6 Corporate Entrepreneurship

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Corporations cannot be static – they must continually adapt and redefine themselves as the development and enhancement of new products, services, processes and technologies are occurring at a phenomenal speed. In the long term, for corporations to remain competitive, corporate entrepreneurship is one of the ways forward. This chapter concentrates on establishing an understanding of corporate entrepreneurship and the approaches corporations can use as pathways to becoming sustainable and successful organizations.

Challenges of corporations

Corporations which once upon a time started as small-sized organizations have moved from being highly entrepreneurial to becoming bureaucratic (Morris *et al*., 2009). The loss of entrepreneurship poses the danger that corporations will cease to change and innovate. In the long run corporations will face challenges competing with smaller, speedier and more innovative organizations (Naisbitt, 1994; Bratnicka and Bratnicki, 2013). Corporations facing these challenges are known as 'embattled corporations', struggling to survive and thrive in turbulent environments (Morris *et al*., 2011). These authors highlighted four dimensions through which environmental turbulence has created a need for new management practices:

1. Through customers
2. Through competitors
3. Through technology
4. Through legal, regulatory and ethical standards

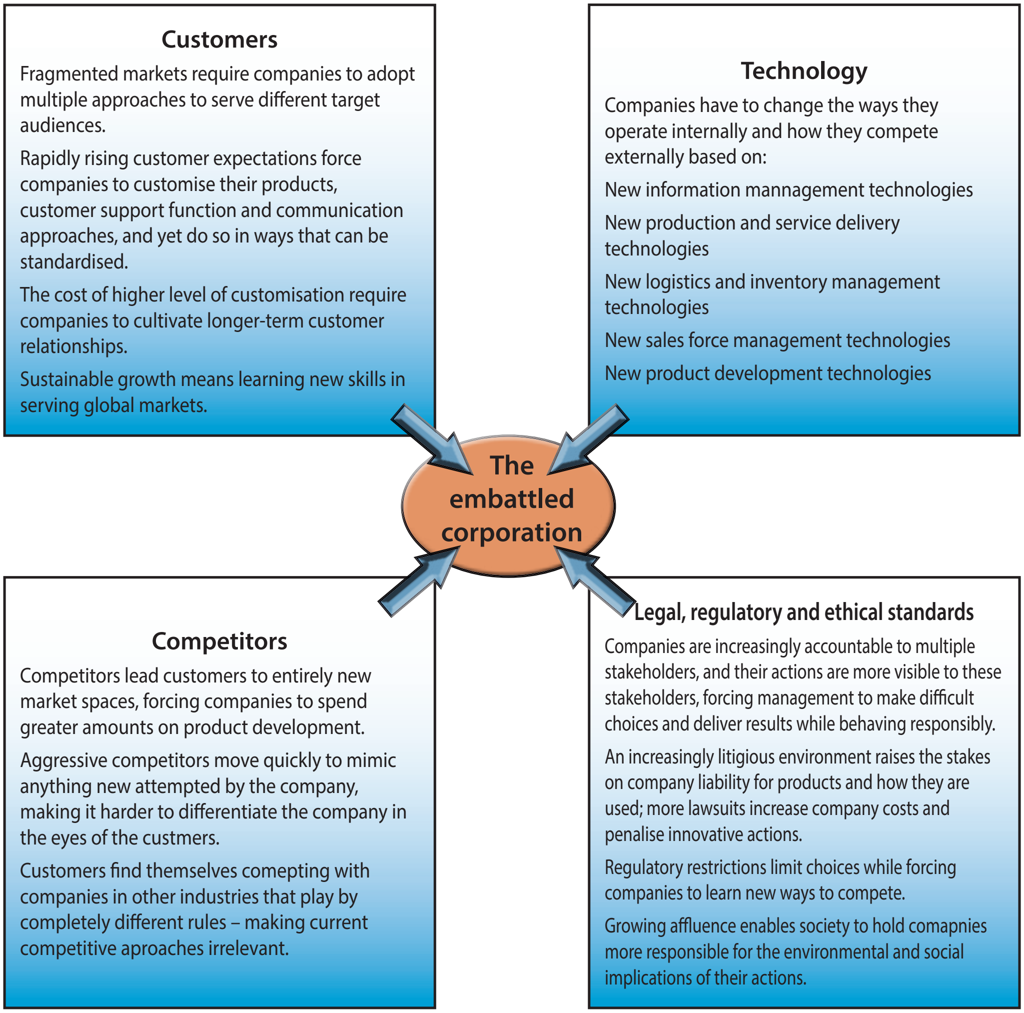

Figure 6.1: Environmental turbulence creating new management practices
Source: Morris *et al*. (2011: p. 6).

