

Strategic Entrepreneurship: Integrating Entrepreneurial and Strategic Management Perspectives

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A new competitive landscape developed in the 1990s (Hitt, Ireland, and Hoskisson, 2001d). Filled with threats to existing patterns of successful competition as well as opportunities to form competitive advantages through innovations that create new industries and markets, this landscape was characterized by substantial and often frame-breaking change, a series of temporary, rather than sustainable competitive advantages for individual firms, the criticality of speed in making and implementing strategic decisions, shortened product life cycles, and new forms of competition among global competitors (Bettis and Hitt, 1995; Hitt, 2000; Hitt et al., 2001c; Hitt, Keats, and DeMarie, 1998; Ireland and Hitt, 1999).

The essence of the new competitive landscape remains a dominant influence on firm success in the twenty-first century. Indeed, the landscape's characteristics combine and interact to create an environment in which revolutionaries (entrepreneurial actors) have the potential to (1) capture existing markets in some instances while creating new ones in others, (2) take market share from less aggressive and innovative competitors, and (3) take the customers, assets, and even the employees of staid existing firms (Hamel, 2000). In this setting, entrepreneurial strategies for both new ventures and established firms are becoming increasingly important as their link to firm success receives additional validation (Bettis and Hitt, 1995; Hitt et al., 2001c; Ireland et al., 2001a). Entrepreneurial strategies are the embodiment of what some view as an entrepreneurial revolution occurring in nations across the globe, including some countries characterized as emerging economies (Morris, Kuratko, and Schindehutte, 2001; Zahra, Ireland, and Hitt, 2000b). An entrepreneurial mindset is required for firms to compete successfully in the new competitive landscape through use of carefully selected

and implemented entrepreneurial strategies. An entrepreneurial mindset denotes a way of thinking about business and its opportunities that captures the benefits of uncertainty. These benefits are captured as individuals search for and attempt to exploit high potential opportunities that are commonly associated with uncertain business environments (McGrath and MacMillan, 2000).

The twenty-first century's competitive landscape and the vital entrepreneurial strategies for competitive success demand effective strategic and entrepreneurial actions (Ireland et al., 2001a; Kuratko, Ireland, and Hornsby, 2001; Porter, 2001). *Strategic actions* are those through which companies develop and exploit current competitive advantages while supporting entrepreneurial actions that exploit opportunities that will help create competitive advantages for the firm in the future. A *competitive advantage* results from an enduring value differential in the minds of customers between one firm's good or service and those of its rivals (Duncan, Ginter, and Swayne, 1998). *Entrepreneurial actions* are actions through which companies identify and then seek to exploit entrepreneurial opportunities rivals have not noticed or fully exploited (Ireland et al., 2001a). *Entrepreneurial opportunities* are external environmental conditions suggesting the viability of introducing and selling new products, services, raw materials and organizing methods at prices exceeding their production costs (Casson, 1982; Shane and Venkataraman, 2000). Relying on earlier arguments (e.g., Casson, 1982; Kirzner, 1973), Alvarez and Barney (2001) argue that entrepreneurial opportunities surface when actors have insights about the value of resources or a combination of resources that are unknown to others.

Strategic entrepreneurship is the integration of entrepreneurial (i.e., opportunity-seeking actions) and strategic (i.e., advantage-seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth (Hitt et al., 2001c). Thus, strategic entrepreneurship is entrepreneurial action that is taken with a strategic perspective. Venkataraman and Sarasvathy (2001) referred to such activity as Romeo (entrepreneur) on the balcony (strategy).

Integrating entrepreneurial and strategic actions is necessary for firms to create maximum wealth (Ireland et al., 2001a). Entrepreneurial and strategic actions are complementary, not interchangeable (McGrath and MacMillan, 2000; Meyer and Heppard, 2000). Entrepreneurial action is designed to identify and pursue entrepreneurial opportunities. Thus, it is valuable in dynamic and uncertain environments such as the new competitive landscape because entrepreneurial opportunities arise from uncertainty. Entrepreneurial action using a strategic perspective is helpful to identify the most appropriate opportunities to exploit and then facilitate the exploitation to establish competitive advantages (hopefully ones that are sustainable for a reasonable period of time).

