

# **Spiritual capital, entrepreneurial resilience and firm-level performance in turbulent environments**

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## **Abstract**

Increasingly, businesses in the 21st century have to grapple with the challenges of operating in turbulent environments characterised by market volatility, political instability, and terrorism. These challenges are relevant to developing countries, where institutional weaknesses exacerbate environmental turbulence; and developed countries, where, for example in the UK, businesses are grappling with the uncertainties of BREXIT. In order to survive and compete, firms mobilise external resources and develop new strategies. For instance, scholars have observed that social capital in the form of cooperative alliances enables rival firms to combine resources, share costs, achieve economies of scale, and mitigate risk and uncertainty in innovation. Recently, a new interest has emerged in the role of spiritual capital—that is, the set of personal, intangible, and transcendent resources that emanate from an individual's spiritual or religious beliefs and experiences and may be used in economic activity. Spiritual capital is especially relevant in sub-Saharan Africa where there are greater institutional voids, and religion and spirituality play a dominant role in society. While recent studies have drawn attention to the impact of spiritual capital on firm level innovation and performance as well as corporate governance practices, this paper proposes a conceptual framework that interrogates and integrates the relationships between spiritual capital, environmental turbulence, entrepreneurial resilience and firm survival.

**Keywords:** spiritual capital, entrepreneurship, resilience, environmental turbulence

## **Introduction**

The term “turbulent fields” was introduced into the management literature by Emery & Trist (1965). This turbulence is characterised by a wide range of dynamic processes which create significant variances and engender uncertainties. Since Emery & Trist, the concept of environmental turbulence has been further developed by other researchers to incorporate additional factors and constructs such as market volatility, political instability, and terrorism (Czinkota et al. 2010; Bruck et al. 2013); institutional voids (Mair & Marti 2009); and infrastructural decay (Petricevic & Danis 2007).

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In response to these challenges associated with environmental turbulence, firms employ a wide range of resources and coping strategies. For example, scenario planning can help firms to anticipate and assess whether a business context is beginning to become or has already become turbulent, or provide guidance and strategic options to firms experiencing turbulence (Ramírez & Selsky 2016). Firms also mobilise social capital from informal and formal networks to overcome constraints and gain access to required complementary resources from the external environment (Lin et al. 2006). Furthermore, firms with higher levels of human and intellectual capital are usually better able to cope with changing and volatile conditions, including challenges associated with nascent and high-tech entrepreneurship (Davidsson & Honig 2003; Marvel 2013).

However, a relatively new area that has attracted limited attention in entrepreneurship research is spiritual capital.<sup>3</sup> Spiritual capital is generally described as a set of personal, intangible, and transcendent resources that emanate from an individual's spiritual or religious beliefs and experiences and may be used in economic activity. In this paper, we examine the potential impact of spiritual capital for entrepreneurs in turbulent environments. First, we explore the concept of environmental turbulence in the context of business ventures and entrepreneurial activities. We then draw on Maslow's needs hierarchy and theory of human motivation to illuminate the concept of spiritual capital, especially in terms of self-actualisation and self-transcendence. Finally, we discuss entrepreneurial resilience in the light of spiritual capital—how spiritual capital can facilitate and promote resilience. To conclude, we introduce a conceptual framework that integrates the relationships between spiritual capital, environmental turbulence, entrepreneurial resilience and firm survival.

### **Business venturing in turbulent environments**

In their seminal paper, Emery & Trist (1965) identified four causal textures of the environment in which firms operate. The simplest type of environmental texture is the placid, randomised environment “in which goals and noxiants are relatively unchanging in themselves and randomly distributed (Emery & Trist 1965, pp.24). The second is the slightly more complicated but still “placid, clustered environment”, and the third is the “disturbed-reactive environment”. The fourth and final environment is called “turbulent fields”, characterised by a wide range of dynamic processes which create significant variances and engenders uncertainties. Emery & Trist (1965) highlighted the example of how organisations are forced to react to instability in exchange rates.

