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INTEGRATING ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT ACTIVITIES TO GAIN WEALTH: CEOs' PERSPECTIVES

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ABSTRACT

This study explored means and ways that can help CEOs achieve wealth for their firms in the era of globalization. Using a sample of CEOs of MNCs, the findings of this study indicated that the majority of the CEOs agreed that many of the activities undertaken by organizations in an attempt to achieve wealth occur within six domains: Innovations, networks, internationalization, organizational learning, top management team and governance, and growth orientation. Critical challenges facing top management and the suggested recommendations were acknowledged by the participating CEOs.

INTRODUCTION

There is a general agreement regarding positive effects entrepreneurship has on firms' efforts for creating wealth (Lyon, Lumpkin, & Dess, 2000). *Entrepreneurship* is defined as a context, dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities (Ireland, Hitt, Camp, and Sexton, 2001). According to Barringer and Bluedorn (1999), this definition suggests that if a firm gains access to a variety of resources and knows how to leverage them creatively, it gives the firm two core entrepreneurial functions; 1) *strategic management* which is defined as a context, specific process that includes commitments, decisions, and actions required for a firm to create wealth, and 2) learning how to develop, nurture, and exploit competitive advantages when using the strategic management process. Effective strategic management processes support new behaviors to identify and pursue competitive opportunities that were not previously recognized or exploited (Barney, 1991).

Both strategic management and entrepreneurship are concerned with decisions made by general managers who have the responsibility for a business as a whole. While *strategic management* is concerned with factors affecting the firm's performance (e.g., strategy, environment, and the sources of sustainable competitive advantage); *entrepreneurship* (considering independent firms and corporate entrepreneurship) is concerned with processes leading to venture creation. Moreover, *entrepreneurship* focuses on growth and innovation, while *strategic management* focuses on competitive advantage. However, the most compelling outcome of integrating entrepreneurship and strategic management is to create wealth (Ireland, Hitt, Camp, and Sexton, 2001).

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Hence, entrepreneurial and strategic actions are at the core of wealth creation. Entrepreneurial actions are a fundamental behavior of firms by which they move into new markets, gain new customers, and combine existing resources in new ways (Smith and Gregorio, 2000). As a context, entrepreneurship is concerned primarily with identifying market opportunities and creating a set of resources through which they can be exploited. Entrepreneurship has both attitudinal and behavioral components. Lyon, Lumpkin, & Dess (2000) predicted that as the 21st century dawns, many companies across virtually all industries will consider entrepreneurial actions as essential if they are to survive in a world increasingly driven by accelerating change.

On the other hand, strategic actions are taken to select and implement the firm's strategies. Increasingly, in globally competitive organizations, many strategic actions are framed around the pursuit of entrepreneurial opportunities by taking entrepreneurial actions. Strategic actions provide the context in which innovations are developed and commercialized (Hitt, Ireland, & Hoskisson, 2001). Thus, there are intersections between entrepreneurship and strategic management. The notion of such intersections demonstrates that successful integration between entrepreneurial and strategic actions will improve the firm's ability to grow and create wealth. Wealth creation is concerned with developing sustainable income. The ability to generate growing, sustainable income streams determines whether or not companies can create wealth (Rutledge, 1993).

Colven (2000) asserted that all types of organizations can practice entrepreneurship. Large and long-established organizations (e.g., GE), relative established companies (e.g., Dell & Cisco Systems), and startup ventures can use entrepreneurial actions to create wealth. Large established companies sometimes transform themselves through entrepreneurial actions and the resulting innovations. For example, Nokia used entrepreneurial and strategic actions as the foundation for the transformation from a widely diversified conglomerate to the world's leading maker of cellular phones. This study adopted six domains suggested by Ireland, Hitt, Camp, and Sexton (2001) for integrating entrepreneurial and strategic actions. The study also examined American CEOs' attitudes toward the ranking order of these domains. Eventually, organizations will encounter emerging critical issues such as the challenge of change, the imperative need for strategic flexibility, and potential problems in the implementation of the recommended integration process. Consequently, the study examined the participating CEOs' perception of the ranking order of potential challenges and the generic as well as the specific strategies for effective handling of these potential challenges.

MECHANISMS OF INTEGRATING ENTREPRENEURIAL AND STRATEGIC ACTIONS

Entrepreneurship and strategic management are both concerned with firms' behavior and performance. Strategic management calls for firms to establish and exploit competitive advantages within a particular environmental context. Entrepreneurship promotes the search for competitive advantages through products, process, and market innovations. Entrepreneurial and strategic actions search for new markets or competitive places for firms to create wealth. Firms try to find fundamental and new ways of doing business that will disrupt an industry's existing competitive rules, and lead to the development of new business models that create new forms of competitive life (Hamel, 2000). The degree to which the firm acts entrepreneurially in terms of innovativeness, risk taking, and proactive behavior is related to dimensions of strategic management (Barringer and Bluedorn, 1999).

Based on these general commonalities between entrepreneurship and strategic management, Ireland, Hitt, Camp, and Sexton (2001) recommended six domains that are critical to firms' efforts to create wealth. These domains were also proposed by Hitt, Ireland, and Hoskisson (2001) that included innovation, networks, internationalization, organizational learning, top management teams and governance, and growth.

