

The *Visible Hand* of Corporate Entrepreneurship in State-Owned Enterprises: A Longitudinal Study of the Spanish National Postal Operator

Abstract

This study explores how the corporate entrepreneurship (CE) of state-owned enterprises (SOEs) evolves under varying conditions of state ownership and control, laws and norms, and competence in the market. For this purpose, we present a longitudinal case study focused on the Spanish postal operator Correos using qualitative archival data and interviews. Our results indicate that the willingness and capacity of an SOE to act entrepreneurially depends critically on its degree of autonomy from the state and on the extent to which its legal and market environments increase its dynamism, complexity, and hostility. We also show that the development of CE in an SOE may lead to improved service quality, operational efficiency, and business specialization; facilitate its market positioning; and foster its sustainability through the exploration and exploitation of strategic alliances that can increase its business scope.

Keywords: State Owned Enterprises; Corporate Entrepreneurship; Longitudinal study; Monopolistic market; Market Liberalization; Postal industry.

INTRODUCTION

State-owned enterprises (SOEs) are an enduring feature of the economic landscape in both developed and developing countries (European Commission 2016; Girma et al. 2009; Gershman et al. 2016). SOEs generate approximately one tenth of the world's gross domestic product (GDP), represent approximately 20% of global equity market value (Bruton et al. 2015; Economist 2012), and account for a large share of investment and employment worldwide (Clò et al. 2017; OECD 2015). In many countries, SOEs are the main providers of public services, thereby illustrating their influence on both the economy and the everyday lives of citizens (Kroll and Kou 2018). As such, SOEs are key economic players that will remain an influential global force in the near future (Bass and Chakrabarty 2014; PwC 2015).

Nevertheless, despite the recognition of SOEs as relevant agents (Liang et al. 2015; Inoue et al. 2013), there is only limited research on this organizational form (González-Álvarez and Argothy 2019). Academics focused mainly on SOEs' ownership structures (Choi et al. 2012), corporate governance (Grossi et al. 2015), efficiency (Zhou et al. 2017), and privatization processes and results (Kroll and Kou 2018; Romero-Martínez et al. 2010; Erakovic and Wilson 2005; Hassard, Morris, and Sheehan 2002). Surprisingly, prior research overlooked the management issues in this organizational type (Jia et al. 2019). In this regard, Bruton et al. (2015: p. 94) claim that "only 39 articles out of thousands published by the Financial Times 45 top journals during the most recent 15-year period actually focused on the management of SOEs," concluding that there is still a dearth of research on the factors that enable their survival and prosperity.

The survival and prosperity of public organizations depend on their ability to satisfy citizens' increasing demands for more choices and higher-quality services (Kim 2010). The requirements for product and service innovations within constrained budgets make it necessary for public organizations to develop corporate entrepreneurship (CE) (Kearney et al. 2009). This includes not only innovation, business creation, and strategic renewal (Covin and Miles 1999) but also periodic revisions to the structure and strategies such as divesting some businesses, redefining domains, or fostering collaborative partnerships (Romero-

Martínez et al. 2010; Xing, Liu, and Cooper 2018). Nevertheless, public organizations differ in their relative ability to accomplish CE (Kearney and Morris 2015) since public entrepreneurs face both internal difficulties (i.e., goal ambiguity and limited managerial autonomy) and environmental threats (i.e., changes in the market structure and political instability) (Tremml 2019). Furthermore, this ability to design and develop CE varies both between organizations and within an enterprise depending on the legal, political, and socioeconomic stages (Kearney et al. 2008). In this regard, a rich contextualization of the important aspects of CE, including firm strategy and corporate governance, under these different conditions is required.

With the main purpose of contributing to (partially) fulfilling the aforementioned research gap, we study CE strategy as a change event in public SOEs, aiming to answer the following research question: How does CE in SOEs evolve under varying conditions of state ownership and control, laws and norms, and competence in the market? To address this research question, we present a longitudinal case study (Eisenhardt 1989; Yin 2009) focused on the Spanish postal operator Correos, using qualitative archival data and interviews. A historical approach to CE evolution in an SOE such as Correos allows for an event-driven explanation (Van de Ven 2007) because the relevant political, socioeconomic, and market milestones that occurred over almost six decades had a powerful influence on the performance of this public organization. Studies that investigate the development and evolution of social life are well suited to process research, especially in areas that require more theoretical insights (Álvarez et al. 2015; Bresman 2013; MacKay and Chia 2013).

In the process of addressing our research question, this study reveals interesting findings. On the one hand, we find that in a monopoly framework the development of CE in SOEs is hindered by the absence of competition as well as by the lack of autonomy and resources from the State. On the other hand, during an early liberalizing phase, we show that the development of CE in SOEs is fostered by opening traditionally reserved market segments to competition as well by changes in their legal status that turn SOEs into more economically and commercially autonomous organizations. Likewise, this development of CE in SOEs during this phase fosters improvements in service quality, operational efficiency, business specialization, and commercial actions. Finally, we also find that, in a global competence context, increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances. This, in turn, helps SOEs to strengthen their positions in both the traditional and new higher value-added market niches, and helps them to explore the growth opportunities provided by new technological trends and diversify their businesses by entering new international markets.

This study contributes to the knowledge and understanding of CE in the context of SOEs in three main ways. First, we address the imbalance within the entrepreneurship literature in which both the drivers (i.e., environmental factors and internal organization) and outcomes of CE were examined mainly in private firms (De Massis et al., 2020; Klein et al. 2013; Urbano and Turró 2013). This imbalance biased the findings and implications toward these types of businesses (Kearney and Morris 2015). Nevertheless, the substantial differences between private and public organizations in terms of the main goals and resources make it inappropriate to extrapolate these findings to public organizations (Kim 2010). Public organizations, especially SOEs, are larger, more hierarchical, and rigid, with both conflicting objectives and less control over the resources used in the entrepreneurial processes (Kearney et al. 2008; Sadler 2000). These

differences and the fact that the literature on public organizations largely ignored explicit connections to entrepreneurship (Tremml 2019) make further research on CE in SOEs necessary.

Second, the historical approach of this research responds to different calls for more longitudinal studies in entrepreneurship to shed light on the causal relationship between the emergence and attenuation of CE depending on the firm's environment and strategic context (Argyres et al., 2020; Miller 2011; Hornsby et al. 2013; Kuratko and Audretsch 2013). This is particularly interesting in evolving settings such as those of SOEs, whose traditional stable customer bases, narrow product lines, stable administrative structures (Peng et al. 2004), and marketing decisions pushed by the government's agenda (Tan 2002; Tang et al. 2017) evolved in recent years toward the necessity to develop a more profit-driven orientation (Bernier 2014) and to leverage technological and service innovations to compete in a liberalized market context (Rentsch and Finger 2015). In this regard, this study shows that the willingness and capacity of an SOE to act entrepreneurially depends critically on its degree of autonomy from the state and the extent to which its legal and market environment increases its dynamism, complexity, and hostility. We also show that the development of CE in an SOE may lead to improved service quality, operational efficiency, and business specialization, and allow it to strengthen its market positioning by exploiting strategic alliances, which can increase its business scope.

Third, this research adds to the existing SOE literature by focusing on an SOE located in a Western country. In this regard, although SOEs are a global phenomenon that play a key role in reaching both economic and social goals in different countries (Benassi and Landoni 2019; Carney and Child, 2013; OECD 2015), most of the studies in this field are set in China (Hassard, Morris, and Sheehan 2002; Bruton et al., 2015). Bruton et al. (2015: p. 95) call for more studies in countries besides China, as the literature on SOEs in this country "often makes a very limited effort to address whether their findings have relevance to SOEs elsewhere." By providing evidence from a longitudinal case study of an SOE located in Spain, we take a step toward filling this important gap.

The remainder of this article proceeds as follows. We first review the relevant literature, after which we introduce our research method. Then, we describe the specific industry context and the longitudinal case study. Next, we present our empirical findings and analysis, and offer several propositions. Finally, we conclude by discussing the limitations of the study and suggesting avenues for further research.

LITERATURE REVIEW

Corporate entrepreneurship

Entrepreneurship is regarded as a key factor in economic development in terms of productivity, innovation, and employment (Audretsch 2012). However, apart from the creation of new businesses by individuals who discover and exploit a previously unnoticed opportunity (Urbano and Turró 2013), entrepreneurship is also a process associated with strategic and renewal activities within existing firms (Jones et al. 2019). The latter, widely known as CE, is a critical strategic approach to successful competition in today's global economy (Kreiser et al. 2019). Consequently, the study of entrepreneurial behavior within established organizations gained growing scholarly attention in recent years (He et al. forthcoming; Chebbi et al. 2019).

CE refers to a set of distinct and multidimensional organizational phenomena, including the development of innovation. It is the driving force behind purposefully redefining organizations, markets, or industries to foster competitive advantages (Urbaniec and Zur 2020). More specifically, CE activities are usually oriented toward sustained regeneration, organizational rejuvenation, strategic renewal, and redefining the organization, its markets, or its industry (Covin and Miles 1999; Karimi and Walter 2016). Thus, in line with Jones et al. (2019; p. 1021), our definition of CE includes how a firm shapes its environment through the introduction of new products and processes (Miller and Friesen 1978), seeks new opportunities outside of its current operations (Venkatraman 1989), and takes a competitive posture toward rivals (Covin and Slevin 1988, 1989).

CE correlates positively to firm performance (Biewerth et al. 2015, He et al. forthcoming), although the theoretical rationale of the antecedents to this firm behavior remains nascent (Karimi and Walter 2016; Urbaniec and Zur 2020) and the empirical results are mixed (Hughes and Mustafa 2017). More specifically, prior research investigated how sets of internal and/or external environmental factors stimulate or constrain entrepreneurship within firms (Kearney et al. 2009). Regarding the former, scholars point out that the organizational structure (Morris and Jones 1999), decision making (Nutt 2005), motivation (Hornsby et al. 2002), and organizational culture (Covin and Slevin, 1991) are the most consistent intra-organizational dimensions. In particular, recent studies identify five antecedents to CE that create a corporate environment conducive to entrepreneurial behavior: top management support, time availability, rewards/reinforcement, work discretion/autonomy, and organizational boundaries (Jones et al. 2019; Hornsby et al. 2013).