Because of its value to firms competing in a competitive landscape characterized by uncertainty, discontinuities, and rapid change, this book focuses on strategic entrepreneurship. Several domains important to both strategic management and entrepreneurship are examined herein. Individual chapters identify entrepreneurial strategies and how they can be effectively implemented to create new ventures (either independent startups or new units within established organizations) that produce enhanced wealth. Herein, outstanding entrepreneurship and strategic management scholars advance novel and path-breaking ideas that have the potential to meaningfully contribute to both fields and inform our understanding of wealth creation in organizations.

Our book begins with two chapters in which the intersections and interrelationships between the entrepreneurship and strategic management fields are examined. Following these chapters is one presenting different perspectives about entrepreneurial strategies.

Entrepreneurship and Strategic Management

Entrepreneurs create goods and services and managers seek to establish a competitive advantage with the goods and services created. Thus, entrepreneurial and strategic actions are complementary and can achieve the greatest wealth when integrated. In their chapter, Meyer, Neck, and Meeks explain the intersection between entrepreneurship and strategic management while simultaneously emphasizing the differences. They suggest, for example, that entrepreneurship focuses on creation while strategic management focuses on building a competitive advantage (firm performance). Additionally, they note that the entrepreneurship and strategic management fields have had different foci in the size of firms. Entrepreneurship has largely examined small businesses while strategic management concentrates on large businesses. However, they emphasize that the primary interface is creation–performance. In the framework presented earlier, the creation–performance relationship involves both opportunity-seeking and advantage-seeking actions, the integration of which we refer to as strategic entrepreneurship. Meyer et al. also suggest that two other intersections requiring further study are corporate entrepreneurship and the strategies and resulting performance of small and medium-sized businesses. Important issues, both are explored in other chapters in this book.

Michael, Storey, and Thomas’s chapter also examines the intersection of strategic management and entrepreneurship. Reaching a conclusion that differs from that of Meyer et al., they suggest that strategic management represents the “unrecognized union” between two fields – one concentrating on coordination and prevention of loss and the other focusing on the creation of future businesses. They refer to these fields as administrative management and entrepreneurial management, respectively. Additionally, Michael and his colleagues argue that most strategic management research has emphasized administrative management. This conclusion is supported by the results of an analysis of journal publications that Meyer et al. completed. They found little emphasis in the strategic management literature on entrepreneurial firms or on research questions important to them. Michael et al. argue that future strategic management research should emphasize entrepreneurial management because of its importance. While we see the fields of strategic management and entrepreneurship as independent, in agreement with Meyer and his colleagues, we agree on the importance of research on entrepreneurial management issues. We also suggest that these fields intersect in important areas and that the integration of theory and research in them is vital. The two aforementioned chapters provide interesting and thought-provoking arguments, ideas, and directions for entrepreneurship and strategic management scholars.

The third chapter in the first part presents a framework for entrepreneurial strategies. Developed by Johnson and Van de Ven, the framework provides four different

models of entrepreneurial strategy. The emphasis is different in each model. Highlighting the different foci are the theoretical lenses used to explain and support each model. As described by Johnson and Van de Ven, the models of entrepreneurial strategy (and their theoretical lenses) focus on (1) opportunity recognition (population ecology model), (2) achieving legitimacy (institutionalism model), (3) achieving fitness (industrial communities model), and (4) actions taken related to resource endowments, institutional arrangements, proprietary activities, and market consumption (industrial communities model). Johnson and Van de Ven appropriately suggest that each model requires a different entrepreneurial mindset. This requirement is consistent with arguments advanced by McGrath and MacMillan (2000). However, this perspective varies from the more common view that there is a single entrepreneurial mindset with a particular set of characteristics.

Johnson and Van de Ven also suggest that the most important type of entrepreneurial action identifies entrepreneurial opportunities that in turn lead to the development of new industries. The integration of entrepreneurial actions and complementary strategic actions that results in the creation of new industries through marketplace competition is a critical area of future theoretical and empirical research for strategic management and entrepreneurship scholars. In particular, there is need for future research on what differentiates a successful from an unsuccessful entrepreneurial firm and for understanding the sources of competitive advantage among entrepreneurial firms in the creation of new technology. Johnson and Van de Ven note that most new industries are forged not by single entrepreneurs but by numerous entrepreneurs collectively building an infrastructure.

