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# Strategic Entrepreneurship: Exploring Different Perspectives of an Emerging Concept

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Within the entrepreneurship and strategic management domains there has been a movement by scholars to combine certain aspects of both areas to create a new concept of *strategic entrepreneurship*. To date, however, there remains much to know about what constitutes this concept. This special issue is the result of a unique research conference in Germany where some of the world's most renowned scholars gathered to explore this concept in depth. The set of articles in this special issue examine different perspectives that relate to strategic entrepreneurship and we believe contribute to the growing body of knowledge on this concept by examining diverse scholarly topics. This introduction provides the overview of the perspectives contained in *strategic entrepreneurship* and argues for the importance of embracing diverse views at this stage rather than attempting to restrict the analysis of this emerging topic.

## Introduction

The twenty-first century business atmosphere can be characterized in terms of a new competitive landscape that encompasses increasing risk, decreased ability to forecast, fluid firm and industry boundaries, new structural forms, and an innovative managerial mindset. This new landscape can be described in terms of four powerful forces: change, complexity, chaos, and contradiction (Bettis & Hitt, 1995; Hitt & Reed, 2000). No organization is immune to the immense pressures of these forces.

*Strategic planning* is the formulation of long-range plans for the effective management of environmental opportunities and threats in light of a venture's strengths and weaknesses. It includes defining the venture's mission, specifying achievable objectives, developing strategies, and setting policy guidelines. (Hitt, Ireland, & Hoskisson, 2009). It should be remembered that the greatest value of the strategic planning process is the "*strategic thinking*" it promotes among business owners. Although not always articulated

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formally, strategic thinking synthesizes the intuition and creativity of an entrepreneur into a vision for the future (Mintzberg, 1994).

The ability to navigate through this challenging environment and the nuances of combining entrepreneurship and strategic management has become the focus of scholars in strategic management, entrepreneurship, and economics. “*Strategic entrepreneurship*” is the new term that has arisen in the literature to represent the intersection of strategy and entrepreneurship. However, the exact nature of this concept remains elusive. In order to investigate the different perspectives that this term represents we provide an overview of the specific domains that constitute the concept.

## **A Perspective From Strategic Management**

*Strategic management* is a process that guides how the basic work of the organization is approached, ensures the continuous renewal and growth of the firm, and, more particularly, provides a context for developing and implementing the strategy that drives the firm’s operations (Schendel & Hofer, 1978). The formulation of plans for the effective management of external opportunities and threats in light of a company’s internal strengths and weaknesses is a major component of strategic management. This planning component includes defining the company’s mission, specifying achievable objectives, developing strategies, and setting policy guidelines (Hitt et al., 2009).

Dynamic in nature, the strategic management process is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns. Relevant strategic inputs derived from analyses of the internal and external environments are necessary for effective strategy formulation and implementation. In turn, effective strategic actions are a prerequisite to achieving the desired outcomes of strategic competitiveness and above-average returns. Thus, the strategic management process is used to match the conditions of an ever-changing market and competitive structure with a firm’s continuously evolving resources, capabilities, and core competencies (the sources of strategic inputs). Effective strategic actions that take place in the context of carefully integrated strategy formulation and implementation actions result in desired strategic outcomes. Thus, strategic planning is the primary step in determining the future direction of a business. The “best” strategic plan will be influenced by many factors, among them the abilities of the entrepreneur, the complexity of the venture, and the nature of the industry. Yet, whatever the specific situation, five basic steps (Hitt et al., 2009) must be followed in strategic planning:

1. Examine the internal and external environments of the venture (strengths, weaknesses, opportunities, threats).
2. Formulate the venture’s long-range and short-range strategies (mission, objectives, strategies, policies).
3. Implement the strategic plan (programs, budgets, procedures).
4. Evaluate the performance of the strategy.
5. Take follow-up action through continuous feedback.

Yet, strategic management is more than writing a plan or developing a strategy. It should be a way of thinking. *Strategic thinking* requires more of an external than internal focus. It implies a continuous search for new sources of competitive advantage. It entails an ability to envision all of the resources and core capabilities of the firm in terms of how they might be uniquely combined to create new sources of value. Lastly, it implies

discipline in identifying a path or position and ensuring that fellow employees stay focused on the target, while being flexible in the tactical approaches employed.

Coupled with strategic management is the concept of strategy, which is a statement regarding what the company wants to be and how it plans to get there. Strategy creates a sense of unity, or consistency of action, throughout an organization. In order for people to work toward common objectives, they must know what the objectives are. If employees do not have a strong understanding that innovation is essential to the realization of the firm's objectives, then their actions on the job each and every day will not reinforce innovation. As they make choices in their jobs, strategy can provide direction to those choices. Strategy, in Porter's (1996) view, is about performing *different* activities than competitors, or performing similar activities in *different* ways.

