

Major Determinants of Entrepreneurship In Mid-Size Companies: Empirical Investigation

Abdalla Hagen

College of Business
Grambling State University
1300 Ventura Street
Ruston, LA 71270
EMAILS: hagengrambling@yahoo.com
hayajneh@gram.edu

Tsegai Emmanuel

College of Business
Grambling State University
1300 Ventura Street
Ruston, LA 71270
EMAIL: emmanuel@gram.edu

Khaled Alshare

Accounting & CIS Department
Emporia State University
1200 Commercial St.
Emporia, KS 66801
Tel. 620-341-5649
Fax: 620-341-6346
EMAIL: alsharek@emporia.edu

ABSTRACT

This study explores two major determinants of entrepreneurship in mid-size companies, the company's governance systems and ownership structure. Subsequently, the study examines the impact of the company's governance systems (an independent board chair, board size, and the ratio of outside board members to inside members) and ownership structure (the outside board members' ownership of stock in the company, executives' ownership of stock in their companies, and institutional ownership) on entrepreneurship (company's innovation and venturing). The findings of this study revealed that an independent board chair, board size, stock ownership of outside board members in the company, and executives' ownership of stock, have a positive and significant impact on entrepreneurship. In contrast, the ratios of outside board members to inside members and institutional ownership have mixed effects on company's entrepreneurship

INTRODUCTION

In the past research, there has been continued controversy over the definition of entrepreneurship and the identification of entrepreneur. While there are many definitions, there is at least general

agreement regarding entrepreneurship's positive effects on a company's entrepreneurship and the identification of entrepreneur (Hyrsky, 1999). While there are many definitions of entrepreneurship, there is at least general agreement regarding entrepreneurship's positive effects on a company's efforts for creating wealth (Lumpkin, & Dess, 1996). A company's entrepreneurship is the sum of a company's innovation and venturing activities (Guth & Ginsberg, 1990). Ireland et al., (2001) define entrepreneurship as a context, dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities. This definition suggests that if a company gains access to a variety of resources and know how to leverage them creatively, then it has the two core entrepreneurial functions.

Godiwalla and Damanpour (2004) realized that global competition has placed increased burdens upon domestic and international corporations to be less bureaucratic, and more responsive through improved entrepreneurial and innovative activities. In a similar fashion, Lumpkin and Dess (1996) indicated that increasing global and domestic competition has emphasized the importance of company's entrepreneurship for successful company performance.

Other researchers (e.g., (Block & MacMillan, 1993; Zahra, 1993; Stopford & Baden-Fuller, 1994; Kuratko et al., 2001) confirmed that entrepreneurship is necessary in the 21st century's competitive markets because it can help the company acquire new capabilities, create more businesses, enter new business, develop new revenue stream in both domestic and foreign markets, and improve its performance. Entrepreneurship is important for a company's survival, profitability, and growth (Salvato, 2004), and it is also conducive to improved profitability (Covin & Slevin, 1991) and growth (Zahra, 1993). The development of successful entrepreneurial activity proxy contributes towards the development of a theorization of entrepreneurship and an assessment of its contribution to growth (Pettrakis, 2004).

Given these potential contributions, previous research attempted to identify factors that promote a company's commitment to its entrepreneurship (e.g., Lumpkin & Dess, 1996). Entrepreneurship research has grown rapidly on the past two decades. One of the most important themes in this research is the recognition of entrepreneurship as an organizational phenomenon (Salvato, 2004). Currently, only a few empirical studies have explored factors that influence entrepreneurship (Hoffman & Hegarty, 1993). Our study explores two major determinants of entrepreneurship in mid-size companies, and examines the impact of these determinants on a company's entrepreneurship.

Our study differs from previous research. Whereas previous research on entrepreneurship has only emphasized domestic venturing (Giamartino et al, 1993), our study examines both domestic and international venturing activities because many American companies have expanded their international operations (Acs et al., 1997; Hitt et al., 1997). Although international venturing has become an important source of competitive advantage, yet it has been largely ignored in the entrepreneurship literature (Giamartino et al, 1993).

Our study also uses a comprehensive measure of innovation as a key dimension of entrepreneurship. Products, processes, and organizational innovations allow the company to compete significantly, renew its operations, create new revenue streams, and improve

shareholders' value (Kuorikko et al., 2001). Additionally, our study utilized data from medium-size public companies. Recently, medium-sized companies have internationalized their operations. This has led to the creation of new products and innovative processes, and has contributed disproportionate role to the technological progress of their industries (Acs & Preston, 1997).