Entrepreneurial actions that create a competitive advantage based on firms' tangible and intangible resources are the topics of the book's second major part.

Entrepreneurial Resources

Entrepreneurs (people acting independently or as part of a corporate system to create new organizations or to instigate renewal or innovation within an existing company – Sharma and Chrisman, 1999) and entrepreneurial firms identify and exploit opportunities that rivals have not observed or have underexploited. An appropriate set of resources is required to identify entrepreneurial opportunities with the greatest potential returns and to use a disciplined approach to exploit them (McGrath and MacMillan, 2000). Thus, the tenets of the resource-based view are applicable to both entrepreneurial ventures and established firms. The entrepreneurial and strategic actions linked to wealth creation are products of the firm's resources (Hitt et al., 2001b). To build and maintain a competitive advantage through which entrepreneurial opportunities can be identified and exploited, firms must hold or have access to heterogeneous and idiosyncratic resources that current and potential rivals cannot easily duplicate (Amit and Schoemaker, 1993; Barney, 1991). Recent evidence supports this argument. For example, Baum, Locke, and Smith (2001) found that a new venture's internal capabilities are an important predictor of its performance. Likewise, Lee, Lee, and Pennings (2001) found that technology-based new ventures created value using their internal capabilities. Compared to tangible resources, intangible resources are more likely to

contribute to a competitive advantage because they are socially complex and difficult for current and potential rivals to understand and imitate (Hitt et al., 2001a). Oftentimes, entrepreneurial firms' most competitively valuable resources are intangible, such as unique knowledge or proprietary technology. In their chapter, Alvarez and Barney suggest that entrepreneurs frequently have an idiosyncratic resource in the unique cognitive models that they use to make strategic decisions. In fact, entrepreneurs often apply heuristics unknown to others in their decision processes. Alvarez and Barney also argue that these heuristics allow the entrepreneur to achieve unique and higher-level learning, thereby enhancing their knowledge base.

To identify entrepreneurial opportunities, Alvarez and Barney highlight the importance of entrepreneurial alertness, another entrepreneurial resource. In particular, they call on Kirzner's (1973) arguments suggesting that entrepreneurs often have special insight into potential market disequilibrium opportunities. Alvarez and Barney suggest that entrepreneurial alertness is motivated largely by the lure of profits. Their arguments strongly support the belief that wealth creation is a driving force for entrepreneurs – both those engaged in startup ventures and those working entrepreneurially in an established organization (Ireland, Hitt and Vaidyanath, 2001b).

Knowledge, which is justified true belief, is a critical intangible resource that helps firms to identify and especially exploit opportunities to establish competitive advantages (von Krogh, Ichijo, and Nonaka, 2000). Alvarez and Barney use Schumpeter's arguments to suggest that entrepreneurs integrate disparate knowledge to accomplish these tasks (which include both entrepreneurial and strategic actions). They note that entrepreneurial knowledge includes where to obtain undervalued resources and how to exploit them. In effect, entrepreneurs bundle resources in new ways to create value. Entrepreneurs, then, exploit uncertainty about the true value of the bundle of resources (Poppo and Weigelt, 2000). As a result, they create disequilibrium in the market.

In contrast, Mosakowski's chapter explains how entrepreneurs overcome an inherent resource disadvantage to create wealth. She also argues that firms with large resource endowments experience problems such as core rigidities, reduced experimentation, lower incentives to develop new resources, and enhanced strategic transparency to competitors. In effect, Mosakowski argues that entrepreneurial action exercised in startup ventures is unlikely to suffer from these problems. In these settings, entrepreneurs are motivated to seek resources or to create them in order to produce wealth. Because of having fewer resources, they experiment more, have greater incentives to act, and are less transparent to potential competitors. Lower transparency increases the difficulty for rivals to understand and imitate a competitor's entrepreneurial and strategic actions. The approach to entrepreneurial action commonly observed in new ventures and less-established organizations demonstrates more of a dynamic capabilities or competencies approach (i.e., Lei, Hitt, and Bettis, 1996; Teece, Pisano, and Shuen, 1997).

