Addressing Major Challenges Associated with Sustainable Entrepreneurship in Established Companies

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ABSTRACT

Faced with continuous environmental disruption, firms increasingly acknowledge the importance of corporate entrepreneurship as a critical element for sustained competitive advantage in a global economy. Entrepreneurial companies are ones able to continuously leverage new opportunities for value creation. Yet, many organizations struggle with actual implementation of a strategy for entrepreneurship. A number of challenges must be addressed to maintain high levels of entrepreneurship within any organization. These include conceptualizing entrepreneurship, framing the innovation; developing the internal architecture; coordinating across managerial levels; nurturing entrepreneurs within, managing expectations regarding outcomes and failure; and imposing ethical standards. As research on corporate entrepreneurship has evolved, numerous observers have acknowledged the importance of leadership activities such as these. In this article, we discuss how these complex challenges can be addressed by corporate leaders.

Keywords: Corporate Entrepreneurship, Corporate Venturing, Internal Environment, Ecosystems, Ethics, Strategic Entrepreneurship

JEL Codes: L26, O31

Introduction

Corporate entrepreneurship (CE) refers to the process whereby an individual or group of individuals, within an existing company, instigate innovation, renewal or create a new organization (Sharma and Chrisman, 2007). It is concerned with the continuous search for opportunities, development of innovative solutions, and proactive implementation. It involves a leadership approach predicated on discovering new possibilities, opening up new horizons, promulgating a new vision, combining resources in new ways, and inspiring others to think and act in entrepreneurial ways (Kuratko & Morris, 2013).

For over three decades, a considerable volume of research has highlighted corporate entrepreneurship (CE) as an important critical ingredient for sustainable competitive advantage (e.g., Ireland, Covin & Kuratko, 2009; Kuratko, Hornsby & Covin, 2014; Merrifield, 1993; Stopford & Baden-Fuller, 1994; Zahra, 1991; Zahra, Kuratko & Jennings, 1999). Firms that are more entrepreneurial are better positioned to address dynamic, threatening, and complex external environments, and to create change in those environments (Morris, Kuratko, & Covin, 2011). Their ability to trigger entrepreneurial action among employees becomes a cornerstone of the ability to remain relevant in today's hypercompetitive markets (McMullen & Shepherd, 2006).

However, the pursuit of entrepreneurship inside existing companies creates a paradox, as much organizational activity is about establishing control and predictability, while entrepreneurial activity is inherently uncontrollable and unpredictable. Further, because CE is essentially disruptive, introducing change to individuals, organizations, markets, and industries, it can be threatening, and is typically resisted both internally and externally. As a result, while established companies tend to recognize the value of entrepreneurship, they struggle with how to encourage and sustain entrepreneurial behavior within their ranks.

Getting employees to recognize opportunities, develop innovative concepts, and do what is necessary to implement new solutions in the face of resistance from internal and external stakeholders is an elusive challenge (Dess, et al., 2003). In many organizations, this type of employee action is a rare and random occurrence. All too often, an artificial distinction is drawn between ‘doing my regular job’ and ‘doing entrepreneurial things’. Employees perceive far more disincentives than incentives for a kind of behavior thought to be difficult, risky and highly ambiguous. Because of this, messages from senior executives regarding the importance of entrepreneurship are met with general skepticism.

The understanding of, and commitment to, an entrepreneurial path by employees does not happen without a systematic approach on the part of corporate leaders (Morris, Kuratko & Covin, 2011; Kuratko, Covin & Hornsby, 2014). Fostering CE must be integrated into the fabric of the organization and its everyday operations. Ireland, Covin and Kuratko (2009, p. 21) discuss the need for “a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.”

Our purpose in the present research is to examine key elements that must be addressed if entrepreneurship is to be successfully integrated into the mainstream of established organizations. We address seven leadership challenges. These include the importance of understanding the underlying nature of entrepreneurship, making clear what entrepreneurship looks like in a particular corporate context, designing an internal architecture for CE, developing internal entrepreneurial competencies, coordinating CE across managerial levels, managing expectations, and proactively addressing issues related to ethics and values. Implications are drawn from each of these challenges for the kinds of actions required for sustainable entrepreneurship. Based on the challenges, a number of priorities are established for ongoing research.

Entrepreneurial Leadership Challenges

All companies have entrepreneurship in their roots, but these roots are usually abandoned as the organization increases in size and scope. At some point, however, a rediscovery of the need for entrepreneurial behavior occurs, often driven by dynamic change and accelerating threats in the external environment (Morris, 1998). Yet, even as senior executives realize the importance of entrepreneurial behavior, they lack any sort of framework or guide for how it can be fostered on a continuous basis. As a result, they tend to experiment with different types of managerial styles, company structures, employee reward systems, mechanisms for allocating resources, cultural rituals, and other variables in the organizational toolkit. These experiments are sometimes organically developed but more frequently are based on what appear to be effective approaches employed by companies thought to be innovation leaders. In both instances, however, these efforts fail to produce sustainable entrepreneurship because they are not built upon a fundamental understanding of entrepreneurial behavior and the associated challenges involved in its management. Let us begin by examining how entrepreneurship actually occurs.

a) Grasping the Fundamental Nature of Entrepreneurial Behavior

Companies often confuse entrepreneurship with innovation. Where innovation involves the creation of new products, services or organizational processes, entrepreneurship is concerned with all the activities surrounding the initiation and implementation of these innovations both within the firm and in the marketplace. It often entails working underground, accessing resources one does not control, keeping innovative concepts alive even when they have been rejected, obtaining buy-in at different levels of management and across different functional units, and creatively overcoming setbacks and obstacles.