MAJOR DETERMINANTS OF ENTREPRENEURSHIP AND HYPOTHESES

The erosion of the corporate ladder, the fall of communism, and increased economic globalization have further enhanced entrepreneurial activity in all over the world. As a result of these developments, there was greater demand on scholars to understand the dynamics of entrepreneurship for the 1990s and beyond (Shenkar & Luo, 2004). Baysinger et al. (1991) and Porter (1992) called before for more empirical research on the association of major factors that affect a company's entrepreneurship.

This study explores two potential determinants (company's governance systems and its ownership structure) of entrepreneurship, and examines their effects on a company's entrepreneurship. In addition, hypotheses are formulated under each potential factor that might affect a company's entrepreneurship.

Company's Governance Systems and Entrepreneurship

The governance system, which establishes the relationship between a company's shareholders and its managers, provides an important mean for monitoring, evaluating, compensating, and disciplining executives (Blair, 1995; Roe, 1994). A company's board of directors is the cornerstone of the governance system (Finkelstein & D' Aveni, 1994). The separation of the CEO and their positions or the CEO duality, the size of the board, and the representation of outside directors are believed to affect the board's ability to monitor and evaluate management, and encourage commitment to entrepreneurship within the company. Zahra et al., (2000) suggested that stock ownership by outside board directors encourages them to become more attentive to the company's strategic moves and ensure a strong commitment to creating value for all stakeholders.

- 1. An Independent Chair for the Board of Directors***--Some researchers believe that empowering boards usually requires the elimination of CEO duality that exists when the CEO serves as the board chair too. These scholars view duality as an indication of the CEO's control of the board and its oversight process (Daily & Dalton, 1993). Where duality prevails, directors are usually in a weak position to challenge the CEO. While duality can ensure the unity of command within an organization (Finkelstein & D' Aveni, 1994), it can also encourage excessive centralization, and limit the information processing capabilities of the board (Sanders & Carpenter, 1998), which can hinder entrepreneurship. Centralization of corporate powers and decision-making authority discourage innovations, risk taking and may impede the company's ability to manage the dispersion of activities that are necessary to effectively implement international strategies (Bartlett & Ghoshal, 1988).

H₁: There is a positive and significant relationship between the independence of the board chair and the CEO of a company and its entrepreneurship.

2. The Board Size--A smaller board can enhance the directors' sense of participation and allow them to communicate freely and frequently with the company's senior executives. This participation often promotes cohesion among directors as they monitor and evaluate the CEO. On the other hand, small boards may lack the expertise and diversity of skills necessary to effectively control or evaluate the CEO's initiative. However, as more members are added to the board, entrepreneurship will increase until a threshold is reached. Beyond some point, increasing the size of the board may actually become dysfunctional and reduce entrepreneurship. Company's entrepreneurship will initially rise as the size of the board increases, but then begin to fail at a point where adding more members becomes dysfunctional (Zahra et al., 2000).

H₂: There is a positive and significant relationship between the board size of a company and its entrepreneurship.

3. Representation of Outside Board Directors to Inside Directors--Outside directors are members of the board without current or past professional or personal associations with the company (Johnson et al, 1993). A strong board of directors typically has a majority of outside members because outsiders are less likely to be dominated by the company's CEOs (Canyon & Peck, 1998). Given the perceived uncertainties and risks associated with entrepreneurship, board directors dominated by insiders might be reluctant to pursue these long-term initiatives. However, outsiders can effectively ensure the pursuit of long-term value creation by vigorously monitoring CEOs and encouraging domestic and international company's entrepreneurship. Outside directors' knowledge of different companies competing in domestic and international markets may further broaden the board's perspective and motivate CEOs to promising entrepreneurial opportunities (Wright et al., 1996).

H₃: There is a positive and significant relationship between the representation of outside board directors on a company's board and its entrepreneurship.

Company's Ownership Structure and Entrepreneurship

Ownership identifies the relationships among different corporate stakeholders and determines their relative power (Kroll et al., 1997). Agency theorists suggest that two major aspects of ownership can affect managers' incentives to pursue entrepreneurship: ownership by the company's executives and ownership by powerful and vigilant shareholders (Davis, Schoorman, & Donaldson, 1997).

