



# Can an old firm learn new tricks? A corporate entrepreneurship approach to organizational renewal

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**Abstract** Corporate entrepreneurship (CE) strategies are widely recommended for established firms to solve growth- and economic performance-related problems that they encounter in highly competitive business environments. However, relatively little empirical light has been shed on practical CE strategy processes and how they function in the everyday lives of organizations. The case study presented herein addresses this underexplored issue by describing how one long-established firm in dire economic circumstances renewed its strategy, as related by an interview with the company's managing director. The analysis draws on the theoretical ideas of corporate entrepreneurship models and focuses on practical activities within the strategic renewal process: What did the case firm actually do to compensate for decreasing turnover and to improve its longer-term position in the market? The findings underscore the progressive, proactive, and impermanent nature of CE strategies; further, they suggest that firms need clients and other external partners with equally ambitious business objectives in order to successfully implement their CE strategies.

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## 1. Business does not always go as planned

This article presents a case study of a real, and fairly typical, managing director faced with a crisis situation. The managing director, Mr. Virtanen, worked for AdChance, a Finnish business-to-business marketing services firm with a long history in the

domain. The recent recession significantly weakened the financial position of Finnish firms in this particular field; from 2008 to 2009, overall turnover decreased by 11% and operating profits by 45%, resulting in negative net profits—especially in larger firms (Statistics Finland, 2011). Not surprisingly, AdChance suffered from this downswing. The crisis began when a major client decided to leave the company, which demanded quick, short-term actions to compensate for acute financial losses. This led to a profound strategic renewal to safeguard AdChance's longer-range future in the market.

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Our research task begins with an illustration of the practical actions AdChance took to improve its dire situation, as told by the managing director in his interview story. This narrative, or storytelling approach (Murray, 2008), creates a local understanding of the case firm's renewal process and how this process progressed over the course of time (Steyaert, 1998). The analysis draws on the theoretical ideas of the corporate entrepreneurship strategy of Ireland, Covin, and Kuratko (2009). Specifically, the study aims to shed light on the intriguing issue of *how* and *why* CE strategies yield desired outcomes in the concrete, everyday lives of organizations (Lindgren & Packendorff, 2009).

When arguing for the entrepreneurial imperative of the 21<sup>st</sup> century, Kuratko (2009, pp. 421-422) claimed that "a lack of entrepreneurial action in today's global economy could be a recipe for failure . . . . Entrepreneurial attitudes and behaviors are necessary for firms of all sizes to prosper and flourish in competitive environments." The detailed description of the case firm's strategy renewal process hopefully underscores the imperative nature of CE so that it becomes a less abstract and more accessible tool for practitioners. To this end, this study offers concrete action recommendations for firms interested in renewing their business strategy or coming to grips with demanding circumstances.

## 2. Corporate entrepreneurship: What does renewal entail?

Corporate entrepreneurship (CE) is a potential survival strategy for firms that operate in highly competitive business environments. It is especially recommended for established firms that face declining business performance and turnaround situations. In order to regain competitive superiority, CE strategies require firms to fundamentally renew themselves (Covin & Miles, 1999). Firms should change their extant strategic direction and significantly modify their operational practices. This major shift is often outlined in relation to a firm's external environment by radically differentiating the firm from its competitors through an inimitable competitive advantage (Barney, 1991). Even though CE strategies may resolve firms' economic dilemmas, they cannot automatically guarantee positive outcomes or quick pay-offs for firms that adopt them (Covin & Miles, 1999). Their effective implementation may also be difficult to accomplish (Ireland et al., 2009).

Entrepreneurial behavior is at the core of CE strategies. In the CE strategy model of Ireland et al. (2009), *entrepreneurial behavior* refers to

the recognition and exploitation of entrepreneurial opportunities across the entire organization. Ireland and Webb (2007) specify the role of opportunities in CE strategies by articulating that firms should balance the exploitation of existing opportunities for present success with the exploration of new opportunities for future competitive purposes. In other words, firms should engage in taking full advantage of their established business opportunities whilst concurrently searching for new avenues of revenues and profits. If firms emphasize one of these elements at the expense of the other, they could eventually end up in continued decline or paying overwhelming costs—or worse.