Understanding the critical intersections relative to specific domains of organizational action allows those responsible for creating wealth to increase their knowledge, stocks, and professional tools which, in turn, leads to higher quality entrepreneurial and strategic actions.

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1. Innovation– Innovation is the sum of invention and the commercialization of that invention. Innovation results from the firm's effective development and use of new technologies and/or knowledge about market opportunities (Afuah, 1998). Research and Development (R&D) is the firms' primary source of inventions (bringing something new into being) and innovations (bringing something new into use). The development part of R&D is being more emphasized in many large corporations. In contrast, many smaller, entrepreneurial ventures are concentrating on research rather than development. Thus, truly new or radical innovations may come more frequently from smaller, entrepreneurial ventures than from large companies (Sharma & Chrisman, 1999). Although the degree to which innovations will be successful is difficult to predict, firms are increasingly recognizing the importance of innovation as a primary driver of growth and wealth creation (Hargadon & Sutton, 2000). In successful firms, innovation does not exist for its own sake; it is used as a critical component of strategy and becomes an embedded capability (Hitt, Ireland, & Hoskisson, 2001).

2. Networks-- Networks bring firms and people together. Networks are patterned relationships between individuals and groups (Rangan, 2000). They take many forms including strategic alliances, joint ventures, licensing arrangements, subcontracting, joint R&D endeavors, and joint marketing activities. An organizational network is a voluntary arrangement between two or more firms that involves durable exchange, sharing or co-developing new products and technologies. Capital, technology, and other specific assets of a firm are examples of what partners may commit to a network. Increasingly, these networks are extending across country borders (Gulati, 1998; 1999). Networking is the act of building a resource network and strengthening the ties within the framework itself (Friga, O'Neil, & Bateman, 2000). Thus, networks are products of intentional entrepreneurial or strategic actions and they do not evolve on their own. Advantages include faster market penetration, sharing of financial risk, increased production efficiencies, enhancements of innovation capability, and access to competitively valuable knowledge. In short, networks allow firms to learn new capabilities and gain access to resources they need but do not possess. Most entrepreneurial ventures, especially at the startup phase, rely on effective networks for survival (Ireland, Hitt, Camp, & Sexton, 2001).

3. Internationalization– Internationalization is a tool that extends the firm's reach and potential; it influences the set of entrepreneurial and strategic actions used throughout the company. Because of rapidly developing global markets, managers at all levels must be actively involved in internationalization (Endmondson, 2000). Firms can use several entry modes to internationalize their operations in efforts to create wealth (e.g. exports, licensing, acquisitions, strategic alliances, and foreign direct investments.) Fewer entry modes are viable for entrepreneurial ventures because of their size (Zacharakis, 1998). One way for firms to create wealth can be international diversification. Organizational learning and improvements of innovative skills resulting from such diversification contribute to higher returns. However, international diversification can be counterproductive if the firm lacks the infrastructure and entrepreneurial and strategic capabilities required to cope with the complexities of operating in diverse markets, (Hitt, Hoskisson, & Kim, 1997).

However, to succeed in global economy, firms must develop a "global mindset." As Pucik (2003) stated, "Unlike firms with an ethnocentric mindset, a firm with global mindset accept diversity and heterogeneity as a source of opportunity."

4. Organizational learning-- Organizational learning is the development of new knowledge that has the potential to influence behavior and help the firm create wealth. Organizational learning occurs through rapid transfers of knowledge. It takes place through information acquisition, information dissemination, and shared interpretation (DeLong & Fahey, 2000). The degree to which a firm is committed to learning is a strategic choice, because learning is a capability, and requires skills and processes that must be activated for knowledge to be developed and shared. In a growing number of companies, the decision to emphasize learning is reflected in their formal positions that highlight learning (Webber, 2000). Firms must be able to quickly disseminate new knowledge to all of its units that use it in their efforts to create wealth. Rapid knowledge transfers are also vital in entrepreneurial ventures, particularly in international markets (Zahra, Ireland, & Hitt, 2000). Organizational learning is a prerequisite to innovations and the establishment of new ventures or business operations (Day, 1992). Researchers in the field of strategic management and entrepreneurship found that organizational learning is linked to firm's abilities to innovate continuously and

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generate competitive advantages. The development of new knowledge from organizational learning reduces the likelihood that firm's competencies will be outdated. Instead, the competencies on which the advantages are based remain dynamic, and they change in accordance with environmental contingencies (Teece, Pisano, & Shuen, 1997).

*5. **Top management teams*** – A top management team has the ultimate responsibility for selecting the firm's strategies and ensuring that they are implemented in ways that will create wealth and thus can be a source of competitive advantage. Top management is responsible for the strategic actions that handle external environmental threats and exploit opportunities by effectively using the firm's unique resources and capabilities. Selection and implementation of strategic actions is important in both entrepreneurial ventures and large, established corporations (Boeker, 1997). In addition, top managers are key players in networks to support entrepreneurial and strategic actions (West & Meyer, 1998).