1. Stock Ownership by Outside Board Directors-- Increased stock ownership can encourage outside directors to become more actively involved in supervising management and ensuring an effective alignment between the interests of CEOs and shareholders (Kren & Kerr, 1997; Johnson et al., 1993). Ownership can also empower outside directors to change management (Finklestein, 1992). Outsiders' interest in increasing their own wealth can also encourage them to become more attentive to the company's strategic moves and ensure a strong commitment to

creating value for shareholders (Johnson et al., 1993). This active involvement can improve outside directors' knowledge of a company's strategy and entrepreneurial activities.

H4: There is a positive and significant relationship between the percentage of stock owned by outside board directors on a company's board and its entrepreneurship.

2. Executives' Ownership--One way to promote managerial support for a company's entrepreneurship is to increase ownership stake of CEOs in the companies they run. Increased ownership of CEOs makes their wealth more dependent on their company's long-term performance, which gives CEOs the incentive to pursue long-term entrepreneurship projects. When the wealth of CEOs and their shareholders are closely aligned, the pursuit of innovation and domestic and international venturing is expected to increase (Jenkins & Seiler, 1990).

H5: There is a positive and significant relationship between the CEOs' stock ownership of a company and its entrepreneurship.

3. Ownership by power shareholder (Institutional Owners) --According to agency theory (Davis et al. (1997), if CEO and directors fail to focus on long-term entrepreneurial activities, powerful owner groups may initiate important changes in the composition and conduct of the board and/or the company's management team (Bushee, 1998). One of the most powerful groups of owners are institutional investors, who account for 75- 85% of all daily transactions on U.S. stock exchanges (Clyde, 1997).

(a) Pressure-sensitive institutions—These institutions (e.g., insurance companies, banks, and non-bank trusts) usually have business relationships with the companies in which they hold stock. The profit and success of these institutions often depend on maintaining strong relationships with the companies in which they invest. This dependence makes these institutions susceptible to the influence of company managers (Kochhar & David, 1996). These institutions may not use their ownership power to promote long-term strategic initiatives (e.g., company's entrepreneurship). When crises or conflicts arise, these transient owners choose to sell their stock and not challenge management (Jacobs, 1991).

H6-a: There is a negative and significant relationship between the pressure-sensitive institutional ownership and a company's entrepreneurship.

(b) Pressure-resistance institutions--These institutions do not have close business relationships with companies in which they hold stock and are not susceptible to being influenced by managers. These institutions (e.g., public pension funds, mutual funds, foundations, and endowments) are under pressure from their members to improve corporate governance (Roe, 1994) and maximize the long-term value of their holdings (Blair, 1995). As a result, some of these institutions have shown considerable independence from corporate managers in voting on strategic issues facing the company and proactively challenging management in an effort to improve corporate governance (Monks & Minow, 1995).

H6-b: There is a positive and significant relationship between the pressure-resistant institutional ownership and a company's entrepreneurship.

(c) *Pressure-indeterminate institutions*--These institutions (e.g., corporate pension funds, brokerage houses, and investment counselors) have some relationships with the companies in which they hold stocks but the nature of these relationships is hard to define. Thus, these institutions are expected to behave differently from one issue to the next, making it difficult to predict their overall influence on a company's strategic initiative such as company's entrepreneurship (Brickley et al., 1988). Similar to pressure-sensitive institutions, pressure-indeterminate institutions may not use their ownership power to promote long-term strategic initiatives (e.g., company's entrepreneurship). Therefore, a negative relationship between these institutions and a company's entrepreneurship is assumed.

H6-c: There is a negative and significant relationship between the pressure-indeterminate institutional ownership and company's entrepreneurship.

METHODOLOGY

Sample and Data Collection

To test the formulated hypotheses, a combination of primary data (obtained through mailing a survey questionnaire) and secondary sources was utilized. A sample of 500 medium-size manufacturing companies was identified from Compact Disclosure CD-ROM. All selected companies were competing in 10 industry groups in the United States. They were selected according to the following criteria. First, the company should have been in existence for at least eight years, which reduced the potential bias associated with organizational newness. Second, companies should be in the \$25 to \$500 million-asset range to qualify as being medium in size (Acs et al., 1997). Finally, the companies should be publicly held because their data would be available.

Companies were chosen from different industries to capture potential variations in innovation and venturing activities. A valid and reliable questionnaire developed by Zahra, Newbaum, and Huse (2000) was mailed to the Companies' CEOs (most senior executives) because of their familiarity with the company-wide commitment to entrepreneurship efforts (Kuratko et al, 1997). Out of the 500 questionnaires distributed to CEOs, 120 (24.3% response rate) responded and mailed their complete questionnaires. The survey data were collected in 2002 and respondents were asked to gauge their answers over the past three years (1999-2001).

