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
Customers
Fragmented markets require companies to adopt multiple approaches to serve different target audiences. Rapidly rising customer expectations force companies to customise their products, customer support function and communication approaches, and yet do so in ways that can be standardised. The cost of higher level of customisation require companies to cultivate longer-term customer relationships. Sustainable growth means learning new skills in serving global markets.

Technology
Companies have to change the ways they operate internally and how they compete externally based on:
- New information management technologies
- New production and service delivery technologies
- New logistics and inventory management technologies
- New sales force management technologies
- New product development technologies

Legal, regulatory and ethical standards
Companies are increasingly accountable to multiple stakeholders, and their actions are more visible to these stakeholders, forcing management to make difficult choices and deliver results while behaving responsibly. An increasingly litigious environment raises the stakes on company liability for products and how they are used; more lawsuits increase company costs and penalise innovative actions. Regulatory restrictions limit choices while forcing companies to learn new ways to compete. Growing affluence enables society to hold companies more responsible for the environmental and social implications of their actions.

Competitors
Competitors lead customers to entirely new market spaces, forcing companies to spend greater amounts on product development. Aggressive competitors move quickly to mimic anything new attempted by the company, making it harder to differentiate the company in the eyes of the customers. Customers find themselves competing with companies in other industries that play by completely different rules – making current competitive approaches irrelevant.

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.

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

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

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