*6. **Governance***-- Governance is concerned with determining and ensuring that the firm's direction has a high possibility of satisfying the expectations of stakeholders. In market-based economies, shareholders'satisfaction is the major concern of governance decisions. Essentially, governance decisions specify relationships among all stakeholders with a vested interest in the firm's performance and its ultimate success in terms of wealth creation. Different views among stakeholders about preferred outcomes (dividends) must be addressed (Ireland, Hitt, Camp, & Sexton, 2001). The board of directors is also a substantial source of governance decisions. For example, Beekun, Stedham, and Young (1998) found that the board's decisions affect the firm's performance in terms of wealth creation. For example, the actions of Daimler Chrysler's board had a negative effect on the firm's ability to create wealth. As a result approximately 60 percent of the value of the corporate shares was lost between January 1999 and the end of 2000 (Tierney & Green, 2000).

*7. **Growth***– There are several ways in which firms can achieve growth. For instance, mergers and acquisitions generate rapid growth for large and established organizations. Such strategic options are often utilized by many firms competing in the global economy. Successful mergers and acquisitions can help firms generate additional wealth, (Hitt, Harison, & Ireland, 2001). Growth is also a key objective for entrepreneurial ventures.

In this context, wealth creation is an outcome of entrepreneurial growth-oriented actions. Innovativeness, risk taking, and proactive behaviors often constitute the basis of entrepreneurship (Morris, 1998). Extremely ambitious entrepreneurs are the ones who lead high growth ventures, demonstrate intensity, and have effective and powerful visions of the wealth they can create (Gundry & Wewlsch, 1997). By effectively integrating entrepreneurial and strategic actions, these high growth ventures utilize unique patterns of different strategies to create wealth (Ireland & Hitt, 1999).

CRITICAL CHALLENGES FACING TOP MANAGEMENT

Major critical challenges facing organizations in this century are *change*, *strategic flexibility*, and the *implementation process*. Brown and Eisenhardt (1998) attested that the key strategic challenge for current firms is the management of change. Greve (1998) emphasized that effective management of change is required but difficult, because change is risky. Miller and Chin (1994) noticed that some of the outcomes from organizational change processes are a mixed product of the firm's motivation, opportunity, and capability to change. The authors also found that many smaller entrepreneurial firms have more flexibility than many larger firms, in terms of initiating and managing organizational change. Ireland, Hitt, Camp, and Sexton (2001) concluded that this advantage may be a factor that accounts for the ability of smaller entrepreneurial firms to be more innovative than their larger counterparts.

On the other hand, Hitt, Keats, & DeMarie (1998) noticed that the nature of the forces in the new competitive landscape requires a continuous rethinking of current strategic actions, organization structure, communication systems, corporate culture, asset deployment, and investment strategies. These actions require *flexibility* and ability to balance states of organizations. To achieve competitive advantage in the 21st century, firms are required to have strategic flexibility: the capability of the firm to respond quickly to changing conditions and thereby develop and

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maintain competitive advantage.

In addition, the *implementation processes* of strategies often face various problems. In his survey of 93 Fortune firms, Alexander (1991) found that over half of the corporations experienced various problems during the implementation of their strategies. Such problems were: strategy implementation took more time than originally planned, unanticipated major problems arose, activities were inefficiently coordinated, competing activities and crises took manager's attention away from implementation, participating employees had insufficient skills to perform their jobs, inadequate training, uncontrollable external environmental factors, inadequate leadership and direction, key implementation tasks and activities were poorly defined, and inadequate monitoring of the information system.

SUGGESTED GENERIC RECOMMENDATIONS

The firm's top management team bears the responsibility of dealing with the issues and problems which growth can create. A first step in this process is to ensure that the firm's entrepreneurial and strategic actions are integrated effectively to create wealth. However, flexibility is a critical factor that contributes to the creation of wealth while firms are competing in the global economy. Hence, the firm's leaders should remain flexible in determining actions needed to cope with growth challenges. All employees must also be flexible and focused on the ultimate objective of wealth creation. Continuous organizational change is needed as firms seek to navigate in an increasingly turbulent competitive landscape. Effective management of change is required but difficult, because change is risky (Bettis & Hitt, 1995; Hitt, Keats, & DeMarie, 1998; and Lewis, Goodman, & Fandt, 2001).

SUGGESTED STRATEGIES FOR HANDLING CHANGE

In recent years, a great deal of research and practical attention has focused on the necessity for change and the change process. If managers could design a perfect organization, and if the scientific market, and technical environments were stable and predictable, there would be no pressure for change. But such is not the case; we live in the midst of constant change. Not only is change a constant aspect of the modern business environment, it is becoming increasingly complex. Therefore, the future of organizations, depend on their managers' ability to master change and assist members to be involved in the change process. Managers must recognize that forces of change are significant and pervasive. Change is natural and managers must help their organizations work with it, and not against it (Lewis, Goodman, & Fandt, 2001). To manage change in organizations, Berman (1998) recommended five steps: creating a vision, communicating and sharing information, empowering others to act on the vision, institutionalizing the new approaches, and evaluation and feedback. A brief summary of these steps is as follows:

1. Creating a vision-- This means establishing a vision that clarifies and directs the change effort and the strategies for achievement. In setting the vision, a number of critical issues must be addressed, such as the unfreezing process (a process that involves developing an initial awareness of the need for change and the forces supporting and resisting change), driving force (the push for change of the status quo), restraining force (the forces to keep the status quo the same), external forces (forces that are far beyond control of management), and internal forces (forces that are generally within the control of management).

