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Internal corporate venturing: Intrapreneurs, institutions, and initiatives[☆]



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INTRAPRENEURSHIP: ENTREPRENEURSHIP WITHIN ORGANIZATIONS

The term “entrepreneurship” triggers the images of heroes in the business world who created new ventures and built them into empires from scratch with limited resources, powered by their strength of purpose and their passion to change the world. Whether it is the iconic figures of the high technology industry ranging from Bill Gates and Steve Jobs who revolutionized the industry from humble beginnings to the current social media creators such as Mark Zuckerberg of Facebook or the lesser known figures such as Leonard Shoen who created U-Haul rental company with a mere \$5,000 in 1945 and Fred Smith who took advantage of a sizeable inheritance to create Federal Express (FedEx), all of them started their ventures with limited means and unlimited imagination and passion. Once the entrepreneurial vision is achieved the eventual success of the organizations founded by the entrepreneurs is a result of excellent management and strategic leadership. However, mature firms struggle to keep themselves relevant faced with changing landscape and challenges from aspiring entrepreneurs. The ability to harness the early entrepreneurial energy that fueled the rise of these organizations allows them to chart out a growth trajectory even when the lifecycle portends a flat future.

On one-hand entrepreneurs as individuals are experts in creating new opportunities, discovering existing opportunities and ultimately exploiting those opportunities, and on the other hand managers within organizations are concerned with maintaining the entrepreneurial advantages and eventually steer the organizations to profitability as they enter the mature stage of their life cycle. Because of the constant pursuit of profits, managers are less concerned with pursuits that are

fundamentally uncertain, with unknown risk and unknown estimate of expected returns. Instead, new initiatives within organizations are generally measured against an estimated risk and predicted returns. The managerial approach that dominates organizational life partly explains why novel solutions and creative endeavors are most likely generated by individuals outside the organizational boundaries.

Yet there are several instances, increasingly so, where new opportunities are created within organizations. Corporate innovation strategies that deliberately leverage entrepreneurial opportunities for growth and sustaining competitive advantage are gaining prominence. Several researchers, for example, Ireland and colleagues defined corporate entrepreneurship as a deliberate organization-wide emphasis on entrepreneurial behavior to renew and drive the growth and scope of an organization through exploitation of entrepreneurial opportunities. Corporate strategies are compelled to balance short-term goals such as achieving operational efficiencies, generating profits, and filling gaps in resources with long-term goals such as building new initiatives to be relevant in the long term and sustain their competitive advantage. This clearly suggests that organizations of today faced with dynamic, complex and high velocity environments are deliberate in their efforts to foster entrepreneurial drive within their organizations. Achieving the balance between the seemingly opposing forces of entrepreneurs who are singularly focused on creation and managers obsessed with risk and returns and maintaining the firm's competitive position requires an in-depth examination of the entrepreneurial talent within organizations: the intrapreneurs.

Welcome to the world of intrapreneurship! A study of intrapreneurs — entrepreneurs within organizations who are not just part of R&D teams that are constantly at work to improve the firm's products and services or creative marketing personnel occupied with developing new ways to satisfy existing customers and expand the customer base, but rather a

[☆] This article was accepted by the former editors, Fred Luthans and John Slocum.

Sidebar #1. Two Tales of Intrapreneurship in Action

Google's proliferation

Google is now the answer for everything. Search on the Internet is conducted on Google by more than three quarters of Internet users. Larry Page and Sergey Brin built a colossal firm from small search engine software developed in college. Despite its size and growth, Google is successful in staying close to its entrepreneurial roots. At Google all employees are encouraged to be bold in their creative pursuits and such efforts are officially recognized with a policy of the innovation time off according which employees are allowed to spend 20% of their time in creative projects. Larry Page believes that new ideas at Google should deliver 10× performance or ten times better than the competition and not just ten percent improvement. Championing and dreaming of moon shots allowed creators at Google to build Gmail that provided hundred times the storage as its competitors. Similarly, Google's Translate was a result of the vision to provide translations in any language and the bold statement to make all books available on the web led to building the largest digital library of books. While several innovations appear to be related to the firm's core business, crazy ideas such as a driverless car received enormous support at Google. The X prize foundation set up by Google rewards innovations that achieve seemingly unreachable goals. While innovations are constantly generated internally, Google established Google Ventures as a business unit to identify opportunities outside the company. This resulted in Google's success in acquiring a variety of companies including YouTube complementing Google's core business. Google's culture produces an enormous variety of innovations and to learn about them one perhaps needs Google to search. Google decided to turn crowdsourcing of ideas on its head with its "Think with Google" initiative where Google communicates its ideas and innovation openly to the crowd.

The creation of WeChat

WeChat is sweeping the world, well, China, at least. One hundred million users signed up in a little more than one year's time after its introduction in 2011. By the end of the first quarter of 2015, there were 549 million users of WeChat worldwide. WeChat (known as Weixin in Chinese) is an app for smart phones that offers a

host of functions including instant text and voice messaging, broadcast messaging, sharing of photographs and videos, and contacting people at random, etc. It gratifies and enhances people's needs for mobile internet applications, from communication and social networking to mobile wallet and access to public services. After Facebook acquired WhatsApp, a WeChat equivalent in the US, for \$19 billion in 2014, the upward estimate of WeChat's market value topped \$60 billion instantly.

While Tencent, the parent company of WeChat, is a Chinese internet giant with global recognition, the team that actually created WeChat was essentially unknown to the public until WeChat's runaway success. It was all started in a humble lab in the city of Guangzhou, by a bunch of unsung heroes, toiling lonely and frenetically, away from the glittering corporate headquarters of Tencent in Shenzhen. Allen Zhang, widely regarded as one of the best programmers in China, was the leading creator of WeChat. In 1997, as a programmer/entrepreneur, he developed the popular email software called Foxmail. Through a series of acquisitions, his business was eventually folded into Tencent in 2005, and he signed on as the chief of Tencent's Guangzhou R&D division and was responsible for its QQ Mail business. After making QQ Mail the largest email service provider in China, he went on to create the now legendary WeChat with a small team that consisted of barely a dozen members. A brand-new business independent of the company's core business QQ (the most popular PC based instant messenger in China), WeChat helped put Tencent once again into the leading position in the mobile internet era. Boasting a 39% annual growth in number of users, WeChat is a dynamic ecosystem, or in Zhang's words, a forest in which all kinds of lives thrive. This internal business venturing turned out to be extremely successful, without posing a direct threat to the company's traditional business, such as QQ and online games. This success also brought Zhang his elevated status as the SEVP of Tencent.

group of individuals that are capable of creating, identifying and exploiting new opportunities that create value for the firm. World over, creative teams within established firms are building new businesses through internal corporate venturing. Many visionary leaders of large firms are able to transform their organizations and embrace new trends through internal corporate venturing practices. Andrew S. Grove steered the corporate transition of Intel from DRAM to CPU. Louis V.

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