In the Ireland et al. (2009) model, two elements support the pursuit of entrepreneurial opportunity: an entrepreneurial strategic vision and a pro-entrepreneurship organizational architecture. The *entrepreneurial strategic vision* is the image top-level managers have created for the organization they hope to lead in the future, whereas the *pro-entrepreneurship organizational architecture* translates this vision into specific entrepreneurial behaviors—especially opportunity-focused, innovative, and self-renewing behaviors. Both the vision and architecture encourage and justify the systematic and continuous pursuit of opportunity throughout the firm. They help organizational members commit to entrepreneurial behavior without the direct involvement of top executives. The outcomes of implementing the CE strategy most often deal with more effective current or future performance. *Performance* can be defined in terms of any outcomes the firm is interested in; for instance, better economic indicators or enhanced competitive capability.

The current models—including that of Ireland et al. (2009)—prescribe ideal combinations of appropriate cultural, structural, and behavioral variables for firms and predict success if firms conform to these prescriptions. Unfortunately, they fail to explain how actual CE processes emerge and are implemented within firms. For its part, this article aims to contribute to this underexplored topic in the CE research by analyzing the implementation of a CE strategy in one Finnish case firm.

## 3. The case firm

The case firm, AdChance (a pseudonym), is one of the leading business-to-business marketing agencies in Finland. Innovativeness and creativity are inherent and essential elements of the normal everyday business of this middle-sized agency, which has operated in the marketplace for several decades.

The interesting combination of market leadership and long-standing history was considered particularly suitable for studying CE strategies in an established firm.

The analysis is based on one open thematic interview with the managing director of AdChance, Mr. Virtanen (also a pseudonym). He was a hired director who had been appointed to the position approximately 3 years before the interview took place. This study employs a managing-director perspective in order to obtain an encompassing organization-wide view of firm activities, specifically those related to CE (Lyon, Lumpkin, & Dess, 2000). Although a senior-most perspective is considered essential to this particular study, it is not necessarily the only view relevant to CE in firms. Ireland et al. (2009), for instance, consider the middle and lower levels of a firm to play important roles in CE strategy implementation.

The interview topic focused on those specific past, present, and future events that Mr. Virtanen, as managing director, considered important when describing AdChance's activities (see Murray, 2008). The topic was communicated via email 2 weeks prior to the interview. Mr. Virtanen was asked to reflect on what had occurred in the agency since his appointment, what the agency's situation was like at the moment of the interview, and what he expected to occur in the near future. In short, he was asked to recount the story of his firm as he knew it and to make a prediction of its short-term future.

The interview was held in English in December 2009, and lasted approximately 1 hour. It was recorded for later transcription, with Mr. Virtanen's written permission. At the beginning of the interview, the topic was repeated in the same manner as in the email communication. Beyond this, the interviewer's role was minimal: to serve as an interested audience for Mr. Virtanen's story and to refrain from asking for clarifications, if necessary, until the close of the interview (Murray, 2008). During the interview, it became apparent that strategic issues formed an integral part of Mr. Virtanen's story. The analysis concentrates on this strategy-related talk that comprised approximately the first half of the interview. In his story, Mr. Virtanen explained how dire circumstances occurred for AdChance, and how he and his management team set out to cope with them.

#### 4. Tackling the renewal problem in practice

This section describes how Mr. Virtanen, as managing director of AdChance, attended to the crisis situation with the help of his management team.

His story is organized in terms of the CE strategy model of Ireland et al. (2009), which entails an entrepreneurial strategic vision, a pro-entrepreneurship organizational architecture, and entrepreneurial behavior. The analysis also illustrates what type of results AdChance obtained by implementing its renewed strategy. Finally, the analysis presents the agency's potential future as Mr. Virtanen forecast it.

##### 4.1. Formulating an entrepreneurial strategic vision

Mr. Virtanen began his story by noting that, soon after his appointment, an external shock resulted in an urgent need to redefine strategic choices. Even though he had already thought about the agency's strategy, the need to revamp it had not been a pressing consideration until this point. The beginning of Mr. Virtanen's story, and thus the departure point for our analysis, lies in his comment regarding this occurrence:

Almost immediately after I was appointed managing director—and hopefully not because of it—we lost, or our network lost, a big client account. It was a huge account and we had to start cutting the number of our personnel. Unfortunately, one of my first real main jobs was then to tell everybody about this and run the entire process.