Measures of Variables

Measurement of variables includes entrepreneurship, company's governance variables, company's ownership variables, and company's ownership variables.

1. Entrepreneurship--Company's entrepreneurship was measured by a survey questionnaire measuring the company's *innovation and venturing*. The company's innovation and venturing components were created using multi-item indices. Thirteen and nine items were utilized to measure *innovation* and *venturing*; respectively. Using a 5-point scale, respondents rated their companies' actual emphasis on each item over the previous three years (1999-2001). Responses to the survey items were used to construct measures of innovation and venturing.

To develop measures of *innovation*, the 13 survey items were subjected to orthogonal factor analysis with varimax rotation. This analysis produced three significant factors: product (5 items), process (4 items), and organizational innovations (4 items). Table 1 shows that each factor has an eigenvalue greater than 1.0 and the three factors explained 67.28% of the variance. Each innovation index had an acceptable Cronbach alpha ranging between 0.71 and 0.78. The recommended value by Nunnally (1978) is 0.70. Average scores of the items in each of the three factors were used in the analyses. Due to the limited space, *Table 1 is available upon request from authors.*

Similarly, the 9 survey items of venturing were subjected to orthogonal factor analysis with varimax rotation to develop measures of venturing. This analysis produced two significant factors: Domestic venturing (5 items) and international venturing (4 items) venturing. Table 2 shows that each factor has an eigenvalue greater than 1.0 and, the two factors explained 44.67% of the variance. Each innovation index had an acceptable Cronbach alpha ranging between 0.72 and 0.76. Average scores of the items in each of the three factors were used in the analyses. *Table 2 is available upon request from authors.*

2. Company's Governance Variables--Company's governance variables included the CEO duality or the independent chair of a company's board and the outside board members. *CEO duality* was measured by a code of zero if the CEO also serves as a chair of the board, and one if the CEO and the board chair were separate individuals. The data were obtained from *Dun & Bradstreet and Standard & Poor's (1999-2001)*. Outside directors' ratio was measured by dividing the number of the outside directors by the total number of the company's board. Data were collected from Dun and Bradstreet's *Reference Book for Corporate Management (1999-2001)* and Standard and Poor's *Register of Corporation, Directors and Executives (1999-2001)*.

3. Companies Ownership Variables--Company's ownership variables included outside directors' stock ownership, executive ownership, and institutional ownership. *Outside directors' stock ownership* was measured by the percentage of company's stock held by outside directors using data from *Value Line (1999-2001)*. *Executive ownership* was measured by the percentage of total company's stock held by a company's senior CEOs and its vice presidents using data from *Value Line (1999-2001)*. Institutional Ownership was measured by their percentage of aggregate ownership held by each of these three groups of investors: (a) *pressure-sensitive institutions* included public pension funds, mutual funds, endowments and foundations. (b) *pressure-resistant institutions* included insurance companies, banks and non-banks trusts, and (c) *pressure-indeterminate institutions* included corporate pension funds, brokerage houses, investment counseling Companies, and private companies (David et al., 1998. Data were collected from *Compact Disclosure and Spectrum 5 and 6*.

4. Control Variables--Control variables that have potential impact on entrepreneurship are company's age, size, and its technological opportunity. The company's *age* was measured by the number of years since the company was established. The company's age was included because younger companies were considered more innovative than older companies because new Companies are often created to exploit specific technological advances by introducing radically

new products. However, older companies were more likely to engage in venturing to renew their operations (Fujita, 1997).

The company's *size* was measured using the log of the number of the company's full-time employees. The company size was included because smaller companies were more likely innovative than larger Companies (Acs & Preston, 1997). *Technological opportunities* were measured by the three-year average (1999-2001) of each company's R & D spent as percentage of its total sales (Zahra et al., 2000). Data were collected from COMPUSTAT. Technological opportunities were included because they reflected the extent to which a company believed its primary industry offered substantial opportunities for growth and innovation (Johnson et al., 1993).

Statistical Analysis

Statistical analysis in this study utilized the Statistical Package for Social Science (SPSS-X) to compute means, standard deviations, inter-correlations among the study variables, and to perform factor analysis and multiple regressions.