Regarding the external environment, prior research demonstrates that external conditions have a strong, if not deterministic, influence on the existence and effectiveness of entrepreneurial activity (Kearney et al. 2009). Dynamism, hostility, and heterogeneity are the most cited environmental dimensions (Kreiser et al. 2019). In short, the dynamism and heterogeneity of the environment reflect the uncertainty an organization faces from political, social, technological, and economic changes. A hostile environment refers to the degree of rivalry and competitive intensity and the abundance or scarcity of resources in the market. Environmental hostility increases as competition and resources scarcity become intense (Ireland et al. 2009). The dynamism, hostility, and complexity of the environment tend to be positively related to CE (Kearney et al., 2009; Lumpkin and Dess 2001).

In view of the above, CE is increasingly interesting for both researchers and executives due to its touted effectiveness in revitalizing firms and improving their performance (Bierwerth et al. 2015; He et al. 2019). Nevertheless, there is much research required on the antecedents of CE, especially for public organizations, since much of the research on CE focuses on private companies (Tremml 2019). In this sense, the substantial differences between the main objectives and resources of private and public organizations make it inappropriate to extrapolate the findings about CE in private companies to public organizations (Kraus et al. 2019). In the following subsection, we focus on the characteristics of one of the main types of public organizations, the SOE.

State-owned Enterprises

SOEs refer to enterprises where the state has significant control through full, majority, or significant minority ownership (Jia et al. 2019). These organizations usually have a public mission to address, with different levels of discretion in management and budgetary autonomy (González-Álvarez and Argothy 2019). SOEs play a relevant role worldwide: those with majority state ownership account for about USD 2 trillion of assets and more than six million jobs in the Organization for Economic Co-operation and Development's (OECD) member countries (OECD 2011). In 2013, about 10% of the 2,000 biggest global enterprises listed in the Forbes 2000 were majority-owned by public institutions. This ownership increases to 20% if we include minority-owned public companies (European Commission 2016). Though most SOEs worldwide are Chinese, this organizational form is highly relevant in both transitional economies such as Brazil, Russia, and India and in highly developed economies such as France, Italy, and the Scandinavian countries (Benassi and Landoni 2019). Moreover, SOEs are key economic agents in regions as diverse as Africa, Asia, and Latin America, where they contribute to about 15% of total GDP, usually in strategic industries (Budiman et al. 2009). For instance, the largest mobile-phone operator (China Mobile), the largest oil company (Saudi Aramco), and the largest natural gas company (Russia's Gazprom) in the world are SOEs (Nasir 2017).

Although their economic significance started to decrease in the last few decades (World Bank 2014), SOEs constitute a recent stream of specific research (Peng et al. 2016). In this regard, SOE scholars identified their distinguishing features (see Bruton et al. 2015) and focused particularly on two main issues: the actual reasons explaining the existence of SOEs and their performance compared to private companies (Benassi and Landoni 2019). The former relates to the fact that SOEs pursue a combination of economic and social goals (OECD 2015), which forces them to support governments by offering public goods and services even when there is a lack of economic incentives to do so (Landoni 2018; Tönurist and Karo 2016). Regarding the latter, most studies point out that private companies outperform SOEs in terms of economic results and service quality (Tang et al. 2017). The historical explanation is based on two different but closely related factors. On the one hand, since they traditionally enjoyed monopoly status, SOEs were not designed to face competitive markets (Currie et al. 2008). On the other hand, SOEs are usually not conceived as profit-driven organizations but rather as primarily focused on social goals (Meissner et al. 2019).

Yet, recent trends toward the disappearance of monopolistic market conditions (Choudhury and Khanna 2014), together with the increasing turbulence, dynamism, and global competence in markets, (Arzubiaga et al. 2019) make it necessary for public organizations to embrace entrepreneurial actions to satisfy the evolving needs and wants of citizens (Kim 2010).

CE in SOEs

CE in public organizations is defined as the process that pursues developing new and existing services, technologies, administrative techniques, and new improved strategies (Kearney et al. 2008). CE involves innovation, business creation, and strategic renewal (Lumpkin and Dess 1996), which can imply divesting some businesses or redefining domains (Covin and Miles 1999; Romero-Martínez et al. 2010). In the case of SOEs, CE may be of great relevance as these public organizations are expected to meet citizens' needs

within constrained budgets. These needs entail leveraging technological and service innovations to deliver products and services, without sacrificing both economic and social outcomes (PwC 2015).

CE in public organizations depends on two main sets of drivers: the external environment and the internal organization (Kearney et al. 2008; Kearney and Morris 2015). Regarding the external environment, public companies, especially those that evolved from operating in public monopolies to competing in liberalized markets (Rentsch and Finger 2015), face most of the challenges that their private counterparts do (Bernier 2014; Tremml 2019). To a great extent, these challenges relate to markets factors such as environmental munificence, dynamism, and hostility (Kearney and Meynhardt 2016). Previous studies suggest that these environmental conditions, which respond to global challenges and trends, can precipitate the perceived need to adopt a CE strategy by public organizations (Ireland et al. 2009; Kearney and Meynhardt 2016, Kearney et al. 2010, Antoncic and Hisrich 2001, Covin and Slevin 1991, Zahra and Covin 1995). Nevertheless, Kearney et al. (2009) warn that when implementing entrepreneurial actions, apart from the classical obstacles inherent to the public sector such as inadequate funding, regulatory constraints, and political opposition, public organizations must also deal with some less obvious difficulties such as “public doubts about the effectiveness of the program, difficulty reaching the program’s target group, opposition by those affected in the private sector (.../...), and general public opposition or skepticism.” (p. 301).

Regarding the internal organization, stability and consistency rather than disruption usually prevailed in public sector enterprises (Kearney et al. 2008). This resistance to change and innovation is a consequence of both the difficulties these organizations usually face when taking entrepreneurial actions, as well as the absence of incentives to perform them (Tremml 2019; Erakovic and Wilson 2005). On the one hand, public organizations, especially large ones, usually suffer from a lack of flexibility in procedures, which hinders the speed and coordination needed for CE (Kearney and Morris 2015). On the other hand, public managers historically had low incentives to design and implement entrepreneurial actions because public organizations must balance conflicting financial and social goals (Luke and Verreyne 2006; Bernier 2011). Therefore, designing and implementing entrepreneurial actions in public organizations usually relates closely to the risk of political scrutiny (Kearney et al. 2008). Furthermore, the historically weak link between performance and rewards typically resulted in low commitment and job satisfaction among public managers (Boyne 2002), turning CE into an uncommon strategy in public organizations. Yet, for entrepreneurship to occur within the public sector there is a need for greater flexibility and adaptability (Kearney et al. 2008). Research on internal factors conducive to facilitating CE is more limited, and generally relies on private sector studies. Previous studies have tested variables from the private sector in the public sector (Kearney and Morris 2015; Meynhardt and Diefenbach 2012), including top management support, autonomy, rewards, and organizational structure, culture and ownership (Goodale et al. 2011; Hornsby et al. 2002, 2009; Kuratko, Montagnano, and Hornsby 1990). In general, results suggest that public organizations with less formalized structures, more flexible and decentralized decision-making procedures, a lower degree of formalization in the control systems and higher rewards and motivation are more inclined towards the pursuit of CE (Kearney et al. 2008, 2009).

Overall, these two main sets of antecedents of CE in public organizations may evolve over time (Tremml 2019), as public organizations now exist in a completely different context than that in which they

were created (Bernier 2011). This change in the setting, particularly accentuated in SOEs, deserves more attention since our knowledge of how the external environment and the intra-organizational context influence CE is limited within public settings (Kearney et al. 2010; Kearney and Meynhardt 2016). Regarding the CE process in SOEs, scholars can gain significant insights by examining the context in which this process unfolds (Álvarez et al. 2015; Bresman 2013). More specifically, a longitudinal approach helps determine how different changes in both the external environment and within these organizations impact the evolution of SOEs' CE.

METHOD

CE strategies are usually designed, implemented, and developed in a non-static time frame, and they evolve over time. Therefore, longitudinal, historical case data are particularly suitable for the analysis of these processes (Langley et al. 2013; Siggelkow 2007). In this study, we apply this method for two main reasons. First, it allows researchers to appreciate the sequence of events and conditions under which Correos—our case study—and the Spanish postal market—our industry context—evolved and changed over time (Laurell et al. 2017; Van de Ven 2007). Second, studying a single, historical case in-depth enables deep immersion in the data (Andresen et al. 2014; Colli and Fernandez-Perez, 2020; Yin 2003) to examine how an SOE might embrace a CE strategy, how this develops over time, and how the SOE's intra- and extra-organizational environment informs CE emergence and development. The strength of theory-building through this approach is helpful for an in-depth understanding of the entrepreneurial process in different organizations (Álvarez et al. 2015), such as SOEs. We achieve this goal by corroborating existing theory on CE with rich, qualitative evidence from public companies.

Case study, data sources, and data collection procedures

In 1716, Correos was founded with the primary purpose of providing public postal services in Spain. This Spanish SOE has been the main agent in Spain's postal industry for more than two centuries, and therefore experienced very different stages of the Spanish political (dictatorship and democratic era) and economic history (autarky, interventionism, and liberalized markets). Correos is now one of the main Spanish companies by size, reach, and employment, with more than 53,000 employees (0.2% of the total active population in Spain), an average of 11 million ships in service per day, and more than 8,500 offices in the national territory.¹

Until the early 1990s, Correos operated as a branch of the Spanish State Administration, providing public postal services as a monopolist. Since then, and resulting from the progressive deregulation and liberalization of the postal industry, Correos experienced considerable transformation, including legal, organizational, and strategic reforms that aimed to increase competitiveness and ensure business sustainability in an increasingly uncertain and hostile postal market. Apart from the progressive disengagement from the state and the increasing corporatization of its internal organization, the strategic renewal of Correos also consisted of launching new value-added services, signing strategic alliances with

¹ Correos website: <https://www.correos.com/grupo-correos/#cifras-clave>.

external players, and strengthening its positioning in the fastest growing segments of the postal industry such as the courier, parcel, and express market (CEP). Since January 2011, when the postal monopoly ultimately disappeared in Spain, Correos has been competing with other companies in all segments of the postal industry. Table 1 provides a periodization of Correos' corporate history, considering the main extra- (legal framework) and intra-organizational changes it experienced since 1960, when the public postal monopoly was formally enacted in Spain.

