Strategic Management Journal
Strat. Mgmt. J., **22**: 479–491 (2001)
DOI: 10.1002/smj.196

GUEST EDITORS' INTRODUCTION TO THE SPECIAL ISSUE STRATEGIC ENTREPRENEURSHIP: ENTREPRENEURIAL STRATEGIES FOR WEALTH CREATION

MICHAEL A. HITT[1]*, R. DUANE IRELAND[2], S. MICHAEL CAMP[3] and DONALD L. SEXTON[4]
[1]*College of Business, Arizona State University, Tempe, Arizona, U.S.A.*
[2]*E. Claiborne Robins School of Business, University of Richmond, Richmond, Virginia, U.S.A.*
[3]*Kauffman Center for Entrepreneurial Leadership, Kansas City, Missouri, U.S.A.*
[4]*Sexton and Associates, Inc., Summerville, South Carolina, U.S.A.*

Entrepreneurship involves identifying and exploiting entrepreneurial opportunities. However, to create the most value entrepreneurial firms also need to act strategically. This calls for an integration of entrepreneurial and strategic thinking. We explore this strategic entrepreneurship in several important organizational domains to include external networks and alliances, resources and organizational learning, innovation and internationalization. The research in this special issue examines both traditional (e.g., contingency theory, strategic fit) and new theory (e.g., cultural entrepreneurship, business model drivers). The research also integrates, extends, and tests theory and research from entrepreneurship and strategic management in new ways such as creative destruction (discontinuities), resource-based view, organizational learning, network theory, transaction costs and institutional theory. The research presented herein provides a basis for future research on strategic entrepreneurship for wealth creation. Copyright © 2001 John Wiley & Sons, Ltd.

The age of progress is over. It was born in the Renaissance, achieved its exuberant adolescence during the Enlightenment, reached a robust maturity in the industrial age, and died with the dawn of the twenty-first century … We now stand on the threshold of a new age—the age of revolution … it is going to be an age of upheaval, of tumult, of fortunes made and unmade at head-snapping speed. For change has changed. No longer is it additive. No longer does it move in a straight line. In the twenty-first century, change is discontinuous, abrupt, seditious. (Hamel, 2000: 4–5).

Uncertainty can be used to your benefit if you create and employ an entrepreneurial mindset—a way of thinking about your business that captures the benefits of uncertainty. (McGrath and MacMillan, 2000: 1).

Change is constant in the new economy landscape (Brown and Eisenhardt, 1998). For example, the digital revolution is altering the fundamental ways companies conduct business to create wealth (Stopford, 2001). Such significant changes challenge the essence of the business model firms use to achieve various goals and as such, they are curvilinear and complex (Hitt, 2000). As implied in the quotes above, this change, largely driven by new technology and

Key words: strategic entrepreneurship; wealth creation; networks; resources; innovation and internationalization
*Correspondence to: Michael A. Hitt, College of Business, Arizona State University, PO Box 874006, Tempe, AZ 85287-4006, U.S.A.

globalization, has created a competitive landscape with substantial uncertainty (Bettis and Hitt, 1995; Ireland and Hitt, 1999). However, there are opportunities in uncertainty. The firm's focus must be on identifying and exploiting these opportunities (Shane and Venkataraman, 2000). Entrepreneurship involves identifying and exploiting opportunities in the external environment (Ireland and Kuratko, 2001; Smith and DeGregorio, 2001; Zahra and Dess, 2001); an entrepreneurial mindset is useful in capturing the benefits of uncertainty (McGrath and MacMillan, 2000).

While the fields of strategic management and entrepreneurship have developed largely independently of each other, they both are focused on how firms adapt to environmental change and exploit opportunities created by uncertainties and discontinuities in the creation of wealth (Hitt and Ireland, 2000; Venkataraman and Sarasvathy, 2001). As such, several scholars have recently called for the integration of strategic and entrepreneurial thinking (e.g., McGrath and MacMillan, 2000). In fact, Meyer and Heppard (2000) argue that the two are really inseparable. McGrath and MacMillan (2000) argue that strategists must exploit an entrepreneurial mindset and, thus, have no choice but to embrace it to sense opportunities, mobilize resources, and act to exploit opportunities, especially under highly uncertain conditions. Venkataraman and Sarasvathy (2001) use a metaphor based on Shakespeare's *Romeo and Juliet*. They suggest that strategic management research that does not integrate an entrepreneurial perspective is like the balcony without Romeo. Alternatively, they argue that entrepreneurship research without integration of a strategic perspective is like Romeo without a balcony.

These arguments provide the foundation for this special issue of *Strategic Management Journal*. The specific purpose of this special issue is to encourage, nurture, and publish excellent research that integrates both entrepreneurship and strategic management perspectives. Furthermore, we focus on research that addresses entrepreneurial strategies for wealth creation because of the critical importance to management research and practice for the twenty-first century. The importance of the topic is exemplified by the fact that we received 83 manuscripts in response to our call for papers for this special issue. The manuscripts published in this special issue emerged from a rigorous review and development process. This issue presents articles that make important theoretical and empirical contributions to our knowledge of entrepreneurial strategies that create wealth. Some of these works develop new theoretical perspectives, while others test previously unexamined theoretical explanations for successful entrepreneurial strategies.

For the purposes of the research included in this special issue, we define entrepreneurship as the identification and exploitation of previously unexploited opportunities. As such, entrepreneurial actions entail creating new resources or combining existing resources in new ways to develop and commercialize new products, move into new markets, and/or service new customers (Ireland *et al.*, 2001; Ireland and Kuratko, 2001; Kuratko, Ireland, and Hornsby, 2001; Sexton and Smilor, 1997; Smith and DeGregorio, 2001). On the other hand, strategic management entails the set of commitments, decisions, and actions designed and executed to produce a competitive advantage and earn above-average returns (Hitt, Ireland, and Hoskisson, 2001). Strategic management calls for choices to be made among competing alternatives (Stopford, 2001). Alternative entrepreneurial opportunities constitute one of the primary arenas of choices to be made. Strategic management provides the context for entrepreneurial actions (Ireland *et al.*, 2001). Entrepreneurship is about creation; strategic management is about how advantage is established and maintained from what is created (Venkataraman and Sarasvathy, 2001). Wealth creation is at the heart of both entrepreneurship *and* strategic management. Outcomes from creation (i.e., entrepreneurship) and exploiting current advantages while simultaneously exploring new ones (i.e., strategic management) can be tangible, such as enhancements to firm wealth, and intangible, such as enhancements in the firm's intellectual and social capital. Thus, entrepreneurial *and* strategic perspectives should be integrated to examine entrepreneurial strategies that create wealth. We call this approach *strategic entrepreneurship*.