One of the problems with firms having large resource endowments is that they may become less motivated to develop or seek new resources. Alternatively, entrepreneurial firms do so and thus create new resources or obtain and combine existing resources in unique ways to invent and innovate (Schumpeter, 1934). As such, they create disequilibrium in the market, often reducing the value of the established and stable firm's

resources. Microsoft CEO Steve Ballmer explains the problem in the following observation: “being big or small isn’t the crucial issue. If you don’t move, you don’t move . . . Now what is interesting is that in pharmaceuticals, the company that leads a therapeutic category in one generation is very seldom the leader the next generation” (Anders, 2001). Reasons for these competitive outcomes relative to market leadership are noted briefly above and are more thoroughly explained in Mosakowski’s chapter.

Thus, entrepreneurial resources are important in the creation of innovation as well as to the development of alliances and networks. We discuss the first relationship in the next part; analysis of the second one appears in a later part.

Innovation

The essence of entrepreneurship is creation (Lumpkin and Dess, 1996; Shane and Venkataraman, 2000). Innovation, often the foundation of creations, is critical for any firm (large or small) to compete effectively in the twenty-first century’s landscape (Hamel, 2000). Building on the importance of entrepreneurial action, Smith and Di Gregorio explain that the essence of entrepreneurship is newness: new resources, new customers, new markets, and/or new combinations of existing resources, customers, or markets. Further, they differentiate equilibrating and disequilibrating actions, using the same Austrian framework that served as a basis for many of Alvarez and Barney’s arguments. They suggest that equilibrating actions are based on the combination of existing and related resources that revise existing knowledge about markets. In contrast, disequilibrating actions are based on a combination of existing but unrelated resources that are incompatible with prevailing mental models. Smith and Di Gregorio argue that entrepreneurial firms can use bisociation to produce a creative action. Essentially, bisociation is the combination of two unrelated sets of information and resources. In fact, the extent to which bisociation is used differentiates the integrated entrepreneurial and strategic actions taken. They suggest that the variance in levels of knowledge across buyers and sellers presents entrepreneurial opportunities. Alert entrepreneurs and firms subsequently identify these opportunities and take strategic actions to exploit them.

Smith and Di Gregorio argue that disequilibrating actions can produce long-term competitive advantages because they are complex and will be difficult for competitors to identify and especially to imitate. Because the bisociative process occurs with individuals, organizational characteristics and processes can greatly affect it. For example, the reward system and expectations are likely to affect individual motivation and resulting behaviors (Ireland et al., 2001a). Firms with greater slack can invest that slack in the development of more radical innovation projects (i.e., take greater risks). The experience (e.g., tacit knowledge) of managers and the internal social networks along with connections to external networks may provide information inputs to the bisociation process. Thus, both individual and organizational factors affect entrepreneurial and strategic actions that are taken by organizations.

While individual entrepreneurs produce many innovations, Hoskisson and Busenitz note that 80 percent of the research and development conducted in developed nations takes place in large firms. Yet, according to them, these large firms account for less

than half of recorded patents. Thus, while large firms can be entrepreneurial, they are not able to take advantage of a significant amount of entrepreneurial opportunities. In light of this evidence, Hoskisson and Busenitz conclude that smaller entrepreneurial firms account for a significant amount of technological progress. However, this is a critical issue because research has shown that corporate entrepreneurship can have substantial effects on the performance and growth of established firms (Barringer and Bluedorn, 1999). In short, innovation is required for most firms to compete in local and global markets (Hamel, 2000; Hitt et al., 1998; Ireland and Hitt, 1999).

Alternatively, Ahuja and Lampert (2001) suggest that larger established firms are producing or certainly contributing to the production of radical or “breakthrough” innovation much more than is recognized. Further, they argue that large firms can and at least some do develop routines that enable the production of major innovations that represent significant technological breakthroughs.