Clearly, Correos provides an interesting setting to study CE processes and their evolution in SOEs for two main reasons: the very different conditions (many of them antagonistic) that shaped Correos' intra- and extra-organizational framework over time and the wealth of data available, as summarized in Table 2. Given our research interests, we focus on Correos' corporate history during 1960–2016 to examine the different contexts that the organization experienced (from monopoly to a liberalized market), starting from the date when the monopoly was formally enacted and ending the year before the collection of data for this research (and after five years of Correos' operations in an open market).

Table 1 Periodization of extra- and intra-organizational changes that shaped the historical evolution of Correos

		Pre-liberalization 1960-1991	Progressive steps towards liberalization of postal services (1992-2010)				Full liberalization 2011 onwards
			1992-1997	1998-2000	2001-2002	2003-2010	
Extra-organizational changes (European -EC- and Spanish regulations affecting the Spanish postal industry)		The Spanish postal industry was regulated under the Decree 1113/1960 which defined the industry as a monopoly and granted Correos with the exclusive provision of postal services.	Green Paper (EC) Royal Decree 1145/1992 Liberalization of the international express mail	Directive 97/67/EC Law 24/1998		Directive 2002/39/EC Directive 2008/6/EC Law 53/2002	Law 43/2010 All postal services were opened up to competition
				Progressive liberalization of postal mail (by reducing the market niches reserved to Correos)			
Correos' intra-organizational changes	Legal-institutional	Correos as a General Directorate (fully dependent on the State Administration)	Correos as an Autonomous Organization (gaining an independent legal personality)	Correos as a Public Business Entity (gaining greater autonomy from the State)	Correos as a State-Owned Corporation (fully independent from the State although totally owned by it)		
	Organizational	No relevant changes	Formalization of the first transport and operations strategic plans	Divisional structure Establishment of subsidiaries (Nexea, Correos Express and Correos Telecom) Processes automatization	Technological investment to increase reliability, speed and traceability of shipments Strategic acquisitions (Choronoexpres, Servipack) and alliances (FedEx, Transporta-Go Express, KPG, Amazon) Business group structure is formalized with three subsidiaries operating in each core business		
	Commercial	Postal Exprés (1 st specialized express parcel service of Correos) is launched in 1981	Segmentation of the services portfolio New higher value-added services were launched (ex. <i>Paquete Azul, Ibercourier, Chrono 10, Chrono 18...</i>)		Relevant growth of the portfolio towards specialized, value added services aiming at key market segments others than postal mail.		

Table 2 Data Collection Details

Data Types and Dates	Use in the analysis
Archives	
Correos' Annual Reports (1960-2016)	<p>Understand the main intra organizational changes in Correos over time (institutional, organizational and commercial reforms).</p> <p>Assess the performance of Correos over time through identifying relevant events, decisions, and strategies.</p> <p>Assess the way Correos approached its business and understood the change in its broader industry and institutional context.</p>
Annual Reports of the Postal Industry published by the Spanish Ministry of Public Works and, since 2010, by the Spanish National Commission of Markets and Competition (CNMC) (1980-2016)	<p>Understand the historical development of the Postal and CEP industry.</p> <p>Contextualize the performance of Correos in its broader industry context and institutional framework.</p>
<p>Corporate Magazines</p> <ul style="list-style-type: none"> • <i>Posta Española</i> (1982-1990) • <i>El Correo Postal y Telegráfico</i> (1987-1996) • <i>Más Cerca</i> (2002-2013) • <i>Abrecartas</i> (1999-2013) 	<p>Extend documentary evidence on the main events and organizational understanding of them.</p>
<p>Other corporate documents:</p> <ul style="list-style-type: none"> • Organismo Autónomo Correos y Telégrafos (1993), <i>Manual de formación de clasificación urgente</i>. • <i>Tarifas postales</i>, 1983. 	<p>Get supplementary information about the provision of the first express parcel service introduced by Correos (<i>The Postal Exprés</i>)</p>
<p>Legislation:</p> <ul style="list-style-type: none"> • European: <ul style="list-style-type: none"> ○ Green Paper on the development of the single market for postal services ○ Directive 97/67/CE ○ Directive 2002/39/CE ○ Directive 2008/6/CE • Spanish: <ul style="list-style-type: none"> ○ Postal Decree 1113/1960 ○ Law 24/1998 ○ Law 53/2002 ○ Law 43/2010 	<p>Identify the legal milestones in the liberalization of the postal industry.</p> <p>Examine how legal changes affected the provision of Correos services and the competitive framework of the Postal Industry.</p> <p>Contextualize Correos corporate decisions and actions in its broader legal framework</p>
Statistical Yearbook of Spain published by the National Statistics Institute (INE)	<p>Collect relevant quantitative data related to Correos business and thus triangulate those reported by the Correos internal documents</p>
Interviews	
<p>Two direct and non-structured interviews with two historians working at the Correos' Department of Documentation and Historical Studies: Gaspar Martínez and Pedro Llorente (February 2014).</p> <p>These interviews were conducted by one researcher at the Postal and Telegraphic Museum.</p>	<p>Better understand the main events in Correos' corporate and business transformation, their drivers and outcomes.</p> <p>Triangulate interpretations from documentary sources</p>

<p>Five reported interviews with internal informants (June 2004-February 2012)</p> <ul style="list-style-type: none"> • Internal Informant 1 (General Director of Correos' subsidiary Chronoexpres, 2004) • Internal Informant 2 (Director of the International Division of Correos, 2007) • Internal Informant 3 (Deputy Vice-Principal of Correos' subsidiary Chronoexpres, 2011) • Internal Informant 4 (General Director of Correos' subsidiary Chronoexpres, 2011) • Internal Informant 5 (Deputy Director of Engineering and Maintenance Services of Correos, 2012) 	<p>Access the view of some internal representatives of the company, through reported interviews.</p> <p>Better understand the main events in Correos' corporate and business transformation, their drivers and outcomes.</p> <p>Triangulate interpretations from documentary sources.</p>
<p>Three direct interviews with external informants (January-December 2011)</p> <ul style="list-style-type: none"> • External Informant 1 (Ex-CEO of Chronopost, a company later acquired by Correos) • External Informant 2 (Ex-Chairman of a private competitor of Correos) • External Informant 3 (Ex-CEO of a private competitor of Correos) <p>Interviews were conducted by two researchers. They lasted between one and three hours; all were recorded and transcribed verbatim.</p>	<p>Understand the structure and historical evolution of the CEP market in Spain.</p> <p>Understand the position of Chronopost (the express subsidiary of the French La Poste) in Spain before the strategic acquisition by Correos.</p> <p>Contextualize Correos' strategic actions in the CEP market, considering the challenges imposed by changes in customer demands, competitive pressure, technology and globalization.</p> <p>Reach a fine-grained understanding of the Correos' strategic actions compared to those of its competitors.</p>
Secondary Sources	
<p>Books</p> <ul style="list-style-type: none"> • Bahamonde et al. (2000) • Bordes (2009) <p>PhD Thesis</p> <ul style="list-style-type: none"> • Morales (2007) • Gil-López (2015) 	<p>Historical works focused on the case of Correos which helped appreciate Correos' general history and therefore contextualize its CE actions and outcomes.</p>
<p>Articles</p> <ul style="list-style-type: none"> • Marcos (1999) • Escribano et al. (2003) • Pateiro (2003) • Villagrasa (2003) • Pateiro and Prado (2010) • Vida (2004) • Gil-López and San Román (2020) 	<p>Works dealing with the European and Spanish postal industry which helped extend information and interpretations about the liberalization trends and the subsequent impact of the postal reform on the European postal operators, including the Spanish Correos.</p>
<p>Other sources of data</p> <ul style="list-style-type: none"> • Press: <ul style="list-style-type: none"> <i>La Vanguardia, ABC, Expansión</i> • Other Industry Reports, by <ul style="list-style-type: none"> ○ DBK, Mensajería y Paquetería (2007-2013) ○ ITA Consulting and WIK Consult (2009) ○ A.T. Kearney (2011, 2015) 	<p>Access contextual, contemporary descriptions and data</p> <p>Extend information about the Spanish postal and CEP markets and contextualize them in the broader European setting.</p>

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| <ul style="list-style-type: none"> • Web Pages:
<i>Correos, Spanish Commission of Markets and Competition (CNMC)</i> | |
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Our primary data sources include extensive documentary materials (archival internal documents and external documents) supplemented by several interviews with relevant informants. Documentary materials constitute our primary source of data since this research follows historical methods (Yates 2014) and because our research question aims to understand organizational actions and strategies (in contrast to individual decisions), which adds validity and credibility to our sources (Lipartito 2014). Moreover, and following historical triangulation purposes, we accessed and analyzed very heterogeneous sources, as Table 2 shows, therefore avoiding the bias of any one authoritative source to increase the overall validity of our findings (Kipping et al 2014).

The archival materials, collected mainly from the Library of the Postal and Telegraphic Museum (Madrid, Spain) include Correos' Annual Reports (period 1960–2016);² several corporate magazines, namely, *Posta Española* (1982–1990), *El Correo Postal y Telegráfico* (1987–1996), *Más Cerca* (2002–2013), and *Abrecartas* (1999–2013); and the Annual Reports of the postal industry published since 1980 by several Spanish government institutions, namely the Ministry of Transport, Tourism and Communications (1980–1989); Ministry of Public Works and Transportation (1990–1992); Ministry of Public Works, Transport, and Environment (1993–1995); Ministry of Development (1996–2009); National Commission of the Postal Sector (2010–2012); and National Commission of Markets and Competition (since 2013). The corporate magazines, particularly the most recent ones, are also important for accessing the projected view of internal representatives of the company in different areas of responsibility through reported interviews. These reported interviews with key internal members of the company supplemented oral testimonies from direct interviews (Alvarez et al. 2015). In particular, the reported interviews with the General Director of the Correos' subsidiary Chronoexpres in 2004, the Director of the International Division of Correos in 2007, the Deputy Vice-Principal of Chronoexpres in 2011, the General Director of Chronoexpres in 2011, and the Deputy Director of Engineering and Maintenance Services of Correos in 2012 were of great help to triangulate the interpretations from documentary sources and better understand the main events in Correos' corporate and business transformation, and their drivers and outcomes.