2. Communicating and sharing information-- Communicate and share information concerning the new vision and the strategies that will be used as a substantial way to help organization members learn to embrace change. New behaviors are learned from verbal, written, and nonverbal messages. Therefore, it is important for everyone to see and hear these messages. The sharing of information with organization members can affect resistance to change, and gain employee's support for the change efforts. Managers should communicate information about the change, personal involvement, implementation, and change influence.

3. Empowering Employees-- Empowering employees to act on the vision is often considered one of the most important steps in the change process. This step focuses on providing training and educational opportunities to help employees learn the new behaviors they need to implement the vision. While several changes (e.g., new equipments,

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policies, procedures) are easy to implement in isolation, major differences arise when dealing with human reactions to such organizational changes. For instance, changes that affect employees may require a shift in employees' attitudes, values, roles, and technical and interpersonal skills. Further, risk taking activities and actions need to be acknowledged and rewarded.

4. Institutionalizing new approaches-- Institutionalizing or re-freezing the new approaches and behaviors is the act of applying the new approaches and behaviors. Burke (2003) pointed that the CEO may not personally craft the vision, but he/she is ultimately responsible for its implementation. This step centers on reinforcing new behaviors, usually by positive results, feelings of accomplishment, or rewards from others. Once management has implemented changes in organizational goals, products, processes, structures, or people, it cannot sit back and simply expect the change to be maintained over time. In planning for change, attention must be paid to how the new behaviors will be reinforced and rewarded. Reward systems should be considered carefully and redesigned when necessary. If the rewards or reinforcements inherent in the change fall short of employee expectations, the change is most likely to fail.

5. Evaluation and feedback-- Although the evaluation process is very important, it is often overlooked. Management needs to know whether the change has achieved intended results. Many managers install changes, undertake training programs, and redesign structures assuming that because the change was made, it will be successful. In many cases, this assumption did not prevail. This is particularly true when the change was unilateral or was made without a careful analysis of the need for change. Evaluation is beneficial because it encourages managers to establish the criteria for assessing the prospected success before the change is implemented.

SUGGESTED STRATEGIES FOR MAXIMIZING STRATEGIC FLEXIBILITY

The nature of the forces in the 21st century require a continuous rethinking of current strategic actions, organization structure, communication systems, corporate culture, asset deployment, investment strategies, etc. Therefore, to achieve competitive advantage in the 21st century, firms are required to be strategically flexible. There are a number of actions that directly or indirectly contribute to the achievement of strategic flexibility and competitive advantage including: strategic leadership, building dynamic core competencies, effective utilization of new technologies, engagement in valuable strategies, and the development of corporate structure and culture (Prahalad and Hamel, 1990).

1. Exercise strategic leadership--Strategic leaders of the firm most often are identified as members of the top management team. Thus, strategic leaders are the key decision makers in the organization. These leaders encounter significant challenges in their attempt to navigate the firm in the new competitive landscape. They must act as visionary as well as transformational leaders. In other words, they must develop a vision for the organization and obtain the members' commitment to achieve that vision. At the same time, they must be a catalyst for change. The chief executive officers (CEOs) have to maintain a balance between designing and implementing dramatic transformation, while simultaneously implementing short-term projects that show achievable results. The CEO's role includes development of human resources beginning with the top management team. In the dynamic and complex new competitive landscape, a heterogeneous and diverse top management team is necessary to develop the appropriate strategies (Finkelstein & Hambrick, 1996).

2. Developing dynamic core competencies-- Dynamic core competencies are unique sets of sources that are built into skills and capabilities to give a firm competitive advantage over its rivals. They must be continually evolving and developing.

Dynamic core competencies help firms remain flexible and able to respond quickly to unpredicted and thereby unexpected changes in the environment. If firms do not continue to invest in and develop their core competencies over time, the competencies might become outdated, and limit future strategic alternatives for the firm (Hitt, Keats, & DeMaire, 1998).

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*3. **Focus on developing human capital***-- Today managers attempt to develop strategic flexibility by focusing on human capital in areas most important to the firm, outsourcing activities in other areas, and employing contingency workers for non-core tasks. Two popular means are *contingency workers* and *developing employee skills*. Approximately 25 percent of over 100 million employees in the U.S. are contingency workers. In some cases, contingency workers receive less pay, but in nearly all cases, receive few or no benefits. Since benefits represent approximately 40 percent of total compensation costs, the use of contingency employees can represent a significant reduction in labor costs. However, contingency workers and outsourcing must be used carefully otherwise firms might experience static rather than dynamic flexibility. In regard to *developing employee skills*, firms need to invest significantly in the development of human capital, because such investment is necessary to have dynamic core competencies (Pfeffer, 1994; Kochan, Smith, Wells, & Rebitzer, 1994; Useem, 1996).

4. Effectively use new technology--Although new technology is being developed in many areas, perhaps the most significant developments have occurred in *manufacturing* and *information* technologies. Manufacturing technology provides the ability to implement flexible and modular production set ups, and rapid changeover of tools used in the production process. Investment in advanced manufacturing technology expands the firm's strategic flexibility because it provides opportunities for future technological growth (e.g., through new product designs).