Cooper, Markman, and Niss (2000) summarized the distinction between strategic management and entrepreneurship when they stated, "Strategic management has placed great emphasis on examining influences on firm performance, including strategy and environment, and the sources of sustainable competitive advantage. Entrepreneurship, both in considering independent firms and corporate entrepreneurship, has emphasized processes which lead to venture creation."

## **A Perspective From Entrepreneurship**

In entrepreneurship there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and (3) the acceptance of risk of failure (Shapiro, 1975). After reviewing the evolution of entrepreneurship and examining its varying definitions, Ronstadt (1984) put together a summary description:

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.

In that same vein, Ireland, Hitt, Camp, and Sexton (2001) argue that entrepreneurial and strategic actions are often intended to find new market or competitive space for the firm to create wealth. Firms try to find fundamentally new ways of doing business that will disrupt an industry's existing competitive rules, leading to the development of new business models that create new competitive life forms. The degree to which the firm acts entrepreneurially in terms of innovativeness, risk-taking, and proactivity is related to dimensions of strategic management. From these commonalities between entrepreneurship and strategic management are specific domains of innovation, networks, internationalization, organizational learning, top management teams and governance, and growth. Understanding the critical intersections of these specific domains allow entrepreneurs to increase their knowledge that, in turn, leads to higher quality entrepreneurial and strategic actions.

In recognizing the importance of the evolution of entrepreneurship into the twenty-first century, Kuratko (2009) developed an integrated definition that acknowledges the critical factors needed for this phenomenon.

Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new

ideas and creative solutions. Essential ingredients include the willingness to take calculated risks, formulate an effective venture team, marshal the needed resources, build a solid business plan, and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion (Kuratko, 2009, p. 5).

## **A Perspective From Economic Policy**

The link between entrepreneurship and economic growth has a long tradition in economics. For example, Jean Baptiste Say, the renowned French economist; and Joseph Schumpeter, a twentieth-century economic genius, all focused on the impact of entrepreneurship on economic development (Ronstadt, 1984). Over the decades scholars have continued to try to describe or define what entrepreneurship is all about. Here are some examples:

Entrepreneurship . . . consists in doing things that are not generally done in the ordinary course of business routine; it is essentially a phenomenon that comes under the wider aspect of leadership (Schumpeter, 1951).

Entrepreneurship, at least in all nonauthoritarian societies, constitutes a bridge between society as a whole, especially the noneconomic aspects of that society, and the profit-oriented institutions established to take advantage of its economic endowments and to satisfy, as best they can, its economic desires (Cole, 1959).

Entrepreneurship as a topic for discussion and analysis was introduced by the economists of the eighteenth century, and it continued to attract the interest of economists in the nineteenth century. In the twentieth century, the word became synonymous or at least closely linked with free enterprise and capitalism. Also, it was generally recognized that entrepreneurs serve as agents of change; provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable.

Entrepreneurship has more recently reemerged as a focal point for economic policy as an instrument for generating growth, jobs, and economic development. After largely ignoring the role of entrepreneurship during the post-World War II era, the economics literature has rediscovered the primacy of entrepreneurship as a driver of economic growth, job creation, and competitiveness in global markets (Carree & Thurik, 2008; Thurik, Audretsch, Carree, & van Stel, 2008).

The strategic management of places, or what has been referred to as economic development policy, has a primary focus on strategic entrepreneurship to foster regional innovation and growth (Agarwal, Audretsch, & Sarker, 2007). Growth theory in economics has generally reflected, if not directed, the policy debate revolving around growth, competitiveness, and economic development. As it has evolved over the past half century, growth theory has reshifted its focus from physical capital to knowledge capital, as innovation has emerged as the source of growth and competitive advantage. Knowledge was identified as being particularly potent for economic development, because of its propensity to spill over for commercialization, from the organization investing in and creating that knowledge, to the venture actually commercializing that knowledge through innovative activity (Baumol, 2002).

Recent literature suggests that investment in knowledge does not automatically spill over and result in innovation but is rather subject to what has been termed as the knowledge filter (Audretsch & Keilbach, 2007). Rather, entrepreneurship is needed to serve as a conduit of knowledge spillovers. The knowledge spillover theory of

entrepreneurship posits that entrepreneurship is the result of opportunities created through knowledge investments made in one organization, but commercialized through innovative activity in a new venture (Agarwal et al., 2007). Thus, entrepreneurship serves as a conduit for knowledge spillovers and provides the missing link between knowledge investments and economic development (Audretsch, Boente, & Keilbach, 2008).

## Integrating Entrepreneurship With Strategy

Entrepreneurship and strategic management are both dynamic processes concerned with firm performance. Strategic management calls for firms to establish and exploit competitive advantages within a particular environmental context while entrepreneurship promotes the search for competitive advantages through product, process, and market innovations. A new venture is typically created to pursue the marketplace promise from innovations (Amit, Brigham, & Markman, 2000).