Overall, this set of documents provides a detailed description of the evolution of the Spanish postal industry (including the traditional postal mail and other value-added services such as parcel and express mail), as well as a rich source of data on the performance, main events, and evolution of Correos through time. For examination purposes, and following specific suggestions of how to deal with company archives and documentation (Rowlinson, 2004), we focused on themes related to the performance and approach of Correos in its traditional business (postal mail), as well as its capacity and attitude to embrace greater strategic orientation and pursue growth opportunities in other businesses. Regarding the latter, we paid special attention to the performance of Correos in the CEP market, which includes the provision of value-

² The Annual Reports for the years 1987–1991, 1993–1995, and 2006–2007 were unavailable.

added, time-bound transport and delivery services of documents and packages. Within the overall postal industry, this is the fastest growing market, especially since the advent of e-commerce (A.T. Kearney 2015).

We supplemented the documentary materials collected from the Spanish Postal and Telegraphic Museum with two informal interviews with two historians who, at the time of data collection, belonged to the Superior Corps of Post and Telecommunications and worked in the Documentation and Historical Studies Department of Correos, who are responsible for the organization and custody of the set of funds that constitute the Library of the Postal and Telegraphic Museum. These informal interviews consisted of a conversation lasting about two hours, in which one of the authors and the interviewees discussed the main institutional and organizational changes that Correos experienced since the 1990s, and their drivers and outcomes. These two interviewees conducted several studies focused on the Spanish postal and telecommunications history, in collaboration with coworkers and university professors, and published several books and articles on the history of Correos and the postal services, including *El Palacio de Comunicaciones. Un siglo de historia de Correos y Telégrafo*, *Historia ilustrada de Correos y Telégrafos*, and *Los fundamentos del servicio postal moderno*. Their expertise comes with privileged knowledge and understanding about the Correos organization and the Spanish postal industry, which in turn helped us triangulate our interpretations of the documentary evidence.

We also conducted interviews with three external informants (see Table 2) in the context of a business history project. These informants comprise executives of competitors of Correos in the Spanish CEP market. These interviews, which lasted between one and three hours, helped us extend our interpretation of the structure and historical evolution of this market niche, which notably makes up for the decreasing business of Correos in the traditional postal niche. These conversations also allowed us to contextualize Correos' strategic actions, considering the dynamics of this promising market niche, and to reach a comparative perspective that enriched our interpretation of the purpose and implications of Correos' CE decisions over time.

We used other documents for triangulation and as supplementary sources to clarify the main events. These include the European and Spanish legislation related to structural changes in the postal sector (from which we identified the main events in the liberalization of the postal industry); the Statistical Yearbook of Spain, published by the National Statistics Institute (to collect relevant quantitative data on Correos' business and thus triangulate with those reported by Correos' internal documents); historic press (Correos received considerable press attention, generating contextual data); other published material such as articles, books, and external industry reports (providing historical descriptions of the Correos case as well as insights into the development of the European and Spanish postal industry); and webpages where we undertook extensive searches, including those of Correos and the Spanish Commission of Markets and Competition (the regulatory body of the Spanish postal industry). Multiple sources of data allow for data triangulation, which increases the validity of the results (Dixon et al. 2015) given that different sources of evidence provide different measures of the same phenomenon (Álvarez et al. 2015; Yin 2009).

Data analysis

To analyze the rich body of data collected, we adopted an inductive and iterative process (Miles et al. 2014) to build and refine the theory based on the case study data (Eisenhardt and Graebner 2007). The data analysis evolved in different stages. First, we reconstructed the historical evolution of both the Spanish postal industry and Correos by delineating the data and events in chronological order, thus avoiding excessive data reduction and allowing us to identify the interactions and relationships among the different types of data examined (Álvarez et al. 2015; Miles et al. 2014). Furthermore, arranging the data chronologically was critical to identifying the events, analyzing the interactions among different actors, and linking their actions to other data, which allowed us to determine the context (Van de Ven 2007; Yin 2009). The main milestones in the evolution of the Spanish postal industry are illustrated in the industry context section below.

Second, we oriented the data analysis theoretically by building on the assumptions about SOEs' characteristics (Bruton et al. 2015; Meissner et al. 2019) and the determinants of CE in public organizations (Kearney et al. 2008; Kearney and Morris 2015). These assumptions framed the theoretical expectations of the evolution of CE during different political and economic stages. We worked recursively between the case and the theory under development (Álvarez et al. 2015). When a specific theme was ambiguous, we referred to the relevant academic literature for a clear distinction and categorization. In this sense, we followed an inductive approach to elaborate and refine existing theory (e.g., Delmestri et al. 2016; Howard-Grenville et al. 2013) by contrasting the empirical observations that emerged from Correos with a pre-existing understanding of CE search. In so doing, we refined our initial themes and gradually gained more insights on why and how different factors impact the CE of Correos. We then scrutinized the data for detail relating to these categories to arrive at the theoretical propositions and implications, which we present in the Discussion section below.

THE INDUSTRY CONTEXT

The postal industry comprises two major segments: the traditional postal market, which includes the conveyance of letters and lightweight postal parcels on standardized conditions, and the CEP market, which includes specialized services with a higher value. Table 3 illustrates this structure and describes the services in each segment.

Table 3 Structure of the Spanish postal market

Postal market in Spain			
Traditional Postal Market (Included within the ‘ <i>Universal Postal Service</i> ’)		Courier, Express and Parcel services (CEP market) (Excluded from the ‘ <i>Universal Postal Service</i> ’)	
Description of services	<ul style="list-style-type: none"> - Letters and postcards up to 2Kg. - Postal parcels up to 20 Kg. - Certificate service - Declared value item service - Money order 	Industrial Parcels	Courier and Express Parcels
		<ul style="list-style-type: none"> - Heavy packages - Other value-added services 	<ul style="list-style-type: none"> - Urgent letters - Express lightweight parcels - Other value-added services

Source: Compiled from Spanish National Commission on Markets and Competition (CNMC) and Law 43/2010 of December 30.

In Spain, Correos was historically the exclusive (monopoly) operator in the traditional, highly regulated postal market until 2011. Changes in the legal framework were therefore the basis of the transformation of the postal market and the postal operator in Spain. We thus include here a brief description of the main regulatory changes that affected the Spanish postal industry during the last decades, in which the market was gradually deregulated. Then, we describe the history of Correos, structured in three main periods.

Brief review of the regulatory framework for postal services

The Spanish postal industry constituted a monopoly that was formally enacted in 1960 by the Spanish Postal Ordinance. This law determined that any company other than Correos was forbidden from collecting, transporting, and distributing interurban cards and postcards. The international express mail service was also reserved exclusively to Correos (Decree 1113/1960).³ This legal situation lasted until 1992, when the European Commission published the Green Paper on the development of the single market for postal services, a report that formally launched the postal liberalization in the European Union (EU). Poor quality of services, inefficient allocation of resources, market and technological changes, or uneven quality standards across countries were some of the reasons that justified the need to open up national monopolies to competition and create a single market for postal services (Pateiro 2003; Villagrasa 2003).

Although the Green Paper did not establish a formal obligation to liberalize postal services, it did include some proposals that guided subsequent legal reforms. First, liberalization had to be progressive, while maintaining harmonization among all member states for the definition of the universal service, quality standards, or tariffs. Second, the definition of the Universal Postal Service (UPS) had to be based on a balance between liberalization and the guarantee of a quality and socially affordable postal service (Vida

³ Since 1960, private companies in Spain could deliver intra-city mail (Decree 1113/1960).

2004).⁴ These conditions finally materialized in three European acts: Directive 97/67/EC, which was later amended by Directives 2002/39/EC and 2008/6/EC. They set the basis for a progressive liberalization of European postal services, which had to culminate by December 31, 2010 at the latest.

Spain gradually introduced the EU postal legislation, leading to a steady reduction of the monopoly (Escribano et al. 2003), as Table 4 shows. The liberalization culminated with the enactment of the Postal Law 43/2010 of December 30, which entered into force on January 1, 2011 and opened all postal services to competition.

Table 4 Milestones in Spanish Postal Liberalization since 1998

Year	Spanish Acts	Monopoly area*	Price threshold**
1998	Law 24/1998	350 gr	5 times
2003	Law 53/2002	100 gr	3 times
2006		50 gr	2.5 times
2011	Law 43/2010	End of monopoly area	

* Only letters and postcards up to the weights indicated (excluding local post) could be carried within the monopoly area.

** Competitors could enter the reserved area only if the price exceeded the amounts indicated on the official public tariff.

THE CASE: CORREOS

We describe the longitudinal case study chronologically along three main phases of Correos' history that result from the interplay between the main changes in the Spanish postal industry and the subsequent responses given by the organization and their outcomes.

Phase 1: An organization in a monopolized industry (1960–1991)

This phase includes the evolution of Correos and the Spanish postal industry during the pre-liberalization era. We present the traditional situation of Correos as a public organization operating in a monopolized industry, before the first steps in the European liberalization process were taken in the 1990s.

Since 1960, Correos legally operated as a general directorate (*Dirección General de Correos y Telégrafos*) that belonged to the Spanish Ministry of Public Works. As a branch of the state, Correos underwent rigid decision-making procedures and had no autonomy. Fig 1 shows its organization chart.