After an important client that represented a considerable share of AdChance's income decided to drop the firm, AdChance had to initiate downsizing negotiations to reduce the number of its personnel. The client apparently left not for reasons related to the agency itself, but rather because a network to which it belonged had been unable to retain the account. Thus, a major change in the affairs of the network resulted in a significant loss for the agency. It is worth noting that this change seems to have occurred outside AdChance's scope of influence. Interestingly, Mr. Virtanen jokingly referred to his arrival as a potential reason for the client loss. That seems to have had no effect, however, because he was charged with solving the pressing problem and managing the necessary processes. After acknowledging the loss, he and the management team began to contemplate the future:

Then I had to think about what the company should be like in 2 or 5 years' time: what kind of people and what kind of skills we would need. That was quite interesting. The management team was trying to figure out how the business

was changing and what the main trends were. Even though it wasn't the most pleasant time, laying off friends and all, I learned quite a lot because one usually doesn't have time to think about the future; typically, you're just thinking about maybe the next 6 months or the next client meeting. You are not thinking about long-term things, so when people's jobs are at stake you take it seriously and you have to think further. . . . When the reality hits you and you see that payroll exceeds the amount you have coming in, you have to start doing something. It forces you to take a serious long-term view of how things are going.

The everyday practices of AdChance did not normally involve deliberations or discussions about the future. The most wide ranging future horizon seldom extended beyond 6 months, but in the face of serious problems—including reduction of staff—the agency had to anticipate several years into the future. Acute cash problems further justified, in indisputable economic terms, the decision to initiate downsizing negotiations: the reduced income flow did not cover staff salaries. Mr. Virtanen, however, considered these contemplations an interesting and even inspiring learning experience in the midst of an otherwise unpleasant process. Both of his arguments can be interpreted as representing objective facts on which, for example, downsizing decisions would be based; rather than more subjective decision making grounded on, for instance, close friendships. Next, the management team analyzed AdChance's position in the market:

For years and years—for decades, really—AdChance had been an agency mainly in the business of fulfilling briefs. Clients gave us briefs and then we worked according to those. So, if the briefs became smaller, we would become smaller as well. We realized that probably wasn't the way to add value. Instead, we envisioned going to the client with ideas of our own; for example, saying "these are the things you should be doing if you want to become more successful." We decided the truly successful marketing agency of the future would not wait for briefs. It would create its own.

Mr. Virtanen characterized AdChance as being mostly reactive to its clients' needs. If the agency continued to wait for ever-smaller briefs, however, it would not grow or even maintain its current position. Instead of limiting the firm to waiting, AdChance decided to involve itself in creating briefs and taking the initiative to convince clients

of what they should do to become more successful in the future. Mr. Virtanen's story highlights the importance of the future: proactive measures will produce value for both AdChance and its clients. After describing this vision for the future, the management group recognized that AdChance needed to add a specific type of value for its clients:

I discovered that people were really looking for reasons, like a philosophy or values: What do we really stand for? What do we believe in? Because I knew AdChance needed to become more of a value-added company, which meant we needed to be more valuable to our clients, our entire management team was talking about producing results for our clients. If we could produce results—say, if our client allocated €100,000 to marketing and earned much more through increased sales or margins, like €300,000—they would be more willing to use our services in the future, too. So, we shifted our focus from simply doing creative things that would be interesting to doing things that actually produced results. We very much focused on looking at how things work.

The specific value that AdChance decided to offer its clients was formulated as 'producing results for the clients.' This value can be interpreted as a new competitive advantage of the agency, and was based on the comprehensive need of employees to understand what AdChance stands for and what kind of values it represents. To redeem the competitive advantage, the agency should appreciate—in a detailed manner—the kind of process that adds value and how that process functions in practice. It is worth noting that creativity in itself no longer seemed to suffice as the desired outcome of a marketing agency's services. Creativity was relegated to a more subordinate position as a vital means toward clients' business targets. Concrete financial indicators, such as sales growth and return on marketing investment, should then measure the effectiveness of AdChance's value-adding services. When these indicators evolve positively, they enhance client retention.