The dominant approach to explaining entrepreneurship is termed the “process perspective” (McMullen and Dimov, 2013; Shane, 2003). In essence, entrepreneurship is conceptualized as a logical set of stages that unfold over time. The process perspective allows for the fact that these stages can be managed and the process can be learned. Further, as a manageable process, entrepreneurship can occur in any context, including an established organization.

The challenge lies in understanding that the process being pursued by the corporate entrepreneur is inherently nonlinear, messy, chaotic and ambiguous. The entrepreneur gets to a particular stage and encounters obstacles and new information that necessitate adjustments to decisions made in a previous stage. Aspects of different stages are pursued in tandem, and ongoing adjustments are made to decisions from earlier stages. It is a journey where the path is not well marked, there are lots of twists and turns, and the ultimate course taken depends on key decisions made along the way (Morris et al., 2012). Those involved are constructing reality as they go. The time demands can be overwhelming, and the process is filled with highs and lows surrounding extended periods of hard work and little result. As an initiative unfolds, mistakes are being made, unexpected events occur, many initial assumptions and expectations prove to be wrong, and resistance to the innovation from both within and outside the organization can be significant.

The implication of this discussion is that, to be successful, companies must appreciate and allow for the emergent nature of entrepreneurship (Lichtenstein, 2014; Morris and Webb, 2015). Emergence means that what one starts out to create is not what is actually created. Rather, as one undertakes the myriad tasks involved in pursuing an entrepreneurial idea, something distinctively different tends to emerge. There is an unceasing dynamic as the individual copes with unfolding events, many of which are unpredictable and uncontrollable. Novel events produce ongoing incongruities and changing realities (Schindehutte and Morris, 2009). The initially conceived idea can be fundamentally changed through subsequent sparks of creativity stimulated by internal and external developments. Entrepreneurs continually reweave their webs of beliefs and habits of action to accommodate new experiences (Tsoukas and Chia, 2002). They improvise and adapt as new developments create changing demands and opportunities. Unfolding events introduce variety which feeds individual learning and exploratory behavior. Improvisational and adaptive behaviors serve to generate new events or realities. In this way, the entrepreneurial experience becomes a crucible involving the confluence of change, improvisation, learning, adaptation and ongoing challenges to one’s assumptions, perceptions and beliefs.

b) Framing Innovation: What Does Corporate Entrepreneurship Look Like

Expecting employees to be more entrepreneurial can only happen if those involved understand what they are being asked to do. With established organizations, entrepreneurship can take a wide range of forms, with innovation as the underlying theme (Covin and Miles, 1999; Kuratko, Covin and Hornsby, 2014). As illustrated in Figure 1, these forms can be grouped into two general categories: *corporate venturing* and *strategic entrepreneurship* (Morris, Kuratko and Covin, 2011).

Corporate venturing approaches have as their commonality the addition or development of new businesses (or portions of new businesses via equity investments). This can be accomplished through two implementation modes – internal corporate venturing and external corporate venturing (Miles & Covin, 2002; McGrath, Keil, & Tukiainen, 2006). With internal corporate venturing, new businesses are created and owned by the corporation. These businesses typically reside within the corporate structure but, occasionally, may be located outside the firm and operate as semi-autonomous entities. Among internal corporate ventures that reside within the firm’s organizational boundaries, some may be formed and exist as part of a pre-existing internal organization structure and others may be housed in newly formed organizational entities within the corporate structure (Kuratko, Covin, & Garrett, 2009). External corporate venturing refers to entrepreneurial activity in which the firm invests in new businesses created by parties outside the corporation (via the assumption of equity positions) or acquired by the corporation. These external businesses are typically very young ventures or early growth-stage firms that offer the acquiring corporation access to a new technology or product line that is currently not being pursued internally (Schildt, Maula, & Keil, 2005). In practice, new businesses might be developed through a single venturing mode or a combination of the two venturing modes. Miles and Covin (2002) reported that many firm pursued both internal and external venturing, and identified three principle motives: (1) build an innovative capability as the basis for making the overall firm more entrepreneurial and accepting of change; (2) appropriate greater value from current organizational competencies or to expand the firm's scope of operations and knowledge into areas of possible strategic importance; and (3) generate quick financial returns.