STRATEGIC ENTREPRENEURSHIP

Strategic entrepreneurship is entrepreneurial action with a strategic perspective. In the words of Venkataraman and Sarasvathy (2001), entrepreneurial action is the 'Romeo on the balcony.' One could also consider entrepreneurial action to be strategic action with an entrepreneurial mindset. In short, strategic entrepreneurship is the integration of entrepreneurial (i.e., opportunity-seeking behavior) and strategic (i.e., advantage-seeking) perspectives in developing and taking actions designed to create wealth.

There are several domains in which the integration between entrepreneurship and strategic management occurs naturally. With theoretical roots in economics, international business and management, organization theory, sociology, and strategic management, Hitt and Ireland (2000) and Ireland *et al.* (2001) identified six such domains. Of these six, we examine the domains most important and relevant to the research published in this special issue. The review of the domains explores their theoretical bases, linkages to wealth creation, and the contributions of the specific research highlighted in this issue. The domains include external networks, resources and organizational learning, innovation, and internationalization.

External networks

External networks have become increasingly important to all types of firms as the economic environment continues to grow more competitive (Gulati, Nohria, and Zaheer, 2000). Such networks involve relationships with customers, suppliers, and competitors among others and often extend across industry, geographic, political, and cultural boundaries. Networks have grown in importance because they can provide firms with access to information, resources, markets and even, at times, technologies (Gulati *et al.*, 2000). Networks can also play an important role in providing participants with credibility or legitimacy (Cooper, 2001). This is particularly true for new ventures that participate in networks with older, more established firms.

External networks can serve as sources of information that help entrepreneurial firms identify potential opportunities. (Cooper, 2001). However, the greatest value of networks for entrepreneurial firms is the provision of resources and capabilities needed to compete effectively in the marketplace (McEvily and Zaheer, 1999). These resources and capabilities are of most benefit in networks when they are complementary to those of partners in the network (Chung, Singh and Lee, 2000; Hitt *et al.*, 2000). The study reported by Rothaermel in this issue clearly shows the value of exploiting complementary resources in alliances and networks. The results of his research suggest that both smaller biotechnology firms and the larger pharmaceutical firms benefit from their alliances. The biotechnology firms provide new technology and new products (innovation), while the pharmaceutical firms provide the distribution networks and marketing capabilities to successfully commercialize the new products. The larger established pharmaceutical firms also gain value through access to their partners' new technology. As a result of applying of the partners' complementary assets, alliances help the larger, established companies adapt to the technological discontinuity created by the introduction of the radical new technology. Indeed, radically new, disruptive technologies often upset an industry's value chain, challenging firms to quickly learn either how to create more of the value using traditional practices or more likely how to create value in ways different from historically practices (Albrinck *et al.*, 2001).

In particular, external networks can be valuable because they provide the opportunity to learn new capabilities (Anand and Khanna, 2000; Dussauge, Garrette and Mitchell, 2000; Hitt *et al.*, 2000). Networks, then, allow firms to compete in markets without first owning all of the resources necessary to do so. This is particularly important to new venture firms because they often have limited resources (Starr and MacMillan, 1990; Dubini and Aldrich, 1991; Cooper, 2001). In fact, research suggests that new start-up firms can enhance their chances of survival and eventual success by establishing alliances and developing them into an effective network (Baum, Calabrese and Silverman, 2000). The work by Amit and Zott in this special issue provides an excellent example. Based on a sample from the United States and Europe, they identify the drivers of value creation in e-business firms.. Two of the drivers are complementarities and new transaction structures with constituents in a network. E-businesses use networks extensively to outsource functions (e.g., distribution assets, warehouses), particularly those usually performed by old-economy firms that cannot be replaced using the new technology.

Thus, firms usually search for partners with complementary capabilities in forming an alliance or network. However, research has shown that equally important is the existence of social capital (Tsai, 2000). Social capital is developed through experience operating in networks. Over time firms learn how to work effectively with partners and build trusting relationships (Kale, Singh and Perlmutter, 2000). While partners may use alliances for learning races (Hamel, 1991), the building of mutual trust among partners often prevents the opportunistic outcomes of such learning (Kale *et al.,* 2000). Yli-Renko, Autio, and Sapienza in this special issue report results showing that social capital in critical customer relationships promotes both knowledge acquisition and knowledge exploitation by high-technology ventures. Their findings support the arguments that social capital facilitates learning. Interestingly, they also find that high-quality relationships between alliance partners promote trust and less emphasis on knowledge acquisition. In other words, high trust produces a willingness to depend on the partner rather than to learn and perhaps exploit the partner's capabilities. An idiosyncratic trust-based relationship can be a source of competitive advantage for the partner firms (Davis *et al.*, 2000).

Kogut (2000) argued that the most important resource of networks may not be in the direct bilateral ties. Rather, participation in a network provides access to resources and knowledge of all of the firm's partners' network ties. Thus, both direct (i.e., relatively formal) and indirect (i.e., relatively informal) network ties can be valuable. One valuable outcome from direct and indirect network ties, especially for newer entrepreneurial firms, is the status or recognition that can come from linkages to respected and prestigious partners (Stuart, 2000). The research reported by Lee, Lee, and Pennings in this issue shows the importance of new venture firms' linkages to venture capitalists. These linkages are vital both for the financial support they generate as well as the legitimacy their investments provide to other important external parties (e.g., financial institutions, suppliers, customers, investors). Their research findings show a strong positive relationship between venture capitalist participation in a new venture and its financial growth rate. Lee, Lee, and Pennings conclude that internal capabilities are of critical importance for creating value in new ventures.

