

Innovation, human capital and exogenous shocks

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Strategic entrepreneurship is about the simultaneous exploitation of existing advantages and the creation and exploitation of new opportunities. These are often referred to as the strategy- and the entrepreneurship dimension, respectively. We examine how the relative emphasis on the two dimensions of strategic entrepreneurship affects how firms behave with respect to human capital in the context of one particular exogenous shock, namely recessions. We hypothesize and find that the higher the focus on the entrepreneurial dimension, the more firms invest in training, the more likely they are to hire, and the more likely they are to lay off employees. Finally, we also find that these firms are more likely to combine the accumulation of human capital through training with both hiring and firing.

In sum, these findings show how challenges and opportunities created by environmental change differ depending on the relative emphasis on the two dimensions. They also show how firms focusing on the entrepreneurial dimension more actively pursue the opportunities created by increased labor market imperfections in recessions. These results contribute to the literature by highlighting how recessions affect firms' flow of human capital investments, and subsequently stocks, depending on their weighting of the two dimensions of strategic entrepreneurship.



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