Alternatively, *strategic entrepreneurship* approaches have as their commonality the exhibition of highly consequential internal innovations that are adopted in the firm's pursuit of competitive advantage. Strategic entrepreneurship corresponds to a broader array of entrepreneurial initiatives which do not necessarily involve new businesses being added to the firm. It involves simultaneous opportunity-seeking and advantage-seeking behaviors (Ireland, Hitt, & Sirmon, 2003). This means firms take actions to "exploit" their knowledge for current opportunities in the environment while also "exploring" new innovations that may benefit them in the future (Hitt, Ireland, Sirmon, & Trahms, 2011). These are innovations that can be developed in any of five areas – the firm's strategy, product offerings, markets served, internal organization (i.e., structure, processes, and capabilities), or business model (Morris, Kuratko, & Covin, 2011).

Strategic entrepreneurship can take one of five forms – *strategic renewal* (adoption of a novel strategy), *sustained regeneration* (introduction of a new product into an existing category), *domain redefinition* (reconfiguration of existing product or market categories), *organizational rejuvenation* (internally focused innovation for organizational improvement), and *business model reconstruction* (redesign of existing business model), (Covin & Miles, 1999; Ireland, Hitt & Sirmon, 2003; Ireland & Webb, 2007; Morris, Kuratko, and Covin, 2011).

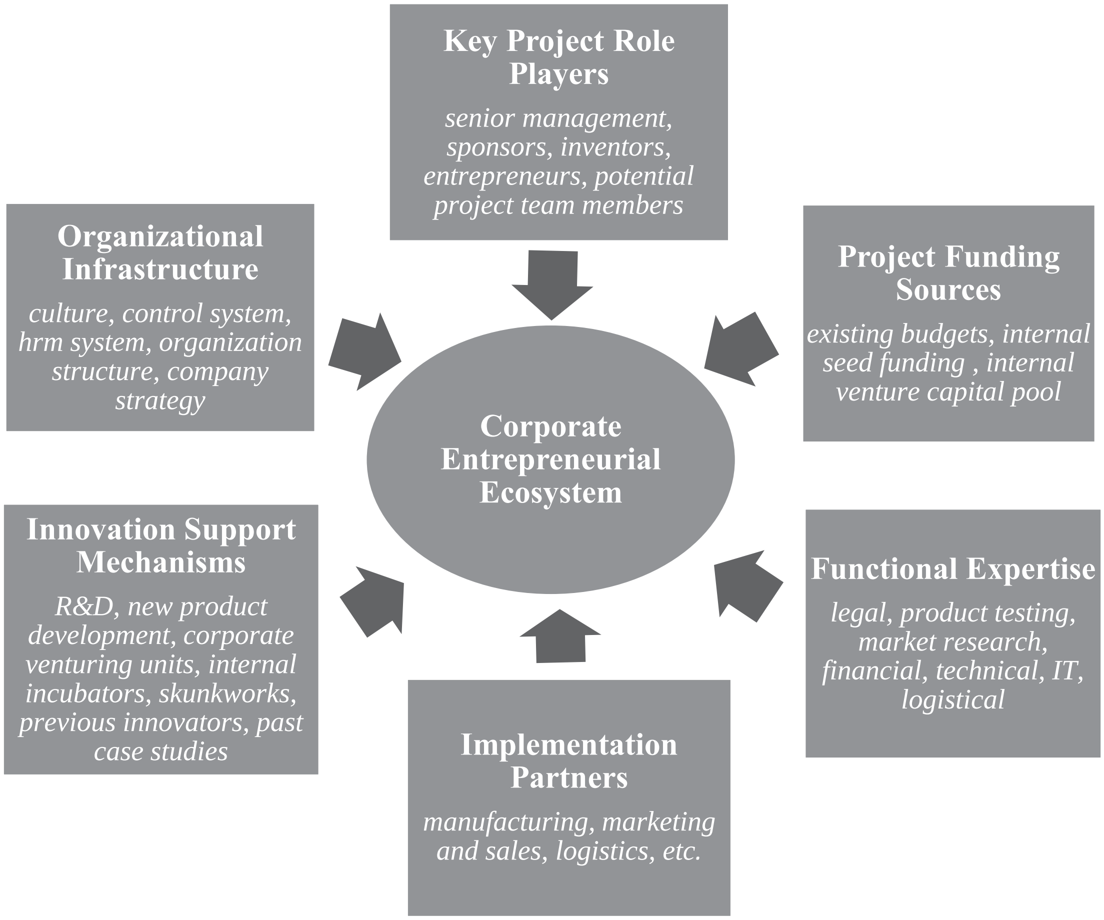
The challenge for many employees is to understand the priorities of the organization when it comes to entrepreneurship. Is it about ideas for new ventures, new products, new revenue drivers, process improvements, or some other form of innovative activity? These forms will also differ in the extent to which they represent incremental improvement or disruptive change, and so again company leaders must communicate the level of innovativeness they are seeking. As we shall see, these internal expectations are also likely to vary across functional areas and levels in the organizational hierarchy. First, however, we turn to the issue of whether the organization is properly designed to accommodate entrepreneurial activity.

c) Assessing the Internal Architecture: An Ecosystem Perspective

The third major challenge confronting corporate leaders involves the design of a work environment conducive to promoting entrepreneurship. Executives fail to appreciate how key aspects of the organizational architecture impact individual- and unit-level entrepreneurial behavior. Toward this end, researchers have demonstrated the importance of properly designed company structures, human resource management systems, control systems, cultures, as well as various forms of top management support (e.g., Hornsby, et al., 2009; Hornsby, et al., 2013; Kuratko, Ireland, & Hornsby, 2001; Kuratko, Hornsby & Covin, 2014; Morris. Schindehutte and Allen, 2006). Hornsby et al. (2002) have developed the *Corporate Entrepreneurship Assessment Instrument (CEAI)* to assess a number of these elements within companies. In a similar vein, Ireland, Kuratko, and Morris (2006a & b) introduced the *Entrepreneurial Health Audit"* as a tool for establishing priorities in terms of dimensions of the internal work environment that should be the focus of ongoing organizational development efforts.