In attempting to integrate entrepreneurship with strategy, we must be cognizant of the term “*dominant logic*” (Bettis & Prahalad, 1995) which refers to the way in which managers conceptualize the business and make critical resource allocation decisions. The dominant logic of a company attempts to capture the prevailing mindset, and it drives the overall focus of the systems and routines in the company. Further, it filters and interprets information from the environment; attenuates complexity; and guides the strategies, systems, and behavior of the organization. In fact, managers will often consider only information and intelligence that is believed to be relevant to the firm’s prevailing dominant logic.

Morris, Kuratko, and Covin (2008) suggest creating a *dynamic dominant logic* in order to make entrepreneurship the basis upon which the organization is conceptualized and resources are allocated. As a dominant logic, entrepreneurship promotes strategic agility, flexibility, creativity, and continuous innovation throughout the firm. Further, the overriding focus of the firm is opportunity identification, discovery of new sources of value, and product and process innovation that will lead to greater profitability. And finally, an emphasis on entrepreneurial activity is translated into the objectives, strategies, reward systems, control systems, planning approaches, structure, and so forth of the firm.

Entrepreneurship is more than a course of action one pursues; rather it is more than a mindset. At the level of the organization, entrepreneurship can provide a theme or direction to a company’s entire operations. It can serve as an integral component of a firm’s strategy and, in some instances, serve as the core or defining component of corporate strategy (Kuratko, Ireland, & Hornsby, 2001). A strategy, at its essence, attempts to capture where the firm wants to go and how it plans to get there. When entrepreneurship is introduced to strategy, the possibilities regarding where the firm can go, how fast, and how it gets there are greatly enhanced.

Not only can entrepreneurship serve as the dominant logic of a company, but it also plays an important role in the firm’s strategy. The integration of entrepreneurship with strategy has two aspects, both of which are critical. Morris et al. (2008) refer to these two aspects as *entrepreneurial strategy* and a *strategy for entrepreneurship*.

The first of these is concerned with applying creativity and entrepreneurial thinking to the development of a core strategy for the firm. Morris et al. define an entrepreneurial strategy as “*a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity*” (p. 194). A highly entrepreneurial strategy is not an obvious one. Discovering unique positions in the marketplace is difficult, as is breaking away from established ways of

doing things. Such a strategy implies a higher level of risk, especially when first implemented.

Based upon the structure of traditional strategy matrices that have been used for portfolio analysis, Sonfield and Lussier (1997) developed an *entrepreneurial strategy matrix* that measures risk and innovation. For the purpose of this matrix, *innovation* is defined as the creation of something new and different. In terms of measurement, the newer and more different the proposed product or service is, the higher it would be scored on a measurement scale. *Risk* is defined as the probability of major financial loss. What are the chances of the entrepreneurial venture failing? How serious would be the resulting financial loss? Whereas many ways exist to increase innovation, reducing risk largely focuses on financial factors, with a secondary consideration of self-image and ego. The model allows even the most inexperienced entrepreneurs to characterize their new or existing venture situations and identify appropriate strategies. The value of the entrepreneurial strategy matrix is that it suggests appropriate avenues for different entrepreneurs. When the entrepreneur identifies the cell that best describes the new or existing venture being contemplated, then certain strategies are indicated as more likely to be effective.

While entrepreneurial activity is common in established firms, such activity is not necessarily embraced as an essential element of those firms' strategies. Covin and Miles (2007) hypothesized that firms that embrace entrepreneurship as core to their strategies will outperform those that do not over the long run.

Thus, the second aspect when integrating entrepreneurship and strategy concerns the need to develop a strategy to guide the particular entrepreneurial activities taking place within the firm. At its essence, this is a strategy for determining how entrepreneurial the firm really strives to be and how it will achieve that level of entrepreneurship. Morris et al. (2008) pose questions such as:

- To what extent is the entrepreneurial emphasis in the company that of growing new businesses and starting new ventures outside the mainstream of the firm versus transforming the existing enterprise and its internal operations into a more entrepreneurial environment?
- In what areas of the firm is management looking for higher versus lower levels of entrepreneurial activity? Which business units or product areas are expected to innovate the most? Which departments are expected to be the real home for entrepreneurship, setting direction and providing leadership for the rest of the firm?
- To what extent is innovation expected to come from senior management, middle management, or first-level management? Is there clear direction in terms of the types of innovation expected at each level?

