Entrepreneurs or employees? The emergence of 'disciplining entrepreneurialism' in subsidiary organizations at CyberAgent

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Abstract

This chapter presents an in-depth inductive analysis of a parent organization and the network of subsidiaries that it has created. We identify the emergence of organizational processes that we label *disciplining entrepreneurialism*. These are activities that encourage entrepreneurial individuals to propose and lead new businesses while also promoting strong identification with the parent firm. We explore the emergence of this phenomenon through an examination of subsidiary-headquarter relations. While conventional conceptualization of IOC has tended to exclude subsidiary-headquarter network relationships, we use the Systems of Exchange framework (Biggart & Delbridge, 2004) to categorise disciplined entrepreneurship alongside market, hierarchy and network relations. Disciplining entrepreneurialism is not experienced as either market nor hierarchy by the individual members in the subsidiaries, and these subsidiaries move between the two in ways that are not adequately captured as a network. This disciplining entrepreneurship approach can thus be contrasted with networks as well as differentiated from both markets and hierarchies. Entrepreneurship is encouraged while maintaining commitment to the overarching enterprise of the parent company.

Introduction

Increasing economic complexity, for example, in terms of resources and internationalization, and the demands for innovation where knowledge is distributed and complex, have heightened the importance of interorganizational collaboration (IOC). IOC has long been conceptualized as based on network forms of governance and organizing,

differentiated from and located somewhere between or beyond hierarchy and market forms of economic activities (Powell, 1990). While researchers focusing on IOC have provided useful insights into previously underexplored issues such as the dynamics enabling long-term IOC, there remain issues to be examined (Majchrzak et al., 2015). Despite its theoretical and practical importance, for example, little research has been done concerning the long-term effects of IOC on individual network participants (Jarvenpaa & Majchrzak, 2016).

We take a process perspective (Langley et al., 2013) and present an in-depth analysis of a single organization and its subsidiaries: CyberAgent, a media, gaming and internet advertising business with its headquarters in Tokyo. We identify the emergence of organizational processes that we label *disciplining entrepreneurialism*. These are related sets of activities that encourage entrepreneurial individuals who propose, and are selected to lead, new business projects (in the form of subsidiary firms), but who continue to have strong identification with the parent firm. We show the emergence of this phenomenon through a case study of subsidiary-headquarter relations. Conventional conceptualization of IOC has often excluded subsidiary-headquarter network relationships since these are considered to be governed through hierarchical organizational mechanisms. In this chapter, we aim to challenge this conventional notion and argue that the conceptual boundary of IOC should not exclude these relationships. Our analysis suggests that the nature of IOC in such organizational arrangements may be distinguished from other forms of exchange.

The case company uses a novel and interesting 'subsidiarization' approach to promoting entrepreneurship (that is, the creation of new businesses) and growth. Internal competitions are used to encourage new business proposals and those selected are then created and led by the employees of the parent company that made the successful proposal. While we accept that these subsidiaries might be viewed as part of a hierarchical organizational form as they are wholly-owned, this would overlook their relative autonomy and the dynamics and combination of market-based and networks forms of governance and organization that are key to the approach and to the experience of the individuals who undertake this disciplined entrepreneurialism[i]. As we show in our discussion of the empirical case below, the subsidiaries that are created are led by these individuals and they are largely autonomous, with the senior

managers of the parent company taking little to no role in their day-to-day operation. Loyalty and identification with the parent firm play an important part in the governance and organizing of these subsidiaries, and these are promoted and nurtured through various organizational processes.

CyberAgent and its subsidiaries' primary revenue stream is through digital content production and the firm, similar to those examined in previous research (e.g., Sydow et al., 2010), relies heavily on projects and project networks. In fact, subsidiaries autonomously propose and lead projects that embrace collaboration with other participants (firms and individuals), which almost always go beyond headquarter-subsidiary relations. However, the individual subsidiary participants, in particular, those leading projects, rarely leave the firm due to the loyalty of their founders to CyberAgent. This balancing of entrepreneurialism with loyalty and commitment to the employer is what we call disciplining entrepreneurialism. As we will show, disciplining entrepreneurialism is not experienced as either market nor hierarchy by the individual members in the subsidiaries, and these subsidiaries move between the two in ways that are not adequately captured as a network. This disciplining entrepreneurship approach can thus be contrasted with networks as well as differentiated from both markets and hierarchies. Moreover, most importantly for the firm, actors' entrepreneurship is encouraged and supported, while they in turn remain committed to the overarching enterprise of the parent company.