Resources and organizational learning

In 1959, a British economist, Edith Penrose, suggested that the returns earned by firms could largely be attributed to the resources they held. Novel in its nature and scope, this perspective was not shared by most of Penrose's contemporaries. In subsequent years, others, particularly strategic management scholars (e.g., Wernerfelt, 1984; Hitt and Ireland, 1985; Barney, 1986, 1991; Rumelt, 1991; Amit and Schoemaker, 1993), picked up the gauntlet arguing that firms' resources, capabilities, and competencies facilitate the development of sustainable competitive advantages. The primary argument is that firms hold heterogeneous and idiosyncratic resources (defined broadly here to include capabilities) on which their strategies are based. Competitive advantages are achieved when the strategies are successful in leveraging these resources. For example, special resources held by Southwest Airlines and not by its competitors allowed it to implement an integrated low cost-differentiation strategy such that it was successful in poor economic times when all of its competitors were not. Competitors have tried but largely failed to imitate Southwest Airlines. They employ a similar strategy but do not achieve the same results because they cannot imitate Southwest's resources. Organizational culture, leadership, and human capital are the unique resources Southwest Airlines leverages to compete successfully (Hitt *et al.*, 1999).

Similarly, Lee, Lee, and Pennings in this special issue found that the technology-based ventures they studied created value largely based on their internal capabilities. Specifically, they found that entrepreneurial orientation, technological capabilities, and financial resources were primary predictors of a venture's growth. Yeoh and Roth's (1999) results show that a firm's resources and capabilities contributed to sustained competitive advantages in the pharmaceutical industry. Furthermore, Baum, Locke, and Smith (2001) report that a new venture's internal capabilities are the primary determinants of the venture's performance. These research results support the Lee *et al.* arguments and findings.

There are different forms of resources and capabilities. For example, managers represent a unique organizational resource (Daily, Certo, and Dalton, 2000). Certo, Covin, Daily, and Dalton in this special issue find that investment banking firms are less likely to underprice a firm's stock in an initial public offering (IPO) when it employs professional managers (vs. founder managers). Thus, founders may be perceived a less positive resource than professional managers as new ventures attempt to take their stock public. These findings resonate with agency theory arguments, in that at certain size and scale of enterprise (in terms of sales, number of employees, etc.), the separation of ownership (in the hands of principals) and decision-making authority (by individuals hired because of their decision-making skills) is an efficient form of organization. Likewise, Sarkar, Echambadi, and Harrison report in this special issue that knowledge of and proactiveness in the establishment of alliances are resources. They find that firms with higher alliance proactiveness achieve better financial performance. This relationship is especially strong in smaller companies and in firms operating in dynamic markets.

Because they are socially complex and more difficult to understand and imitate, intangible resources are more likely to lead to a competitive advantage than are tangible resources (Barney, 1991; Hitt *et al.*, 2001b). One important intangible resource is a firm's reputation (Deephouse, 2000). Reputation can be an important strategic resource for many reasons, such as access to resources (e.g., financial capital) and to help a firm take advantage of information asymmetries (Hitt *et al.*, 2001b). Because it is almost impossible to determine the quality of services *ex ante*, customers may rely on a firm's positive reputation as a selection criterion for a provider of desired services. Moreover, a positive reputation creates switching costs for customers that they may not be willing to incur.

However, often new ventures have not been in existence long enough and their product or service may be novel, making it necessary for them to search for surrogate means to establish a positive reputation. Thus, they may negotiate an alliance with a reputable firm to gain legitimacy. Lounsbury and Glynn in this special issue describe another way new venture firms may gain legitimacy. They can do so with stories as legitimating accounts of entrepreneurial actions. These narratives can be used to show others that their ventures are compatible with more widely accepted marketplace activities. Stories provide symbols and create meaning for others. As such, they facilitate and support entrepreneurs' efforts to obtain access to needed resources such as financial capital (e.g., venture capital).

Knowledge is another critical firm-specific intangible resource. Grant (1996) suggests that knowledge is a firm's most critical competitive asset. Spender (1996) argues that knowledge and the firm's ability to generate it are at the core of the theory of the firm. Much of a firm's knowledge resides in its human capital. Therefore, the selection, development, and use of human capital can be used to create firm value (Hitt *et al.*, 2001b). These arguments are supported by the research reported by Yli-Renko, Autio, and Sapienza in this special issue. They find that knowledge acquisition and exploitation in young technology-based firms contribute to their ability to build competitive advantages through new product development, creating technological distinctiveness, and implementing more efficient processes.

Knowledge is generated through organizational learning (Hitt and Ireland, 2000; Hitt, Ireland and Lee, 2000). Learning new capabilities helps firms to compete effectively, survive, and grow (Autio, Sapienza and Almeida, 2000). Changes that occur in a firm's context can reduce the value of its current resources and knowledge. Thus, learning new knowledge may be necessary to help a firm adapt to its environment. Newman (2000) argues that learning can help organizations to change. As explained in earlier sections, learning is a common reason for establishing alliances and participating in strategic networks (i.e., Gulati, 1999; Inkpen, 2000; Steensma and Lyles, 2000). For example, Rothaermel in this special issue finds that incumbent firms are able to learn through alliances with new entrant firms and thereby enhance their own new product development.

Hitt *et al.* (2001b) found that the transfer of knowledge within a firm builds human capital (employees' capabilities) and contributes to higher firm performance. Furthermore, the firm's human capital is used to implement strategies that in turn enhance performance as well. Thus, human capital has direct and indirect effects on firm performance. Diffusing this knowledge throughout the firm can be a substantial challenge. Sorenson and Sørensen in this special issue explore diffusing knowledge in restaurant chains. They argue that exploitation learning is the most effective for chain-managed restaurants but that entrepreneurs in franchised units are more likely to engage in exploration learning. Firms operating in homogeneous markets will perform better by expanding the company-managed units, thereby taking advantage of learning how to operate in these environments and diffusing it through standardization. However, firms operating in heterogeneous environments will perform better through franchising in order to learn through exploration and adapt to the local environments. Sorenson and Sørensen's empirical results largely support these arguments. To the extent that new knowledge is exploited, learning can have a major effect on a new venture's performance (Zahra, Ireland, and Hitt, 2000b). Of course, no firm can remain static. As such, established firms and new ventures alike must continuously learn to build dynamic capabilities and competencies (Lei, Hitt and Bettis, 1996; Teece, Pisano and Shuen, 1997).