Sustaining entrepreneurship requires that it be embedded in the dominant logic and everyday life of the corporation. Toward this end, top executives may find it helpful to think in terms of an internal ecosystem to support entrepreneurial activity. In Figure 1, we identify elements that might combine to form such an ecosystem.

Figure 1: Designing an Internal Ecosystem to Support Entrepreneurship



The beginning point is the identification of key role players in organizational innovation. Who within the organization is expected to engage in entrepreneurial behavior and in what capacity (e.g., champion, sponsor, team member, resource provider), and what is the role of management at different levels? Second, we use the term infrastructure to refer to the design of systems and processes that reinforce entrepreneurial behaviors, such as organizational reward and evaluation systems, managerial control mechanisms, training vehicles, and artifacts of the corporate culture. Third, innovation support mechanisms include structures that can facilitate different kinds of innovation (e.g., new ventures divisions, skunkworks, incubators) and information resources such as documented case studies of successful and unsuccessful innovations. Fourth, different forms of expertise that can be drawn upon by those involved in innovation projects must be accessible. Examples include experts in addressing legal issues, product testing, market research, and financial analysis. Fifth, different kinds of funding mechanisms must be established, such as corporate venture capital pools, small seed funds, traditional R&D budgets, and line items or slack in operating budgets. Finally, the implementation of an innovation requires collaboration with various functional areas within the firm (e.g., manufacturing, marketing) who are adept at balancing existing operations against the need to support new innovations.

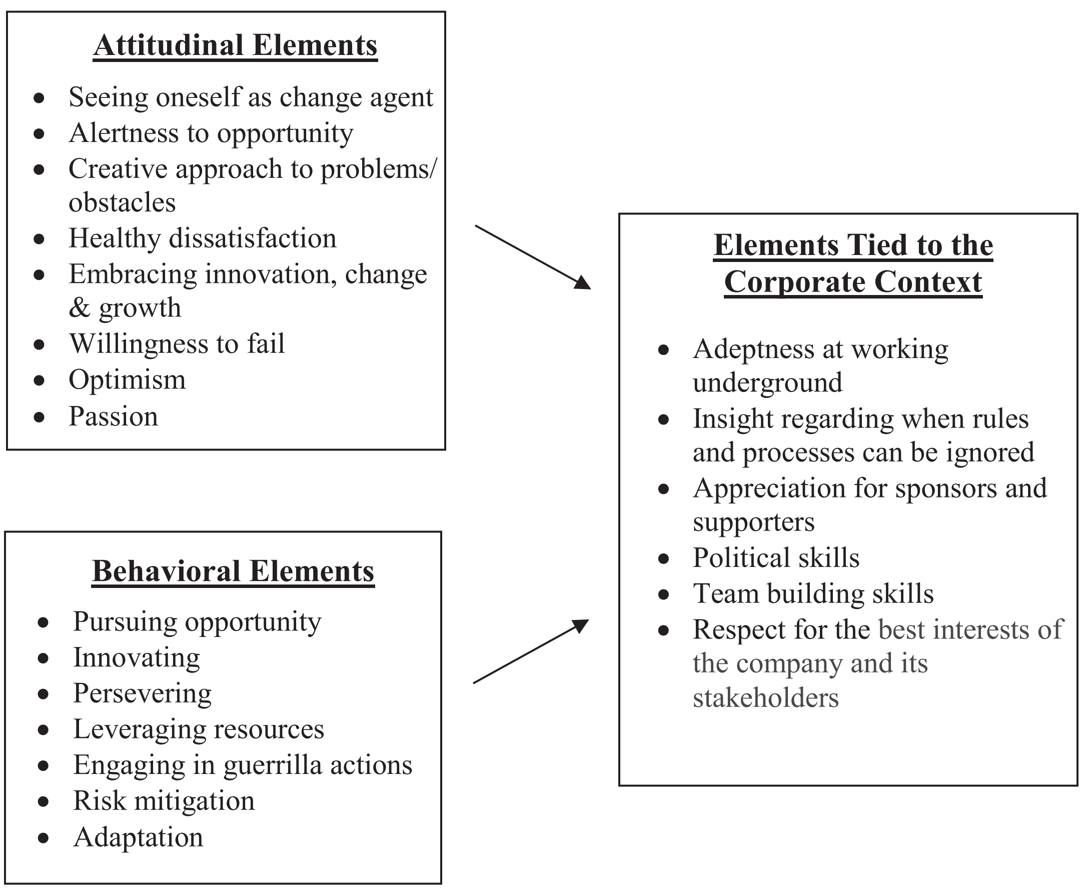
An ecosystem perspective moves the organization away from an approach where innovation activities occur in silos or relative isolation, and instead approaches the entire company as a platform for innovation. It highlights the interdependencies among these six elements in Figure 1, and the corresponding importance of a senior leadership team that can connect the dots.

