Case Study on Corporate Entrepreneurship Program for Social Innovation: With Focusing on the In-company Venture System at Korean companies

Jung Hoon Lee, Hey Won Lee

Abstract

By entering international low-growth phase of financial economy, global companies try to find out new business values and establish the sustainable growth by industrializing them. So the in-company corporate entrepreneurship is being paid attention as a method to create value in a company. Currently as the need of in-company venture system is raised as an efficient way to tackle the low-growth Korean companies try to find out new innovative business through the system. Also the movement to transplant in-company corporate entrepreneurship into organizational culture is seen to overcome the crisis of low-growth. The aim of this study is to drive the characteristics and types of the venture system in Korean companies and to give suggestions for the companies to adopt the system successfully by performing case studies of three Korean companies with different types.

1. Introduction

1.1 Research background and purpose

Today Korean companies are facing new challenge such as how to derive new growth engine from the creativity of its employees along with the objectives of the companies themselves. Especially, the rigid corporate culture in Korea and insufficiency of sustainable renovation process are being considered as main cause to hamper the continuous growth of companies. As an effective alternative to overcome such problem, the promotion of Corporate Entrepreneurship (CE)
has been suggested. Corporate Entrepreneurship means the series of actions of which the members, by utilizing the concept of start-ups' entrepreneurship in the existing corporate, voluntarily suggest creative ideas regarding new products or services and make them the company's new growth engine. Corporate Entrepreneurship can be utilized as the source of renovation in which the members act as Intrapreneur and keep growing. However, for the time being, the study about Corporate Entrepreneurship is rare in Korea and especially any study with analyzing frame-work about system promoting Corporate Entrepreneurship in the company is even rarer.

This study, by looking into the characteristics and types of Korean Corporate Entrepreneurship promotion system focusing on the in-company venture system cases of Korean companies, intends to analyze management plan suitable to the Korean corporate culture and draw any meaningful suggestion. Through this study, it is expected to be the trigger to vitalize studies about the system promoting Corporate Entrepreneurship.

2. Literature Review

2.1. The definition of Corporate Entrepreneurship

Corporate Entrepreneurship can be summarized as an act of entrepreneur to improve the profitability of corporate core business or to improve the corporate profitability by implementing new profitable business model into the internal organization of company and aim to the growth of entire company. (Kim, Hak-soo, 2009) Furthermore, Sharma and Chrisman, in their study, broadly defined Corporate Entrepreneurship as “a process by individual or group, which makes a new organization within an existing organization or renovate or renew the existing organization”. According to the existing study, Corporate Entrepreneurship is used for two purposes in companies. One is to make new organization within the existing organization, and the other one is to renew the
existing strategy. Corporate Entrepreneurship means the pursuit of corporate action or plan in order to change the existing organization through strategic renovation process and expansion of its business boundary. (Guth & Ginsberg, 1990)

Furthermore, Corporate Entrepreneurship can be considered to be relevant to two distinctive features although it is related to the renovation process of organization (Guth & Ginsberg, 1990). Firstly, they are renovation and corporate venture. Narayanan et al. (2009) alleged corporate venture is focused on the procedure of making new business and consolidating it into the overall business portfolio of the company. In the Corporate Entrepreneurship system which Sharman and Chrisman (1999) stated, corporate venture is divided to internal corporate venture and external corporate venture. Internal corporate venture generally includes a new business development within the corporate system. Although it exists in a semi-voluntary form of spin-off in outside of the company, still the new business is considered to be included in the internal corporate venture. A company can invest in an idea or necessary business generated from outside of the company as well. It is called external corporate venture and it includes corporate venture capital, licensing, acquisition or joint venture (Phan et al. 2009).

Secondly, corporate venture includes renovation measures which improve ability to compete and take risk during the course of challenging new business. Morris et al. (2008) and Kuratko and Audretsh (2009) defined corporate venture in this point of view as Strategic Entrepreneurship and Ireland defined strategic entrepreneurship as what is relevant to catch the opportunity in order to create comparative advantage and utilize (Ireland et al., 2003). And Corporate Entrepreneurship can also mean a creative process which is related to the training of employees. Such relevant acts enable employees to attain new knowledge (Miller & Friesen, 1982; Popper & Lipshitz, 1998). If such new knowledge is associated with the business experiences of employees, a new business idea may
be created (Oguz, 2001). Summing up, under the uncertain and rapidly changing atmosphere, Corporate Entrepreneurship is very appealing factor when renovation of strategy and creation of new business are necessary (Dess et al. 2003; Kuratko et al. 2004). The reason is because those entrepreneurship of mid-management who have access to the real time information of competitor and consumer can catch more easily the new opportunity which top management cannot.