Fig 1 Organization chart of Correos as a General Directorate (1960–1991)

Correos provided the traditional postal service under a monopoly regime (delivery of letters and postcards), but also operated some other services open to competition, such as cash on delivery, air mail,

⁴ The UPS was defined in resolution C 103/1999, as approved by the XXII Congress of the Universal Postal Union (UPU) that took place in Beijing in 1999. UPS was defined as “the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users” (Directive 97/67/EC art. 3), including the services in Table 3. All UPU member countries must guarantee UPS access to all its citizens and designate the operator/s responsible for its provision (Correos in Spain).

money orders, postal parcels, or express mail (*Dirección General de Correos* 1962; R.D. 113/1960)⁵. By the early 1970s, out of the company's entire service portfolio, parcel services and express mail constituted an opportunity to extend and diversify its business. Indeed, the increasing openness and integration of Spain into international markets led the country to a quick take off. Consequently, the demand for postal and parcel services expanded (Gil-López 2015; Gil-López and San Román 2020). To absorb it, Correos started improving its productivity and operational efficiency (Bordes 2009). Indeed, by the early 1970s, Correos' national traffic of postal items tripled the level of 1940 (Statistical Yearbook of Spain). Parcel services and express mail operated by Correos also soared, especially in the second half of the 1970s. Between 1978 and 1980, the volume of express mail almost doubled, and postal parcels increased from 20 million objects to just over 39 million objects. The increasing demand for value-added postal services—especially in terms of reliability and delivery times—led Correos to launch its first specialized express parcel service in 1981, called *Postal Express*. From then on, Correos experienced fast growth in the early 1980s (*Correos y Telégrafos* 1982, 1985).⁶

Despite growth, Correos' service supply was still limited in terms of both volume and quality compared with private companies. Express and parcel services were provided under narrow limitations of items' size, weight, and geographic coverage, with only restricted resources allocated by the state.⁷ Meanwhile, private companies started to specialize in parcel and express services—niches excluded from the monopoly—thus reducing Correos' market share in these higher value-added segments of the postal market (Bahamonde et al. 2000).⁸

In summary, until the early 1990s, Correos restricted its operations to the basic postal mail, which represented almost 80% of its total business. The organization, with resource constraints and lack of autonomy, found it difficult to enter new market niches and respond to new demands. Meanwhile, the growing market demand for value-added, non-monopolized services, such as parcel and express mail, encouraged the entry of private companies.

Phase 2: The turn of the 1990s: Restructuring and strategic orientation (1992–2000)

This phase covers the start of Correos' strategic renewal and the organizational changes that aimed to help the company adapt to the early liberalization trends in Europe.

In the 1990s, emerging liberalization, competition from new services, and changes in communication technologies and consumer demand meant that other means of communication started to replace traditional

⁵ Urban mail services and freight transport were never included in the postal monopoly.

⁶ The growing number of small, private couriers that operated intra-city mail and inter-city delivery of parcels since the late 1970s also demonstrated the emergence of a new market niche for higher value-added services (“Empresas de Transporte Urgente,” *La Revista de SEUR*, n. 1, 1983, p. 4; Interview with External Informant 2, March 10, 2011).

⁷ Indeed, as mentioned in Correos' annual reports, the state acknowledged that Correos' business should be limited to basic postal services, and that the supply of higher value-added services (e.g., parcel and express mail) absorbed too many resources, thereby hindering the provision of postal mail as a public service, as intended.

⁸ Interview with External Informant 2 (March 10, 2011) and External Informant 3 (February 15, 2011). Between 1988 and 1990, the market share of Correos in the parcel segment dropped from 18% to only 2% (“Correos pierde la carrera del tiempo. Un servicio postal en quiebra sucumbe ante la competencia privada,” *La Vanguardia, Revista*, May 6, 1991, p. 2).

mail (Marcos 1999; CNSP 2012). These trends urged Correos to be more competitive and enter more specialized market areas. The organization pursued this renewal through two corporate plans launched in the 1990s: the business plan of 1992 and the strategic plan of 1998. They resulted in unprecedented institutional, organizational, and commercial reforms.

(i) Regarding *institutional reforms*, in January 1992, Correos changed its legal form from a general directorate to an autonomous organization.⁹ This transformation endowed Correos with its own legal personality and assets independent of those of the state, and configured a new, more flexible management model (see Fig 2) (Correos y Telégrafos, Annual Report 1992; Vidal 1990). That new legal form also responded to the guidelines of the European community for postal services, obliging Correos to separate regulatory power (taken by the general secretariat of communications) and the operational and administrative competences it now assumed. Until then, these two functions belonged to the same administrative body.

Fig 2 Organization Chart of Correos as an Autonomous Organization (1992–1997)

European Directive 97/67/EC issued on December 15, 1997, which marked the start of European postal services' liberalization, ushered in a second change in Correos' legal status. In 1998, the organization adopted the new legal form of public business entity (*'Entidad Pública Empresarial'*),¹⁰ which added greater autonomy, especially in relation to its debt capacity, business policy, and the establishment of tariffs.¹¹

(ii) Along with the changes in its legal form, Correos also renovated its *internal structure and processes* to increase flexibility and rationalize managerial and operational procedures. In 1999, Correos was structured into eight main divisions: office network, strategic planning, technology, sales, finances, human resources, banking services, and logistics (see Fig 3). Regarding internal processes, Correos launched the *Industrial Organization Plan* (IOP) in 1992 (1992–1995), which reorganized the postal network through a geographical division of operations and implemented new, more efficient work methods in the admission, classification, and distribution of postal items (Bahamonde et al. 2000). Along with the IOP, Correos also designed its new transport plan in 1992, which sought to improve operational speed, flexibility, and reliability by increasing the combined use of ground and air transportation instead of the railway. New technologies related to automatization and computerization also helped improve the quality

⁹ Law 31/1990 issued on December 27 for the state's general budgets for 1991 created the autonomous organization, Correos y Telégrafos, with the basic functions of managing the public services of mail, telecommunications, and money orders, in addition to the issuance of stamps and other activities related to communications. A year later, through a royal decree approving its bylaws, the new organization was created with effect on January 1, 1992.

¹⁰ The antecedents of this change are in the Law of Organization and Operation of the General Administration of the State (LOFAGE) of 1997, which ended the existence of autonomous organisms of commercial character and created a new figure within the administration of the state—the public business entity—an organization with a differentiated public juridical personality, its own independent assets and treasury, and management autonomy.

¹¹ Refer to Article 42.1, Law 6/1997 on April 14 regarding the organization and operation of the General State Administration, *Boletín Oficial del Estado* (BOE) [Official State Gazette] N. 90, of 04/15/1997. The new postal statute was published in the BOE on February 20, 1998.

and reliability of services and shortened delivery times. Indeed, between 1992 and 1997, it was possible to double the volume of urgent letters delivered the day after its deposit (Correos Annual Reports 1992, 1997).

Fig 3 Organization chart of Correos as a Public Business Entity (1998–2000)

In 1999, Correos created three subsidiaries to develop specialized businesses: Correos Telecom, S.A. (to manage the operator's telecommunications network and sell surplus capacity); Correos Híbrido, S.A., renamed Nexea in 2010 (specialized in the integrated management of corporate mass communications); and Chronopost, renamed Correos Express in 2014 (for the express and courier business). While Correos Telecom and Correos Híbrido were established and owned fully by Correos, 50% of Chronopost was purchased from the French postal operator La Poste. The joint venture between the Spanish and the French operators continued for several years until Correos gained full control of Chronopost in 2003.

(iii) Regarding *Commercial reforms*, in 1992 Correos reorganized its product portfolio into three lines: basic, economy, and urgent. The basic line covered the traditional products of postal mail such as letters and postcards. The economy line consisted of mass commercial correspondence and postal parcels with low rates and longer delivery times. Lastly, the urgent line was for express mail and express parcel services.¹² The product portfolio was not only reorganized, but also diversified, to compensate for Correos' high dependence on traditional mail.¹³ New postal products were launched during the 1990s, including special business mail (a mail collection and distribution service aimed especially at banking and insurance), hybrid mail (a combination of electronic and physical delivery), *Paquete Azul* [*Blue Package*] (a non-urgent parcel service with home delivery), Ibercourier service (an express mail service), and the new express services channeled through Chronopost—Chrono 10 and Chrono 18—with guaranteed next-day delivery before 10:00 and 18:00, respectively. Correos also improved some existing products by adding services such as home collection, notifications, and tracking & tracing. Additionally, new commercial activities sought to expand marketing channels and establish special collaboration agreements with large entities (Correos, Annual Report 1997).

In short, by the end of the 20th century, Correos became more autonomous, flexible in its structure, competitive, and efficient. Yet, there were still major weaknesses: its business was still highly concentrated in traditional postal services and its market share in the non-reserved area was modest, at 2.6%, compared with private companies (the leading company had a market share of 11%; Ministry of Economy, 2002). Moreover, Correos still suffered from “a limited business vision, political intervention, and many discrepancies in terms of strategic orientation (...).”¹⁴ To face an increasingly turbulent environment, Correos needed to consolidate in the most profitable, specialized, and fastest growing market segments.

¹² At this time, Correos had only one service specialized in express parcel, Postal Expres, launched in 1981.

¹³ In 1998 the basic line still accounted for 72% of Correos' total business volume (Correos, Annual Report 1998).

¹⁴ Interview with External Informant 1 (February 15, 2011).

Phase 3: The turn of the century: Liberalization, global competence, and diversification (2001–2016)

This phase departs from two critical milestones in Correos' corporate history in 2001: its legal constitution as an SOE and the purchase of the majority of Chronopost. This phase describes Correos' performance during disruptive changes in the postal industry driven by its entire liberalization and subsequent strong competition from domestic and foreign players.

Since the late 20th century, European postal operators saw their market shares shrink while competition soared. Acquiring a solid international network and diversifying the business became crucial factors to ensure survival in an increasingly uncertain environment.¹⁵ These trends resulted in a wave of strategic alliances between postal operators and private companies. This was the case with the German postal operator, which bought the American express company DHL, or the Dutch Post, which acquired the Australia-based TNT.¹⁶ The hitherto dividing line between postal operators and express companies started to fade (Campbell 2001; A.T. Kearney 2011).