In what follows we describe the concept of disciplining entrepreneurialism and examine processes that produce it within the context of an organizational network of parent and subsidiary firms. In particular, we focus on the key research questions: What are the organizational and management processes that result in the emergence of disciplining entrepreneurialism? How is this experienced by the employees/entrepreneurs? In order to address these research questions, we will firstly explain the perspective of this study, together with the importance of dealing with this concept of disciplining entrepreneurialism in elaborating and extending our understanding of IOC. We also introduce the systems of exchange framework (Biggart & Delbridge, 2004) which we use to analyse the nature of the exchange relationships that have formed between CyberAgent and its subsidiaries. Data

collection and coding methods will then be briefly explained. The following section examines CyberAgent, outlines the key organizational processes and how they are experienced by individuals in the subsidiaries, and explains the emergence of disciplining entrepreneurialism. Finally, the argument will be summarised and a concluding section identifies key insights and suggests future research on IOC.

Research Perspective

Over the past decade, a number of factors have contributed to various economic activities' reliance on IOC. Such factors may include internationalization (Faems et al., 2005; Ponds, 2009), pressure for outsourcing (Doellgast, 2012; Weigelt, 2009), and maintaining flexibility (Alexiev et al., 2016; Hassard et al, 2009; Powell et al., 2005). IOC, as based on network forms of governance and organizing, has been conceptualized as somewhere between or beyond hierarchy and market forms of economic activities (Powell, 1990).

Existing research focusing on IOC has embraced the changing features of economic activities that increasingly rely on network forms of organizing. Such research has provided useful insights into previously underexplored issues. These include the dynamics enabling long-term IOC. Since network forms of organizing often involve partners or network participants with multiple identities and employers, mutual trust among partners is an important issue to address. The existing research has largely dealt with trust and IOC, including the side effects (Möllering and Sydow, 2018). The majority of related research has elaborated enabling conditions and different paths leading to mutual trust that may result in long-term IOC (Jarvenpaa & Majchrzak, 2016; Kramer et al., 2018; Latusek et al., 2018; Lighthart & Noorderhaven, 2016; Majchrzak et al., 2015).

However, there remain issues to be examined (Majchrzak et al., 2015). Despite its theoretical and practical importance, for example, little research has been done concerning orientations of network participants. In other words, the existing research has not fully and systematically embraced the various orientations of network participants beyond formal contractual arrangements. We utilize an established framework for differentiating and analysing systems of exchange (SoE) (Biggart & Delbridge, 2004) to inform our empirical

analysis and interpret our findings[ii]. This chapter, in particular, sheds light on the long-term impact on participants' orientation for entrepreneurship within a network of subsidiary organizations. For this purpose, we adopt a process perspective which aims to embrace a long-term trajectory of organizational interaction and which, importantly, is able to address the emergence of new practices (Kouamé & Langley, 2018; Langley et al., 2013; Langley, 2016).

The SoE framework highlights the orientation of individual network participants, identifying that these may be significantly different in terms of their basis of action (i.e. the issue of rationality), and the social relations between actors (i.e. whether they act towards outsiders equally or differently). Introducing this framework alongside a process perspective allows analysis of the emergent properties of social exchange relationships. As Biggart and Delbridge (2004: 44) note, while typologies such as that underpinning the SoE framework are static constructs, the schema can be utilized to both examine how exchange relations may change over time and also to frame comparative analyses of different types of relations.

The systems of exchange framework is useful in examining IOC because it enables us to differentiate between social structures and social relations as the basis of action, as summarized in Figure 1. This classification of the relationships through reference to their social structure and economic action does not in itself determine the conditions for exchange and the specific nature of these relations must be assessed empirically. The SoE schema provides a useful analytical framing for this assessment.

Figure 1 Systems of exchange

Source: Biggart & Delbridge (2004: 33)

Method

Data collection

To recap, our focus is on the complex nature of parent-subsidiary network relationships and the role of entrepreneurial individuals within these over time. For this purpose, we intentionally selected an 'extreme' empirical case, which has developed a highly distinctive usage of subsidiaries over time (Palys, 2008). This approach is particularly exceptional given the highly institutionalized nature of employment practice in Japan (Morris et al., 2018).

Our data sources include both textual and interview data. Textual data were corporate websites (CyberAgent and subsidiaries), annual reports (2010-2017), business reports (2010-2017). The content of business reports is more or less similar to annual reports but includes 'softer' information such as interview articles with certain employees. Moreover, relevant newspaper and magazine articles dealing with CyberAgent as well as eight books written by CyberAgent's president and executives were gathered and analysed.