2.2. Type of Corporate Entrepreneurship promoting system

So far many scholars have developed various models to find out the internal and external factors which affect Corporate Entrepreneurship (Alpkan et al., 2010; Covin and Slevin, 1991; Guth and Ginsberg, 1990; Ireland et al., 2009). Recently, studies are being focused on Corporate Entrepreneurship related to the institutional environment (Samuel et al. 2011; Lim et al., 2010). In this perspective, Wolcott and Lippitz (2007) suggested certain decisive factors for Corporate Entrepreneurship achievement through cases of companies which successfully combined new innovative business field which is highly profitable and expected to grow, with the existing business. Divided in two perspective, it is whether or not there is any formal organization which is responsible for new business development and whether or not there is any dedicated human resources for new business development. Wolcott and Lippitz (2007) suggested four models of Corporate Entrepreneurship approach through combination of such factors as following.
<table>
<thead>
<tr>
<th>Resource Authority</th>
<th>Organizational Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Diffused to organization</td>
</tr>
<tr>
<td>Dedicated HR</td>
<td>The Enabler</td>
</tr>
<tr>
<td></td>
<td>The company provides</td>
</tr>
<tr>
<td></td>
<td>separate funding and</td>
</tr>
<tr>
<td></td>
<td>senior executive</td>
</tr>
<tr>
<td></td>
<td>attention to prospective</td>
</tr>
<tr>
<td></td>
<td>projects among creative</td>
</tr>
<tr>
<td></td>
<td>ideas of employees.</td>
</tr>
<tr>
<td></td>
<td>Ex) Google</td>
</tr>
<tr>
<td>Support on necessity</td>
<td>The Opportunist</td>
</tr>
<tr>
<td></td>
<td>The company has no</td>
</tr>
<tr>
<td></td>
<td>separate funding or</td>
</tr>
<tr>
<td></td>
<td>organization but internal and external networks drive new business selection and resource allocation. Ex) Zimmer Holdings</td>
</tr>
</tbody>
</table>

<4 models of Corporate Entrepreneurship approach>

**Exhibit 1 Models of Corporate Entrepreneurship approach (Ref: Wolcott & Lippitz, 2007)**

(1) Opportunistic: it is the case where the outcome is made through the efforts of individual member with no official organization or funding exclusively for new business development. The Opportunistic model can be pursued where various social network and trust among organizations within company are secured. This model which is not organized nor systematic is not suitable as means of innovation for company's self sustainable growth.
(2) Enabler: It is the case where there is no internal or external organization but there is a funding exclusively for Corporate Entrepreneurship. Top management allocates funding to select prospective idea under a certain standard, implement as project and develop and commercialize it. However, the innovative characteristic of employees and insight of top management towards the change of technology and market are prerequisite for the successful outcome.

(3) Advocate: It is the model which has organization exclusively for Corporate Entrepreneurship to pursue business opportunity and develop new business model and share with existing business unit. However, the funding for such organization is allocated from the existing business unit if necessary. Those operating R&D center of technology lab for technology development can be the cases of this model.

(4) Producer: It is a model which seeks new business opportunity through formal organization with separate solid funding and develop potential entrepreneurship. This type of model applies to global enterprises such as Samsung Electronics or IBM and the business opportunity not directly relevant to its core business field can be actively pursued.

2.3. Analyzing frame-work of Corporate Entrepreneurship promoting system

Morris et al. (2009) suggested, as following table 1, frame work considering four factors in order to analyze Corporate Entrepreneurship promoting system. Suggested frame work provides various perspectives about mechanism and design element necessary for environment promoting Corporate Entrepreneurship.

<table>
<thead>
<tr>
<th>Culture</th>
<th>How shall employees act as to the faith and proposition what the company is about? How to define himself comparing external environment?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Formal pattern of company consisting of function and hierarchy. Viewpoint about how different members and functions react each other.</td>
</tr>
</tbody>
</table>
Resource Control

Official and unofficial mechanism which shows to manager that resources are attained and used effectively and efficiently.

Human Resource Management

Process for recruiting, training, developing, motivating and maintaining as employee

[Table 1] Elements for working environment of creative Corporate Entrepreneur (source: Morris et al. 2009)

Those four elements mentioned above have been, through preceding research, objectively proved to invigorate entrepreneurship. (e.g. Green et al., 2008; Hamel & Breen, 2007; Kuratko et al. 2005; Rutherford & Holt, 2007) The mentioned studies, applying this frame-work, consist of detailed analysis items and questionnaire to analyze Corporate Entrepreneurship of domestic companies. By analyzing each company's system to promote Corporate Entrepreneurship in each item, they intended to compare the composition and operation of system depending on company's vision and strategy.