Innovation

Innovation is considered by many scholars and managers to be critical for firms to compete effectively in domestic and global markets (Hitt *et al.*, 1998; Ireland and Hitt, 1999). Hamel (2000) argues that innovation is the most important component of a firm's strategy. Others (i.e., Germany and Muralidharan, 2001) believe that successful innovation allows a firm to provide directions for the evolution of an industry. Hamel suggests that because the competitive landscape is nonlinear, it requires managers to think in nonlinear ways. Hamel (2000) reports the results of as survey of approximately 500 CEOs who largely agreed that their industry had been changed in the last 10 years by newcomers, not incumbents, and that they had done so by changing the rules. He concludes that the real story of Silicon Valley is not e-commerce, but innovation. Hamel refers to it as the power of 'i.' This is supported by the reported findings of Amit and Zott in this issue. They found one of the drivers of value creation in e-business is novelty (e.g., introducing new goods and services to the marketplace).

The research supports Hamel's contentions. For example, Roberts' (1999) results show a relationship between high innovation and superior profitability. Additionally, the results provide no support for the argument that firms can also maintain high profitability by avoiding the competition (while not being innovative). Furthermore, Lee *et al.*, (2000) report that early and fast movers achieve the highest returns. First movers are the first to introduce new goods or services (Grimm and Smith, 1997). In doing so, first movers earn 'monopoly profits' until a competitor imitates their new product or finds a substitute. Finally, based on their empirical research, Subramaniam and Venkatraman (1999) conclude that the capability to develop and introduce new products to the market is a primary driver of a successful global strategy.

There is a strong interrelationship between innovation and entrepreneurship. Drucker (1985), for example, suggests that innovation is the primary activity of entrepreneurship. Lumpkin and Dess (1996) argue that a key dimension of an entrepreneurial orientation is an emphasis on innovation. Thus, an entrepreneurial mindset is required for the founding of new businesses as well as the rejuvenation of existing ones (McGrath and MacMillan, 2000). Therefore, we may conclude that an important value-creating entrepreneurial strategy is to invent new goods and services and commercialize them (innovation) (Ireland *et al.*, 2001).

Barringer and Bluedorn (1999) argue that corporate entrepreneurship is important for firm survival and performance. The results of their study suggest that intensity in managerial practices is required for successful corporate entrepreneurship. Their findings also show that flexibility in planning, use of strategic controls, and involving many people in the process produce more entrepreneurial behavior. Increasingly, successful implementation of strategies is a product of involving people throughout the organization (Stopford, 2001). Likewise, Leifer and Rice (1999) show that managerial practices differ for firms that produce breakthrough innovations from those in firms that produce incremental innovations.

Ahuja and Lampert in this special issue conducted research that adds considerable richness to the conclusions regarding the development of breakthrough inventions. Ahuja and Lampert argue that many established firms encounter learning traps that serve as barriers to the development of breakthrough inventions. Learning traps are tendencies to favor certain forms of learning and thereby disallow other forms. Ahuja and Lampert's results show that experimenting with novel, emerging, and pioneering technologies can help firms overcome these learning traps to produce breakthrough inventions. Ahuja and Lambert argue that breakthrough (or radical) inventions are at the heart of entrepreneurship and wealth creation, calling on the work of Schumpeter (gales of creative destruction) to support these conclusions.

Hoopes and Postrel (1999) suggest that integration leading to shared knowledge among firms is a resource that enhances a firm's product development capabilities. Similarly, Verona's (1999) findings suggest that integrative capabilities serve as a basis for new product development. These conclusions are supported by the research reported by Rothaermel in this special issue. He found that an incumbent firm is able to enhance its own technological capabilities (e.g., new product development) by learning from a partner that had produced a major new technology creating a discontinuity in the market. Similarly, Yli-Renko, Autio, and Sapienza report in this special issue that firms are able to use knowledge acquired from partners to enhance their technological distinctiveness. Zahra *et al.* (2000b) found that firms with greater breadth, depth, and speed of technological learning had higher levels of performance. These results suggest that firms can employ strong innovative capabilities to implement entrepreneurial strategies and thereby create wealth.

Internationalization

Internationalization has become a primary driver of the competitive landscape in the twenty-first century (Hitt and Ireland, 2000). And, the rate of globalization continues to increase (O'Donnell, 2000), exemplified by the growing number of economic transactions across country borders (Rondinelli and Behrman, 2000). While the increasing globalization of markets heightens the complexity of doing business, it also enhances entrepreneurial opportunities (Ireland *et al.*, 2001). Globalization requires that entrepreneurs and managers develop a global mindset in order to manage the complex interactions and transactions required in global markets (Hitt, Ricart i Costa and Nixon, 1998; Murtha, Lenway and Bagozzi, 1998).

The opportunities available, the facilitation of international transactions by new technologies, and the opening of international markets have led to an increasing number of smaller, entrepreneurial businesses entering international markets (Hitt *et al.*,1998; Ireland and Hitt, 1999). McDougall and Oviatt (2000) define international entrepreneurship as innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations. Therefore, international entrepreneurship can occur in large and small organizations as well as in new or established companies. Several researchers have found that moving into new international markets has a positive effect on a firm's performance and creates value for the firm's owners (Hitt, Hoskisson, and Kim, 1997; Geringer, Tallman and Olsen, 2000). Essentially, firms learn new capabilities from each of the new markets they enter and diffuse this knowledge throughout the organization so that it can be successfully used in other markets (Barkema and Vermeulen, 1998). Of course, companies that have internationalized experience economies of scale and have a larger market from which to obtain returns on their innovations. As such, internationalization is positively related to a firm's innovation (Hitt *et al.*, 1997).