In addition to textual data, interview data have been collected between 2012 and 2018. Since 2012, we have interviewed 39 informants at CyberAgent. Importantly, these numbers include seven subsidiary CEOs and six subsidiary executives. One of the distinctive features of CyberAgent is their approach to spinning out firms, which is employee-led and results in very young employees being made executives of the newly formed subsidiaries. Four subsidiary CEOs and two subsidiary executives were in their 20s when we interviewed them, which is rare anywhere and almost unknown in Japan where seniority continues to play a very significant role in career progression (Morris et al, 2018). Furthermore, the other subsidiary CEOs and executives we interviewed were appointed to the positions when they were in their 20s. This creation of rare opportunities for entrepreneurial employees so early in their careers was part of what motivated us to examine CyberAgent in more detail.

Data analysis

Data collection and analysis was conducted in an iterative manner (Mason, 2002). That is, as we collected data, we iteratively sharpened our research focus, which came to converge

around the reconstruction of the process through which disciplining entrepreneurialism has been created and sustained at CyberAgent. Broadly speaking, the analysis consisted of two major stages: *initial coding* and *interpretation of process*. Our first data analysis stage involved the development of codes and the classification of the data across these codes. Our data analysis was similar to a grounded theory approach (Strauss and Corbin, 1990) in the way we unexpectedly 'discovered' and gradually developed our notion of 'disciplining entrepreneurialism'. However, unlike the truly grounded theory approach, we did not entirely adopt 'open coding' since, as demonstrated in our evaluation of the existing literature, we would argue that the SoE framework provides an *a priori* conceptual basis upon which to make sense of our case company's highly distinctive way of using subsidiaries. Therefore, we started with the SoE framework, which entailed coding on the 'basis of action' and 'structure of social relations' as key elements in our analysis. Through these initial coding processes, we classified our first-order findings and developed other related subcoding such as 'meaning' and 'remuneration'. In the second stage, we focused on interpreting the processes in the emergence and maintenance of subsidiary creation and their organization and management. At this stage, we concentrated on comparing and contrasting 'disciplining entrepreneurialism' with market, network, and hierarchy approaches.

Through these two stages of analysis, we have fleshed out the processes that have significantly transformed the meaning and purpose of subsidiaries at CyberAgent. This is due, at least in part, to the mixture of various human resource management (HRM) policies that are intended to combat high employee turnover rates associated with a conventional market or price system of exchange. Over time, however, CyberAgent has sought to enhance the loyalty of its employees by emphasising the difference between being 'inside' and 'outside' of the firm, while encouraging employees to embody entrepreneurship. This can be considered as a way to strengthen means calculus behaviour in the firm. In this way, CyberAgent's organizational reform has resulted in its enhancement of a form of associative system of exchange (Biggart and Delbridge, 2004). However, this process has gone further than developing an associative system and has witnessed the emergence of disciplining entrepreneurialism whereby substantive rationality and relationships underpinned by loyalty and self-discipline have

developed. In brief, as we will elaborate below, disciplining entrepreneurialism can be characterised as featuring particularistic relations and a primarily substantively rational approach, but it is an orientation to action which does not constrain entrepreneurial behaviour. Normative relationships and perceptions of their 'moral obligation' to the headquarters firm are part of the disciplinary effects experienced by the subsidiary leaders.

Emergence of disciplining entrepreneurialism in CyberAgent

Through the analysis it has been revealed that disciplining entrepreneurialism was not part of the organization's approach from the outset but rather, over time, emerged out of the dynamics between the network form of organizing and the mixture of market and hierarchy based organizing that was also relevant to how the case company was managed. Although the firm started to establish subsidiaries in the early 2000s, these projects and project networks were of limited importance until the mid-2000s. This is because the firm initially concentrated on sales of internet advertising and those employees focusing on sales activities were recruited and trained by the firm. However, due to a change in strategic focus, the firm started to shift its domain toward content production from the mid-2000s, which entailed increasing reliance on projects and project networks. Through iterative trial and error, over time, the headquarter parent and subsidiaries have developed a complementary way of organizing concerning the nomination of co-workers for projects, including those led by subsidiaries. Each head of a subsidiary, usually leading projects, nominates co-workers from the headquarters or other subsidiaries on a regular basis. The nomination of new co-workers (a combination of hierarchical and network organization) needs to entail a business project proposal, which is brought to a business plan competition (price-based market organization).