d) Nurturing Entrepreneurs Within

Most of the employees within established companies are ill-prepared to engage in entrepreneurial activity. In other words, while all employees may have entrepreneurial potential, it is incumbent on management to nurture and develop that potential. Arguably, the most critical element is this regard is the development of an entrepreneurial mindset. Here we are referring to the individual's overall approach to opportunity recognition, problem-solving, resource constraints, and the creation of something new. McGrath and Macmillan (2000) describe the mindset as an ongoing focus on recognizing opportunities and pursuing the most attractive ones with passion and discipline while leveraging the resources of those around them. Ireland and colleagues (2003) stress the ability to rapidly sense opportunity, act upon it, and mobilize resources, even under uncertain conditions. In Figure 2, we propose a conceptualization of the entrepreneurial mindset that approaches it as a way of both thinking (Shepherd, Pazlet and Haynie, 2010) and acting (McGrath and Macmillan, 2000).

An interesting question concerns how this mindset can be adapted to reflect the corporate context. Figure 2 attempts to capture the key components involved. Here, we include both attitudinal and behavioral components, as identified by Morris and Kuratko (2020). Hence, emphasis is placed on alertness to opportunity, passion, creative problem-solving, adaptability, and an action-orientation, and a number of other contributors to the mindset. However, we also add a component that reflects the fact the entrepreneur is not acting independently, as the organization is assuming the risks, owns the innovation, and imposes constraints and limits on the individual behavior. Here we draw on the work of observers of corporate entrepreneurship in practice (e.g., Altringer, 2013; Brandt, 1986; Peters, 1992; Pinchot, 1985).

Figure 2: Elements of the Entrepreneurial Mindset in a Corporate Context



It is also important that training and development programs be competency-based. Underlying the entrepreneurial mindset is a distinct set of competencies, and these differ from traditional managerial competencies. Morris and colleagues (2013) have empirically identified a set of thirteen competencies associated with entrepreneurial success (see also Chandler and Hanks, 1994; Mitchelmore and Rowley, 2010; Rasmussen et al., 2011). These include:

- opportunity recognition
- opportunity assessment
- risk management/mitigation
- conveying a compelling vision
- tenacity/perseverance
- creative problem-solving/imaginativeness
- resource leveraging
- guerrilla skills
- value creation
- maintain focus yet adapt
- resilience
- entrepreneurial self-efficacy
- building and using networks

There is some evidence that experiential learning approaches are especially effective in developing such competencies (Morris and Kaplan, 2014). Accordingly, companies may be well-served to create mentoring programs, apprenticeships, internships, job shadowing and related training initiatives where their employees are able to participate in or observe innovation projects as they unfold.

e) Coordination Across Managerial Levels

For corporate entrepreneurship to “run deep” within an organization, all levels of management must be coordinated to ensure they carry out specific roles. While senior management can make entrepreneurship a strategic priority, they cannot dictate its occurrence. Those at the middle and first level ranks of an organization have a defining effect on and significant roles within entrepreneurial processes (Hornsby, Kuratko, Shepherd & Bott, 2009).

Managers at every level have distinct responsibilities in fostering the entrepreneurial organization (Floyd and Lane, 2000). With senior level management, their role encompasses articulation of an innovative strategic vision and instigating the emergence of an internal environment conducive to continuous innovation. Senior-level managers are also centrally involved in the defining processes of both the corporate venturing and strategic entrepreneurship forms of innovation as they proactively respond to various innovative imperatives. They must balance concerns for efficient and effective current operations against the need to create the future---and the role of innovation in both. Further, their role includes recognizing the value in specific ideas emanating from team members and directing those ideas to the proper channels.

Middle management serves as a conduit between those at the top and those at the operating level or front line. There is a need for them to behave innovatively and to support and nurture others’ attempts to do the same (Ren & Guo, 2011). The organizational centrality of middle-level managers facilitates their work as change agents and promoters of innovation---effecting how entrepreneurial initiatives take shape. They endorse, refine, and shepherd innovative opportunities and identify, acquire, and deploy resources needed to pursue those opportunities (Kuratko, et al., 2005). Regarding the endorsement of innovative opportunities, middle-level managers often find themselves in evaluative positions vis-à-vis innovative initiatives emerging from lower organizational levels. With those innovations deemed valuable, these managers must endorse the concepts to senior-level management.

Middle-level managers must also endorse the innovative vision emanating from senior-level executives and convince first-level managers and their direct reports of the opportunities that directly impact them with such a vision.

