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BALANCING INTRAPRENEURIAL INNOVATION VS. ENTREPRENEURIAL SPIN-OFFS DURING PERIODS OF TECHNOLOGICAL FOMENT (SUMMARY)

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SUMMARY

BALANCING INTRAPRENEURIAL INNOVATION VS. ENTREPRENEURIAL SPIN-OFFS
DURING PERIODS OF TECHNOLOGICAL FOMENT

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Principal Topic

The early period after a technological discontinuity allows an innovative startup to exploit a phase of foment and great uncertainty. Entrepreneurial efforts of new firms compete against the intrapreneurial initiatives (if any) of incumbents to identify those technological and business resources that will be valuable under the new regime.

The concept of intrapreneurship has centered on adapting ideas and practices from entrepreneurial startups for use by more established firms. At the same time, the explosion of entrepreneurial startups in Silicon Valley since the 1960s has been defined by groups of entrepreneurs taking what they have learned at one company to start an unsanctioned spin-off, as typified by the defection of the “Traitorous Eight” from Shockley Labs to form Fairchild Semiconductor. This suggests that intrapreneurial development must attract capable employees and encourage their entrepreneurial instincts, while at the same time harnessing those skills for the benefit of the firm; if not, the nascent entrepreneurs will create a new (possibly competing) startup.

Method

We use the history of one telecommunications cluster, with archival data on 244 wireless communications startups and 101 branch offices established in San Diego from 1968-2003, and career histories for founders of 186 of the firms. We supplement this with 46 in-depth interviews with local industry participants, including 22 company founders representing 25 startup firms.

Results and Implications

We focus on the initial success of one intrapreneurial company, Linkabit. To exploit the opportunities created by the paradigm shift from analog to digital telecommunications, Linkabit’s scholar-founders used both recruitment and indoctrination to create a highly innovative, achievement-oriented corporate culture with many of the key “pull” attributes identified by prior research on entrepreneurial motivations.

However, the founders’ exit via acquisition created a wave of dissatisfaction among intrapreneurial employees, and thus a specific “push” shock. This shock triggered an exploding seedpod of entrepreneurial skills, leading to the formation of more than 70 startups in the region. We contrast this pattern with previous studies of entrepreneurial culture and spin-off formation in Silicon Valley and other high technology regions to offer a more general framework for the creation, transmission and dissipation of entrepreneurial culture for high-technology firms during periods of great technological uncertainty.

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