DATA ANALYSIS AND RESULTS OF THE STUDY

To determine the reliability of the survey-based measures, we applied Kumar, Stern, and Anderson's (1993) procedure. Fifty executives (second ranking executives) were randomly selected from the responding companies. A similar number was randomly selected from the responding CEOs (senior executives). The responses for the two groups of executives were then correlated to establish the inter-rater reliability. Inter-rater agreement on the survey measures concerning the company's innovation and venturing was significant ($r = 0.88$, $P < .001$) and consistent with the literature (e.g., Zahra et al., 2000).

Following the work of Osterman (1994), the logistic regression was utilized to detect potential *response biasness*. The dependent variable defined as a dummy variable coded 1 if the CEO of the company responded and 0 if he or she did not. The independent variables included age, size, ROA, ROS, SG, and EPS of both responding and non-responding Companies. The outcome of the logistic regression indicated that response biasness was not a significant problem for CEOs' responses. Utilizing the work of Zahra et al., (2000), both samples of this study were investigated to find out whether the sample represented their target populations. The full-time employees, age, and the primary industry of the responding and non-responding Companies were compared. The t-tests and the Chi-square tests did not reveal significant differences between the two groups. Thus, each sample represented its target population.

To ensure that the multiple regression models have not been undermined by any potential problem, certain statistical tests have been used to check the existence of any problem. Multicollinearity is not a problem because all variance inflation factors (VIFs) are low. Autocorrelation does not exist because the Durbin-Watson statistic is significant (D.W.= 2.4). The plot of the residuals shows that there is no evidence of heteroscedasticity. Neither the Studentized Deleted Residuals Test identified influential outliers for the dependent variable, nor Diffits and the Cook's Test detected influential outliers for the independent variables. The plotted

histogram of data depicted normal distribution of the data. The plot of the dependent variable against each of the independent variables showed a linear relationship between these perspective variables. The results of the multiple regressions are presented in Table 3. The significant F-statistic values (3.97, $p < .05$; 5.19, $p < .01$; 7.83, $p < .001$; 9.02, $p < .001$; & 4.37, $p < .05$) confirms a complete goodness-of-fit for the overall regression models.

To test the first hypothesis through the seventh hypothesis, multiple regression analysis was used. Each of the five entrepreneurship measures (product innovation, process innovation, organizational innovation, domestic venturing, and international venturing) were regressed against the board and ownership variables (CEO & chair separation, board size, outsider's ratio to entire board, outside director's stock ownership, executive stock ownership, pressure-sensitive institutions, pressure-resistance institutions, and pressure indeterminate institutions), after control variables (company's age and size, and technological opportunities). Entrepreneurship measures are the dependent variable and the company's governance system and ownership variables are the independent variables. Board size squared was also entered in the predictor set to test the third hypothesis.

Table 3 provides the regression results concerning the relationship between the two major antecedents (company's governance system and the ownership structure) and the company's entrepreneurship. The five regression equations were significant and explained between 26% and 38% of the variance. Although the regression results generally support the hypotheses, the significant-modest R^2 values indicated that variables other than those considered in this study (e.g., organizational culture and structure) also influenced entrepreneurship (Covin & Slevin, 1991; Kuratko et al., 1990; Lumpkin & Dess, 1996). *Due to the limited space, Table 3 is available upon request from authors.*

The first hypothesis, which suggested a positive relationship between non-duality of the CEO and company's entrepreneurship, was generally supported. The separation of the board chair and company's CEO was significantly and positively related to the entrepreneurship measures ($P < .05$), except for international venturing, where its coefficient was negative and insignificant. The second hypothesis, which proposed an inverted u-shaped relationship between board size and entrepreneurship, was supported. Data analysis in Table 3 indicates that the board size was significantly and positively related to the five entrepreneurship measures ($P < .05$), with the exception of product innovation where its coefficient was positive but insignificant. The board size squared measure was significant and negatively associated with entrepreneurship in all five equations ($P < .05$, $.01$, and $.001$).

The third hypothesis, which posited a positive relationship between outside directors' ratio on the board and the company's entrepreneurship, was not supported. On the contrary, this factor was significantly and negatively associated with all five entrepreneurship measures ($P < .05$). The fourth hypothesis, which claimed a positive relationship between outside directors' ownership and a company's entrepreneurship, received some support. The three coefficients of product innovation, domestic venturing and international venturing were positive and significant ($P < .05$). The fifth hypothesis, which proposed a positive relationship between executive' ownership and a company's entrepreneurship, was supported. This variable was significantly and positively related to the five entrepreneurship measures ($P < .01$ and $.05$).