In this section, a brief overview of the firm will be firstly presented. Importantly, their efforts to address far higher employee turnover rates around 2000 has been reflected in key characteristics of the firm in its current network form. Following this overview, the changing meaning and usage of subsidiaries at CyberAgent will be illustrated. Through this reform process, employees were encouraged to exercise their entrepreneurship but they also

maintained strong links and loyalty to the firm as part of a parent-subsidiaries collaborative network.

An Overview: Key characteristics of CyberAgent

The empirical data are drawn from an extreme example, one which was purposefully selected to fulfil certain criteria. CyberAgent is a Japanese company which was established at the end of the 1990s. The firm has enjoyed considerable success and commercial growth and has come to be well known for its employees' entrepreneurial orientations; despite this, the firm maintains a relatively low employee turnover rate, which was 8.2 percent in 2017 (Business Report, 2017). In the service sector in Japan, (CyberAgent is officially classified in this sector), the average turnover rate in the same year was 19.2 percent[iii]. At least in part, this is because of the opportunities to lead subsidiary companies that are created for and by entrepreneurial employees. CyberAgent had 106 operating subsidiaries in 2017. In the same year, the firm had 4,500 employees, of which 1,500 are based at the headquarters. In other words, the majority of employees are part of subsidiaries. The ratio of those initially employed at the headquarters (and subsequently transferred to subsidiaries) and those directly recruited by the subsidiary varied considerably between subsidiaries. In the researched subsidiaries, the ratio was between 1: 2 and 1: 20.

There are several key characteristics of CyberAgent. These are, importantly, related to the efforts of the firm to deal with a high labour turnover rate which created difficulties within a couple of years of the company's establishment. The rate rose up to 50 per cent and CyberAgent had to create an internal division taking care of HRM issues. Our informants reflected on those days with the high turnover rate and tended to express their views on departing employees as 'gone with the money'. That is, CyberAgent in those days put a primary emphasis on recruiting competent employees by paying relatively high salaries and relying on an economic instrumentality on the part of the new recruits. However, those attracted by cash tended to be 'gone with the money' when better remunerated opportunities arose.

Broadly speaking, the intervening period from the early to mid-2000s saw the firm's development increasingly associated with three major elements: 1) Frequent communication

within the firm, which constituted efforts to enhance the loyalty of employees, 2) Rapid promotion and new appointment opportunities, which were intended to minimize the downside of strengthening the loyalty of employees, and 3) Reliance on a project-based way of organizing within the parent firm and across the subsidiary network, which was due to a radical change of business focus in the mid-2000s. These three elements have been combined to allow the firm to engage in ongoing processes of subsidiary creation and closure driven by internal entrepreneurial behaviour. As we elaborate below, this process is best described as disciplining entrepreneurialism which is produced through, and reproduces, a combination of an emphasis on growth (both personal and of the firm), a strong commitment to the parent firm as well as to the success of the subsidiary, and the maintenance of a shared commitment and mutuality between employees and the company.

Enhancing loyalty through frequent communication

CyberAgent now makes extensive use of virtual communication, including blogs from its senior managers, that promote the company's 'code of conduct'. This code captures the aspirations for innovation and growth of CyberAgent and states that the company will look to identify and promote talented individuals. But it also commits the firm to giving people 'a second chance' and to the promotion of a shared sense of corporate identity. The full code of conduct is as follows:

- Always positive, never give up.
- To take actions is better than to review actions.
- Be proud of creating new industry by ourselves.
- The first-tier people make the first-tier team.
- Give a second chance to those who challenged.
- Aim to create strongest corporate brand.
- Always challenge, always grow.
- Energize Japan through the internet and young people's power.

One employee spoke about the company's culture in this way: 'I think our corporate culture is frequently described as "polite aggressiveness" … I mean, you should not do something offensive or impolite, but you need to "push" yourself and your product in a polite way, but to a full extent… Our culture respects very strong passion for growth, aiming for faster promotion and bigger responsibilities… We respect fast performers, so promotion is rapid for fast performers'.

The firm invests significantly in promoting and maintaining a strong sense of corporate identity. It actively encourages employees to join in-house club activities, such as cooking, tennis, yoga and football and the firm financially supports active participation in clubs. The original intention of this was to increase informal communication networks, which could help prevent employees from leaving the firm. Moreover, the club activities have the further function of reinforcing corporate culture and complementing an associative system of exchange. CyberAgent also promotes social interactions, providing 5,000 Japanese Yen per month to each employee for them to have a drink together after work. The only condition is that they have to have more than three members from the same division in attendance.