Figure 6.1 explains how trends in some of these dimensions force corporations to abandon conventional business practices. Each dimension has vital implications on how things are done in corporations. Many corporations tend to make shorter-term commitments such as rightsizing, outsourcing, leasing and more in order not to miss out on opportunities. For ensuring the long-term sustainability of any corporation, Morris *et al*. (2011) emphasised the need for corporate entrepreneurship – a term used to describe entrepreneurial behaviour inside established, larger organizations. Corporate entrepreneurship is rapidly becoming a weapon of choice for many corporations.

Exercise

Discuss two corporations or brands that face high degrees of environmental turbulence.

What is corporate entrepreneurship?

Corporate entrepreneurship is “the development of new business ideas and opportunities within large and established corporations” (Birkinshaw, 2003: 46). Zahra (1991: p. 259) defined it as “activities that enhance a corporation’s ability to innovate, take risk and seize opportunities in its markets” – a call for greater entrepreneurial behaviour that will help in recognising profitable product or market opportunities and in providing new bases for achieving competitive advantage. Corporate entrepreneurship is an attempt to take both the mind and skill sets demonstrated by successful start-up entrepreneurs and instil these characteristics into the cultures and activities of a corporation. This approach can be a powerful solution to corporation staleness, lack of innovation and stagnated growth. Corporations that reveal corporate entrepreneurship are regarded as dynamic, flexible entities prepared to take advantage of new business opportunities when they arise (Hisrich & Kearney, 2012; Kuratko *et al.*, 2014).

Example of corporate entrepreneurship

Nokia’s history exhibits corporate entrepreneurship, which has been known as a set of behaviour, processes or activities that renew or reinvent an organization.

1865: Paper Mill

1898: Nokia’s rubber business

1912: Nokia’s cable businesses

1960: First electronics department

1979: TV and Radio

1991: Nokia equipment is used to make the world’s first GSM (Global System for Mobile communication) call.

Source: adapted from Edgar (2013).

Tip: Zahra and Covin (1995) evidenced that corporate entrepreneurship has a positive impact on financial measures of organizational performance. The authors contended that corporate entrepreneurship should not be regarded as a short term solution but as a long-term strategy for achieving higher financial performance. In order to realise the full benefits of corporate entrepreneurship, managers must be willing to sustain their support for entrepreneurial initiatives over a number of years. Without such managerial support, corporate entrepreneurial activities may be discontinued long before they would reasonably be expected to financially benefit the corporation.

How corporate entrepreneurship differs from entrepreneurship?

Independent entrepreneurship and corporate entrepreneurship are differentiated as:

- *Independent entrepreneurship* is the process whereby an individual or group of individuals acting independently, create a new organization.
- *Corporate entrepreneurship* is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization. (Sharma and Chrisman, 2007: 92)

Other major differences are illustrated in Table 6.1.

Start-Up Entrepreneurship	Corporate Entrepreneurship
Entrepreneur takes the risk	Company assumes the risks, other than career-related risk
Entrepreneur 'owns' the concept or innovative idea	Company owns the concept, and typically the intellectual rights surrounding the concept
Entrepreneur owns all or much of the business	Entrepreneur may have no equity in the company, or a very small percentage
Potential rewards for the entrepreneur are theoretically unlimited	Clear limits are placed on the financial rewards entrepreneurs can receive
One mis-step can mean failure	More room for errors; company can absorb failure
Vulnerable to outside influence	More insulated from outside influence
Entrepreneur is independent, although successful ones are typically backed by a strong team	Interdependence of the champion with many others; may have to share credit with any number of people
Flexibility in changing course, experimenting, or trying new directions	Rules, procedures and bureaucracy hinder the entrepreneur's ability to manoeuvre
Speed of decision making	Longer approval cycles
Little security	Job security
No safety net	Dependable benefit package
Few people to talk to	Extensive network for bouncing around ideas
Limited scale and scope initially	Potential for sizeable scale and scope fairly quickly
Severe resource limitations	Access to finances, R&D, production facilities for trial runs, an established sales force, brand, databases, and market research resources, distribution channels and customer base

Table 6.1: Corporate and start-up entrepreneurship – major differences

Source: Morris *et al*. (2011: p. 38).