These ideas suggest the importance of understanding how large established companies can become entrepreneurial through effective integration of entrepreneurial and strategic actions. This area of focus is often referred to as corporate entrepreneurship. The Hoskisson and Busenitz chapter examines the strategic actions firms can take to engage in corporate entrepreneurship. In particular, they explain the most appropriate mode of entering new areas that take advantage of entrepreneurial opportunities. For example, they suggest that acquisitions may be the most effective mode of entering markets new to the firm when market uncertainty is low but there are greater amounts of learning the firm must undertake (high learning distance) to develop new capabilities necessary to compete effectively in this new market. When market uncertainty is higher and the learning distance low, they recommend that the firm develop a new internal venture. In other words, the firm has the necessary capabilities to compete in the market and other firms are unlikely to have an advantage because of high uncertainty. Finally, Hoskisson and Busenitz suggest that a joint venture may be the best approach to enter new markets when market uncertainty and learning distance are both high. A joint venture affords the greatest amount of flexibility to firms. Significant amounts of flexibility can be especially valuable in uncertain markets. However, we also emphasize that the learning distance cannot be too high or the joint venture may fail. The firms need to have complementary resources for the joint venture to be successful (Hitt et al., 2000). Also, if the partner firms are to learn from each other, they must have adequate absorptive capacity to do so (Cohen and Levinthal, 1990). This means that the capabilities cannot be too dissimilar; that is, the learning distance cannot be too great or the partners will not be able to learn from each other (Lane and Lubatkin, 1998). In this case, the joint venture may be unsuccessful. Current research also suggests that relatedness in knowledge bases will help produce more innovations from acquisitions (Ahuja and Katila, 2001).

Implementation of corporate entrepreneurship strategies is important and can play a major role in the success (or lack thereof) of efforts to produce innovation in firms (Hitt et al., 1999). Kazanjian, Drazin, and Glynn, in their chapter, explore the strategies used to implement corporate entrepreneurship. In particular, they relate the use of knowledge in corporate entrepreneurship. For example, they suggest that product-line extensions are implemented largely by exploiting the firm’s existing knowledge. Alternatively, the development of a new platform requires the recombination of

existing knowledge along with extensions of it. Finally, creating new businesses requires new knowledge. New knowledge is necessary in these cases because new businesses often are based on technologies different from those the firm currently employs. Additionally, these new businesses operate in new markets, making it necessary for the firm to develop knowledge of how to use the new technology and how to compete effectively in the new market. Their work helps explain the inertia that sometimes occurs with larger successful firms that is described by Mosakowski in her chapter. To develop other than product-line extensions, the firm's knowledge base must be extended or new knowledge must be added. Even when developing new platforms, new combinations of current knowledge must be effectively developed. Ahuja and Lampert (2001) and Floyd and Wooldridge (1999) argue that firms seeking to engage in corporate entrepreneurship must seek a delicate balance between activities that use what is currently known and those requiring the generation of new knowledge. New knowledge is vital to organizational renewal (Sharma and Chrisman, 1999). In essence, this delicate balance is concerned with the equally important tasks of simultaneously exploring (e.g., experimentation, discovery, and flexibility) for new knowledge while exploiting (e.g., efficiency, refinement, and execution) existing knowledge to create wealth (March, 1991).

Increasingly, firms are using alliances and networks to build knowledge that is important for innovation (i.e., exploration) and for the implementation (i.e., exploitation) of corporate entrepreneurship strategies (Kale, Singh, and Perlmutter, 2000). As such, our next topic examines the growing use of alliances and networks for entrepreneurial efforts.

Alliances and Networks

Alliances and networks have emerged as a major form of organizing to acquire the resources and capabilities necessary to compete effectively in markets (Hitt et al., 2001a) and therefore, wealth creation (Ireland et al., 2001b). Furthermore, Gulati, Nohria, and Zaheer (2000) argue that strategic alliances and strategic networks can help firms develop resources and capabilities that are difficult to imitate, leading to a competitive advantage. Strategic networks may be even more important for entrepreneurial firms, partly because of the need for resources in order to compete effectively against other entrepreneurial and established firms. The chapter by Cooper examines the interrelationship among alliances, strategic networks, and successful entrepreneurship.

Alliances and networks provide access to information, resources, technology and markets (Hitt et al., 2001c). Cooper suggests that networks may serve even more competitively critical purposes for entrepreneurial firms. For example, networks create legitimacy for entrepreneurial firms when they partner with a well-known and respected company. This is especially true for independent new ventures focused on creating a new market or a niche within an established market. Additionally, Cooper suggests that alliances can lead to exchange relationships with entrepreneurial firms' customers. Furthermore, the creation of new independent ventures frequently is based either on the network ties of an individual entrepreneur or of entrepreneurial teams in the case of ventures by larger firms. In particular, sources of ideas for new ventures often come

from social networks. Thus, networks are sources of entrepreneurial opportunities. Perhaps most importantly, some of the critical resources to create and operate a new venture are obtained through network ties. As such, according to Cooper's review of the research, the number and extent of network ties are positively related to entrepreneurial firm performance.