Among the advanced manufacturing technologies that facilitate the development of strategic flexibility are computer integrated manufacturing (CIM), flexible manufacturing systems (FMS), and computer-aided design and computer-aided manufacturing (CAD/CAM). Information technology is the other critical domain for new technology application. One of the best examples of information technology is the SABRE system developed and implemented in the Airline industry. The computerized reservation systems developed by U.S. airlines exemplify this approach (Schulz, 1992). It appears that the use of new technology can contribute to strategic flexibility and increase the speed of actions. It can also facilitate coordination across international operations involving strategic alliances.

5. Engage in valuable strategies--While there are various strategies, the two that have the most impact on strategic flexibility and competitive advantage over time are *exploiting global markets* and the use of *cooperative strategies*. One way of exploiting global markets is to diversify into international markets. Firms that diversify into international markets often outperform domestic competitors, and tend to be more innovative. A popular form of cooperative strategies is using strategic alliances, which are becoming more common in both domestic and international markets. Alliances may be used to develop new technology or to enter new markets, particularly international markets, because a partner helps share the risks and the costs. Another form of cooperative strategy is the R&D consortium.

Such consortia generally are formed by a group of potential competitors to combine resources and knowledge in an attempt to develop and transfer technology across organizational boundaries. In particular, such consortia have been developed by domestic competitors in response to significant competition from foreign firms in domestic and global markets. To date, such collaborations have been moderately successful in the U.S. and more successful in other countries such as Japan (Campell & Verbeke, 1994; Hitt, Ireland, & Hoskisson, 1997).

6. Develop new organization structures and culture--Implementing international and cooperative strategies requires an organizational *structure* that facilitates coordination and collaboration across country borders. *Vertical* structure is the traditional structure that tends to be slower in developing and implementing decisions and less facilitative of innovation. As a result, firms are developing flatter and more horizontal structures to enhance innovation and speed up strategic actions (Woodman, Sawyer, and Griffin, 1993). *Horizontal* structure facilitates strategy implementation and increases strategic flexibility. Moreover, developing dynamic core competencies and building human capital requires a *culture* that emphasizes organizational learning. A culture that values organizational learning will increase the use of new technology and improve strategic flexibility. Organizational learning helps firms to continuously develop and change core competencies. Finally, managing firms as bundles of assets provides greater strategic flexibility (Kiernan, 1993).

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RESEARCH METHODS

The methods used in this research included a survey questionnaire, sample and data collection, and statistical techniques. The methods were carried out in the following manner. The survey questionnaire employed in this study was adapted from a study conducted Ireland, Hitt, Camp, and Sexton (2001). The first part of the questionnaire consisted of forty items (mechanisms) categorized under seven critical domains (due to the performance of factor analysis, the "top management" and "governance" had to be separated which resulted in seven domains instead of the original six.) These domains are: innovation (8 items), networks (7 items), internationalization (6 items), organizational learning (6 items), top management team (3 items), governance (4 items), and growth orientation (6 items). The forty items were presented as forty statements.

The second part of the questionnaire consisted of three statements depicting three critical challenges: management of organizational change, strategic flexibility, and the implementation process of integrating entrepreneurial and strategic actions. The third part included eight statements representing generic strategies to deal with these critical challenges. The eight statements represented effective integration of entrepreneurship and strategic management actions, the responsibility of top management for issues created by growth strategy, the required flexibility of both management and employees, the critical relationship between flexibility and creating wealth, the continuous organizational change, the effective management of change, and the necessity for following these guidelines.

The fourth part of the questionnaire included eleven statements. The first five statements covered five strategies suggested to manage organization change. These strategies are: creating a vision, communication and sharing information, institutionalizing new approaches and behaviors, empowering employees to act on the change, and evaluation and examining feedback. The last six statements in this part included six strategies suggested to incorporate strategic flexibility. These strategies are: exercising strategic leadership, building dynamic core competencies, focusing on the development of human capital, effective utilization of new technologies, engagement in valuable strategies, and developing new organizational structure and culture. The final version of this questionnaire was modified by participants at the 2001 International Conference of New England Business Administration Association (NEBAA) held in the Aberdeen Business School-Robert Gordon University, United Kingdom, July 24-25, 2001.

The survey elicited opinions from the participating CEOs who actually practiced some or all of the suggested critical domains in their organizations. Respondents were asked to assign the extent of their agreement or disagreement with each statement in the questionnaire. Each statement had a five-point Likert response format ranging from one (representing strongly disagree) to five (representing strongly agree). The scale points of strongly agree and agree were combined as the higher points. The scale points of strongly disagree and disagree were combined as the lower points. The scale points of neither agree nor disagree were excluded from data analysis. Alpha coefficient was .88 for the overall scale scores for the measurement scales domain. If any respondent were undecided about the extent of their agreement or disagreement with any statement, he or she could choose neither agree nor disagree.

A pilot study was conducted to test the questionnaire's construct validity. The split-half procedure was used for the internal consistency measure of test reliability, which is obtained by dividing the items into halves and correlating the scores on these halves. The most common procedure is to obtain odd-even reliability by correlating the scores on odd-numbered and even-numbered test items. It was found that the utilized questionnaire was valid and reliable. Confirmatory factor analysis was conducted to determine that the participants were able to differentiate these items from each other.