Lu and Beamish in this special issue present an intriguing argument that moving into international markets by small and medium-sized organizations is a form of entrepreneurship. Specifically, they explore the effects of internationalization on the creation of value in small and medium-sized firms. In a sample of 164 Japanese firms, they find that these firms initially experience a reduction in returns and thus face what some have called a liability of foreignness. However, after the firms gain some experience with operations in foreign markets, further foreign direct investment (FDI) leads to increased profits. Supporting the earlier arguments of the positive effects of networks, Lu and Beamish find that these small firms experience greater profits when they engage in alliances with local partners in the new markets. In particular, their findings suggest that investing directly in new international markets has a positive effect but that exporting has a negative moderating effect. Thus, they conclude that investing directly in the new markets to take advantage of unique opportunities is a form of entrepreneurship. Their results receive support from a study by Song, Di Benedetto and Yuzhen (1999). Their research suggests that managers from nine different countries—the United States, United Kingdom, Germany, Japan, China, Taiwan, Hong Kong, South Korea, and Singapore—all perceive pioneering in new markets to be positively related to higher returns for the firm.

One reason for increased entrepreneurial activity in many parts of the globe is the increased privatization worldwide. Privatization has become a popular strategy to promote economic development in developing, emerging, and developed market economies. The intent of privatization is to unleash firms' entrepreneurial capabilities, thereby producing more innovation (Zahra *et al.*, 2000a). Thus, privatization provides entrepreneurial opportunities. However, many privatized firms need resources and entrepreneurial capabilities to take advantage of these opportunities. As a result, many attempt to form alliances with firms from other countries that have greater resources and capabilities on which they can draw (Hitt *et al.*, 2000; Hitt *et al.*, 2001a). Certainly, prior research has shown that entrepreneurial firms can learn from their entries into international markets and this knowledge can be applied to create greater value for the owners (Autio *et al.*, 2000; Zahra *et al.*, 2000b). Gupta and Govindarajan (2000) argue that multinational corporations exist because of their ability to transfer and exploit knowledge more efficiently within and throughout the corporation than can be accomplished through the external market mechanisms. The current research on entrepreneurial strategies suggests that the same is true for smaller entrepreneurial firms.

WEALTH-CREATING ENTREPRENEURIAL STRATEGIES

Drawing from contingency theory and other theoretical bases, Zajac, Kraatz, and Bresser (2000) developed and tested a model of strategic fit. They used environmental and organizational contingencies to predict changes in a firm's strategy and the performance implications of the change. Their sample involved savings and loan financial institutions. Robinson and McDougall in this special issue show that the concepts of contingency and strategic fit also are highly relevant to new venture firms as well. Integrating arguments from industrial organization economics, strategic management, and entrepreneurship, they argue and find that environmental factors (e.g., market entry barriers) affect the performance of new ventures after accounting for the moderating effects of industry growth stage and new venture firm strategy. While their research shows that traditional approaches and strategies apply to new venture firms, several of the articles published in this special issue focus on new or unique (entrepreneurial) approaches or strategies.

For example, Amit and Zott examine the drivers of value creation for e-business strategies. They found four drivers of value creation for e-business firms: efficiency, complementarities, lock-in, and novelty. Thus, e-business firms have strategies that create value when: (1) they make the purchase more efficient for the customer (e.g., provide information to customers so they can make an informed decision); (2) their services are complementary to other important services so that customers can purchase a bundle of services (range of services broad because there are no physical limitations); (3) strong incentives are used to obtain repeat business (create high switching costs); and (4) the service they provide is unique (novel—that is, the service is recognized to be pioneering and thus creates previously unrecognized value). These findings are valuable not only for e-business firms. Gulati and Garino (2000) argue that many of the most innovative Internet-related businesses are integrating their virtual and physical operations. Furthermore, a number of old economy firms have developed electronic operations and the most effective ones have integrated them into their overall operations (as opposed to maintaining them as separate entities). The concepts of efficiency, complementarities, lock-in, and novelty are important for value creation in all business operations.

Lounsbury and Glynn in this special issue develop a concept which they refer to as cultural entrepreneurship. Cultural entrepreneurship involves telling stories to enhance the entrepreneurial firm's (entrepreneur's) reputation (building legitimacy). The primary purpose is to leverage the entrepreneurial firm's resources to obtain capital resources. The entrepreneur, in turn, uses the capital resources to leverage the firm's other resources (e.g., new technology) to create wealth. Essentially, the stories are used to craft the identity of the firm. This identity serves as the basis for legitimacy with potential investors, customers, and even competitors.

Ahuja and Lampert in this special issue explain that radical breakthrough inventions are at the core of entrepreneurial activity. Such inventions best relate to Schumpeter's gales of creative destruction. They theoretically explain and test entrepreneurial strategies that are most likely to lead to breakthrough inventions. They find that exploring novel, emerging, and pioneering technologies are all related to the development of breakthrough inventions. However, they also suggest that to search for pioneering technologies or experiment with novel technologies requires slack resources. Without slack resources, firms are unlikely to create breakthrough technologies. Their work is highly important because smaller entrepreneurial firms develop many of the breakthrough technologies. These smaller firms are less likely to experience the barriers created by the learning traps explained by Ahuja and Lampert.

Calori *et al*., (2000) argue that innovative strategies change the structure of the firm's industry. Further, they suggest that Schumpeter's arguments encompass international development. Lu and Beamish build on this notion to argue that entry into international markets by smaller and medium-sized firms is an entrepreneurial strategy. Essentially, these firms expand into international markets to pursue new opportunities by leveraging their current resources, capabilities, and competencies. Therefore, Lu and Beamish's research adds another dimension to the developing field of international entrepreneurship. Their findings support the arguments that exporting does little to create value. Rather, the more entrepreneurial actions accompanying direct investments in the markets entered created value in the small and medium-sized companies. As argued earlier, entry into new international markets allows the firm to learn and the development and diffusion of this knowledge creates dynamic capabilities and competencies (Lei *et al.*, 1996; Teece *et al.*, 1997; Luo, 2000).

Robinson and McDougall in this special issue explain the importance of IPOs. During 1989–999, $350.81 billion were invested in IPOs. There were $69.2 billion invested in IPOs in 1999 alone. Robinson and McDougall's sample was composed of IPO new venture firms. Similarly, Certo, Covin, Daily, and Dalton in this special issue examine the process of wealth creation and retention in IPOs through the practice of underpricing. Given their results, entrepreneurial firms may wish to consider using a smaller investment banking firm and to include more insiders on the board, as both reduced the amount of IPO underpricing.