Correos followed similar strategies as its European counterparts. To increase its position in the CEP market, in 2001, Correos went on to control the majority of Chronopost's capital, at 57%. At this time, the subsidiary adopted the name Chronoexpres. A year later, Correos' ownership amounted to 74% and, in July 2003, Correos' finally had full control of Chronoexpres. By then, Chronoexpres absorbed 4% of the Spanish CEP market and ranked sixth by turnover (Spanish Ministry of Public Works 2004, p. 30). This subsidiary helped Correos continue to grow its product portfolio and strengthen its position in the CEP market, which at that time offered promising growth, thanks to e-commerce (DBK 2009):¹⁷ “[Chronoexpres is] the business tool that boosts Correos in the express market” (Correos Annual Report 2003).

The full acquisition of Chronoexpres was followed by other key alliances and acquisitions. In June 2002, Correos signed an agreement with one of the leading international players, FedEx, through which Correos would handle the distribution of FedEx's shipments in Spain and Andorra, and also access its extensive global network for international express and parcel shipments (Correos Annual Report 2002). Another key event in 2002, which sought to reinforce Correos' market share in Spain, was the purchase of Servipack, a company owned by the Spanish Banco Santander and the Royal Bank of Scotland. Servipack specialized in express parcel, mail baggage, and courier services, and provided Correos with 62 delegations, a fleet of 1,400 vehicles, and an extended customer base (Correos Annual Report 2002).¹⁸

¹⁵ Interview with External Informant 2 (March 10, 2011) and External Informant 3 (February 15, 2011).

¹⁶ The first wave of mergers and acquisitions (M&A) in Europe started in 1998, coinciding with the first European directive published in 1997. The main European postal operators, headed by Deutsche Post, The Post, Austrian Post, and Royal Mail, performed most of these M&As. The second wave of acquisitions (more moderate) took place after the publication of the second European directive in 2002 (ITA Consulting and WIK Consult 2009).

¹⁷ Interview with the deputy vice principal of Chronoexpres, reported in *Abrecartas*, n.55, May-June 2011, pp. 34-35; Interview with the General Director of Chronoexpres, reported in *Mas Cerca*, n. 7, summer 2004, p. 18. In 2003, courier, express, and parcel deliveries represented around 76% of the total volume of the Spanish postal market (Spanish Ministry of Public Works 2004).

¹⁸ The acquisition was widely disclosed by the press. See, for instance, “Correos compra el 100 por cien de Servipack,” Correos press report, July 27, 2002; “Correos creará una empresa de paquetería,” *La Vanguardia*, August 17, 2002.

Another key alliance was signed in December 2006 when Correos joined the Kahala Posts Group (KPG). KPG was established in July 2002 by public postal operators in the United States, China, Japan, Australia, Korea, and Hong Kong to increase their international competitiveness. The great advantages of belonging to the KPG network included the guarantee of exclusivity among its members for the import and export of international express shipments in their respective countries, the shared use of their operational networks, and the integration of information technologies for the management of international shipments.¹⁹

In 2011 Correos reached another agreement with the Portuguese service provider, Transporta-Go Express, to establish a joint distribution range for urgent deliveries to any destination on the Iberian Peninsula. Transporta-Go Express belonged to Barraqueiro, the largest private Portuguese passenger and freight transport group. This Iberian alliance allowed Correos, through Chronoexpres, to broaden its scope of parcel products (especially in the business-to-business (B2B) and business-to-consumer (B2C) segments) and further extend its internationalization (Correos Annual Report 2011).²⁰ Apart from these strategic operations, it is noteworthy that since 2014, Correos has been one of the logistics suppliers of Amazon, which allowed the Spanish operator to take advantage of the great growth opportunities brought by e-commerce.

This set of acquisitions and alliances concurred with a new wave of strategic plans that guided Correos' decisions and intra-organizational transformations during the years 2001–2016, which again resulted in institutional, organizational, and commercial improvements, as we summarize below.

(i) Regarding *institutional changes*, on June 29, 2001, the Council of Ministers approved the conversion of the public business entity, *Correos y Telégrafos*, into a state-owned corporation, with 100% public capital and the exclusive participation of the state.²¹ Fig 4 shows Correos' new organizational chart. With this legal change, Correos became fully governed by private law and gained the necessary flexibility to deal with a highly competitive environment which was already extending to the traditional segment of the postal market.²² Correos officially renamed itself Correos Group in 2005.

Fig 4 Organization Chart of Correos as an SOE (since 2001)

¹⁹ Several press articles discuss the alliance with KPG: “Correos gana peso internacional con Kahala,” *Abrecartas*, n. 42, October 2008, pp. 4–7; “KPG, un acto de calidad y competitividad,” *Abrecartas*, n. 36, June 2007, pp. 4–7; “Los Correos Públicos se unen para luchar con UPS y TNT,” *Expansión*, August 7, 2007. Interview with the Director of the international division of Correos, reported in *Abrecartas*, n. 36, June 2007, p. 7.

²⁰ Interview with the General Director of Chronoexpres, reported in *Abrecartas*, n. 54, March-April 2011, pp. 16-17.

²¹ The creation of Correos as a State-Owned Corporation was previously authorized by Law 14/2000 of December 29, on Fiscal, Administrative, and Social Order Measures, and approved by the Council of Ministers at the meeting held on June 22, 2001. The company was endowed with an initial capital of 563,440,000 euros and maintained certain peculiarities that differentiated it from other SOEs in Spain: all capital is public, a large part of its staff retains its status as civil servants, and it has a double social purpose that encompasses both the provision of public service (the UPS) and other activities subject to market opportunities (Escribano et al., 2003).

²² According to the Spanish INE (National Statistics Institute), in 2001, there were 6,191 companies operating in the Spanish postal industry, most of them of a small and medium size. The Spanish companies SEUR and MRW and the German DHL led the express segment and controlled above 25% of the market. The creation of the Spanish company Unipost in 2001 marked the creation of Correos' first competitor in the postal mail segment.

(ii) Restructuring Correos' internal *organization and processes* was the second step that drove strategic operations in the 21st century and the one that contributed most to its investment expenditures until 2010. Given the characteristics of the postal business, with repetitive processes based on an intensive use of unskilled labor, technological innovation aimed to rationalize processes and improve operational efficiency (Correos Annual Report 2011). Some of the most Correos' recent actions include updating and restructuring the website; implementing new systems for tracking, tracing, and managing shipments (such as geographic information systems, Radio Frequency Identification (RFID) technology, and the comprehensive shipping management system called SGIE); opening more centers for the automated processing of mail and parcels; and developing new, secure telematics notification services, among others.²³

(iii) Business diversification through *commercialization* was the third axis of Correos' strategic policy. At the beginning of the 21st century, Correos sought better positioning in three markets: banking services, philately, and especially CEP, without leaving basic postal services. Indeed, the full acquisition of Chronoexpres in 2003 confirmed Correos' bet on the CEP market. By the early 2000s, Correos' commercial portfolio in the CEP market consisted of only five products: the conventional postal parcel, blue package, express parcel, and two Chronopost products (Chrono 10 and Chrono 18) aimed at the B2B segment, in addition to courier services such as urgent mail or international express mail. By 2016, and after years of intense commercialization and market segmentation, this product portfolio expanded and included specialized services aimed at three key market segments: courier, express, and parcel. Table 5 summarizes this portfolio.

Table 5 Correos' service portfolio in the CEP market, 2016

COURIER	
Service	Description
Urgent ordinary letter	Delivery of documents in 24 hours (for large populations), up to 500 gr. For international destinations, up to 2 kg. of weight and delivery time between 1 and 3 working days (European destinations).
Urgent certified letter	Individually tracked delivery of documents in 24 hours (for large populations), up to 2 kg. In case of international destinations, delivery time between 1 and 4 working days.
Pouch service	Collection and delivery of documentation for companies with periodic shipments, up to 20 kg. Delivery time 24 hours.
EXPRESS	
Service	Description
Paq 10	Urgent delivery of documents and parcels. Delivery guaranteed before 10:00 am the working day after posting (only Spanish destinations)
Paq 14	Urgent delivery of documents and parcels. Delivery guaranteed before 14:00 the next working day after posting (only Spanish destinations)
Paq 24	Next-day document and parcel delivery service (available for Spain, Andorra, Portugal and Gibraltar)
Paq 48	Urgent delivery of documents and parcels, up to 30 kg, in 24-48 hours.
EMS Express International	International, urgent delivery of documents and parcels through the KPG network.
International	Delivery of documents and parcels, up to 40 kg. Delivery time between 3 and 8

²³ Interview with the deputy director of engineering and maintenance services, reported in *Abrecartas*, n. 58, January-February 2012, pp. 4-5.

Standard	working days.
International Express	Urgent delivery of documents and parcels, up to 40 kg. Delivery time between 1 and 3 working days.
PARCEL	
Service	Description
<i>Blue package</i>	Non-urgent parcel delivery, up to 20 kg. Delivery time between 3 and 5 working days. Available in Spain and Andorra.
Economic international package	Non-urgent parcel delivery, up to 30 kg. Delivery time between 8 and 10 working days. Available only for European destinations.
Priority international package	International home delivery service, with tracking and signature. Up to 30 kg. and variable delivery times

Source: compiled from Correos' annual reports and webpage.

In summary, in the early 21st century, Correos managed to achieve full autonomy, improve its operational efficiency, build international networks, and diversify its business. This latter point was especially important in ensuring the future of Correos by reducing its focus on traditional, less profitable postal services. Although late (compared with private competitors), Correos was able to catch up and achieve a competitive position in the most profitable and fastest growing market niches, thereby leading Correos' transformation to successful outcomes. Compared with a market share of less than 3% in 2000, Correos reached 24% of the Spanish CEP market in 2016. Specifically regarding the Spanish e-commerce segment, Correos ranked first, with 45% market share (far from the second-ranking operator, which holds 17%). It was also the leading operator in Spain in the import CEP market (49% market share; CNMC 2017).

