise to capabilities (Penrose, 1959). Thus, according to the resource-based view of SE (Wernerfelt, 1984; Barney and Wright, 2001), resources can be combined and developed over time to generate unique capabilities that increase competitive advantage (Amit and Schoemaker, 1993).

Empirical studies have shown that firms of different sizes and ages are characterized by different resource combinations (Brush and Chaganti, 1999; Mosakowski, 1993). The kind of resources required for a firm depends on the environment: a fast-growing firm in a dynamic environment characteristically needs intangible resources (especially the entrepreneur's human resources), while a moderately growing firm in a stable environment usually needs concrete tangible resources (Lichtenstein and Brush, 2001). In the early stages of growing a new firm, the identification and acquisition of resources is usually more important than their allocation (Katz and Gartner, 1988). This corresponds to learning in a trial and error fashion within a rapidly changing environment (Eisenhardt and Martin, 2000). However, as a new firm grows and changes, it becomes necessary to acquire new resources or to transform existing resources to retain the right fit to changes in the product/market strategy and in the environment (Chandler and Hanks, 1994). This corresponds to a more path-dependent variation in strategic management associated with moderately dynamic markets (Teece *et al.*, 1997).

3.3 The domain of strategy

Strategic management is concerned with the overall direction and vision of the firm (versus day-to-day business operations) implemented by the management through combining resources in order to build capabilities in a specific environment. In the context of SE, both sides of strategic management, i.e. content and process, have increasingly

been studied. Content refers to strategy itself and process refers to the implementation of strategy (Stacey, 1993).

In the domain of strategy content, there are, e.g. market entry strategies for new firms or SMEs launching new products or entering new markets. The firm's relative position within the market strongly influences the overall performance of the firm (Gruber, 2004). Porter (1985) offers three generic strategies:

- (1) cost leadership;
- (2) differentiation; and
- (3) focus on a market niche.

New and small firms seldom can achieve cost advantages as they lack economies of scale. Thus, researchers recommend a niche strategy, i.e. targeting of special narrow market segments ignored by larger competitors. This allows for new and small firms to establish a market position and to develop the necessary resources for long-term survival (Lee *et al.*, 2001; Bamford *et al.*, 1997). Alternatively, new firms and SMEs can follow a differentiation strategy by providing a special advantage (e.g. quality leadership) that is highly valued by the customers. In order to achieve the highest possible performance, each strategy option needs to be linked with appropriate resources (Borch *et al.*, 1999).

In the domain of strategy process, research has mainly concentrated on the relationship between planning and performance. A recent literature review concerning this relation based on 24 empirical studies from the last 20 years revealed that 79 per cent of the analyzed studies could identify a positive relationship between strategic planning and the performance of the firm (Kraus *et al.*, 2008). Through an investigation of 248 small firms from Austria, the same study could also identify such a relationship between the formalization of strategic planning and employment growth.

3.4 The domain of the entrepreneur

The entrepreneur is the person who discovers an opportunity and decides to pursue it (Kirzner, 1973; Casson, 1982; Schumpeter, 1993 [1934]) by developing organizational capabilities based on resources in the context of a specific organization and specific strategies (Teece, 2007). The awareness of the entrepreneur is a direct result of a sensing process and thus in most cases is directly linked to the performance of the firm (McKenna, 1996). In SMEs and new firms, the entrepreneur (or the business owner-manager) is typically the main decision maker and strategist, bearing the responsibility of the development as well as the implementation of the overall vision, mission and strategies of the firm (Analoui and Karami, 2003). Strategic decisions therefore reflect the subjective orientations and attitudes of the entrepreneur. Accordingly, his personal goals, traits and strategic orientation have a significant impact on the firm's strategic behavior (McKenna, 1996). Although it has been argued frequently that no business is too small to have an explicit strategy (Sandberg *et al.*, 2001), many entrepreneurs lead their businesses on a day-to-day basis and do not plan or act strategically.