#### **4.2. Creating a pro-entrepreneurship organizational architecture**

Next, in order to align itself with its new competitive advantage, AdChance created an organizational structure that better suited its new strategic vision. In practice, the management group decided to reorganize employee roles on the grounds of this new focus in activities:

We knew that we needed to reorganize and make the traditional roles disappear. We rethought all the roles in the company. Since AdChance would be focusing not so much on producing things but rather on designing them, we needed employees who could plan and design. In the end, we sketched out three roles: the key account role that would create jobs for us, the creative people who would create ideas for those jobs, and the producer who would get things done. We're now at something like half our original head count, but are working pretty comfortably in these three roles.

The management team considered it essential to understand what kinds of people would be needed to cope and survive in the future they imagined for the agency. Reorganizing involved new employee roles, the definitions of which were based on a focus change from production to planning and design. The old idea of merely fulfilling client briefs was thus linked to production, and the new competitive advantage to the creative designing of activities that promise results. The key account directors create job opportunities for AdChance, the creative people conceive of more concrete ideas to realize these opportunities, and the producers ensure that client projects are eventually completed. The agency based its downsizing decisions, which reduced staff by approximately 50%, on who would perform best in these redefined roles.

From the CE strategy perspective, the new roles translated the strategic vision into specific work tasks that differed considerably from old/traditional ones. The shift from production to planning and design required an architecture that systematized throughout the agency the search for and execution of work opportunities. In their simplicity, the new roles explicitly assigned particular responsibilities to organizational members, who were expected to behave according to these responsibilities without executives' involvement and control. As Mr. Virtanen noted, the implementation of new responsibilities succeeded.

#### 4.3. Acquiring the first new client entrepreneurially

After formulating its vision and reorganizing employee roles, AdChance set out to acquire new clients that would suit the firm's new competitive advantage and help leverage it:

We had to get new clients. We were very good at keeping our existing clients, or maybe just very lucky; nevertheless, we were keeping our clients happy. We had really long-term client

relations. Whenever a client had a problem, we fixed it and were able to save the account. But it's not easy, getting famous by doing work for the same clients, year in and year out. As such, we needed new clients to whom we could show the kinds of things we now created. We sought out clients that we knew were tough, that really demanded results, because we wanted to work for those kinds of people. We were lucky to pick up a results-oriented client just after the huge loss and at the time of all the lay-offs. We started working for this company, which was not a famous brand—especially not when we started. It was the kind of company that most top agencies wouldn't even work with.

AdChance was very successful in retaining its long-term clients, even after occasional friction and dissatisfaction. However, it needed new clients after the loss of its major client. The firm was especially interested in tough and demanding clients that would elicit practice of the firm's new competitive advantage. The management team considered existing clients unsuitable for this purpose because of their conventional marketing practices and their probable reluctance to change them. So, they chose to pursue new clients that demanded extremely high results. The agency demonstrated innovativeness in selecting and acquiring its first new client. AdChance identified a firm that was sufficiently undesirable or unknown to competitors, but which possessed potential because it was extremely results-oriented and thus well-suited to the new competitive advantage of AdChance.

In CE strategy terms, AdChance illustrated opportunity-focused, entrepreneurial behavior in selecting and acquiring its first new client. It began to compete outside the typical zone of marketing agencies when it innovatively sought clients that suited its new strategy, instead of competing for clients in which most other agencies were already interested. The agency was thus able to recognize a new, unexplored opportunity outside its traditional competitive arena.

#### 4.4. Enjoying the results

Mr. Virtanen's story had a happy ending. The results part of his narrative describes the outcomes obtained and his outlook for the coming year. AdChance's new strategy, with its clear focus on measurable results and its implementation, generated positive outcomes for both the client and the firm itself:

The management group of AdChance quickly learned how to sell more, and ended up attaining very good results. For example, the firm was

able to multiply the new client's return on its marketing investment with a lot of its services. The client was really happy. We also managed to do new, creatively interesting stuff that other big clients noticed. About a year ago, we even managed to woo another new client that was one of our main competitor's crown jewels. I think these clients, and the fact that we have been able to win awards for marketing effectiveness, have helped to create a better image for us as a more results-oriented agency that uses creative ideas to generate sales.