## **Integrating Entrepreneurship With Leadership**

*Entrepreneurial leadership* is one of the newest terms combining the elements of strategy, leadership, and entrepreneurship in the management of high-growth ventures. Terms such as “visionary” and “strategic” have been used when describing different types of leaders. Rowe (2001) provides a comprehensive description of strategic leaders, visionary leaders, and managerial leaders. His contention is that “strategic” leaders embrace the best characteristics of “visionary” leaders and “managerial” leaders. Thus, strategic leaders

- exhibit a synergistic combination of managerial and visionary leadership;
- emphasize ethical behavior and value-based decisions;

- formulate and implement strategies for immediate impact and preservation of long-term goals to enhance organizational survival, growth, and long-term viability;
- have strong, positive expectations of the performance they expect from their superiors, peers, subordinates, and themselves;
- use, and interchange, tacit and explicit knowledge on individual and organizational levels;
- use linear and nonlinear thinking patterns;
- believe in strategic choice, that is, their choices make a difference in their organizations and environment.

It is the concept behind strategic leadership that research has demonstrated to be the most effective in growing organizations. Ireland and Hitt (1999) identified some of the most important concepts in effective strategic leadership. These include: determining the firm's purpose or vision; exploiting and maintaining the core competencies; developing human capital; sustaining an effective organizational culture; emphasizing ethical practices; and establishing balanced organizational controls.

This type of leadership can be classified as *entrepreneurial leadership*, which arises when an entrepreneur attempts to manage the fast-paced, growth-oriented company (Hitt, Ireland, Camp, & Sexton, 2001; Thompson, 1999). Entrepreneurial leadership can be defined as the entrepreneur's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization (Kuratko, 2007). If these leadership processes are difficult for competitors to understand and hence to imitate then the firm will create a competitive advantage.

Today's fast-paced economy has created a new competitive landscape—one in which events change constantly and unpredictably. These changes are revolutionary in nature—that is, they happen swiftly and are relentless in their frequency, affecting virtually all parts of an organization simultaneously. The ambiguity resulting from revolutionary changes challenges firms and their strategic abilities to increase the speed of the decision-making processes through which strategies are formulated and implemented.

Growth-oriented firms need to adopt a new competitive mindset—one in which flexibility, speed, innovation, and strategic leadership are valued highly. With this mindset, firms can identify and completely exploit opportunities that emerge in the new competitive landscape. These opportunities surface primarily because of the disequilibrium that is created by continuous changes (especially technological changes). More specifically, although uncertainty and disequilibrium often result in seemingly hostile and intensely rivalrous conditions, these conditions may simultaneously yield significant product-driven growth opportunities. Through the effective application of entrepreneurship and strategic leadership growth firms can adapt their behaviors and exploit such opportunities. Thus, the concept of strategic entrepreneurship.

## **The Concept of Strategic Entrepreneurship**

With all of these perspectives in mind, can we begin to find the combination of concepts that create strategic entrepreneurship? Covin and Kuratko (2008) discuss *strategic entrepreneurship* within the realm of corporate entrepreneurship. In their analysis, strategic entrepreneurship refers to a broader array of entrepreneurial phenomena, which may or may not result in new businesses being added to the corporation. However, they all involve in which large scale or otherwise organizationally consequential innovations that are adopted in the pursuit of competitive advantage. While corporate venturing involves

company involvement in the creation of new businesses, strategic entrepreneurship corresponds to a broader array of entrepreneurial initiatives, which do not necessarily involve new businesses being added to the firm. All forms of strategic entrepreneurship have one thing in common: they all involve the exhibition of organizationally consequential innovations that are adopted in the pursuit of competitive advantage.

Strategic entrepreneurship involves simultaneous opportunity-seeking and advantage-seeking behaviors (Ireland, Hitt, & Sirmon, 2003). The innovations that are the focal points of strategic entrepreneurship initiatives represent the means through which opportunity is capitalized upon. These are innovations that can happen anywhere and everywhere in the company. By emphasizing an opportunity-driven mindset, management seeks to achieve and maintain a competitively advantageous position for the firm. These innovations can represent fundamental *changes from the firms' past* strategies, products, markets, organization structures, processes, capabilities, or business models. Or, these innovations can represent fundamental bases on which the firm is fundamentally *differentiated from its industry rivals*. Hence, there are two possible reference points that can be considered when a firm exhibits strategic entrepreneurship: (1) how much the firm is transforming itself relative to where it was before (e.g., transforming its products, markets, internal processes, etc.) and (2) how much the firm is transforming itself relative to industry conventions or standards (again, in terms of product offerings, market definitions, internal processes, and so forth).

With regard to differentiation relative to one's industry, it should be noted that some firms consistently exhibit high levels of innovativeness from the time of their founding and, as such, they have always been tagged with the label of *entrepreneurial firm*. Moreover, some industries invite continuous entrepreneurial behavior (e.g., fashion-related industries, technology-based industries). Therefore, innovativeness *per se* may not be a basis on which firms in those industries are differentiated from their industry rivals. Rather, it is the products, services, and processes that result from this innovativeness that determine how well they are differentiated.