The refinement role involves molding the innovative opportunity into one that makes sense for the organization, given the organization's strategy, resources, and political structure. It is characteristically the job of middle-level managers to convert early potential innovative opportunities into initiatives that fit the organization. It is then through the shepherding role that middle-level managers champion, nurture, and guide the innovative initiative through the organizational structure. Middle-level managers must possess the technical competence required to understand the initial development, subsequent shaping, and continuous applications of the firm's core competencies in order to interact effectively with first-level managers. In addition, they must understand the firm's strategic vision and goals as well as the political context within which these are chosen and pursued in order to interact effectively with senior-level executives. Resulting from these interactions is the ability of middle-level managers to champion innovative initiatives from first-level managers and to make them credible to the senior-level. These roles and their specific actions ensure that innovative initiatives originating at lower organizational levels are not ignored once their continued development requires support beyond what can be given by individuals at those lower levels. The pursuit of innovative opportunities also necessitates the identification of resources needed to convert the innovative concept into reality for the organization. While the resource identification function relates to middle-level managers knowing what resources are needed to pursue the innovative opportunity, the resource acquisition role relates to the knowledge of where and how to access those resources. Middle-level managers are often most responsible for redirecting resources away from existing operations and toward innovative initiatives appearing to better fit the innovative strategic vision of the firm. Middle managers may be at the critical level where innovative opportunities are given the best chance to flourish based on the resources likely to be deployed in their pursuit as evidence indicates that middle-level managers are a hub through which most organizational knowledge flows (Floyd & Wooldridge, 1992; King, Fowler & Zeithaml, 2001).

With first-level managers, three basic roles are involved: experimenting; adjusting, and conforming roles corresponding to their specific competence (Floyd and Lane, 2000). For example, the experimenting role is expressed through initiation of innovative projects. The adjusting role is expressed through responses to recognized and unplanned innovative challenges. Finally, the conforming role is expressed through adaptation of operating policies and procedures to the innovative initiatives endorsed at higher organizational levels.

Overall, the evidence suggests that organizations pursuing corporate entrepreneurship as a core strategy recognize the integrated set of innovative actions at the senior, middle, and first-levels of management. It is only through such coordination that senior, middle, and first-level managers exhibiting specific roles in the enactment of innovative behaviors can achieve future competitive success through innovation (Hornsby, et al., 2009).

d) Managing Expectations and Outcomes

The failure rates associated with entrepreneurial actions are not as high as some suggest, but they are considerably higher than the rates many companies are prepared for. Evidence suggests that between 45-55% of new ventures fail in the first five years (Bureau of Labor Statistics, 2019), and roughly the same rate has been identified when exploring new product failure (Castellion and Markham, 2013). With corporate innovation, we can also expect differences in failure rates based on the extent to which innovation represents an incremental versus a radical change. And, based on our earlier discussion regarding the underlying nature of entrepreneurship, when an innovation does succeed, it is often quite different from what was initially intended.

For these reasons, it is important that organizations manage expectations surround CE activity and set realistic targets for success. It is about recognizing that failure is going to be more frequent, and hence creating a greater organizational tolerance, but also devoting more attention to how failure is approached. Four primary outcomes should be considered. These include the impact of failure on:

- employees involved with a particular innovative project or initiative;
- subsequent entrepreneurial behaviors of other employees;
- selection and management of future projects;
- how the organizational learns.

Beyond the obvious need to eliminate any negative stigma associated with product failure, particularly as it relates to career advancement of those involved with a project, it is important to honor failures and their rich contributions to improving the company. Further, adopting a portfolio mentality on innovation helps to put failure in its proper context. Entrepreneurial companies manage a portfolio that includes many innovative projects at a time across different levels and areas of the organization. The focus is not on individual failures, but on the overall success of the portfolio.

Failure can also have an emotional impact. The success of a given project depends on the commitment of management, the project leader, and the rest of the project team (Amabile, 2000; Song & Parry, 1997). Commitment towards innovation typically stems from intrinsic motivation (Green et al., 2003: 423). Moreover, team members are often passionate about projects, enabling them to persevere in the face of obstacles and setbacks over an extended period of time. Regardless of the reasons behind a project's failure, those involved will likely feel they have lost something important. They may have lost their emotional bond to a product and/or an idea, lost part of their individual and collective identity, or lost personal relationships with other team members who are redeployed to various other initiatives upon a project's failure. Royer (2003) finds that organizational members feel an attachment to the projects in which they passionately believe and setbacks are felt as an emotional blow. The impact can affect whether any learning occurs and the willingness of employees to pursue entrepreneurial initiatives in the future (Shepherd, 2003).

One outcome of project failure is grief (Shepherd et al., 2009). Grief is a negative emotional response to the loss of something important triggering behavioral, psychological, and physiological symptoms. Grief will be greater over the loss of projects for which the individual has made sustained emotional investments (Jacobs, Mazure & Pregerson, 2000). Managing grief becomes a particularly salient task in the context of corporate entrepreneurship practice (Farson & Keyes, 2002). Toward this end, Shepherd (2003) has proposed a dual process model of recovering from the grief associated with entrepreneurial failure, that, when employed, speeds the recovery period and enhances the learning that results from the experience.