The sample research consisted of 500 American CEOs randomly selected from multinational corporations (MNCs). The sample was derived from a project assigned to graduate students at a university located in the Northern region of the United States as a part of a research assistantship. CEOs of participating firms were mailed a survey package including a cover letter requesting their cooperation and participation, a questionnaire, a stamped pre-addressed envelope, and a brief summary of the items and concept were included in this study. Graduate research assistants administered questionnaire distribution and collection. Of the 500 mailed questionnaires, 132 (26.4%) were completed and returned. Data analysis in this study utilized the statistical package for social sciences (SPSS-X) to compute

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frequencies, means, percentages, and confirmatory factor analysis.

RESULTS AND DISCUSSIONS

Data analysis in this study included the responses of participating CEOs of MNCs to the statements in the questionnaire as mentioned above. One of our goals was to investigate the factor structure of the scales by incorporating all scales of the seven domains into a single confirmatory factor analysis (CFA). Table 1 shows that the CFA conducted on data collected from the participants revealed that the measures of the seven domains to integrating entrepreneurial and strategic actions were distinguishable from one another. The matrix correlation presented in Table 2 shows moderate correlations among included items. These correlations indicate that the domains are not completely independent. These correlations were expected because the items measuring these domains were related, so it should not be considered a serious problem as they were not in previous research (e.g., Hagen, Udeh, and Hassan, 2001).

TABLE 1
Confirmatory Factor Analysis of the CEOs' Responses to Critical Domains to Firm's Efforts to Create Wealth (N=132)

I. INNOVATION S (Alpha= .88)	**Primary Factor Loadings Factor # 1**
1. Innovations bring novelty to the firm and the markets.	.8148
2. Innovations are a primary driver of firm's growth and wealth creation.	.8753
3. Radical innovations may come more frequently from smaller entrepreneurial ventures than from large companies.	.7631
4. Entrepreneurs and general managers must provide strong support for the entrepreneurial and strategic actions intended to bring about innovations.	.6832
5. Innovations are the means by which entrepreneurs create new wealth producing resources with potential for creating wealth.	.4865
6. Innovation that is difficult to imitate is linked strongly to the firm's ability to create sustainable competitive advantages.	.7495
7. The firm's failure to create wealth through innovations can result from either its inability to develop new goods or services, or to establish routines required to successfully implement innovations.	.8725
8. Routines required to successfully implement innovations are developed only in an organizational culture that supports innovations.	.7428
II. NETWORKS (Alpha= .83):	**Primary Factor Loadings Factor # 2**
1. Networks are products of international entrepreneurial and strategic actions.	.8113
2. Networks may be formed among all types of firms to bring them together through various forms.	.7216
3. Networks are a primary driver of internationalization; they are linked with competitive success and achieved by large companies.	.8719
4. Networking can build a resource network and strengthen the ties within the framework itself.	.7603
5. Networks lead to faster market penetration, sharing of financial risk, increased production efficiencies, enhance innovation capability, and gain access to competitively valuable knowledge.	.8263
6. Most entrepreneurs ventures, especially at the start up phase, rely on effective networks for survival.	.7148

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7. Formal organizational and personal networks for entrepreneurial ventures are valuable in terms of competing successfully against more established and larger corporations.	.8321
III. INTERNATIONALIZATION (Alpha= .84)	**Primary Factor Loadings Factor # 3**
1. Internationalization extends the firm's reach and potential.	.7821
2. Internationalization is a primary driver of the global economy.	.7622
3. Managers at all levels must be actively involved in internationalization in order to prepare for rapidly developing global markets.	.6842
4. Firms can use several entry modes to internationalize their operations in efforts to create wealth.	.8019
5. Positive wealth-creating outcomes accrue to firms through international diversification.	.7258
6. International diversification can reduce wealth when the firm lacks the infrastructure and entrepreneurial and strategic capabilities required to cope with the complexities of operating in multiple, diverse markets.	.8514
IV. ORGANIZATIONAL LEARNING (Alpha= .76):	**Primary Factor Loadings Factor # 4**
1. Organizational learning may be achieved by rapid transfer of knowledge	.6791
2. Rapid knowledge transfers are also vital in entrepreneurial ventures, particularly in international markets.	.8136
3. Organizational learning has the potential to influence firms' behavior and help them create wealth.	.5841
4. Organizational learning requires skills and processes that must be activated for knowledge to be developed and shared.	.6958
5. Organizational learning is a prerequisite to innovations and the establishment of new ventures or business operations.	.5920
6. Organizational learning is linked to firm's abilities to innovate continuously and generate and sustain competitive advantages.	.6104
V. TOP MANAGEMENT TEAMS (Alpha= .79):	**Primary Factor Loadings Factor # 5**
1. Top management teams have the final responsibility for selecting the firm's strategies and ensuring that they are implemented in ways that will create wealth and thus can be source of competitive advantage.	.5937
2. In emerging entrepreneurial ventures, the top management team's influence on strategic goals.	.7739
3. Top management Teams are key players in Networks to support entrepreneurial and strategic actions.	.4852
VI. GOVERNANCE (Alpha= .77):	**Primary Factor Loadings Factor # 6**
1. Governance is concerned with determining and ensuring that satisfaction and the expectations of stakeholders.	.8404
2. In market-based economies, shareholder satisfaction is the dominant concern of governance decisions.	.6841
3. Governance decisions specify relationships among all stakeholders with a vested interest in the firm's performance and its ultimate success in terms of wealth creation.	.7829
4. Board's decisions affect the firm's wealth-creating performance.	.6104