The other articles in this special issue examine exploitation of complementary assets (Rothaermel), different types of learning with company-owned and franchised operations (Sorenson and Sørensen), the effects of internal capabilities, social capital (external networks) and knowledge acquisition (Lee, Lee and Pennings; Yli-Renko, Autio and Sapienza), and the proactive development of alliances (Sarkar, Echambadi, and Harrison), all with a focus on value creation.

CONCLUSIONS

The research published in this special issue draws on theory from multiple fields, including entrepreneurship, strategic management, organization theory, and economics. Some of the most common theories invoked by the authors herein are the resource-based view, organizational learning, Schumpeter's arguments on entrepreneurial activity, network theory, and to a lesser extent transaction cost economics, efficient markets, and contingency theory. New theory (cultural entrepreneurship, as argued by Lounsbury and Glynn) was developed and existing theories were integrated in unique, value-adding ways (see Amit and Zott, and Lu and Beamish). Both the new theory and the unique extensions of existing theories provide foundations for important future research.

The empirical research presented herein was largely centered in North America (mostly the United States) but also included firms from Europe (United Kingdom and several European countries) and Asia (Japan, Korea). As noted above, managers from multiple countries largely perceive entrepreneurial activity in similar ways (Song *et al.*, 1999). That said, Lee and Peterson (2000) effectively argue that there are cultural and institutional differences in the entrepreneurial orientation across countries. In fact, research shows that some of the most prominent entrepreneurial activity in the world is occurring in the United States, Brazil, and Korea (two of which are highlighted by the research in this special issue) (Reynolds *et al.*, 2000). Nonetheless, with increasing globalization and the liberalization of markets, entrepreneurial activity is being promoted throughout the world (e.g., South America, Eastern Europe, China, and Russia, among others). Entrepreneurship is popular partly because it is perceived as an engine of socioeconomic growth and development, providing new job opportunities and diverse goods and services to the population (Reynolds *et al.*, 2000). Thus, enhanced entrepreneurship in a country leads to greater national prosperity and competitiveness (Zahra, 1999).

Although entrepreneurship has existed as a practice and field of study for quite some time, there is no commonly accepted and well-developed paradigm for research in the field (Aldrich, 2000; Aldrich and Baker, 1997). We believe that the integration of theory and research in strategic management and entrepreneurship, as suggested by the research highlighted in this special issue, will help to develop such a paradigm. McGrath and MacMillan (2000) integrated the thinking from both fields in developing their entrepreneurial mindset concept. They argued that those with an entrepreneurial mindset passionately seek new opportunities (entrepreneurship). However, they also pursue only the best opportunities and then pursue those with discipline (strategic management). Evans and Wurster (1999) argue that e-business firms need effective strategies to survive, thereby confirming the importance of integrating entrepreneurial and strategic management activities for wealth creation.

The integration of entrepreneurial thinking is important for strategic management as well. In fact, Hamel (2000) eloquently argues that managers can enhance the probability that new wealth-creating strategies will emerge inside their firms by dreaming, exploring, creating, pioneering, and inventing. Furthermore, Hamel argues that if firms do not engage in these activities, other firms will do so and will take their markets, customers, best employees, and finally their assets. Therefore, we believe that the integration of theory and research in these two fields has the potential to enrich the research and practice of both entrepreneurship and strategic management.

Thus, we present the concept of strategic entrepreneurship and the research in this special issue to both fields. Strategic entrepreneurship is an important concept suggesting that new ventures and established firms need to be simultaneously entrepreneurial and strategic. The research published in this special issue suggests that these firms require certain types of critical resources and capabilities to achieve this integration and to create wealth. The theoretical and empirical contributions reported in this special issue and the research questions they suggest we hope will serve as a catalyst to further integrative research that increases our understanding of strategic entrepreneurship as a path to wealth creation.

REFERENCES

Albrinck J, Hornery J, Kletter D, Neilson G. 2001. Adventures in corporate venturing. *Strategy & Business* **22**(1): 119–129.

Aldrich H. 2000. Learning together: national differences in entrepreneurship research. In *Handbook of Entrepreneurship*. Sexton DL, Landstrom H (eds). Blackwell Publishers: Oxford; 5–25.

Aldrich HE, Baker T. 1997. Blinded by the cites? Has there been progress in entrepreneurship research? In *Entrepreneurship 2000*. Sexton DL, Smilor RW (eds). Upstart Publishing: Chicago, IL; 377–400.

Amit R, Schoemaker PJH. 1993. Strategic assets and organizational rent. *Strategic Management Journal* **14**(1): 33–46.

Anand BN, Khanna T. 2000. Do firms learn to create value? The case of alliances? *Strategic Management Journal* Special Issue **21**(3): 295–315.

Autio E, Sapienza HJ, Almeida JG. 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal* **43**: 909–924.

Barkema HG, Vermeulen F. 1998. International expansion through start-up or acquisition: a learning perspective. *Academy of Management Journal* **41**: 7–26.

Barney JB. 1986. Strategic factor markets: expectations, luck, and business strategy. *Management Science* **31**: 1231–1241.

Barney JB. 1991. Firm resources and sustained competitive advantage. *Journal of Management* **17**: 99–120.

Barringer BR, Bluedorn AC. 1999. The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal* **20**(5): 421–444.

Baum JAC, Calabrese T, Silverman BS. 2000. Don't go it alone: alliance network composition and startups' performance in Canadian biotechnology. *Strategic Management Journal*, Summer Special Issue **21**(3): 267–294.

Baum JR, Locke EA, Smith KG. 2001. A multi-dimensional model of venture growth. *Academy of Management Journal* **44**: 292–303.

Bettis RA, Hitt MA. 1995. The new competitive landscape. *Strategic Management Journal* Summer Special Issue **16**: 7–20.

Brown SL, Eisenhardt KM. 1998. *Competing on the Edge*. Harvard Business School Press: Boston, MA.

Calori R, Melin L, Atamer T, Gustavsson P. 2000. Innovative international strategies. *Journal of World Business* **35**: 333–354.

Chung S, Singh H, Lee K. 2000. Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal* **21**(1): 1–22.