Strategic entrepreneurship can take one of five forms—*strategic renewal, sustained regeneration, domain redefinition, organizational rejuvenation, and business model reconstruction* (Covin & Miles, 1999).

*Strategic renewal* is a type of entrepreneurship whereby the firm “seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes” (Covin & Miles, 1999, p. 52). As originally defined by Guth and Ginsberg (1990, p. 5), the label strategic renewal referred to “the transformation of organizations through renewal of the key ideas on which they are built.” Yet strategic renewal has a more specific meaning and focus. With strategic renewal, the focus of the entrepreneurial initiative is the firm's strategy. However, not all firms that adopt new strategies are pursuing strategic renewal. Rather, new strategies constitute strategic renewal when they represent fundamental repositioning efforts by the firm within its competitive space. Additionally, firms that are founded based on unique value propositions that deviate from accepted industry strategic recipes would be considered entrepreneurial firms that practice the strategic renewal form of strategic entrepreneurship. These firms are playing new strategic games designed to place the firms in more favorable industry positions. Within the popular business press and practitioner-oriented journals, the phenomenon of strategic renewal has also been called strategic innovation (e.g., Hamel & Prahalad, 1995), or value innovation (e.g., Kim & Mauborgne, 1997, 1999).

*Sustained regeneration* refers to the entrepreneurial phenomenon whereby the firm “regularly and continuously introduces new products and services or enters new markets” (Covin & Miles, 1999, p. 51). With this form of strategic entrepreneurship the firm is in



constant pursuit of entrepreneurial opportunities. Most of these opportunities will result in incremental innovations as represented by the offering of product extensions or movement into adjacent market arenas. On occasion, employment of the sustained regeneration form of strategic entrepreneurship will result in new business creation. Sustained regeneration is most commonly employed as a basis for attaining or sustaining competitive advantage under conditions of short product-life cycles, changing technological standards, or segmenting product categories and market arenas. Arguably, sustained generation is the most recognized and common form of strategic entrepreneurship. Firms that successfully practice sustained regeneration have reputations as “innovation machines.” Unlike the other forms of strategic entrepreneurship, sustained innovation cannot be represented by a single, discrete event. Rather, sustained regeneration exists when firms exhibit an ongoing pattern of new product introductions and/or new market entries.

*Domain redefinition* refers to the entrepreneurial phenomenon whereby the firm “proactively creates a new product-market arena that others have not recognized or actively sought to exploit” (Covin & Miles, 1999, p. 54). Through domain redefinition, firms move into uncontested markets, or what Kim and Mauborgne (2005) have called “blue oceans.” These are product-market arenas in which new product categories are represented. A product category refers to a group of products that consumers view as substitutable for one another yet distinct from those in another product category. These new product categories can either give rise to completely new industries or redefine the boundaries of existing industries. Domain redefinition renders a firm’s current competition moot, at least temporarily, inasmuch as this entrepreneurial activity takes place in unoccupied competitive space. The entrepreneurial firm’s hope is that its first-mover status will create a basis for sustainable competitive advantage when and if competitors follow. The domain redefinition phenomenon is discussed within the business literature under a variety of labels including bypass strategy (Fahey, 1989), market pioneering (Golder & Tellis, 1993), whitespace marketing (Maletz & Nohria, 2001), and blue ocean strategy (Kim & Mauborgne, 2004, 2005). Unlike the other forms of strategic entrepreneurship, domain definition necessarily results in new business creation.

*Organizational rejuvenation* refers to the entrepreneurial phenomenon whereby the firm “seeks to sustain or improve its competitive standing by altering its internal processes, structures, and/or capabilities” (Covin & Miles, 1999, p. 52). With organizational rejuvenation, the focus of the innovation effort is a core attribute or set of attributes associated with the firm’s internal operations. The objective of these efforts is to create a superior organizational vehicle through which the firm’s strategy can be implemented. When pursued successfully, organizational rejuvenation enables a firm to achieve competitive advantage without changing its strategy, product offerings, or served markets. Sometimes organizational rejuvenation will entail a fundamental redesign of the entire organization, such as might result from major business process reengineering projects that reconfigure the firm’s internal value-chain. Organizational rejuvenation can also involve single innovations that have sweeping implications for the firm (e.g., major restructuring efforts) or multiple smaller innovations that collectively contribute to significantly increased organizational efficiency or effectiveness at strategy implementation (e.g., administrative innovations designed to facilitate inter-unit communications or the transference of core competencies). In order to constitute organizational rejuvenation, the innovation(s) in question cannot simply imitate initiatives that are common to the firm’s industry. Rather, the innovation(s) must, at least temporarily, distinguish the firm from its industry rivals.