AdChance was a rapid study regarding how to design creatively interesting activities that generated desired, measurable outcomes. This resulted in several esteemed public marketing awards and a better image for the agency, which attracted other new clients—especially their major competitor's most valuable client. From the perspective of CE strategy, the performance outcomes AdChance was interested in dealt not only with short-term economic performance in the form of downsizing, but also outcomes that would enhance its longer-term success. A high-grade reputation and a myriad of awards can be understood as means toward a continuously upward economic trend.

The new clients taken on by AdChance were, for their part, extremely satisfied with the results the agency helped them obtain. Existing clients, however, were occasionally confused with the firm's increased initiative-taking, even though they generally appreciated these efforts:

We're now employing, with our existing clients, some of the new methods we've learned. They're happy to receive this new energy, but sometimes are puzzled by our becoming so active, trying to lead, and creating briefs instead of just fulfilling them.

The main challenge here seems to entail the leading role AdChance took, compared to its formerly-conventional method of operation: fulfilling briefs. Existing customers were accustomed to the latter. Mr. Virtanen strongly emphasized that AdChance will continue into the future, working according to the firm's new strategic direction:

We won't be looking back. We will be looking toward the future; at things that haven't even been created yet. Instead of the traditional model practiced for some time, I believe we'll take a leap into becoming a really modern, forward-looking company.

According to Mr. Virtanen, it is vital that AdChance breaks away from the past and continues forging a new future that is full of unexplored

opportunities. Most importantly, modern creativity should overtake conservativeness and traditional ways of doing business.

#### 4.5. Forecasting the future: Surviving or struggling

Even though Mr. Virtanen—as managing director—had witnessed the success of his firm and was determined to continue along its chosen path, he recognized the longer-term future of AdChance as uncertain. Firstly, he felt the agency had undertaken its own new client acquisition activities on the basis of overly-narrow reasoning:

As a market leading company, we can't just focus on taking market share from our competitors, though that's permissible. We also need to think about the future of the entire industry, and we're trying to consider the future of the marketing communications/marketing industry.

Stealing market share and clients from competitors, though acceptable, seems to have taken place at the expense of increasing the entire market for marketing communications. Although the short-term success of AdChance might well depend on this type of aggressive competition, it represents a somewhat short-sighted view of the future. Rather, a market leader organization should invest in developing the business area in which it operates. Mr. Virtanen assigned this responsibility to his agency as one of the most prominent actors in the market. However, he presented one clear obstacle to advancing the marketing industry:

The next big challenge of Finnish leaders/companies is to learn how to market and brand. I've been thinking about this an awful lot because it's an obstacle to our success. It is the bottleneck of whether my company has clients and we are successful, or whether we are struggling and laying off more people. It depends on whether we can succeed in this . . . . We feel that in global competition, Finnish brands and companies are an endangered species. If we fail to do all we can to produce more results for them, they will disappear and we'll be out of a job; of course, we don't want that. As such, we are trying very hard to create these opportunities. We also want companies to use marketing or brand building as a more active tool. You could, perhaps, call it the engine of growth.

Mr. Virtanen claimed that marketing is an active engine of growth that most Finnish firms have failed to exploit to their full advantage. Instead, global

organizations have aptly utilized marketing activities to the detriment of Finnish firms. He felt that the longer-term survival of the agency depends on how well its clients fare in the marketplace. Global competition has entered the Finnish market and complicated the position of local firms that, in turn, are the clients of AdChance. Insofar as Finnish firms fail to begin exploiting branding and marketing, they will disappear from the marketplace and from the agency's client list. So, the agency cannot rely solely on its own actions, but rather must also depend on clients that might not perceive marketing as the primary or even a suitable means to compete against global brands. Obviously, organizations have many opportunities to solve their growth problems, and marketing represents just one of these. Mr. Virtanen's point was that traditional methods of competition have been ineffective, and a change is needed in favor of marketing services that have proven successful elsewhere. In the longer term, then, AdChance would survive if marketing were to attract more client firms than before, but would continue to struggle if this turned out not to be the case.