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<sup>3</sup>The paucity of research on spiritual capital in entrepreneurship is evident in Balog et al's (2014) systematic review covering the 32 years between 1980 and 2012. They found only 30 articles which, according to them, are “the dominant empirical contributions that exist within this emergent research area”.

Since Emery & Trist, other scholars have contributed to further developing the concept of environmental turbulence. For example, Mair & Marti (2009) highlights “institutional voids” as a feature of turbulent environments. This refers to business contexts and situations where institutional arrangements that supports entrepreneurial activities are “absent, weak, or fail to accomplish the role expected of them” (Mair & Marti 2009, pp. 419). In such contexts, non-state actors, including business groups, often step in to provide alternative mechanisms to help markets to function. Inevitably, these institutional voids also create opportunities for illegitimate and illegal activities (Webb et al. 2009; Amankwah-Amoah et al. 2018). Similarly, Petricevic & Danis (2007) highlighted the negative impact of infrastructural decay on business activities. Finally, Bruck et al. (2013) highlighted the destructive impact of violent conflict on physical and human capital, and how these affect business activities.

Starting a business in such environments require considerable courage and resilience. Moreover, in addition to the conventional competencies (e.g., the well-known Big Five personality traits) required for successful entrepreneurship, running a business in a turbulent environment requires a set of competencies and strategies different from those required in traditional and more stable business environments. For instance, firms need to co-evolve, by means of new dynamics both within the organisation and between businesses (Rivera-Rodriguez et al. 2017). Organisations also rely on formal and informal networks to mobilise social capital in order to overcome resource constraints and create new opportunities. In fact, environmental turbulence often incentivises the formation of sophisticated external linkages by firms, ultimately ‘supplanting the state’ by making up for the failure of government institutions (Oyelaran-Oyeyinka, 2005, 2007). In addition to the above, we posit that spiritual capital can support entrepreneurial venturing, while also playing a key role in firms’ response and adaptation in turbulent environments. The next section describes how this happens via self-actualisation and self-transcendence.

### **Spiritual capital and self-transcendence**

Various scholars have offered different definitions of spiritual capital. Baker & Smith (2010, pp.10) defines spiritual capital as “the spiritual values and vision for the future that we express in activities such as prayer and worship, and which motivate us to make a practical contribution to society.” This definition appears to emphasize the religious perspective of spiritual capital, with reference to religious activities such as prayer and worship. Others, such as Iannaccone & Klick (2003) have highlighted the fact that spiritual capital has caught on because it is distinct from religion, and it is flexible and elastic enough to incorporate all types of traditional religions, as well as other forms of

non-religious spiritual activities and experiences. The academic challenge with this flexibility is that spiritual capital is difficult to pin down as an operational construct, given that there are sometimes significant differences in the various religious traditions, for example western Protestantism and Islamic traditions (Berger & Hefner 2003). For the purpose of this paper, we settled on a definition that incorporates both religious and non-religious experience and activities. This definition, proposed by Neubert et al. (2015, pp.2) states that “spiritual capital is the set of personal, intangible, and transcendent resources that emanate from an individual’s spiritual or religious beliefs and experiences and may be used in economic activity”

The challenge associated with the concept of spiritual capital is not only with respect to definition but also its mechanisms and operationalisation. In other words, how do we in practice distinguish between spiritual capital and other forms of capital? By what means is spiritual capital harnessed, and through what channels is it manifested in entrepreneurial activities and outcomes? In order to address this, we draw from Maslow’s theory of human motivation and hierarchy of needs. According to Maslow’s model, human needs arrange themselves in hierarchies of pre-potency, beginning with safety needs to self-actualisation (Maslow, 1943) This model was subsequently revised to put self-transcendence above self-actualisation as the highest level of human need/motivation (See Figure 1).