However, to act successfully, individual entrepreneurs (as well as intrapreneurs) have to manage their enterprises' resources strategically and thus engage in SE. To use the process model of SE by Ireland *et al.* (2003), the entrepreneur has to develop an entrepreneurial mindset as a way of thinking that focuses on identifying and exploiting opportunities in the face of uncertainty. This mindset goes along with a growth-oriented, failure-tolerant entrepreneurial culture of flexibility, creativity, innovation and renewal

(Ireland *et al.*, 2003; McGrath and MacMillan, 2000; Priem *et al.*, 2002) and entrepreneurial leadership which refers to the ability to influence others and to manage resources strategically. Entrepreneurial leadership also means striving for opportunity-seeking and advantage-seeking behavior simultaneously (Ireland *et al.*, 2001). An entrepreneurial mindset needs to be associated with an entrepreneurial orientation, ensuring that the mindset is transformed into activities. Entrepreneurial orientation is both an individualistic and a collective phenomenon (Covin and Slevin, 2002). A broad range of research has shown that a firm's entrepreneurial orientation has a positive effect on its performance. Most of these studies define entrepreneurial orientation as an organizational culture characterized by pro-activeness, risk taking and innovativeness (Miller, 1983; Covin and Slevin, 1989; Wiklund, 1999).

3.5 *The domain of the environment*

Strategic management is heavily affected by the dynamics, stability and munificence of the environment-influencing resources, organizational structures and entrepreneurial leadership. All these lead to capability development. For example, Jennings and Lumpkin (1992) have found that firms which follow a differentiation strategy scan their environments to identify new opportunities, whereas firms that follow the low-cost strategy monitor their environments to identify potential threats in order to ensure their survival. The ability to anticipate and then properly respond to environmental changes through a skillful sensing capability (Teece, 2007) is one of the most important inputs to effective SE (Ireland and Webb, 2007). Sensing capability encompasses monitoring, evaluating and disseminating information from the internal and external environment of a firm to key people within the firm. The process is based on an assessment of internal capabilities, strengths and weaknesses (Analoui and Karami, 2003). Both existing and desired capabilities are identified. The end result is the formulation and implementation of the firm's strategy. Internally, strategy formulation means bundling of resources and leveraging of capabilities to exploit opportunities for developing and sustaining competitive advantages ("seizing"; Teece, 2007).

Skillful strategic management of resources enhances creativity and innovation, with effective innovation leading to competitive advantage and value for the firm as well as its customers (Mizik and Jacobson, 2003).

In SE, opportunity identification forms the basis for the acquisition of new resources and the development of existing resources for the overall strategic management of an SME or a new firm for the subsequent exploitation of opportunities. Therefore, opportunity identification is the beginning of entrepreneurial behavior (Gaglio and Katz, 2001; Shane and Venkataraman, 2000). Opportunities are, therefore, also the foundation for the firm when it is developing its resources and capabilities, which can later lead to competitive advantages in different environments (Alvesson and Busenitz, 2001).

3.6 *The domain of organizational structure*

Organizational structure is considered the basis for effective implementation of strategy, enabling or constraining opportunity exploration and exploitation. Organizational structure is designed to help the entrepreneur in allocating the work, resources and administrative mechanisms (which give rise to capabilities) necessary for the implementation and control of the strategies of the firm (Analoui and Karami, 2003).

Chandler (1962) was one of the first to analyze how firms develop new administrative structures to facilitate growth and how strategic change can lead to structural change. Changes in the structure of the firm are often necessary when strategies change, and administrative problems and economic inefficiencies, therefore, may occur (Lynch, 1997). The size of the firm influences the choice of its organizational structure. Smaller firms have an organic simple or functional structure which allows effective direct communication between the entrepreneur and the employees, while larger firms that operate with multiple products in different markets simultaneously need a more bureaucratic, complex organizational structure. Such can be a matrix organization, multidivisional organization or a strategic business unit structure (Burns and Stalker, 1961).

In SE, the structure of the firm should always reflect its entrepreneurial (organizational) culture. The latter should foster and support the continuous search for entrepreneurial opportunities that can be exploited with sustainable competitive advantages (McGrath and MacMillan, 2000). The structure of the firm depends on and shapes its main resources, i.e. its financial, human and social capital (Sirmon and Hitt, 2003).

4. Conclusion and future research directions

This study was conducted with the objective of identifying domains for a new conceptual model of SE. The emphasis was on model building by looking at integral domains of the concept and on gaining a profound understanding of these domains and their interactions. For the final model, the following domains were chosen:

- resources;
- capabilities;
- strategy;
- the entrepreneur;
- the environment; and
- the organizational structure.