Cooper AC. 2001. Networks, alliances and entrepreneurship. In *Strategic entrepreneurship: Creating a new integrated mindset*. Hitt MA, Ireland RD, Camp SM, Sexton DL (eds.). Blackwell: Oxford, UK (in press).

Daily CM, Certo ST, Dalton DR. 2000. International experience in the executive suite: the path to prosperity. *Strategic Management Journal* **21**(4): 515–523.

Davis JH, Schoorman FD, Mayer RC, Tan HH. 2000. The trusted general manager and business unit performance: empirical evidence of a competitive advantage. *Strategic Management Journal* **21**(5): 563–576.

Deephouse DL. 2000. Media reputation as a strategic resource: an integration of mass communication and resource-based theories. *Journal of Management* **26**: 1091–1112.

Drucker P. 1985. *Entrepreneurship and Innovation: Practice and Principles*. HarperBusiness: New York.

Dubini P, Aldrich HE. 1991. Personal and extended networks are central to entrepreneurial process. *Journal of Business Venturing* **6**: 305–313.

Dussauge P, Garrette B, Mitchell W. 2000. Learning from competing partners: outcomes and durations of scale and link alliances in Europe, North America, and Asia. *Strategic Management Journal* **21**(2): 99–126.

Evans P, Wurster TS. 1999. Getting real about virtual commerce. *Harvard Business Review* **77**(6): 83–94.

Geringer JM, Tallman S, Olsen DM. 2000. Product and international diversification among Japanese multinational firms. *Strategic Management Journal* **21**(1): 51–80.

Germany R, Muralidharan R. 2001. The three phases of value capture. *Strategy & Business* **22**(1): 82–91.

Grant RM. 1996. Toward a knowledge-based theory of the firm. *Strategic Management Journal* Winter Special Issue **17**: 109–122.

Grimm CM, Smith KG. 1997. *Strategy as Action: Industry Rivalry and Coordination*. SouthWestern: Cincinnati, OH.

Gulati R. 1999. Network location and learning: the influence of network resources and firm capabilities on alliance formation. *Strategic Management Journal* **20**(5): 397–420.

Gulati R, Garino J. 2000. Get the right mix of bricks and clicks. *Harvard Business Review* **78**(3): 107–114.

Gulati R, Nohria N, Zaheer A. 2000. Strategic networks. *Strategic Management Journal* Special Issue **21**(3): 203–215.

Gupta AK, Govindarajan V. 2000. Knowledge flows within multinational corporations. *Strategic Management Journal* **21**(4): 473–496.

Hamel G. 1991. Competition for competence and interpartner learning within international strategic alliances. *Strategic Management Journal* Summer Special Issue **12**: 83–103.

Hamel G. 2000. *Leading the Revolution*. Harvard Business School Press: Boston, MA.

Hitt MA. 2000. The new frontier: transformation of management for the new millennium. *Organizational Dynamics* **28**: 6–17.

Hitt MA, Ahlstrom D, Dacin MT, Levitas E. 2001a. The economic and institutional contexts of international strategic alliance partner selection: China vs. Russia. Paper presented at the Academy of Management Conference, Washington, DC.

Hitt MA, Bierman L, Shimizu K, Kochhar R. 2001b. Direct and moderating effects of human capital on strategy and performance in professional service firms: a resource-based perspective. *Academy of Management Journal* **44**: 13–28.

Hitt MA, Dacin MT, Levitas E, Arregle JL, Borza A. 2000. Partner selection in merging and developed market contexts: resource-based and organizational learning perspectives. *Academy of Management Journal* **43**: 449–467.

Hitt MA, Hoskisson RE, Kim H. 1997. International diversification: effects on innovation and firm performance in product diversified firms. *Academy of Management Journal* **40**: 767–798.

Hitt MA, Ireland RD. 1985. Corporate distinctive competence, strategy, industry, and performance. *Strategic Management Journal* **6**(3): 273–293.

Hitt MA, Ireland RD. 2000. The intersection of entrepreneurship and strategic management research. In *Handbook of Entrepreneurship*. Sexton DL, Landstrom HA (eds.). Blackwell: Oxford; 45–63.

Hitt MA, Ireland RD, Hoskisson RE. 2001. *Strategic Management: Competitiveness and Globalization*. Southwestern: Cincinnati, OH.

Hitt MA, Ireland RD, Lee H. 2000. Technological learning, knowledge management, firm growth and performance. *Journal of Engineering and Technology Management* **17**: 231–246.

Hitt MA, Nixon RD, Clifford PG, Coyne KP. 1999. The development and use of strategic resources. In *Dynamic Strategic Resources*. Hitt MA, Clifford PG, Nixon RD, Coyne KP (eds.). Wiley: Chichester; 1–14.

Hitt MA, Ricart i Costa JE, Nixon RD. 1998. The new frontier. In *Managing Strategically in an Interconnected World*. Hitt MA, Ricart i Costa JE, Nixon RD (eds). Wiley: Chichester; 1–12.

Hoopes DG, Postrel S. 1999. Shared knowledge, 'glitches' and product development performance. *Strategic Management Journal* **20**(9): 837–865.

Inkpen AC. 2000. A note on the dynamics of learning alliances: competition, cooperation, and relative scope. *Strategic Management Journal* **21**(7): 775–779.

Ireland RD, Hitt MA. 1999. Achieving and maintaining strategic competitiveness in the 21st century: the role of strategic leadership. *Academy of Management Executive* **13**(1): 43–57.

Ireland RD, Hitt MA, Camp SM, Sexton DL. 2001. Integrating entrepreneurship actions and strategic management actions to create firm wealth. *Academy of Management Executive* **15**(1): 49–63

Ireland RD, Kuratko DF. 2001. Corporate entrepreneurship and middle-level managers' entrepreneurial behavior: relationships, outcomes, and consequences. Working paper, University of Richmond.

Kale P, Singh H, Perlmutter H. 2000. Learning and protection of proprietary assets in strategic alliances: building relational capital. *Strategic Management Journal*, Special Issue **21**(3): 217–237.

Kogut B. 2000. The network as knowledge; generative rules and the emergence of structure. *Strategic Management Journal* Special Issue **21**(3): 405–425.