Complementing Cooper's work, Hagedoorn and Roijakkers' chapter examines alliances between small entrepreneurial firms and larger established companies. In fact, Hagedoorn and Roijakkers report the results of empirical research on inter-firm networks of R&D partnerships in the biotechnology industry. Their research shows that the small firms largely provided the new technology and the large firms provided the financial resources, manufacturing capabilities and the marketing and distribution systems for the new products. Thus, the large established pharmaceutical firms and the smaller biotechnology firms had complementary resources and capabilities. In point of fact, the smaller entrepreneurial biotechnology firms created technological discontinuities in the Schumpeterian tradition. Furthermore, over time, the larger pharmaceutical firms increased their relative investment in R&D. This suggests that these firms have learned from their alliance with the smaller biotechnology firms. These results are supported by Rothaermel's (2001) study of the same industry. He argued that the smaller biotechnology firms created a technological discontinuity in the pharmaceutical industry. However, through the alliances, the larger pharmaceutical firms learned new capabilities and adapted to the new technology.

Strategic alliances and strategic networks have become a highly popular means of entering international markets. Of late, entrepreneurial firms have been entering international markets in record numbers, often through international alliances (Hitt et al., 2001c; Ireland et al., 2001a). Therefore, we consider the concept of international entrepreneurship.

International Entrepreneurship

During the decade of the 1990s and continuing into the twenty-first century, the global economic landscape has been undergoing substantial changes (Zahra et al., 2000a). The increasing globalization has produced and continues to produce a number of outcomes, some of which are unprecedented. Clearly, there is substantial global competition in most economically developed markets, particularly in the US. For example, for the period of 1998–2000, foreign firms spent over \$900 billion to acquire US businesses. During the same time period, US firms spent \$418 billion to acquire foreign firms (Jones, 2001). Certainly, many large firms regardless of their home base are generating an increasing amount of their sales revenue from international markets. For example, approximately 50 percent of Toyota's sales come from markets outside of Japan, while over 60 percent of McDonald's annual revenue comes from markets outside of the US (Ireland et al., 2001a). Because of the significant potential returns, internationalization has become a primary driver of the competitive landscape (Hitt, Hoskisson, and Kim, 1997; Hitt et al., 2001d).

Internationalization also has accelerated among smaller and newer firms (McDougall and Oviatt, 2000). In fact, many new firms have been born international, particularly

those using the Internet to conduct business transactions (Semadeni, Hitt, and Uhlenbruck, 2001). International markets present new entrepreneurial opportunities. Thus, Lu and Beamish (2001) argue that entry into international markets is an entrepreneurial act undertaken at least in part to identify and pursue entrepreneurial opportunities.

The chapter by Zahra and George examines the domain of international entrepreneurship, its evolution, and current important dimensions. Reviewing the international entrepreneurship domain and examining the work on it, they define international entrepreneurship as the process of creatively discovering and exploiting opportunities outside of the firm's domestic market for the purpose of achieving a competitive advantage. Zahra and George examine the research on the dimensions of international entrepreneurship to include the degree of internationalization, the scope, and the speed of market entry. Importantly, they develop an integrated model of international entrepreneurship. The model suggests that the primary factors in moving into international markets are the firm's resources, the characteristics of the top management team (e.g., international experience/exposure), and other firm characteristics such as age, size, location, and home base. However, Zahra and George suggest that there are also important moderators of the relationship between organizational factors and international entrepreneurship. The two prominent moderators are environmental factors and strategic factors. Environmental factors such as competitive forces, national culture, and institutional environment may affect the extent to which an entrepreneurial firm engages in international entrepreneurship as well as the markets it chooses to enter. Additionally, its general firm strategies and the market entry strategies used may also affect the extent and location of international entrepreneurship of a firm.