When companies set unrealistically high expectations for success, and effectively penalize failure, all employees are effected. In effect, management is increasing the perceived risks associated with engaging in entrepreneurial behaviors. For employees, entrepreneurship is not perceived as the norm within the organization, but rather, as a potentially costly exception. Where failure entails high costs, it can also produce conservatism in the kinds of future projects selected and supported by managers, resulting in an emphasis on incremental extensions of innovations that have been successful in the past. Moreover, the manner in which innovative projects are managed also becomes more conservative, such that the willingness to experiment, challenge assumptions, engage in counterfactual thinking, and improvise are constrained.

Perhaps the most surprising outcome of failures in most companies is the fact that they are not documented. Case studies are not written. The positive contributions of those involved are not highlighted. Objectives insights are not obtained regarding how the innovative process unfolded and what the contributors were to the outcomes. Best practices are not identified based on the experiences, and the ways in which one failure influenced future successes are not established. Because the rich history of valuable innovative projects that came short of expectations is not shared with everyone in the organization, the stigma associated with failure is reinforced.

g) Proactively Addressing Ethical Considerations

Ethics is an understudied topic within corporate entrepreneurship. Yet, entrepreneurial behavior in established companies involves a set of circumstances that invite ethical dilemmas. Those involved are dealing with novelty and the unknown, usually with high levels of uncertainty and ambiguity, where resources are insufficient and time pressures are great, and the conditions produce considerable stress. Further, entrepreneurial behavior can be associated with bending and breaking rules, doing whatever it takes to get resources, and misrepresenting progress. Popularized expressions such as “fake it until you make it” can be a euphemism for lying and engaging in misleading behaviors. What is a creative solution to someone in the middle of an innovative project can be viewed as blatantly unethical by many others.

The challenge for corporate leaders is to foster entrepreneurial behavior while controlling the means through which it is attained. Ethical leadership has been shown to influence employee attitudes and behaviors, including how innovative behaviors are pursued (De Hoogh & Den Hartog, 2008; Yidong & Xinxin, 2013). Displaying personal integrity, honesty, organizational commitment, and altruistic behavior can create an environment where employees feel comfortable with the challenges surrounding innovation (Gardner et al., 2005; Yidong & Xinxin, 2013). This kind of leadership is organized around communicating ethical expectations when it comes to entrepreneurial activity, modeling appropriate ethical conduct, and reinforcing desired behaviors, while deterring clearly undesired behaviors.

Corporate leaders must clarify what would be considered unacceptable behavior or behavior that “crosses the line” into areas that do not reflect organizational values and put the company at risk. It becomes critical that they address what it means to “act entrepreneurially”. Being entrepreneurial cannot mean doing whatever is necessary to successfully develop and implement an innovation.

Without understanding the acceptable parameters for entrepreneurial behavior managers may become "rogue" in their actions and overstep ethical boundaries in the name of corporate entrepreneurship (Kuratko and Goldsby (2004). In this regard, researchers have found that exposure to ethics training can increase an employee's ethical standard or reference point while lowering the extent to which they perceive that unethical actions are sometimes necessary in order to get ahead (Delaney & Sockell, 1992; Valentine & Fleischman, 2004). Also valuable are periodic open discussions of entrepreneurial situations where ethical issues arise, their potential consequences, and how they might be dealt with differently.

Beyond this, the entrepreneurial context should also be prominently featured in the company ethical code or code of conduct, and regular discussions surrounding this code. Instituting formal ethics training programs can reduce ambiguity and produce greater consistency of behavior (Grojean, et al., 2004). However, in a meta-analysis conducted by Kish-Gephart and colleagues (2010), the mere existence of an ethics code did little to reduce unethical behavior, whereas enforcement of the code had a strong effect. Treviño and Weaver (2001) found that employees' perception of organizational justice and "follow through" on ethics programs and policies not only reduced the amount of unethical behavior, but also increased the willingness of employees to report ethical issues.

Ethical considerations should be taken into account when setting goals and establishing deadlines for innovative initiatives, as they impose the kinds of unrealistic expectations that can force employees to take shortcuts. Attention should also be devoted to the design of reward and evaluation systems (Ordòñez, et al. 2009). Those in leadership positions should be cautious of designing reward systems that are focused on the successful outcomes of entrepreneurial initiatives, while ignoring the activities employed to achieve success (Grojean et al., 2004). Consistent with our earlier discussion of managing expectations, failure outcomes should be rewarded. The ability to monitor how innovations are executed is additionally tied to company control systems. Here, management must strive to balance the desire for tight fiscal and behavior controls against the need for slack and flexibility to successfully address the uncertain and obstacle-laden path of the corporate entrepreneur (Goodale, et al., 2011; Morris, Schindehutte, and Allen, 2006). Perez-Freije and Enkel (2007) found that well-designed control systems are able to balance factors that facilitate and regulate innovation in a way that guides projects in the appropriate strategic direction without constraining the organizational capabilities.

As the speed of innovation ramps up in the contemporary environment, ethical dilemmas will only become more prevalent. Proactively addressing ethical challenges becomes a core consideration in fostering sustainable entrepreneurship. Moreover, if organizations overlook or effectively endorse the kinds of ethical compromises that enable entrepreneurial projects to be successful, it is likely that these compromises will eventually spill over into the everyday operations of the company.