*Business model reconstruction* refers to the entrepreneurial phenomenon whereby the firm designs or redesigns its core business model(s) in order to improve operational

efficiencies or otherwise differentiate itself from industry competitors in ways valued by the market. Business models have been described as “stories that explain how enterprises work” (Magretta, 2002, p. 87). According to Magretta, these stories address four basic questions:

1. Who is the customer?
2. What does the customer value?
3. How do we make money in this business?
4. What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?

Firms may be founded on the basis of novel business models or they may adopt new business models in their pursuit of competitive advantage. Common activities within business model reconstruction include outsourcing (i.e., relying on external suppliers for activities previously performed internal to the firm) and, to a lesser extent, vertical integration (i.e., bringing elements of the supplier or distributor functions within the ownership or control of the firm).

Admittedly, the concepts proposed here in our analysis are not complete nor do they specifically define the domain. That is why we saw the need for a special research conference and a special issue of *ET&P* to explore the topic of *strategic entrepreneurship*.

### **Background on This Special Issue**

This special issue disseminates the scholarly efforts produced by the participants of the Research Colloquium on Strategic Entrepreneurship held at the Schloss Ringberg Castle in Germany in June of 2007. Indiana University’s Kelley School of Business and the Max Planck Institute of Economics jointly planned and sponsored the conference. Our goal with the special research colloquium at the Schloss Ringberg Castle in Germany was to bring together established and respected scholars from diverse disciplines to examine this newly developing concept of *strategic entrepreneurship* from different perspectives. During the colloquium there were interesting papers presented and in-depth discussions on the meaning of the perspectives. After a double-blind review process and assessments of the co-editors the best articles were selected for inclusion in this special issue. The manuscripts went through two and three rounds of revisions before any final decisions were made so this issue represents the very best scholarly work. We believe these scholarly research articles certainly represent a diverse collection of perspectives to examining strategic entrepreneurship; however, it is in that diversity where we believe a significant contribution is made to advancing our knowledge of this concept. While all of the articles can claim some relation to strategy, entrepreneurship, and policy perspectives (in some manner), we believe they can be collectively grouped into these major perspectives.

So we begin in the *Entrepreneurship Perspective* with Ireland, Covin, and Kuratko using the *organizational lens* where they conceptualize Corporate Entrepreneurship Strategy (CES) into a model by synthesizing key elements within CES’s intellectual domain: the *antecedents*, the *elements*, and the *outcomes*. They distinguish their model from prior models while identifying challenges future CE research should address. Lumpkin, Cog-liser, and Schneider follow with a look at the theoretical relevance of autonomy as an element of firm-level entrepreneurial behavior. After a review of existing autonomy measures, they propose scale items with the results of two studies to test the autonomy

dimension of Entrepreneurial Orientation (EO) addressing implications for future EO-related autonomy research. Monsen and Boss examine how managers and staff react to strategic entrepreneurship by surveying 1,975 managers and staff in 110 departments of a diversified healthcare organization on department-level entrepreneurial orientation (e.g., risk-taking, proactive, and innovative), degree of role ambiguity in their job, and their strength of intention to quit. Their results demonstrate that strategic entrepreneurship can impact management and staff differently and thus requires a correspondingly customized design philosophy.

From there we focus on the *Strategic Perspectives* with performance and growth issues of strategic entrepreneurship. Shepherd and Wiklund examined measures of growth and found that there is variability such that some measures demonstrate high and/or moderate concurrent validity. Their findings have implications for how we delineate the boundaries of firm growth research and accumulate knowledge. Steffens, Davidsson, and Fitzsimmons develop a dynamic model of firm development which suggests different development pathways for young firms. Studying the profitability-growth configurations of approximately 3,500 small firms and how these configurations evolve over time, the authors caution against the blind pursuit of growth for young firms, in favor of a thoughtful analysis of how both growth and profitability might be developed by firms. Audretsch, Lehmann, and Plummer suggest that agency theory has a place in the study of strategic entrepreneurship and that it helps explain how firms gain control of resources they don't own. Holcomb, Ireland, Holmes, and Hitt highlight the effects of heuristics under two different learning contexts: experiential learning and vicarious learning. By considering linkages among heuristics, knowledge, and action, the authors provide a more complete model of entrepreneurial learning that allows for examination of the influence of judgments on learning and exposes conditions that can benefit or limit effective action in an entrepreneurial setting. Looking at the acquisition/buyout issues, Wiklund and Shepherd show how resource complementarity increases the potential value of alliances and acquisitions. They separate domestic from international alliances and acquisitions and show that alliances and acquisitions bring limited benefits to firms unless deliberate effort is devoted to resource combination. Their findings help resolve conflicts in the resource-based literature concerning the benefits of alliances and acquisitions. Meuleman, Amess, Wright, and Scholes then take a strategic entrepreneurship view of buyouts by developing the complementarity between agency theory and strategic entrepreneurship perspectives to examine the performance implications for different types of buyouts. Taking a fresh look at strategic entrepreneurship research through the lens of *complexity theory* is the article by Schindehutte and Morris. Their emphasis is placed on the need to address the generation of novelty and discontinuity, the unit and level of analysis, and the central roles of chaos and uncertainty. It is a unique and thoughtful perspective that questions the current directions of strategic entrepreneurship.