Zahra and George also review some of the theoretical explanations for international entrepreneurship. Of course, there are established theories (e.g., Dunning's 1988 eclectic theory for foreign direct investment, transaction cost, and organizational learning theories) that researchers have used to examine questions related to international entrepreneurship. For example, Zahra et al. (2000b) used organizational learning theory to explain the depth, breadth, and speed of technological learning from international market entries by new ventures. They found that firms with greater depth, breadth, and speed of technological learning enjoyed higher returns. Zahra and George conclude that there is much opportunity for research in international entrepreneurship.

Top management teams are critically important for the exercise of strategic entrepreneurship. Hambrick and Mason (1984) suggested that organizations are reflections of their top managers. Furthermore, top executives play a critical role in the development and implementation of the firm's strategy (Finkelstein and Hambrick, 1996). Daily, Certo, and Dalton (2000) suggest that top managers represent a unique resource for the firm. In fact, recent research has found this resource to be positively related to firm performance (Hitt et al., 2001b). Entrepreneurial organizations depend even more strongly on their top managers for success.

Likewise, Barkema and Chvyrkov in their chapter argue that the top management team is critically important in internationally diversified firms. In fact, they suggest that internationally diversified firms require well-developed social networks and the capability to process substantial amounts of information to be critical to top executives' efforts to act entrepreneurially. Barkema and Chvyrkov explain that managing a

large, internationally diversified firm is highly complex and challenging. These managers must decide which and how many international markets to enter. In addition, Barkema and Chvyrkov argue that top managers in internationally diversified firms facilitate the horizontal flow of vast streams of people and information often across unit, region, and country boundaries. They must monitor and manage a variety of subsidiaries in many countries and cultures. Finally, they still must deal with the usual challenges of business such as responding to competition and satisfying customers but in a more complex milieu of cultures and institutional infrastructures (i.e., Newman, 2000).

Barkema and Chevyrkov conducted a longitudinal study of the top management team in 25 firms for the years 1966–98. They found that firms with longer-tenured CEOs and top management teams were also more internationally diversified. Top managers with more experience in the firm are better able to coordinate and link its diverse internal groups. These managers have strong internal networks and relationships. They also found that top management teams with greater heterogeneity in tenure and education were more likely to operate effectively in internationally diversified firms. The heterogeneity is important to deal with the substantial complexity encountered in internationally diversified firms. The top managers must be entrepreneurial, identifying and exploiting opportunities. As we have explained and as Barkema and Chvyrkov demonstrate, top managers are important in internationally diversified firms. However, this set of organizational actors plays a critical role in terms of wealth creation in all types of firms, including independent new ventures. Furthermore, these executives and the leadership they provide are vital to the survival and performance of entrepreneurial firms. A critical indicator of performance in new ventures is growth. The strategic leadership that contributes to growth and subsequently, the creation of wealth along with the components of independent new ventures' growth are the foundation of the next section.

Strategic Leadership and Growth

The top managers and top entrepreneurs for the year 2000 were profiled in the January 2001 issue of *Business Week*. Interestingly, many of those recognized as top managers (for large and established companies) are also known to be entrepreneurial. Examples of these successful executives include the well-known Herb Kelleher, former CEO of Southwest Airlines, and the less well-known Keji Tachikawa, CEO of DoCoMo, the Japanese wireless communications company that is becoming a household name. Alternatively, the top entrepreneurs were not only creating new products that were in demand but also building businesses that had “staying power.” Therefore, the top corporate managers and entrepreneurs seem to be exhibiting many of the same behaviors – behaviors that demonstrate strategic entrepreneurship.

In their chapter, Covin and Slevin analyze the entrepreneurial imperatives of strategic leadership. They emphasize the definition of strategic leadership posed by Hitt et al. (2001d) and emphasized by Ireland and Hitt (1999). This definition suggests that strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. This form of leadership is similar

to the entrepreneurial manager described in the chapter by Michael, Storey, and Thomas. In addition to the domains of strategic leadership described by Hitt et al. (2001d) and Ireland and Hitt (1999), Covin and Slevin argue that these individuals must have an entrepreneurial mindset. An entrepreneurial mindset is similar to the concept of entrepreneurial dominant logic presented by Meyer and Heppard (2000). An entrepreneurial mindset or dominant logic is prepared to take advantage of uncertainty by being flexible, building a strong capacity for innovation in order to preempt competitors to exploit product market opportunities and receptivity to novel and promising new business models.