The first part of the sixth hypothesis, which suggested a negative relationship between pressure-sensitive institutional holdings and entrepreneurship, was supported. This variable was negatively and significantly related to three entrepreneurship measures including organization innovation ($P < .01$), and domestic and international venturing ($P < .05$). Pressure-sensitive institutional holdings were also negatively related to product innovation and process innovation ($P < .10$). The second part of the sixth hypothesis, which proposed a positive and significant relationship between pressure-resistance institutional holdings and entrepreneurship, was supported. This factor was positively and significantly associated with all five entrepreneurship measures (product, process, and organization innovations ($P < .05$), and domestic and international venturing ($P < .10$). The third part of the sixth hypothesis, which claimed a negative relationship between pressure-indeterminate institutional holdings and a company's entrepreneurship, was not supported. While this variable had negative and insignificant relationships with two entrepreneurial measurements (process and organizational innovations), it had positive and insignificant relationships with to three entrepreneurship measures (product innovation, domestic and international venturing).

With respect to the control variables, older companies emphasized international venturing more so than younger firms ($p < .10$). Company size was positively associated with organizational innovations ($p < .05$). Finally, technological opportunity was positively associated with product and process innovations (both at $p < .05$), and negatively associated with international venturing ($p < .05$) and domestic venturing ($p < .10$).

LIMITATIONS OF THIS STUDY

Before discussing the implications of the results for managerial practice and future research, the study's limitations should be noted. The most obvious is the study's cross-sectional data that do not permit an examination of the cause-effect relationships among the study's variables. Another limitation is the study's focus on observable relationships that result from a company's ownership and governance variables. Despite these shortcomings, the results have implications for managerial practice.

MANAGERIAL IMPLICATIONS OF THIS STUDY

Companies need to consider the implications of separating the positions of the CEO and board chair (Daily & Dalton, 1993). While this separation can sometimes promote innovation, it can also reduce international venturing. Some may view this as a double payoff as this change will increase the company's focus on innovation and curb CEO's potential opportunism (Fama & Jensen, 1976). Others view this maneuver as a tradeoff between innovation and international venturing. Costs associated with such tradeoff should be evaluated on a case-by-case basis.

Attention should also be given to the size of corporate boards. In particular, companies should recognize the informational needs of directors as they make decisions about entrepreneurship. The results show that a medium-size of board is best for promoting entrepreneurship. According to Wheelen and Hunger (2004), the average large, publicly held firm has around eleven directors. The average small and medium-size privately held company has approximately seven to eight

board members. As the size of the board increases beyond a certain number, the coordination of tasks and the flow of information among directors become difficult; this will slow down the decision making process. Such a problem may intensify as the ratio of outsiders on the board increases.

The results also shed light on the importance of providing incentives to outside directors through stock ownership. This ownership is positively associated with some key indicators of a company's entrepreneurship activities (e.g., product innovation and domestic and international venturing). It appears that stock ownership is not just an incentive for outside directors to become better informed about the company's different entrepreneurship initiatives, but also obligates them to selectively support some of these efforts.

Increasing executives' ownership is important for promoting innovations and venturing, and it is one of the key findings of this study. Ownership, by both executives and outside directors, can provide the financial incentives to pursue entrepreneurship. Consequently, board of directors should explore ways to design effective executive compensation and reward systems that promote entrepreneurship.

CONCLUSION

Corporate entrepreneurship is widely recognized as an effective mean for enhancing a company's competitive position in both domestic and international markets. This study shows that the company's governance system and ownership variables can significantly impact medium-size companies' entrepreneurship activities. Given the major contributions that entrepreneurship makes to innovative and technological outputs of these companies, fostering entrepreneurship can start with an appreciation of these companies' governance and ownership systems.

RECOMMENDATION FOR FUTURE RESEARCH

Future research should consider the use of other measures for innovations and domestic and international venturing. This can be useful in validating the current results and establishing which ownership and governance variables are conducive to different entrepreneurship indicators. Future researchers should identify more types of instructional owners by determining their motive and objectives, and examine their effect on entrepreneurship. Future studies should also explore the nature of the managerial incentives among medium-size companies and their implications for entrepreneurship. Identifying these incentives and examine their effects on entrepreneurship within medium-size companies can help contribute to the literature forward and move it forward. Finally, future studies should investigate the relationship between the company's entrepreneurship and its performance.

REFERENCES

References are available upon request from authors.