Finally the *Economic Policy Perspective* is considered with venture capital and international entrepreneurship in mind by Fernhaber and McDougall-Covin. They demonstrate that venture capitalists play an important role in influencing the strategic direction of the firms in which they invest. Their findings reveal that venture capitalists can serve as a catalyst to new venture internationalization through the provision of knowledge and reputation resources. As research has predominantly looked at venture firms post raising their first venture capital fund, Walske and Zacharakis uniquely move the point of analysis back and ask which best predicts a venture capital firm's ability to succeed over time: the founding team or the initial investment strategies chosen? Their results show that founder experience is the only significant predictor of a nascent venture firm's ability to raise follow-on funds. Specifically, they show that venture capital and senior management

experience predict nascent venture firm success. Patzelt and Shepherd then move to examining actual policy programs. They draw on goal-setting theory to analyze how and why entrepreneurs perceive the usefulness of policy programs aimed at facilitating the development of academic ventures.

All of the three perspectives were examined with interesting sub-topics by these respected researchers. Together they comprise a special issue that contributes significantly to an appreciation for the emerging concept we call *Strategic Entrepreneurship*.

We end our special issue with a commentary from G. Dale Meyer, Professor Emeritus at the University of Colorado and considered an eminent pioneer in entrepreneurship education and research. Dr. Meyer was invited to provide the opening keynote address at the research colloquium in Germany. The commentary presented at the end of this special issue encapsulates the critical message delivered at the conference and it lays down the final challenge for entrepreneurship scholars as seen through the eyes of Dr. Meyer.

Finally, as a way of incorporating some of the flavor of the discussions at the colloquium, we invited the scholars who participated in the colloquium to submit their perspectives on *strategic entrepreneurship*. We conclude by presenting highlights of those perspectives below. It is clear that the emerging concept of *Strategic Entrepreneurship* has differing perspectives and research scholars need to be open to the richness of the diversity at this point.

Strategic entrepreneurship starts when the entrepreneur is less concerned with issues linked to the emergence and the short term survival, but more with those related to development strategy, success, market orientation, etc. I have basically one concern when I observe and discuss papers about strategic entrepreneurship: research designs, lack of sufficient sector/industry comparisons which may bias results and implications. Another concern is the complete absence of the socio-economic environment as an important factor for entrepreneurship: most entrepreneurs start up their business in the same region they live in or have obtained their last diploma. The issue of “entrepreneurship and the region” is in my eyes a critical factor strategic entrepreneurship should accord more attention to (Dr. Frank Lasch, Research Director, GSCM-Montpellier Business School, France).

My definition of strategic management is: an attempt to efficiently manage firm resources in such a way as to achieve pre-defined (strategic) goals of the firm (Julie Ann Elston, Ph, Oregon State University–Cascades).

Strategic Entrepreneurship is the use and/or stimulation of entrepreneurial activity to achieve strategic goals. In the business management literature these goals are well known. Such goals are diversification, vertical integration and (re)gaining or strengthening competitive advantages. Entrepreneurial activity, the risky undertaking of new commercial ventures, can be seen as a way to achieve such goals and therefore be considered a tool for strategic managers. And as strategic management is the realm of existing corporations one might conclude that strategic entrepreneurship is more or less synonymous with “corporate entrepreneurship.” We know it exists. Firms like Apple and Ben and Jerry’s are well known for deliberately keeping an open mind and resources available for new ventures. In the end complementarities with existing activities need to be likely to make the new venture a strategically valuable one. The one thing that makes this field fundamentally different than “regular” entrepreneurship is therefore to be found in the key driving forces and limitations that in the end explain the phenomenon under consideration (Mark Sanders, Utrecht University and Max Planck Institute of Economics).

Strategic Entrepreneurship is about using the introduction of new economic activity in a planned and systematic fashion in order to attain defined goals. However, while established firms' use of entrepreneurship in order to enhance financial performance may be what first comes to mind, I strongly support the idea that Strategic Entrepreneurship—like entrepreneurship in general—is a phenomenon that has antecedents and outcomes on many levels of analysis, and hence can and should be studied on these different levels. For example, on the individual level Strategic Entrepreneurship implies systematic search for and exploitation of opportunities aligned with the individual's prior knowledge and available resources for the purpose of attaining important life goals, where the accumulation of financial wealth may or may not be a terminal or intermittent goal. On the regional or national level, Strategic Entrepreneurship implies the creation of an institutional framework that is conducive of entrepreneurial initiatives by individuals and firms with the purpose of attaining regional or national level goals such as economic growth, sustainable use of natural resources, or enhanced levels of quality of life for the citizen's (Per Davidsson/Brisbane Graduate School of Business | Queensland University of Technology).