The heart of Covin and Slevin's chapter focuses on the entrepreneurial imperatives of strategic leadership. These include nourishing entrepreneurial capabilities, nurturing innovations that threaten the firm's current business model, keeping the organization's boundaries broad enough to encompass promising opportunities, being prepared to question the current dominant logic focus on the deceptively simple questions, and linking entrepreneurship and strategy. We focus only on a couple of these crucially important imperatives.

It is common for managers to protect the firm's business model and when they are in a protective mode, they are likely to reject innovations that may disrupt the business model. However, this is absolutely the wrong action. Organizations acting in this manner are not seeking entrepreneurial opportunities. If the firm either is not aware of or chooses to reject an innovation that changes its business model, a more flexible competitor is likely to accept and implement it. Hamel (2000) suggests that revolutionaries are firms that will sequentially take other firms' customers and markets followed by their assets and best employees, leaving very little of value for the non-revolutionary competitor. In a similar vein, the firm's boundaries should not be too narrow so as to preclude promising opportunities. Jack Welch recently admitted that his requirement for all of GE's businesses to be number one or two in their markets forced managers to define their markets too narrowly. As a result, they missed excellent opportunities that others exploited. Therefore, this requirement for GE's businesses has been eliminated.

Of major importance to most new ventures is the ability to grow and develop assets and resources. Indeed, commitment to growth and rates of growth have emerged as primary factors distinguishing entrepreneurial ventures from small business organizations (Sexton and Smilor, 1997). Their importance can cause those leading new ventures to seek growth even at the expense of profits, especially in the early years of the venture's life. Davidsson, Delmar, and Wiklund explain the importance of entrepreneurial growth in their chapter. They argue that growth is a reasonable indicator of entrepreneurship for younger and smaller firms but not necessarily so for larger and more mature firms. All three of the coauthors are highly qualified to focus on this topic as each of the three wrote his dissertation on entrepreneurship and small firm growth. These authors suggest that if one considers entrepreneurship as the creation of new economic activity, entrepreneurship is growth. But, all growth is not entrepreneurship. For example, growth of existing economic activity (e.g., through acquisitions of other firms or increasing sales of current product lines) is not entrepreneurship. Thus, a primary strategic objective of firms should be to create new economic activity. Entrepreneurial strategies that lead to high growth are of particular importance.

Conclusions

This book is about a new concept, strategic entrepreneurship. Strategic entrepreneurship is applicable to smaller newer firms and older established companies as well. As we have explained herein and as is addressed in different fashions by the scholars whose work appears in this book, at its most basic, strategic entrepreneurship is comprised of entrepreneurial actions that are taken using a strategic perspective. In more depth, this concept details the strategic discipline through which exploration is used to identify entrepreneurial opportunities by which these opportunities are exploited to create firm wealth. Thus, strategic entrepreneurship facilitates firms' efforts to identify the best opportunities (matched to their resources and with the highest potential returns) and then to exploit them with the discipline of a strategic business plan. The goal of strategic entrepreneurship is to continuously create competitive advantages that lead to maximum wealth creation.

This book explores strategic entrepreneurship by integrating the concepts of firm actions that research in the entrepreneurship and strategic management literatures show to be relevant to the creation of wealth. Chapters herein explore how firms use their resources to explore for and then to identify the competitive value of and exploit entrepreneurial opportunities. They explore the use of alliances and networks in entrepreneurial processes. Other chapters examine innovation, that which is entrepreneurial and the necessity of it for survival and success. The chapters include discussions of corporate entrepreneurship and how it is implemented. International entrepreneurship is examined along with how top managers contribute entrepreneurial and strategic actions to facilitate and support internationalization of their firm. Finally, the exercise of strategic leadership and achievement of growth are explored in separate chapters. Of particular importance are the imperatives of entrepreneurship for strategic leadership.

The concept of strategic leadership has significant implications for the development and management of new ventures and larger established firms. These implications extend to the research and teaching in the disciplines of entrepreneurship and strategic management. Strategic entrepreneurship is a critically important business concept for the twenty-first century.

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