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VII. GROWTH (Alpha= .83):	Primary Factor Loadings Factor # 7
1. Growth stimulates call for innovations to deal with emerging opportunities.	.8701
2. Growth is sought by large corporations and entrepreneurial ventures.	.6741
3. Mergers and Acquisitions are primary goals of large and well-established organizations to gain rapid growth.	.7293
4. Mergers and Acquisitions are famous strategic options in many firms competing in the global economy.	.8157
5. The Size and Asset base commonly make it more difficult for Entrepreneurial Ventures to acquire others.	.7763
6. High-growth ventures utilize effective integration of entrepreneurial and strategic actions to create wealth.	.6824

TABLE 2
Correlations among Critical Domains

Actions	1	2	3	4	5	6	7
1. Innovations	1.00						
2. Networks	.28**	1.00					
3. Internationalization	.16**	.17*	1.00				
4. Organizational Learning	.28**	.32**	.15*	1.00			
5. Top Management Teams	.14*	.22**	.16*	.34**	1.00		
6. Governance	.26**	.22**	.15*	16*	29**	1.00	
7. Growth	.24**	.16*	.17*	.27**	.31**	.27**	1.00

*p<= .05; **p < .01

The descriptive statistics in Table 3 shows the ranking order, means, and percentages for the responses of CEOs who participated in this study. It appears that these CEOs acknowledged the importance of the six domains in Table 1 (due to the performance of factor analysis, the "top management team and governance had to be separated, so Table 1 reflects seven domains) and their role in integrating entrepreneurial and strategic actions. Therefore, there has been general consensus among CEOs indicating that innovation, networks, internationalization, organizational learning, top management teams, corporate governance, and growth orientation are critical to the integration process in order to create firms' wealth.

The highest majority (96%) of these CEOs gave the *first* rank to "top management team," because this team is the capstone of the organization. This result shows that although the CEOs understand the importance of human resources in firms' overall performance, top management bears the responsibility for the strategic management process beginning with the environmental scanning and ending with the evaluation and feedback. The second majority (93%) assigned the *second* rank to innovation because they considered this mechanism as a critical component of strategy that would lead to the firm's capability in the competition with its rivals. Although it is difficult to predict the future success of innovation, they believe that it is a primary vehicle for wealth creation. The third majority (89%) assigned the *third* rank to networks because networking brings people together. These CEOs emphasized the importance of networks because activities such as strategic alliances, joint ventures, licensing arrangements, subcontracting, joint

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R&D, and joint marketing activities can contribute to the creation a firm's wealth. The fourth majority (86%) gave internationalization the *fourth* rank because it is a mean to extend the firm's reach to other international markets. Firms can use numerous roads to create wealth. With special attention to internationalization which is a substantial component in the global economy.

The fifth majority (83%) assigned the *fifth* rank to organizational learning because it is linked to firm's ability to innovate continuously and gain competitive advantage. It might be safe to assume that according to the CEOs experience this mechanism contributed to the firm's wealth creation. Although growth orientation is a key objective for CEOs, it was ranked as the *sixth* by the sixth majority (79%).

Finally, the seventh majority (77%) assigned the *seventh rank* to corporate governance indicating that the majority of CEOs prefer the dual role for the CEO (as a CEO and a chair of the board of directors). Some believe that the board's decisions affect the firm's performance in terms of wealth creation.

Data analysis in Table 3 reveals differences between the ranking order of the participating CEOs and those introduced by Ireland, Hitt, Camp, and Sexton (2001). As shown in Table 3, Ireland et al. ranked the innovation, networks, internationalization, organizational learning, top management teams, corporate governance, and growth orientation as the first, second, third, fourth, fifth, sixth, and seventh, respectively. In contrast, the responding CEOs' ranked the top management team, innovation, networks, internationalization, organizational learning, growth orientation, and corporate governance as the first, second, third, fourth, fifth, sixth, and seventh rank, respectively.

TABLE 3
CEOs' Ranking Order for the Suggested Domains

Actions	Hitt et al.'s Ranking Order	Items	Mean	Percentage	CEOs' Ranking Order
1. Innovations	*1*	8	4.6	93%	2
2. Network	*2*	7	4.3	89%	3
3. Internationalization	*3*	6	3.8	86%	4
4. Organizational learning	*4*	6	3.5	83%	5
5. Top management team	*5*	3	3.2	96%	1
6. Corporate governance	*6*	4	3.1	77%	7
7. Growth orientation	*7*	6	2.8	79%	6

Since there was no ranking order to potential challenges by Ireland et al., we left this task to the participating CEOs. Potential challenges are presented in Table 4. An absolute majority (97%) of these CEOs considered *change* as the *most critical* among potential challenges. This finding supports Brown and Eisenhardt (1998) who demonstrated that the key strategic challenge for today's firms is the management of change. A second majority (94%) viewed strategic flexibility as the *second* critical challenge facing organizations in this century. This finding is in line with the view of Bettis and Hitt (1995) who claimed that strategic flexibility is critical to create wealth. Finally, the third majority (85%) considered the *implementation process* as the third most important critical challenge. These findings indicate that the CEOs have experienced at least some of the problems reported in Alexander's (1991) study.