<table>
<thead>
<tr>
<th>Item</th>
<th>Question</th>
</tr>
</thead>
</table>
| Entrepreneurial Strategic Vision | ● what is the strategy and vision of your company's CE?  
                   ● strategic approach? How does strategy consist?  
                   ● approach back ground and the form of present system? |
| Entrepreneurial Processes & Behavior | ● what is the process and role of your company's CE organization?  
                   ● How is the CE culture and any effort to invigorate it?  
                   ● how does it go on?  
                   ● any organization for coordination and control?  
                   ● what is the incentive for it?  
                   ● Is there systematic support for CE? |
| [Structure, Culture, Resource / capabilities, Reward system] |   |
| Individual Entrepreneurial Cognition on CE | ● What is your company's Individual Entrepreneurial Cognition (Beliefs, Attitudes, Values)? |
| CE and Performance | ● Any success case and achievement of your company's CE? |
| CSFs in CE | ● what is the success factor for your company's CE achievement? |
| Lesson Learned | ● any suggestion or implication for domestic companies' CE approach? |

[Table 2] Case Analysis Frame-work

3. Case study of Corporate Entrepreneurship Promotion System

3.1. Range and method of case study
This study, targeting three domestic major companies which possess normalized system, has collected and analyzed data of each company regarding Corporate Entrepreneurship promotion system. Collection of data has been carried out through literature materials and actual interview with those who are in charge of the system and it has been tried to draw any meaningful implication by comparing and analyzing the operation condition of corporate venture system depending on each company’s vision and strategic goal.

### 3.2. Subject company of study

The subject companies of this study are as following [Table 3]. Each company is carrying out its business as mentioned before and has established and operated a normalized Corporate Entrepreneurship promotion system and achieved objective outcome. Therefore, it can be considered to be typical example of domestic company, of which this study intends to study the Corporate Entrepreneurship promotion system. The study of these three companies are carried out by visiting each company and interviewing from July 2013 to August 2013. Interview has been carried out with those who are in charge of Corporate Entrepreneurship promotion system and supplemented through media report, PR material or e-mail interview.

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Motive for System</th>
</tr>
</thead>
</table>
| A       | -digital contents  
- advertising, marketing and online commerce  
- Affiliate of telecom company newly established in 2011 | Difficulty in planning and implementing new business to convert its main business from telecommunication service to platform centered service |
| B       | -building material producing company  
- affiliate separated from a major chemical company | - in order to pursue and develop innovative new business |
| C       | - provides internet services through its portal site  
- started up as venture enterprise and became domestic major internet service company | 1. to develop innovative new service  
2. to reform overall company business culture |
3.3. Strategic Vision of Corporate Entrepreneurship Promotion System

In case of A, to effectively cope with the rapidly changing digital contents/commerce environment, it realized the corporate venture system to promote Corporate Entrepreneurship as essential strategy to innovate the company structure and came to plan and carry out Corporate Entrepreneurship promotion system with the support of its management. Especially, A established the system with vision to strengthen innovation of its employees by internalizing Corporate Entrepreneurship in their employees and to internalize the developed technology by planning and developing the innovative service within the company and such vision of A can be found from the interview with the manager Kim, 00 who planned the system as follows.

“Previously, we collected ideas through push type idea festival and such ideas were given for the other organization to implement and those who initiated did not carry out. However, as the other organization implemented it, it was not run smoothly and rarely kept till the stage of actual commercialization. From those cases, it has been suggested to provide employees an environment of voluntary ideation and opportunity for those who made ideas to commercialize and it was aimed for corporate entrepreneur to be found and trained during such procedure, for the tool to get rich and for such entrepreneurship to be piled up and spread in the company.” (K, the manager of A for planning and operation of CE promotion system)

C, the internet service provider found clue from the entrepreneurship regarding how to develop new services and systemized it as well. Especially, it studied the 'Lean Startup', the American venture fostering process as its theoretical background and established corporate venture system to which the methodology is applied. On establishing system, C tried to reflect its intention to combine its corporate venture system with the innovation and growth of the company by realizing it as key pipe line for entire innovation strategy of the
company as well as the original purpose, which is to develop innovative new service.