The study utilized a developmental configuration approach, which is a powerful method for building detailed models consisting of several domains illustrating complicated and interrelated relationships among large numbers of variables. The basis for the developmental configuration applied in the present study was a thorough review of academic literature on SE. The contents of all literature sources that were found on SE were absorbed into the conceptual modeling of the present study. In addition to the identification of domains for the model, a contribution of the present study is that large numbers of variables were analyzed simultaneously to develop an understanding of the interrelatedness of these variables. The essence of the new understanding is conveyed in the discussion of the domains and their corresponding variables.

Our new conceptual model contributes to a deeper understanding of how firms can create (more) value. As part of this accumulated new understanding, the following characteristics of SE can be listed. SE promotes strategic agility, flexibility, creativity and continuous innovation. Accordingly, in all organizations, successful SE rewards curiosity, risk taking, learning and innovation (Amit *et al.*, 2000). SE increases the number of new start-up firms and enhances the success of start-up firms and SMEs (Stevenson and Jarillo, 1990). In addition, SE is an instrument in transforming

administration-oriented employees into intrapreneurs who exercise entrepreneurial behavior in their organizations without being actual entrepreneurs (Hitt *et al.*, 2002). Our study provides a thorough overview of what has already been studied regarding SE. The number of theoretical studies is small and includes only a few propositions of conceptual models. Empirical research is at an initial stage and topics are mainly limited to pre-start-up planning, the relationship of strategic planning and performance and the role of formalization or ambidextrous management.

The next steps in studying SE could be to conduct more empirical studies. Our conceptual model, as well as other models of SE, should be verified empirically. It was shown above that the configuration approach is suitable for strategic management and entrepreneurship in the sense of new venture creation. We argue that it can be transferred to SMEs, regardless of their age and size if “developmental” differences between young and established firms are accounted for. By identifying five configurational domains of SE and integrating them with the process model of Ireland *et al.* (2003), this paper builds a starting point for further research that empirically investigates the interplay of variables in and through developmental “stages” of configurations. The configuration approach has already been shown to be applicable statistically, e.g. in an Austrian new venture study by Korunka and Kessler (2005) who determined optimal configurations which led to the actual foundation of a company. Therefore, we are convinced that optimal configurations of strategic domains which lead to greater SME and new venture success on the basis of our conceptualization can also be determined statistically. One aim of future research would be to empirically reveal successful and non-successful configurations. What are the variables that contribute to success and what is the optimal balance between different domains? The other side of the coin should be investigated as well. What are the variables that hinder success and what are non-optimal balances between different domains? One specific option for future research on SE is to utilize the structural equation models (SEM) approach which was developed by Wright (1921) for biology and Simon (1953) and Chin and Newsted (1999) for econometrics. SEM allow confirmatory tests of hypotheses about the existence, direction and strength of functional relationships. This approach is especially suitable for the analysis of complex relationships.

On a practical plane, the SE model can help companies to position themselves better in the face of today’s ongoing environmental changes as well as to develop relatively sustainable competitive advantages (Ireland and Webb, 2007). Recent research has already investigated a number of strategic issues in the context of SE, e.g. pre-start-up planning, and the strategic planning/performance relationship in SMEs including the role of formalization or ambidextrous management (i.e. exploration and exploitation). It could thereby shed some light on the topic of new venture and SME strategy. As most firms die young (Cressy, 2006), typically in their first three years of existence, studying successful configurations of the initial years of firms would be especially beneficial. There is preliminary evidence that SE could be a way to overcome the liabilities of newness or smallness (Stinchcombe, 1965; Aldrich and Auster, 1986) of firms. Accordingly, the awareness of SE needs to be raised through educators and policy makers.

SE has the potential to become a very valuable concept for new firms and established firms alike, which both need to be simultaneously entrepreneurial as well as strategic (Hitt *et al.*, 2001b). Deeper understanding of SE can help firms to position themselves better in the face of today’s ongoing environmental changes as well as to develop

sustainable competitive advantages (Ireland and Webb, 2007). On the one hand, firms that are able to identify potentially valuable opportunities but are unable to transform them into products and services cannot create value. On the other hand, firms that are able to build competitive advantages but lose their ability to identify entrepreneurial opportunities are also not able to create value (Ireland *et al.*, 2003). These situations are two types of pitfalls that SE can help to overcome. Accordingly, firms of all kinds, sizes and ages need to engage in SE to develop both opportunity-seeking and advantage-seeking behavior.

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