DISCUSSION

This study explores how and when significant changes in entrepreneurial ecosystems, that is, environmental uncertainty, munificence, turbulence, and competitiveness, as well as cultural, political, economic, and technological features, affect the emergence and evolution of CE in SOEs. In Table 6, we recall our research question, method and data, and summarize our main findings on the steps that Correos, a national postal operator, took to adapt to the regulatory changes in the postal industry, redefine and broaden its business scope in response to new customer needs and demands, and take advantage of new technological advances during different phases (i.e., monopoly, early liberalization, and global competence). We also discuss these findings in the context of the public CE literature and develop several propositions from that discussion.

CE in SOEs during the monopoly regime

During the first phase (1960–1991), Correos operated as a public organization, providing a public service—postal mail—in a monopolized and protected industry that worked under a dictatorship until 1975. Such a constrained environment further strengthens the close ties that SOEs usually have with the government compared with private companies (Zhou, Gao, and Zhao 2017). The government tends to control SOEs by appointing many managers for political reasons rather merit (Sheng, Zhou, and Li 2011). This situation

implies that this type of organization lacks autonomy from the state, especially in such constrained political and business environments, which in turn leads to rigid decision-making procedures (Kearney and Meynhardt 2016). In this sense, a strictly formal and hierarchical structure predisposes a *routine* and predictable vision in organizational operation. Based on Correos' case, we conclude that while the maintenance of established routines can ensure successful operations in stable market settings, maintaining the status quo results in serious limitations when changing environments threaten existing business models and their institutional viability. Likewise, regarding decision making, the lack of autonomy also tends to constrain the entrepreneurial capacity of SOEs because it limits flexibility and the speed of decision-making (Nutt 2006), and decreases the entrepreneurial motivation of decision makers. This may inhibit entrepreneurial initiatives within an organization (Cornwall and Perlman 1990; Slevin and Covin 1990), especially since the mindsets and habits of decision makers become linear and homogeneous, as large corporations are systems that tend to avoid risk while being slow to act (Urbaniec and Zur 2020). Said differently, management autonomy and independence from public authorities are antecedents that encourage an open attitude to exploit business opportunities (Kearney, Hisrich, and Roche 2009).

Meanwhile, as an important driver of organizational growth, CE requires significant resource commitment that usually entails higher levels of uncertainty and risk (Srivastava and Gnyawali 2011). These investments are necessary to respond to new market trends (i.e., increasing customer demands for higher value-added postal services) that become significant business opportunities to extend and diversify the business. In this sense, dynamic industries typically demand a stronger entrepreneurial culture given the need for constant dynamic change and innovation to fulfill new customer demands (Hough and White 2003). An industry's dynamism tends to increase the urgency for greater action associated with CE. Jones et al. (2019, p. 1026) affirm that "the prospective payoffs associated with CE are also likely to be greater—both the upside benefits if the upside scenarios are realized, and the downside losses if the downside risks associated with CE are realized." As such, since the variability of outcomes is a dimension of risk (Sanders and Hambrick 2007), it appears that the risk inherent to CE behaviors is greater in dynamic markets (Jones et al. 2019). Nevertheless, the absence of competition for Correos during its monopolistic phase prevented it from recognizing the need to take investment risks to enable it to offer renewed, higher value-added services. This in turn widened the gap with private competitors in non-monopolistic market niches.

In summary, based on Correos' case, we conclude that under a monopoly framework, several factors limit the development of CE in SOEs. First, rigid decision making and a lack of autonomy from the state blocks the development of CE. Second, the absence of competition and insufficient resources invested in renewed, higher value-added services hinder the development of CE, which in turn delay the SOE's positioning in the most promising market niches. Relatedly, the increasing gap between supply and demand for value-added services encourages the entrance of private competitors in promising and related non-monopolistic higher value-added market niches. We therefore propose the following:

Proposition 1a: In a monopoly framework, the development of CE in SOEs is hindered by the lack of autonomy from the state, as this entails rigid decision-making procedures and a lack of incentives for decision makers.

Proposition 1b: In a monopoly framework, the development of CE in SOEs is hindered by the absence of competition and insufficient resources devoted to carrying out the necessary investments to offer renewed, higher value-added services.

Proposition 1c: In a monopoly framework, the increasing gap between supply and demand for value-added services encourages the entrance of private competitors in promising and related non-monopolistic higher value-added market niches, which in turn ultimately makes it difficult for SOEs to catch up with private competitors.

CE in SOEs when markets liberalize

The second phase in the empirical case is characterized by Europe's early liberalization, when Correos started a strategic renewal and implemented diverse organizational changes. Our case findings support the widely accepted proposition that the external environment has a strong influence on the existence and effectiveness of CE (Covin and Slevin 1991). Yet, the findings show that for an SOE, the external environment might have a deterministic influence on CE. The disruptive transformations of the external environment fueled Correos' greater willingness to act entrepreneurially. Indeed, the early 1990s market liberalization, which intensified competition, and technological and demand changes overshadowed the stable conditions of monopoly. The environment of postal services is more unpredictable, and therefore more dynamic and complex (Pateiro and Prado 2010). The postal operator had to adapt and deal with the emerging turbulent environment (Moon 1999) through developing new business models of value creation (Urbaniec and Zur 2020).

Hostile and technologically sophisticated environments are appropriate contexts in which to implement a CE strategy (Bradley et al. 2011). Hostile environments are characterized by factors such as high firm failure rates, intense competitive pressure, and price-based competition (Kreiser et al. 2013). This was the case in the Spanish postal industry, especially after the entry of large international operators in the 1990s (Gil-López 2015; Gil-López and San Román 2020). Growing environmental hostility and uncertainty made Correos rethink its strategy, innovate, and launch new services, therefore decreasing its excessive dependence on traditional postal activities. Hence, our analysis suggests that in an increasingly hostile and uncertain context, SOEs develop CE, which plays an important role in revitalizing the organization, stimulating innovation, increasing productivity, and ultimately creating superior competitive advantage (Karimi and Walter 2016; Zahra 2015). In view of the above, we propose:

Proposition 2a: During the early liberalizing phase, opening traditionally reserved market segments to competition fosters the development of CE in SOEs, turning them into more competitive and sustainable enterprises.

Significant changes in the environment also made Correos aware of the need to gain more decision-making autonomy, so it pursued institutional, organizational, and governance reforms. More specifically, changes in Correos' legal form from a purely administrative body to an SOE, as well as the establishment of subsidiaries and its formal constitution as a business group, supported greater autonomy and decentralized decision-making and represented key elements of organizational innovation. Organizational restructuring also affected professionalization. Since 1991, the qualifications and professional experience of the general managers became increasingly noticeable (Morales 2007). This helped the firm to match the

individual elements of a CE strategy with its external situation by stimulating an entrepreneurial vision, implementing entrepreneurship-supporting reward structures, and engaging in entrepreneurial behaviors in response to high levels of hostility (Kreiser et al. 2013). In this sense, an entrepreneurial climate can facilitate employee engagement throughout the firm in the innovation effort (Kuratko et al. 2001; Hornsby et al. 2009). Overall, the changes in the legal status that increased Correos' autonomy fostered entrepreneurial initiatives within this organization. Hence, our analysis suggests that changes in the legal status of SOEs that result in more decentralized and less bureaucratic organizations foster the development of CE. Therefore, we propose the following:

Proposition 2b: During the early liberalizing phase, the development of CE in SOEs is facilitated by changes in their legal status that turn them into more economically and commercially autonomous organizations.

With regard to CE, our case provides evidence of the commonly accepted view that CE suggests a tendency to introduce new elements that involve discernible changes to the status quo (King 1992: 91). If public organizations are to anticipate new problems and chart their own path toward the future (Poister 2010), they need to think and act strategically and develop their ability to manage and control such outcomes (Höglund and Martenson 2019). In particular, the Correos case supports the idea that CE in the public sector usually materializes in the reconceptualization (Morris and Kuratko 2002) and/or development of novel organizational forms, process improvements, and commercial actions that are not necessarily disruptive but more gradual in their nature (Morris and Jones 1999). Along with institutional innovation, Correos developed novel process improvements, like logistic enhancements (to increase delivery speed and flexibility), process automatization, and the implementation of new technologies (which sought to reduce costs and optimize internal procedures). These actions demonstrate the organization's greater effort to enhance efficiency and effectiveness in the provision of novel, improved, and existing services. In this sense, public organizations are increasingly challenged by the necessity to innovate and create different aspects of wealth (Höglund and Martenson 2019) while still producing public value by delivering new or improved products and services more effectively (Boyne and Walker 2010).

Furthermore, our findings also show that Correos made an increasing effort to enlarge its product portfolio by expanding market channels and signing agreements with collaborators. Top managers can facilitate this type of innovation by cultivating diversity in the firm's human resource strategy (in terms of age, culture, nationality, and competences) (Li, Sun, and Dong 2018), and by pushing a culture of sharing, creativity, acceptance of errors, and uncertainty (Chebbi et al. 2019). Thus, the success of innovative projects is closely related to the leadership of top management (Huang 2015; Ireland, Covin, and Kuratko 2009). In addition, a rewards structure with both monetary (e.g., bonuses) and non-monetary (e.g. recognition) incentives can help foster CE in SOEs by encouraging internal stakeholders to be proactive and innovative while focusing on customers and service quality (Chebbi et al. 2019; Kadarusman and Herabadi 2018; Kuratko 2011).

From the discussion above, we conclude that the development of CE in SOEs promotes service quality and operational efficiency improvements and business specialization, while helping the company expand its product portfolio and implement new commercial actions. Therefore, we propose:

Proposition 2c: During the early liberalizing phase, the development of CE in SOEs fosters improvements in both service quality and operational efficiency (e.g., automation) and business specialization.

Proposition 2d: During the early liberalizing phase, the development of CE in SOEs facilitates product portfolio expansion to include higher value-added services, as well as the implementation of new commercial actions (i.e., by growing market channels and signing collaboration agreements).