However, unlike A and C, in case of B, the manufacturing company, it focused on pursuit, development and success of innovative new business and planned and carried out CE promotion process mainly with its R&D center. It was because, due to the characteristic of industry, idea related to technology plays key role in the procedure of seeking distinctive new business. Therefore, B appreciated Corporate Entrepreneurship as low level strategy conflated with its overall vision and intended to plan and carry out Corporate Entrepreneurship promotion strategy related to its vision.

As mentioned above, from the analysis of strategic vision regarding each company's Corporate Entrepreneurship promotion system, it has been found out that they began to establish system with different strategic necessity depending on the industry characteristic and market condition. And depending on which one is emphasized between the two expected outcomes of CE promotion system, the success of new business development and the establishment of organization innovative culture, it was found that specific composition and action strategy of system can be varied.

3.4. The Cultivation and Acceptance of Corporate Entrepreneurship

The core part of the Corporate Entrepreneurship promotion system is the process which distinguishes ideas and develops new business for commercialization. Each company built detailed new business development process from idea selection to commercialization according to its vision and from the interview it could have been found out that detailed evaluation method and compensation system were institutionalized as well.

[Table 4] shows the new business development process, detailed evaluation method and compensation system for new business developer.
New Business development process

Idea -> Concept refinement in the team -> first Demonstration (Pass or Fail) -> Prototype development
Second Demonstration (Pass or Fail) -> actual commercialization

New business idea -> Board approval of new business -> resources injection (HR, Funding) -> interim check (Milestone Cross-checking) -> final commercialization

Idea selection -> Placing idea initiator in CE team -> Resources injection and development -> preliminary evaluation (Pass or not) -> commercialization -> post evaluation

Evaluation Method

1st: employee evaluation group's Y/N online vote after presentation
2nd: evaluation group vote (70%) and post evaluation (c-level executive) (30%)

* intuitive and simple evaluation process

Interim check on the sustainability of new business
1) Operation: whether suitable for market condition
2) Lab: evaluation of technology development

* consistent review and judgment on whether its product has distinctive competitiveness in market

1) preliminary evaluation: degree of technology realization
2) post evaluation: ACTIVATION POINT (key index, the most important point per service) evaluation

* suspension of commercialization when not reach to the objective standard through internal/external expert evaluation

* same industry model comparison + KPI in each month

Incentive

* interim stage
  - monetary compensation
  - extra point for performance evaluation
  - when commercialized
    - promotion to the team leader
    - monetary compensation
    - highest point in performance evaluation

* monetary compensation for the initiator and actual developer

support for commercialization
- incentive when hard to materialize
- man power support if necessary

Table 3 Corporate Entrepreneurship Promotion System Process

From the analysis of three companies' new business development approach, it has been found out that three companies have in common that each company established and carried out a strict evaluation process compatible with its own characteristic and vision before commercialization of its idea. And when commercialization is confirmed through such process, every company fully supports the new business in various way. The other one thing in common was that, especially by funding and supporting operation man power such as
general affairs, accounting, design and etc. and consistent mentoring with management, each company fully supports for effective planning and development as well.

However, A and C which are internet service oriented companies and B, the manufacturing company are distinctively different in the detailed process of idea selection and resource injection.

In case of A and C, they consider every employee as potential initiator and established a process to extend participation. Especially, in order to overcome the missing timing due to the complex process of large company, a venture company's lean startup process which is commercialized in spite of few things amiss and modified later is adopted by both companies.

However, in case of B, the manufacturing company, executive officer takes the role to decide idea selection and resource injection and in commercialization stage, A and C seem to evaluate more strictly the market trend and innovativeness of new technology. Such difference is due to the industry characteristic and mainly it is because life cycles of product/service each company provides are different.

3-5. Change in Cognition of Company towards Corporate Entrepreneurship Promotion System

This study presumed, during the process of introducing and operating Corporate Entrepreneurship promotion system, employees would share the vision and value voluntarily and cognition and action pattern about innovation would change accordingly. From the interview with system manager of each company on such presumption, in case of A, it has been told that the company culture to set up team voluntarily among members and materialize ideas has been settled. As an evidence, it has been shown that the vision of A to internalize Corporate Entrepreneurship in the organization has become visualized. In case of C, since the system is in the middle of settlement, any visual outcome is not shown but the reply was positive saying that voluntary participation to help system operation within individual's capacity has been increased. However, in case of B, since the Corporate Entrepreneurship promotion system was established focusing on the successful development of
new business, new business developing process is found to merely affect the company culture of employees. Still, also B seems, from the interview with executive officer, it realizes that discovery and training of man power with entrepreneurship is crucial in development and success of new business.

“We ought to have someone to materialize new ideas aggressively. Although we inject many resources strategically and support, if there is no core human resource to carry it out, there would be no success. The companies’ efforts to foster such human resource can be seen as crucial part of Corporate Entrepreneurship.”