Self-transcendence intersects with the core notion of spirituality, and it is often used as a key indicator of spiritual capital (Levenson et al. 2005; Kirk et al. 1999). Self-transcendence is defined as “the capacity to reach out beyond oneself and discover or make meaning of experience through broadened perspectives and behaviour”(Kirk et al. 1999, pp.81). Individuals with high levels of spiritual capital are typically those who show high levels of self-transcendence. This is connected with the fact that the spiritual experience, both of the religious and non-religious variety, usually appeals to the ideal of non-material reality and values beyond the self. This ideal is invariably a resource of energy and motivation that move the individuals to reach beyond perceived personal limits. It has also been claimed as an ideal that enables individuals to surmount obstacles and survive difficult personal situations. The next question is: how does this interact with entrepreneurial resilience?

### **Spiritual capital and entrepreneurial resilience**

The term resilience has defined as “the positive ability of a system or company to adapt itself to the consequences of a catastrophic failure caused by power outage, a fire, a bomb, or similar event” (Hedner et al. 2011, pp.1). It can be described as a personal quality or characteristics that enables individuals to overcome adversity, moderates stress, and restore equilibrium (Fisher et al. 2016). As

such, it has been noted that resilience is associated with a high degree of self-esteem (Ayala & Manzano 2014).

Resilience has both external and internal aspects. The external aspects include access to material resources and access to supportive relationships, and internal aspects include experiences of power and control, and experiences of a sense of cohesion with others (Hedner et al. 2011; Ungar et al. 2008). There distinctive features and manifestations from culture to culture. For entrepreneurial resilience, in particular, three distinct factors have been identified: hardiness, resourcefulness, and optimism (Manzano-García & Ayala Calvo 2013). Hardiness refers to goal-setting orientation, commitment and decision making of entrepreneurs in the face of adverse situations. In other words, in spite of difficult situations, resilient entrepreneurs are usually committed to a set of goals, and make decisions to achieve them. Resourcefulness emphasizes the set of skills that enables entrepreneurs to exercise control and navigate their ways through adverse situations; and optimism refers to the positive attitudes that drive entrepreneurs to “improve a situation beyond simply doing what is expected, and know how to control their unpleasant feelings” (Manzano-García & Ayala Calvo 2013, pp.250).

These characteristics and attributes of entrepreneurial resilience are in line with dimensions and features of spiritual capital discussed in the foregoing. Specifically, the concept of transcendence has significant explanatory powers for understanding the “beyond-the-self” hardiness, resourcefulness and optimism of the entrepreneur in adverse situations. Adversity, by and large, is an idea that is associated with tangible, material experiences of personal or business failures, natural disasters, wars and conflicts, and other forms of stress and uncertainties. By reaching “beyond the self”, the resilient entrepreneur is able to mobilise non-material resources and summon the will to overcome difficulties and transform adverse conditions.

## **Conclusion**

Based on the foregoing discussion, we propose a conceptual model (see Figure 1) that integrates the interactions between spiritual capital, levels of consciousness/motivation, and resilience within a turbulent environment. Our model identifies key sources of spiritual capital, including prayer, meditation and reinforcement from members of the group, be they faith group or non-faith groups. We also highlight the main forms of spiritual capital such as spiritual beliefs, spiritual knowledge, and spiritual values. Next we incorporate a revised Maslow’s model of four levels of consciousness: self-awareness, self-esteem, self-actualisation, and self-transcendence. Through these, “Resilience” is developed by entrepreneurs to facilitate their performance and survival within the context of

environmental turbulence. Environmental turbulence in turn aggravates, and is aggravated by, institutional voids. In summary, we propose the following relationships:

*Proposition 1: Higher levels of spiritual capital are associated with higher levels of consciousness and motivation.*

*Proposition 2: Higher levels of spiritual capital are causally related to higher entrepreneurial resilience through the mechanism of higher consciousness and motivation*

*Proposition 3: Higher levels of entrepreneurial resilience are associated with a higher likelihood of firm survival in a turbulent business environment.*

*Proposition 4: Higher levels of entrepreneurial resilience are associated with a higher propensity for innovation in a turbulent business environment.*

The aggregate of these relationships provides a window to deeper understanding of the transformative potential of spiritual capital, especially in the contexts of institutional voids. That is, beyond coping with uncertainties and overcoming difficulties, this new framework can enable a deeper understanding of how resilient entrepreneurs mobilise spiritual capital to re-invent the entire entrepreneurial ecosystem in order to break new grounds of entrepreneurial creativity and open new doors of market opportunities.