In conclusion, AdChance succeeded in changing its strategic direction, an accomplishment that the CE literature considers very difficult for most organizations (Ireland et al., 2009). Success resulted from understanding how the agency can add specific value by producing measurable results for its clients. This ability also aligned AdChance more closely with the environment because it submitted its work for evaluation against its clients' concrete business indicators. However, even though this long-standing market leader agency was indeed able to learn new tricks that led to success, this seems to have been a one-time event.

## 5. Lessons learned and recommendations for action

There are three important lessons to draw from the renewal process of AdChance. These lessons relate to the progressive, proactive, and impermanent nature of CE strategies.

First, a successful CE strategy is *progressive*. Gergen and Gergen (1986) have depicted three prototypical forms for stories: progressive, regressive, and stable. These forms establish a valued goal and describe preceding events so that the storyteller either approaches, moves away from, or maintains this goal. Stories also anticipate future events; that is, evaluate how the goal-related events will evolve in the future. AdChance's story is a typical progressive story in which the desired goal was

attained. The strategic renewal process proceeded in systematic stages that grouped individual events together, established a particular order to the process, and justified ongoing and forthcoming actions. For instance, successful implementation of AdChance's new competitive advantage via its first new client won industry awards for the agency, as well as a heightened reputation. One could ask, however, whether the departure point for progressive CE strategies is always a major external shock or whether a new strategy can be implemented differently by, for instance, not laying off employees or retaining existing clients instead of procuring new ones. Further studies are required to establish the wide variety of practical measures firms could take to implement progressive CE strategies.

Second, firms must be *proactive* in formulating an entrepreneurial strategic vision for themselves. They should anticipate events, trends, and changes in the market and forecast their own future in relation to this understanding. A proactive outlook on firm activities can be based on profoundly analyzing those past and present business practices a firm has been known for among its clients, business partners, and competitors. It can thereafter turn these observations into a concrete competitive advantage that specifies in practice how the anticipated vision of the firm becomes a reality. Also, the less-distant future requires proactive measures. Instead of merely reacting to market changes and demands, the firm should create its own business opportunities by offering proactive suggestions that produce value for both the firm and its business partners. Some previous studies (e.g., Tang, Kreiser, Marino, Dickson, & Weaver, 2008) have already suggested that proactiveness occupies a primary position in encouraging and enabling entrepreneurial behavior. This study adds to this finding by emphasizing proactiveness as the fundamental determinant of a successful CE strategy. Consequently, because proactiveness is seldom explicitly discussed in theoretical CE strategy models, this study recommends a pronounced role for proactiveness in these models.

Third, the success of CE strategies tends to be *impermanent*. AdChance's progressive story had two alternative continuations, either stable or regressive in nature. In the stable version, the agency is able to increase the use of its services among its clients and therefore survives; in the regressive scenario, it merely struggles as a result of the decreasing use of its services. The future story of AdChance will, therefore, either end as a happily-ever-after saga or an unfortunate tragedy (Gergen & Gergen, 1986). This finding can be linked to the idea of entrepreneurship as a short-lived line of events

Table 1. CE-based recommendations for action

PROBLEM	RECOMMENDATIONS FOR ACTION
Outdated or irrelevant competitive advantage	<ul style="list-style-type: none"> <li>● Rethink your competitive advantage in terms of value-adding measurable results (e.g., concrete financial indicators)</li> <li>● Learn in detail how your value-adding process functions in practice</li> <li>● Define the targets (e.g., clients) of your competitive advantage outside conventional interest domains</li> <li>● Choose clients that match your competitive advantage, and equal or exceed your own ambition level</li> </ul>
Short-term business focus	<ul style="list-style-type: none"> <li>● Analyze your firm's history and your current way of doing business</li> <li>● Extend your normal future horizon by anticipating how your business will change over the longer term</li> <li>● Make sure your employees understand what your firm stands for, now and in the future</li> <li>● Reorganize and redefine employee roles to meet longer-term business demands</li> </ul>
Reactive business practices	<ul style="list-style-type: none"> <li>● Create business opportunities for your firm by taking the initiative with proactive suggestions</li> </ul>
Stable or regressive clients, or other external partners	<ul style="list-style-type: none"> <li>● Keep them happy by meeting their current needs</li> <li>● Persuade them to explore underutilized but promising competitive tactics and other business practices</li> </ul>
Uncertain long-term market growth	<ul style="list-style-type: none"> <li>● Co-operate with your competitors to expand the entire market</li> </ul>