Kuratko DF, Ireland RD, Hornsby JS. 2001. The power of entrepreneurial actions: insights from Acordia, Inc. *Academy of Management Executive* (in press):

Lee H, Smith KG, Grimm CM, Schomburg A. 2000. Timing, order and durability of new product advantages with imitation. *Strategic Management Journal* **21**(1): 23–30.

Lee SM, Peterson SJ. 2000. Culture, entrepreneurial orientation, and global competitiveness. *Journal of World Business* **35**: 401–416.

Lei D, Hitt MA, Bettis R. 1996. Dynamic core competencies through meta-learning and strategic context. *Journal of Management* **22**: 549–569.

Leifer R, Rice M. 1999. Unnatural acts: building the mature firm's capability for breakthrough innovation. In *Dynamic Strategic Resources*. Hitt MA, Clifford PG, Nixon RD, Coyne KP (eds.). Wiley: Chichester; 433–454.

Lumpkin GT, Dess GG. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review* **21**: 135–172.

Luo Y. 2000. Dynamic capabilities in international expansion. *Journal of World Business* **35**: 355–378.

McDougall PP, Oviatt BM. 2000. International entrepreneurship: the intersection of two research paths. *Academy of Management Journal* **43**: 902–906.

McEvily B, Zaheer A. 1999. Bridging ties: a source of firm heterogeneity in competitive capabilities. *Strategic Management Journal* **20**(12): 1133–1156.

McGrath RG, MacMillan I. 2000. *The Entrepreneurial Mindset*. Harvard Business School Press: Boston, MA.

Meyer GD, Heppard KA. 2000. *Entrepreneurship as Strategy: Competing on the Entrepreneurial Edge*. Sage: Thousand Oaks, CA.

Murtha TP, Lenway SA, Bagozzi RP. 1998. Global mindsets and cognitive shifts in a complex multinational corporation. *Strategic Management Journal* **19**(2): 97–114.

Newman KL. 2000. Organizational transformation during institutional upheaval. *Academy of Management Review* **25**: 602–619.

O'Donnell SW. 2000. Managing foreign subsidiaries: agents of headquarters, or an interdependent network? *Strategic Management Journal* **21**(5): 525–548.

Penrose ET. 1959. *The Theory of the Growth of the Firm*. Wiley: New York.

Reynolds PD, Hay M, Bygrave WD, Camp SM, Autio E. 2000. *Global Entrepreneurship Monitor 2000 Executive Report*. Kauffman Center for Entrepreneurial Leadership: Kansas City, MO.

Roberts PW. 1999. Product innovation, product-market competition and persistent profitability in the U.S. pharmaceutical industry. *Strategic Management Journal* **20**(7): 655–670.

Rondinelli DA, Behrman JN. 2000. The promises and pains of globalization. *Global Focus* **12**: 3–15.

Rumelt R. 1991. How much does industry matter? *Strategic Management Journal* **12**(3): 167–185.

Sexton DL, Smilor RW. (eds.). 1997. *Entrepreneurship 2000*. Upstart: Chicago, IL.

Shane S, Venkataraman S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review* **25**: 217–226.

Smith KG, DeGregorio D. 2001. Bisociation, discovery and the role of entrepreneurial action. In *Strategic Entrepreneurship: Creating a New Integrated Mindset*. Hitt MA, Ireland RD, Camp SM, Sexton DL (eds.). Blackwell: Oxford (in press).

Song XM, Di Benedetto CA, Yuzhen L. 1999. Pioneering advantages in manufacturing and service industries: empirical evidence from nine countries. *Strategic Management Journal* **20**(9): 811–836.

Spender J-C. 1996. Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal* Winter Special Issue **17**: 45–62.

Starr JA, MacMillan IC. 1990. Resource co-optation via social contracting: resource acquisition strategies for new ventures. *Strategic Management Journal* Summer Special Issue **11**: 79–92.

Steensma HK, Lyles MA. 2000. Explaining IJV survival in a transitional economy through social exchange and knowledge-based perspectives. *Strategic Management Journal* **21**(8): 831–851.

Stopford J. 2001. Should strategy makers become dream weavers? *Harvard Business Review* **79**(1): 165–169.

Stuart TE. 2000. Interorganizational alliances and the performance of firms: a study of growth and innovation rates in a high-technology industry. *Strategic Management Journal* **21**(8): 791–811.

Subramaniam M, Venkatraman N. 1999. The influence of leveraging tacit overseas knowledge for global new product development capability: an empirical examination. In *Dynamic Strategic Resources*. Hitt MA, Clifford PG, Nixon RD, Coyne KP (eds.). Wiley: Chichester; 373–401.

Teece DJ, Pisano G, Shuen A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* **18**(7): 509–534.

Tsai W. 2000. Social capital, strategic relatedness and the formation of intraorganizational linkages. *Strategic Management Journal* **21**(9): 925–939.

Venkataraman S, Sarasvathy SD. 2001. Strategy and entrepreneurship: outlines of an untold story. In *Handbook of Strategic Management*. Hitt MA, Freeman E, Harrison JS (eds.). Blackwell: Oxford (in press).

Verona G. 1999. A resource-based view of product development. *Academy of Management Review* **24**: 132–142.

Wernerfelt B. 1984. A resource-based view of the firm. *Strategic Management Journal* **5**(2): 171–180.

Yeoh P-L, Roth K. 1999. An empirical analysis of sustained advantage in the U.S. pharmaceutical industry: impact of firm resources and capabilities. *Strategic Management Journal* **20**(7): 637–653.

Zahra SA. 1999. The changing rules of global competitiveness in the 21st century. *Academy of Management Executive* **13**(4): 36–42.

Zahra SA, Dess GG. 2001. Entrepreneurship as a field of research: encouraging dialogue and debate. *Academy of Management Review* **26**: 8–10.

Zahra SA, Ireland RD, Gutierrez I, Hitt MA. 2000a. Privatization and entrepreneurial transformation: emerging issues and a future research agenda. *Academy of Management Review* **25**: 509–524.

Zahra SA, Ireland RD, Hitt MA. 2000b. International expansion by new venture firms: international diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal* **43**: 925–950.

Zajac EJ, Kraatz MS, Bresser RKF. 2000. Modeling the dynamics of strategic fit: a normative approach to strategic change. *Strategic Management Journal* **21**(4): 429–453.