Table 5 indicates that a great majority of the CEOs (88%, 87%, 85%, 81%, 78%, 74%, 71%, and 62%) agreed that these recommended strategies are appropriate in dealing with the potential challenges. These CEOs concurred with the first strategy which focuses on the effective integration of strategic and entrepreneurial actions to create wealth. The second and the third majorities placed emphasis on problems generated by growth and put the burden of resolving such problems on the shoulder of top management. The fourth and the fifth majorities emphasized flexibility by top managers and employees. The sixth and seventh majorities acknowledged that organizational change is inevitable and

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such changes should be managed effectively. Finally, a reasonable majority believed that CEOs should carry out these strategies to achieve wealth.

TABLE 4
Critical Challenges Facing Top Management

Challenges	Mean	Percentage
I. MANAGING ORGANIZATIONAL CHANGE * The key strategic challenge for current firms is how to manage an organizational change.	4.6	97%
II. STRATEGIC FLEXIBILITY * Success in the 21st century organization will depend first on building strategic flexibility.	4.3	94%
III. IMPLEMENTATION PROCESS * Successful integration of entrepreneurial and strategic actions improves the firm's ability to create wealth	3.6	85%

TABLE 5
Recommended Generic Strategies and Their Ranking Order

Generic Strategies	Rank	Percentage
1. Firm's entrepreneurial and strategic actions should be integrated effectively in order to create wealth.	1	88%
2. The firm's top management team bears the responsibility for issues and problems which growth can create.	2	87%
3. Continuous organizational change is needed as firms seek to navigate in an increasingly turbulent competitive environments.	3	85 %
4. Effective management of change is required but difficult, because change is risky.	4	81%
5. Flexibility is critical to create wealth while competing in the global economy.	5	78%
6. Leaders should remain flexible in determining actions to cope with growth challenges.	6	74%
7. Employees must also be flexible and focused on the objective of wealth creation.	7	71%
8. Firms following these prescriptions will be able to generate appropriate opportunities to achieve growth.	8	62%

Table 6 presents specific mechanisms that can be used in dealing with organizational change and flexibility. The first part of this table shows absolute majorities (96%, 95%, 92%, 91%, & 90%) agreed that the first step in dealing with change is to create a vision for the change. That is, clarify the direction of the changes to all employees. The second approved step by these CEOs is that top management must share information about the change; so employees would not be surprised about the change occurrence. The third mechanism suggests using new approaches to handle changes

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in firms. The fourth accepted step is that firms should provide the required training and education to empower their employees in order to help employees to deal with potential changes. The final step is that management should assess the impact of change on employees and on the firm itself. This step obligates managers to establish criteria for predicting the success of change before it is implemented.

The second part of Table 6 shows that a great majority (94%, 91%, 89%, 87%, 84%, & 81%) of CEOs approved the techniques suggested for handling strategic flexibility. They have ranked "exercise strategic leadership, build dynamic core competencies, focus on developing human capital, effectively utilize new technologies, engage in valuable strategies, and develop new organization structure and culture" as the first, second, third, fourth, fifth, and the sixth choices, respectively. This indicates that these techniques are viable ways for firms when they need to practice flexibility within their strategies as substantial requirements for managing encountered organizational changes. CEOs agreed that top management team should develop a vision for their firms (mission, objective, strategy, etc.). Then dynamic core competencies should be developed in order to effectively respond to any unexpected change or problem. Additionally, firms cannot respond to potential changes in a timely manner without having the qualified human resources. It is also recommended that firms should effectively use new technology (manufacturing & information technologies), engage in valuable strategies (exploiting global markets & cooperative strategies), and develop a flexible structure (e.g., horizontal) and culture that emphasize organizational learning.

TABLE 6
Specific Mechanisms for Managing Organizational Change and Strategic Flexibility

Specific Steps/Mechanisms	Rank	Percentage
I. MANAGING ORGANIZATIONAL CHANGE		
1. Create a vision	1	96%
2. Communicate and share information	2	95%
3. Institutionalize new approaches and behaviors	3	92%
4. Empower others to act on the change	4	91%
5. Evaluate and examine feedback	5	90%
II. STRATEGIC FLEXIBILITY		
1. Exercise strategic leadership	1	94%
2. Build dynamic core competencies	2	91%
3. Focus on developing human capital	3	89%
4. Effectively utilize new technologies	4	87%
5. Engage in valuable strategies	5	84%
6. Develop new organization structure and culture	6	81%

CONCLUSION

The results of this study lead to the conclusion that, if managers intend to create wealth for their firms, they need to effectively integrate entrepreneurial and strategic actions. However, the integration process involves potential problems. At the least, firms face the challenges of change, strategic flexibility, and issues associated with the implementation process. The general strategies provided in this study can help firms to reduce the chances for failure in the integration process. Moreover, the specific steps suggested for managing eventual changes can help

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organizations move through the change process more effectively. Finally, the techniques suggested in this study can help organizations maintain their strategic flexibility in the long run.

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