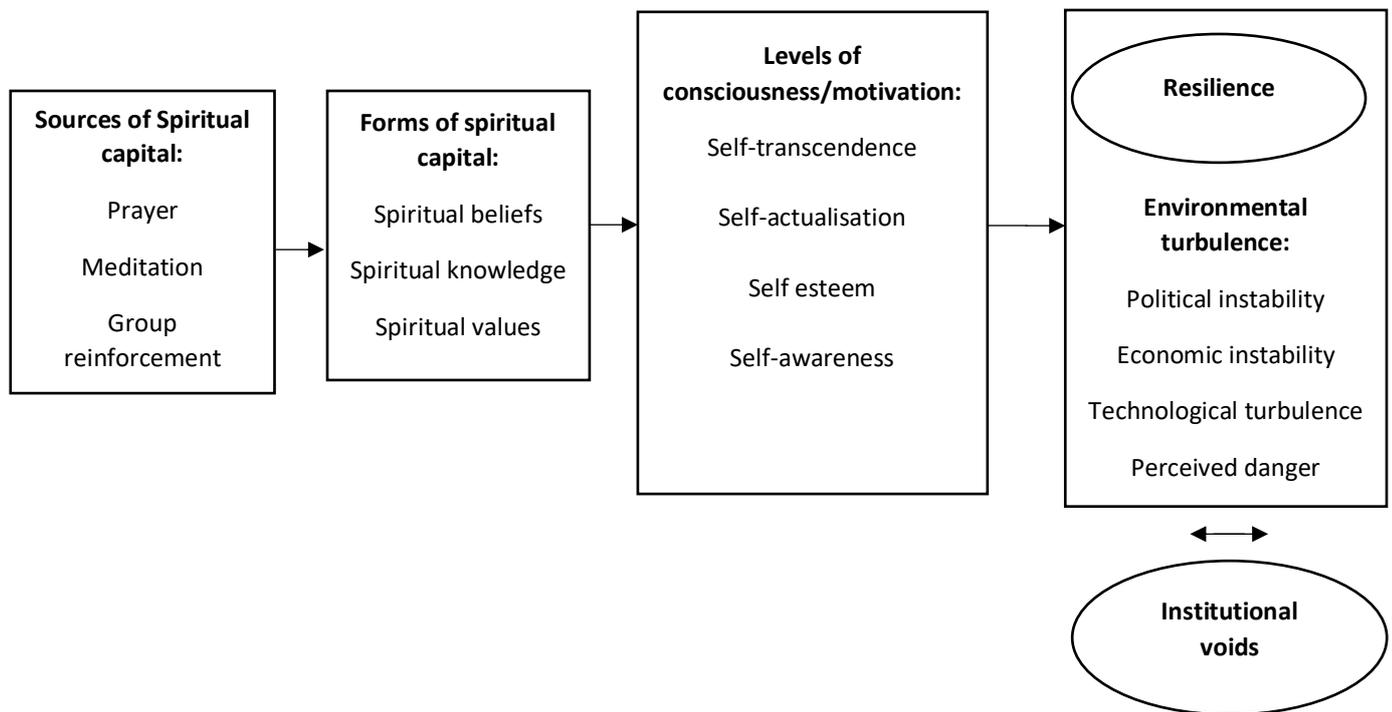


Figure 1: Spiritual capital and resilience in a turbulent environment

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