Strategic Entrepreneurship fuses the insights of entrepreneurship and strategic management. What does that mean? Managers of established firms increasingly need to think entrepreneurially and entrepreneurs increasingly need strategic goals. How can an established firm—dominated by routine procedures—transform itself into a creative and innovative venture just like most start-ups? What can and should a start-up learn from the strategic orientation of long-existing firms? Are these two possible approaches economically reasonable and desired? How can policies contribute to either transformation? We need to find answers to those questions. So let's get started! (Stefan Krabel, Max Planck Institute of Economics, Entrepreneurship, Growth, and Public Policy Group).

Strategic entrepreneurship has been defined as involving the identification and exploitation of opportunities, while simultaneously creating and sustaining a competitive advantage. Idiosyncratic knowledge of management and entrepreneurs represents a key resource for firms, especially for opportunity recognition. The nature of compensation for management poses important issues for strategic entrepreneurship since it can influence their time horizons and hence their strategic behavior. Direct equity ownership may provide a longer term perspective than bonuses and stock options and introduces the notion of executives as residual claimants. Classic entrepreneurial firms are associated with owners who combine residual risk bearing with decision-making. Ownership rights have long been argued to be crucial for entrepreneurship since they permit the entrepreneur to make decisions about the coordination of resources to gain entrepreneurial rents, in return for bearing the uncertainty associated with owning those resources. While in large complex organizations there are benefits from separating residual risk bearing from decision-making functions, a requirement for top management to engage in entrepreneurship suggests a need to incorporate appropriate residual claimant mechanisms. A strategic competitive advantage may not be created where the corporate governance system does not incentivize and monitor management to undertake the appropriate actions to recognize opportunities and to gather and utilize resources. Where management are unable to gain adequate compensation for their skills and tacit knowledge, they may seek to take a firm private through a management or leveraged buy-out that would provide them with a significant if not controlling equity stake. Such transactions may involve as residual claimants both the entrepreneur

and private equity firms (Mike Wright, Center for Management Buy-out Research, Nottingham University Business School).

Strategic Entrepreneurship describes a deliberate and enacted wish to seek for and respond to shifts in the environment. A stated and committed entrepreneurial strategy enables the employees in an organization to direct their innovation behavior toward a common goal. This then liberates creative energy which the company could utilize to improve its competitive power (Bjørn Willy Åmo, Bodø Graduate School of Business).

There is a “third way” of doing business that falls between unsystematic trial and error and meticulous planning—being strategic. Here, a strategy determines the long-term goal, but variation from the plan along the way can be highly desirable as flexibility and willingness in dealing with unforeseen events can widen the scope of opportunity. However, seeing a chance for what it is, and being able to act in an appropriate and timely way, requires open-mindedness, drive, and creativity. There is a type of person who embodies this special mix of abilities—the entrepreneur. Thus, strategic entrepreneurship is a way of doing business that means taking full advantage of opportunity as it arises by having as much concern as necessary but as little as possible (Stephan Hebllich, Research Assistant, University of Passau).

Starting with the “entrepreneur” in the Schumpeterian sense to mean the bold and imaginative deviator from established business patterns and practices who constantly seeks the opportunity to introduce new products and new procedures, to invade new markets, and to create new organizational forms, it should be possible to localize the entrepreneur in different positions in a given business environment: First, the “entrepreneur in a narrow sense” previously worked for an incumbent. However, he channels his creativity into starting his own business. Second, the “intrapreneur” is an employee of a large firm. He succeeds to turn his ideas into new products or processes within a given organizational framework. Third, the “corporate entrepreneur” is the leader of an incumbent firm who succeeds to combine intrapreneurship with entrepreneurship in the narrow sense. On the one hand, the corporate entrepreneur fosters intrapreneurship within the hierarchy of the established organization and on the other hand he participates on the entrepreneurs’ creativity by cooperation. All three types of Schumpeterian entrepreneurs act “strategic” with regard to their foresight and their ability to pick up and pursue opportunities within their specific context. Against this background “strategic entrepreneurship” seems to be a pleonasm (Dr. Oliver Falck, Ifo Institute for Economic Research, Human Capital and Innovation, and CESifo Munich, Germany).

### **Final Thought**

We are deeply grateful to all of the scholars who participated in the Research Colloquium on Strategic Entrepreneurship held at the Schloss Ringberg Castle in Germany in June of 2007. We are also honored that Ray Bagby, editor of ET&P, believed in our concept of this conference and committed this special issue. It is our hope that the results of the scholars’ work presented in this issue will be viewed as a significant contribution to an emerging field.

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