CE in SOEs in global markets with high competition

The third phase in the empirical case is characterized by deep changes in the postal industry driven by widespread liberalization and growing competition from both domestic and foreign players. By the early 21st century, and despite commercial innovations and organizational reforms, Correos was still far behind its competitors. It was not until its alliance with the French La Poste, and the subsequent purchase of Chronopost did its portfolio of specialized services that targeted the CEP market notably increase. This type of strategy has the potential to create different advantages such as organizational synergy, clarity of direction, difficulty in imitation, and distinctive competences (Kreiser et al. 2013). It was the new subsidiary, renamed Chronoexpres (and later Correos Express), that offered the operational means, customers, and know-how to adapt the services portfolio to new customer demands, thus driving Correos to a leading market position. This result shows that organizations need to grant autonomy to, empower, and motivate their employees (Ireland et al. 2009) and be flexible (Yaşlıoğlu, Temelli, and Aydinlik 2017) to inculcate a culture that enables the organization to change (Zahra and George 2002).

Furthermore, the development of new technologies created new demands and served as an incentive to exploit new opportunities, among which e-commerce stood out. Yet, technological change also brought threats due to the substitution effect over traditional forms of communication such as letters. These big changes made it necessary to invest in internal education and training programs to make employees understand why things are done, help overcome any resistance to change, and unite people in the effort to make change (Chebbi et al. 2019). This made it easier for Correos to adapt (both internally and externally) to increased environmental munificence by promoting the necessary diversification that compensates for the loss of business in its traditional segments.

Based on the above, our analysis suggests that increasing competition and deep transformation in the global industry fosters the development of CE in SOEs by way of strategic alliances, which may reinforce SOEs' position in both traditional and new higher value-added market niches. Therefore, we propose:

Proposition 3a: During the global competence phase, increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances, which helps strengthen SOEs' positions in both the traditional and new higher value-added market niches.

Proposition 3b: During the global competence phase, increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances, which helps SOEs explore the growth opportunities provided by new technological tendencies.

Rapid technological changes and increasing competition pushed Correos to take advantage of the better access to financial resources that SOEs usually have (Sheng, Zhou, and Li 2011). This allowed Correos to shorten the time needed to implement a repositioning strategy by acquiring other companies in the sector and concluding alliances with some competitors. As such, the full acquisition of Chronoexpres became the starting point for other key alliances and acquisitions, like the purchase of Servipack.

Nevertheless, Correos not only decided to consolidate its position in the Spanish market but also signed agreements with international players like FedEx, KPG, and Transporta-Go Express, which allowed the Spanish company to access a global network (Correos Annual Report 2002). These agreements, apart from increasing the quality and the quantity of its international postal services, allowed Correos to absorb external knowledge about improved products and new services that, in turn, enhanced its competitiveness in the national market. Essential to the success of these alliances was senior managers' prioritization of teamwork, collaboration, free exchange of information, and the development of partnerships with professionals in the companies that were members of the agreement (Shafique and Kalyar 2018). In this regard, a new firm-wide reward policy, based on which the firm's management recognized team efforts through monetary and non-monetary rewards (Chebbi et al. 2019), was highly relevant in reinforcing these factors. All these factors were conducive to changing the organizational structure and culture into one that allowed employees to learn from international peers, making it easier to enter new international markets.

In view of the above, our analysis suggests that in an increasingly globalized and competitive market, SOEs develop CE through strategic alliances. These business agreements and acquisitions provide access to external resources and new international markets, so they may shorten the time needed to reposition the business and catch up with competitors. Therefore, we propose the following:

Proposition 3c: During the global competence phase, increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances, which helps SOEs diversify their businesses by entering new international markets.

Table 6 Synoptic view of the study and its main findings.

RESEARCH QUESTION			
How does CE in SOEs evolve under varying conditions of state ownership and control, laws and norms, and competence in the market?			
METHOD			
Longitudinal case study focused on the Spanish postal operator, Correos			
DATA			
Archives —annual reports, industry reports, corporate magazines, legislation—, interviews —with internal and external informants—, and secondary sources —articles, books, press, web pages—.			
MAIN FINDINGS AND PROPOSITIONS			
	Monopoly	Early liberalizing phase	Global competence
Institutional and legal aspects	The lack of autonomy from the state hinders development of CE in SOEs. This entails rigid decision-making procedures and a lack of incentives for decision makers.	Opening traditionally reserved market segments to competition fosters the development of CE in SOEs, turning them into more competitive and sustainable enterprises. Changes in legal status that turns SOEs into more economically and commercially autonomous organizations facilitates the development of CE in SOEs.	Increasing competition and market dynamism foster the adoption of a legal and institutional form that grants SOEs full independence and autonomy from the state.
Internal structure and processes	The absence of competition and insufficient resources dedicated to carry out the investments necessary to offer renewed and higher value-added services hinders the development of CE in SOEs.	The development of CE in SOEs fosters improvements in service quality and operational efficiency (e.g., automation) and business specialization.	Increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances, which help SOEs explore the growth opportunities provided by new technological or demand trends.
Commercialization	The increasing gap between supply and demand for value-added services fosters the entrance of private competitors in promising and related non-monopolistic, higher value-added market niches. This in turn, increases the gap between SOEs and their competitors, ultimately making it difficult for the SOE to catch up.	The development of CE in SOEs facilitates product portfolio expansion to include higher value-added services that meet novel customer demands and the implementation of new commercial activities (i.e., growing market channels and engaging in collaborative agreements).	Increasing competition and market dynamism foster the development of CE in SOEs through strategic alliances, which helps: <ul style="list-style-type: none"> • strengthen the SOE’s position in both traditional and new higher value-added market niches, and • diversify the business by entering new international markets.

CONCLUSIONS

Prior research emphasizes the benefits and importance of developing entrepreneurial initiatives for public organizations to compete in rapidly changing global markets. However, innovation, business creation, and strategic renewal in SOEs remains largely unexplored. Our research on CE in an SOE—the first empirical study on how CE occurs across temporal boundaries—highlights that the process through which SOEs design and implement CE initiatives is a more varied and complex phenomenon than assumed. Overall, market-oriented, intra-organizational reforms lessen the bureaucratic and political obstacles to SOEs' entrepreneurship (Kearney and Meynhardt 2016). However, our findings show that these reforms are hard to develop without the transformation of the SOEs' external environment, which usually serves as the primary driver toward entrepreneurship. Through a historical study of Correos, we show that in the context of stability and legal protection—which are common in monopoly markets—CE in SOEs is critically constrained by their lack of autonomy from the state, the lack of incentives, and their risk aversion toward embracing commercial, technological, or organizational innovations.

Yet, the successive transformation of both the regulatory environment and the structure of markets ultimately invalidates the traditional monopolistic model that supports SOEs' businesses. When the environment becomes more turbulent, complex, and hostile, SOEs find incentives to promote the necessary internal reforms to support their sustainability. Therefore, changes in the environment act as the primary incentive to promote SOEs' institutional modernization, which in turn creates an organizational structure, governance system, and attitude more favorable to innovation, strategic renewal, risk-taking, and fulfilling market demands. Our results advance knowledge of the temporal dimension of CE, furthering our understanding of how the design and implementation of entrepreneurial initiatives in SOEs depend on the political, economic, technological, and social circumstances.

This study responds to recent calls for more qualitative and longitudinal studies that address the evolution of CE (Miller 2011; Hornsby et al. 2013; Kuratko and Audretsch 2013). In this regard, we extend the debate concerning the drivers and outcomes of CE by addressing a very specific context—the case of an SOE—a type of organization that entrepreneurship studies commonly overlook, especially in the western context (Bruton et al. 2015). The historical approach of our study allows us to shed light on the processes through which CE emerges and develops in an SOE, their drivers, and their outcomes. This approach also allows us to explore the dynamic role of some event-based aspects of the context (Miller 2011), specifically related to laws and policies, which can enhance our understanding and generate more fine-grained knowledge on the causal relationships between organizational decisions and actions, the firm's environment, and how they interact over time.

Limitations and future research avenues

Despite these contributions, the article has some limitations. Most significant among them is the fact that it is a single case study of an industry with some unique features, which may limit the generalizability of the findings. However, Miller (2011) points out the need to fragment complexity by focusing on specific, richly described contexts to get fine-grained contextualized findings that are relevant to the management field.

Additionally, given the historical focus of the study and the fact that the scope of the study extends to the organizational field, multiple cases would make data collection and analysis complex and intractable (Khaire and Wadhvani 2010). In this sense, the diverse nature of the data—the use of private company papers and financial data, official documents, law and norms at different levels, informal interviews, and data available in newspapers and government reports—allows this study to triangulate and refine the specific actions taken by Correos. In addition, we addressed many of the potential weaknesses of case research by using theory as the starting point instead of trying to build the theory from the data (Álvarez et al. 2015). Yet, it is worth noting that other countries and/or sectors in Europe—transport, telecommunications, or energy—have also experienced similar trends towards liberalization from mid-1980s, which have urged *incumbents* to pursue entrepreneurial actions to face growing competition. So, our findings could be extended to other public organizations facing these similar context changes. Notwithstanding, our research was not designed to provide statistically generalized insights to a population. Conversely, all implications and propositions are circumscribed to the specific socio-organizational and historical context described in this work, consistent with our study’s aim to make analytical rather than statistical generalization to the existing body of knowledge (e.g., Eisenhardt, 1989).

Naturally, the limitations of our setting suggest opportunities for future research. For instance, future studies might extend our conclusions by considering the role of entrepreneurial ecosystems (e.g., environmental uncertainty, munificence, turbulence, and competitiveness, as well as cultural, political, and technological features). Indeed, since the proclivity toward entrepreneurship seems to be subject to cultural differences (Saeed et al. 2014), it would be interesting to extend the research to other geographic settings, especially to those with very little analysis (i.e., Africa, Eastern Europe, and Latin America). Likewise, future research designed to explore variances in the meso-context, for instance, by including SOEs with different ownership and/or governance configurations, could shed light on how CE emerges, develops, and sometimes decreases depending on these features. We also suggest that further research on CE could draw on mixed methods (a qualitative approach combined with quantitatively rigorous methods) to provide a wider picture and support theory building and/or testing. Finally, in terms of policy implications and recommendations for practitioners, this study reveals that privatization is not the only way to support the continuity and/or profitability of public organizations. Particularly in the case of regulated markets, legal reforms to address growing complexity, hostility, and competitive pressure can be the essential driver to enhance SOEs’ modernization, sustainability, and survival.

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