Conclusions

The dynamic nature of the operating environments of modern corporations requires firms to be more entrepreneurial. This has prompted organizations to create corporate entrepreneurship strategies that rely on organization-wide entrepreneurial behavior to recognize and exploit opportunities (Ireland et al., 2009). We have examined some of the critical challenges corporate leaders face in this age of disruptive innovation: grasping the behavior, framing the innovation, designing the internal architecture, developing the people, coordinating the managerial levels, managing the expectations, and addressing the ethical dilemmas.

As these are some of the most pressing challenges confronting for companies pursuing CE, we have highlighted approaches for how each can be addressed in ways that enhance the environment for entrepreneurial behavior. The beginning point is to move past the use of entrepreneurship as a buzzword in the corporation and instead embrace its underlying nature. This means acknowledging the unpredictable, chaotic, emergent and nonlinear qualities of entrepreneurship, and adapting company structures, systems and operating processes to accommodate these qualities. In framing the innovation, leaders must identify and communicate the specific forms of innovation being sought (e.g., types of corporate venturing or strategic entrepreneurship) so that employees understand what their leaders expect when it comes to entrepreneurial behaviors. Developing an internal architecture that is conducive to corporate entrepreneurship entails aligning the firm's structure, control systems, human resource management systems, and culture with the organization's pursuit of entrepreneurial activity. Approaching the internal operations of the company as an entrepreneurial ecosystem can help ensure the kinds of coordination and collaboration that are instrumental in successfully implementing new products, processes, business models, ventures and other forms of entrepreneurship. Even with the right architecture in place, companies are apt to find that most of their employees are not prepared to engage in entrepreneurial behaviors. The priorities in addressing this challenge include development of the entrepreneurial mindset, which we have attempted to conceptualize in a corporate context, and the mastery of specific entrepreneurial competencies. An increase in entrepreneurial activity also complicates the demands placed on different levels of management. Coordination across managerial levels is necessary to ensure the different roles and responsibilities each must fill are understood and carried out as part of an organization-wide entrepreneurship strategy. Given its underlying nature, and the higher potential for failures, effort must be devoted to managing expectations surrounding entrepreneurial behavior both at the organization-level and for individual innovation projects. Absent realistic expectations and overt efforts to address the consequences of failure, adverse outcomes can result in terms of employee well-being and motivation, organizational learning, the types of innovation projects subsequently pursued and how they are managed, and the long-term success of the company. Lastly, high levels of entrepreneurial activity bring with them complex ethical challenges. We have identified a number of mechanisms for proactively addressing these challenges.

Our approach centers on the encouragement of entrepreneurship not in isolated pockets within the organization, but throughout the enterprise. This is an empowering notion, but one that requires those in leadership positions to rethink the essence of the corporation as entrepreneurship is applied across functions and levels and every employee is recognized for their entrepreneurial potential. Addressing the challenges and implementing the strategies we have outlined requires significant commitment on the part of company leaders. It requires a unique ability to balance success and failure, exploration and exploitation, control and flexibility, incremental and discontinuous innovation, individual agency and collective needs, and top-down and bottom up sources of innovation.

Finally, the challenges we have discussed give rise to a number of priorities for ongoing research. Further attention should be devoted to the emergent nature of entrepreneurship, and particularly how degrees of emergence are impacted by organizational structures, systems and processes, and how they impact the kinds of support required for an innovation project. Many unanswered questions surround the many forms of corporate entrepreneurship, but a priority issue concerns the need for comparative studies regarding the kinds or resources, capabilities and organizational architectures that are instrumental in successfully pursuing each form. The concept of internal entrepreneurial ecosystems to support CE is a new one, again suggesting a range of research questions. As the connectivity among the components of this kind of ecosystem would seem especially critical, researchers may want to further explore the structure and functioning of networks that operate among key role players involved with entrepreneurial projects. How to prepare employees to engage in entrepreneurial behavior is also a topic not well-understood by scholars and practitioners, and particularly the kinds of approaches that are effective in nurturing an entrepreneurial mindset. Additional insights are needed regarding the how roles vary for the different levels of management (and the interactions among managerial levels) depending on the forms of corporate entrepreneurship and different types of innovation being pursued. We also need to better understand the ways in which unrealistic managerial expectations influence entrepreneurial project outcomes, as well as the effects of entrepreneurial failures on subsequent entrepreneurial activity within companies. Our focus here has been on internal challenges. Future research should explore how external factors interact or moderate the effectiveness of particular approaches to the internal architecture, employee development, coordination across levels of management, and the other challenges we have addressed.

In closing, even as they acknowledge the importance of entrepreneurship for the future of their organizations, many executives fail to deliver on innovation strategies because they inadequately address the emerging challenges that surround CE. While we believe the challenges identified here are some of the most salient ones confronting corporate leaders, this list is by no means exhaustive. New challenges, both internal and external, inevitably surface. The inherently dynamic nature of entrepreneurial behavior, coupled with unceasing turbulence in the external environments of companies, continually change the context for corporate innovation.

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