(Steyaert, 1998) and suggests that the effects of strategic renewal do not necessarily reach beyond a limited period of time or, for instance, a limited group of clients. As such, CE strategies may require constant renewal and maintenance within firms that wish to uphold their position in demanding markets. These consecutive renewal processes must address each firm's unique, changing context and emphasize the fact that successful CE strategies do not emerge without insightful planning, meticulous implementation, and careful attention to external partners' needs.

The above-described lessons learned also offer some practical recommendations for firms interested in adopting CE strategies (see Table 1). These recommendations address specific problems that might arise when firms define a CE-based future vision and an organizational architecture to support concrete entrepreneurial behaviors.

## 6. How does the external environment influence the success of strategic renewal?

The findings of this study underscore the role of the external environment in leveraging CE strategies. In particular, the role of clients seems to be essential. As strategic renewal stories can be progressive, regressive, or stable, clients can also be categorized in the same manner (see Gergen & Gergen, 1986).

AdChance needed demanding new clients with high targets in order for a progressive strategy process to emerge. A compatible level of ambition between the agency and its first new client positively affected the performance of both firms. On the other hand, existing clients represented stable, or even regressive, performance development. Progressive new clients enhanced the effectiveness of CE because they better suited the agency's future, whereas stable or regressive existing clients slowed CE implementation by clinging to the agency's past ways of doing business. In terms of competitive advantage (see Ireland & Webb, 2007), new clients represented opportunity exploration where the proactive suggestions of the agency expand its current and future business boundaries. In contrast, the incoming briefs of existing clients represented opportunity exploitation that did guarantee a certain turnover level, but seemed nonetheless to forestall the agency's growth.

The difference between new and existing clients may be attributable to the fact that old clients noticed a clear departure in AdChance's new business practice from its previous practice of working together; the agency's clients may have interpreted this difference as a shift in the established power balance too far in favor of the agency. The clients felt they lost control in the relationship, and thus resisted the agency's proposals or how it offered these proposals to them. This finding is consistent



with that of Lappalainen (2009), who reported that a high entrepreneurial level of clients affected the seller's ability to strategically renew itself within existing supply chains and networks. However, this study does not presume that long-established clients invariably fall into stable or regressive categories. Progressive new clients could eventually become more stable, and existing clients could offer unexpected exploration opportunities for seller firms. Consequently, longer-term success may well hinge on a firm's ability to cater to its clients in innovative ways and with matching levels of ambition, irrespective of whether the relationship is an existing or a new one. More generally, this finding can be broadened to include all the other external partners of a firm, too.

On the basis of this study, a firm's external environment seems to impact the firm through its clients and other external partners, and thereby the success of its CE strategy. As Covin and Slevin (1991, p. 11) claim, "the external environment has a strong, if not deterministic, influence on the existence and effectiveness of entrepreneurial activity." They further note that environmental conditions are likelier to have a stronger impact on entrepreneurial activity than vice versa. Therefore, a firm's own entrepreneurial actions seem to stretch to a certain limit beyond which the firm may depend heavily on the actions of its external collaborators (e.g., how they react to and survive in global economic turns) and what other options they prefer. Nowadays, firms also compete for the same client and partner budgets with rivals outside their own business field.

Whether the empirical analysis described in this article eventually matches the CE strategy model of Ireland et al. (2009) is obviously an interpretation. As Ireland et al. themselves assert, "the strength of the evidence needed to claim the presence of a corporate entrepreneurship strategy is inherently a judgment call on the observer's part" (p. 38). In the end, what counts is how firms can convert theoretical ideas into practical solutions in the pursuit of success. If abstractness has thus far prevented firms from exploring the opportunities of CE strategies, then they might want to reconsider. As this study has

illustrated, innovative planning and careful execution of a CE strategy seems to pay off in the everyday lives of firms.

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