(Mr. M, the executive officer of B for new business development)

From the interview about Corporate Entrepreneurship promotion system and organization cultural change, it has been found out that companies commonly realize that it shall discover and utilize human resource with entrepreneurship through Corporate Entrepreneurship promotion system. However, it has been also deduced that the system operation and the change of company culture are quite different between the company intending to innovate the company culture as whole through spreading entrepreneurship and the company intending to succeed a new business by discovering core manpower.

3-6. Achievement of Corporate Entrepreneurship Promotion System

There are generally two goals which subject companies wish to accomplish through Corporate Entrepreneurship promotion system. Firstly, it is to discover innovative new business, and secondly, it is to innovate the company culture among its employees.

In first perspective, A, which commercialized 6 ideas has accomplished visible outcome through Corporate Entrepreneurship promotion system. B, as well achieved result of developing new business to produce electronic material for smart-phone by commercializing the idea of a researcher. In case of C, there are two new services launched in market through Corporate Entrepreneurship promotion system. Although it is early to evaluate the result, the strengthening and support are expected to continue since the innovation of company culture
through innovative ideation is the ultimate goal of Corporate Entrepreneurship.

Such will of C can be found in the "what we learned" Session, which operate the system with other members and share the result no matter the project is successful or not. The system manager of C mentioned about the system operation and sharing process as following:

"We are making session for sharing what we have learned from the system as well as collecting and commercializing ideas. No matter it was successful or not, we are sharing the outcome with other members through documentation and PICTHING. This procedure itself stimulates the planning of new services within the company."
(Mr. L, the general executive officer for Corporate Entrepreneurship promotion system of C)

Another biggest achievement of A and C through Corporate Entrepreneurship is the changeover of innovative atmosphere. The system did the positive role of making the airs of organization which can become easily passive and tend to ignore the importance of creative idea, to active airs.

3-7. Essential Success Factors of Corporate Entrepreneurship Promotion System

From the interview with subject companies about the success factor for the soft landing of Corporate Entrepreneurship promotion system and spreading the effect to the organization, the 'will of top management' was mentioned as essential factor in common among them. In case of corporate venture system, the resistance from the existing organization and conflict about resource injection are highly likely to arise and then the will of top management can be the crucial factor for the success of the system. Especially considering the characteristic of the domestic company culture, in order to smoothly transplant the Corporate Entrepreneurship within the company, it seems to be essential for top management to show its firm will to carry out such system.

Furthermore, it is suggested as a crucial success factor to organize and maintain effectively the social process to induce member's new idea. It is essential precondition to motivate members and keep doing so and it has to establish the process which gives members ownership and autonomy. Under the systematic
environment in which idea is continuously kept generated and materialized, members can build innovative thinking and the innovation within company can be triggered under such ground.

Lastly, to successfully promote the Corporate Entrepreneurship, changeover of the company culture is thought to be accompanied. While establishing and operating Corporate Entrepreneurship promotion system, there always is the possibility for feud among organizations and conflict of interest to arise. To prevent such concern, it seems necessary to make consistent efforts to build trusts within company through long term commitment.

4. Conclusion

This study went through, by carrying out case study on companies which introduced and operating corporate venture system, the vision and the course of making process in order to spread the Corporate Entrepreneurship within company and discover new business, effect of system operation and essential success factor.

Especially, it can be shown and compared how those companies with different objectives, which are dissemination of innovative mind through research and development of new business, build the system process and operate according to their own vision. And from the system building process and operation of A, B and C, there are three essential success factors necessary for the settlement of Corporate Entrepreneurship promotion system. They are, 1) the will of top management is necessary to dispel the resistance and conflict within the organization, 2) the system shall be invigorated by building process to promote new ideation of members, and 3) the consistent efforts to build trust within among organizations and change over the company culture shall be made in order to prevent the feud among organization and the conflict of interests.

The operating manner of Corporate Entrepreneurship promotion system and success factors drawn out by the study may provide meaningful implication to those companies wish to introduce similar system sooner or later. However, this
study result is somewhat self limited in the aspects as following. First of all, since there are few companies successfully operating the system, the study result has been deduced from the interview with only a few (three) companies operating corporate venture system. Furthermore, since the data has been collected from the point of planner's view, the cognition of program participant and general employees are not ascertainable. Based on the limitations mentioned, if a study of which the research on corporate venture system participant and employees is supplemented and the quantitative determination is combined, is carried out, the effects on company culture may be found out in more details.

Reference


