Towards Entrepreneurial Organization:
From the case of Organizational Process Innovation in Naver

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Abstract

In order to survive in a rapidly changing environment, organizations must innovate constantly, and a lot of efforts have been made by academia and company executives to design organizations capable of such innovation. The purpose of this study was to explore the ways to design an organization that is constantly innovating through entrepreneurship while retaining its superiority as an existing company, by examining the case of Naver, which has been recently attracting much attention due to its organizational process innovation, such as the abolition of the position classification system and the introduction of the cell organization and company-in-company (CIC) system. Based on user-centered thinking, Naver has reorganized the organization in the direction of expanding its organization to expand the autonomy of the organization dedicated to services and individuals, thereby enabling more flexible and prompt responses and creating an environment for all members of Naver to engage in entrepreneurial activities. Providing entrepreneurial opportunities will not only increase the positive impact of a horizontal organizational structure on innovation, but will also increase the need for cooperation and the incentive to share knowledge, so it will become possible for employees to be motivated by reputation instead of formal evaluation. In addition, the investigation of the system, process, and culture of Naver showed that they are well suited for creating and realizing opportunities through reorganization of various kinds of knowledge. In particular, we examined the possibility that the mobility of organizational members will play the role of checking the negative effects of entrepreneurs on the organization, while the company-wide coordination function that can hinder creativity and autonomy is minimized, and considered organizational learning of entrepreneurship as a condition of corporate entrepreneurship. Finally, we examined the implications of Naver’s organizational process innovation by comparing existing theories with Naver’s organizational process innovation.

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1. Introduction

In a complex and rapidly changing environment, organizations need to respond swiftly and flexibly for their survival, and the interest in the organizational structure that can realize it has been steadily increased. Thus, efforts have been made to find the structural characteristics that can successfully create an ambidextrous organization that can achieve a balance between exploration and exploitation [13] or the structural characteristics of the organizations that successfully innovate through corporate entrepreneurship [3, 17]. The purpose of this paper was to provide implications for designing the organizations needed to acquire and maintain a leading position in the market through new experiments and innovations in response to discontinuous environmental changes. In particular, this study aimed to examine various recent organizational process innovations implemented by Naver, a representative Internet company in Korea, and thereby contribute to the literature on the organizational design and corporate entrepreneurship by deriving propositions for future empirical analysis.

As a representative Internet company in Korea, Naver has recently been trying to make an innovative organizational change. Naver’s innovation is attracting attention because it is not driven by the existing theoretical framework. For example, in an interview with the press, Lee Hae-jin, former chairman of Naver, emphasized the urgency and flexibility for survival of the organization, saying that if the vision is strong, the organization becomes rigid, and therefore, the company has not presented its vision clearly. This is different from the view that coordination is required to ensure that the entrepreneurial activities of the corporate entrepreneur are carried out for the benefit of the organization rather than the interests of the individual. In particular, it differs from the view that the presentation of entrepreneurial vision is a top priority in order to implement innovation strategies through corporate entrepreneurship [12]. Naver’s organizational innovation is moving toward maximizing the autonomy of the service organization, while suggesting the possibility of anyone’s becoming an entrepreneur, and it is based on the concept of ‘user-oriented.’ It is also characterized by the fact that priority is given to creating an environment where corporate entrepreneurs would not think that it is more inconvenient to work within the company compared to working outside, and the authority of the support organization has been greatly reduced accordingly.

With regard to Naver’s organizational process innovation, we interviewed Naver’s three organizational chiefs who are in charge of services and support to understand the background, process, characteristics, and impact of its organizational process innovation. In the next section, we will examine the main factors that allowed Naver’s innovation to be successful, and thereby present a theoretical framework for designing an organization that can sustain entrepreneurship internally.

2. Naver’s Organizational Process Innovation: Overview

Naver's organizational process innovation began when its senior management recognized that Naver's position as a market leader in the Internet sector was being threatened in a mobile environment. In 2011, Naver could not place any of its products among the top ten apps in the mobile app rankings, and it gave rise to a sense of crisis that it could be pushed out of the market, losing its competitiveness, in the environment rapidly changing into a mobile-centric one. Within Naver at that time, as Naver's company size grew, the division of the organization according to functions was in progress, and a stability-oriented atmosphere was formed among its members. There was a considerable gap between such an atmosphere and the perception of the top management, who had a sense of crisis. To overcome this crisis, Naver became concerned with how to innovate the organization. In 2012, Naver introduced the division system, which allowed planning and development to take place within a single division. Previously, in order to introduce a new service, the team that planned the service had to seek the cooperation of other teams with different functions, such as the design team, the development team, and the advertising team, but with the introduction of the division system, Naver was able to introduce new services more
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