'Polite aggression', expectations that individuals will push themselves, and concerted communication of corporate cultural norms provide powerful 'identity regulation' and disciplining forces for the employees of CyberAgent, particularly in the induction and socialization periods (Willmott, 1993). This experience is continued through how the company manages promotion.

Rapid promotion and new appointment opportunities

CyberAgent's promotion and appointment process has been developed to be rapid and distinctive to the firm. The process is described as 'rapid' because significant numbers of new employees are promoted to managerial positions within a couple of years of commencing their employment. For example, in 2018, more than 21.3 percent of newly recruited employees at the headquarters of the CyberAgent have been promoted to managerial positions within the last three years. Furthermore, we interviewed subsidiary executives who were appointed to the positions as quickly as their early 20s. The process is understood by CyberAgent employees as

being 'unique' and our informants pointed out that the 'spirit of CyberAgent' has been internalized by candidates as an important criterion for such promotion and appointment.

The CyberAgent mission statement (Business Report 2017) contains the following: 'We must create an environment where our valuable employees can stay with us throughout the years. We must promote the rise of the young. Promotion by seniority is forbidden'. This is in direct contrast to the *nenko* system of seniority-based pay and promotion that still tends to underpin careers in traditional large Japanese corporations (Morris et al., 2018).

CyberAgent has a number of mechanisms that encourage competition between individual employees and cultivate new ideas for business development in order to identify and selectively promote the most able and innovative of their employees. These competitions are integrated into the business and run on a regular basis. The first is *Shinkijigyo-Kenkyukai,* a business creation scheme, mainly relying on a business plan competition that all CyberAgent employees are encouraged to enter. The best of these ideas may be selected to become a spin-out subsidiary company and the proposers are installed as the senior managers in charge of the new venture. The first of these was held in 2004 and attracted ten entries, but the programme has grown rapidly with the number of entries to the 15th competition rising to 359 business plans and 16th (and latest) having 828 business plans submitted in 2018. This has been reflected in the number of subsidiaries that emerge from the process. There are currently 106 subsidiaries (Annual Report 2017). This reliance on subsidiaries and processes for creating spin-outs were not originally part of the firm's approach. Rather, it has increasingly become influential as the firm has developed and responded to internal and external demands as seen in Table 1, which illustrates the number of subsidiaries newly established and closed down since 2010.

Table 1 Subsidiary establishment and closure since 2010

	2010	2011	2012	2013	2014	2015	2016	2017
New	12	9	6	12	24	13	20	15
Closed	5	1	5	3	7	1	1	0

Source: Annual Report (2010-2017)

The second, and related, activity is *Ashitakaigi*, which means a 'conference for tomorrow'. This is hosted by the CEO and sees teams, each led by one of the board of directors, compete on the quality of their proposals for new business plans, including suggestions for improvements in strategy, HRM, finance and so on.

The intention of the senior management team with these initiatives is to make the most of the energy and ideas of their workforce and to grow new businesses. This approach also ensures that they are providing opportunities for young employees who are ambitious and are not expecting the long-term career commitment of the established Japanese corporations. On an ongoing basis, such direction is enforced by CyberAgent through the appraisal of employees, where ambition and ideas for new businesses -- such as through the creation of new subsidiaries -- are highly evaluated. The schemes tend to lead to the appointment of new CEOs for the subsidiaries who are still in their 20s and this often involves new recruits to the firm. Three of our subsidiary president informants became subsidiary presidents in this way. One of them reflected on his experience:

'After I got a job offer from CyberAgent [in early 2010], I worked part-time at the firm for my final year at uni[iv]. I developed a smartphone application in which users upload 'the picture of the day' everyday. This was not solely made by me, I worked with four others who also got the job offer at the same time. The application became very popular, half a million downloads in a few months… the president of the headquarters actually visited my desk after he heard the news and suggested I should make a subsidiary together with these four guys and develop whatever applications we wanted to. I thought he was joking, but he was not!' (Subsidiary President, Smartphone Applications).

CyberAgent sees these mechanisms as a way of enabling promising employees to learn about management and business decision making 'on-the-job', and provides various supports to the subsidiary senior team.

Our informants, including both those rapidly promoted as well as those that were not, tend to point to the importance of how 'core' values of CyberAgent are internalised by rapid movers in regards to promotion:

'The values of CyberAgent are an important element in promotion and appointment of subsidiary executives in this firm… there are some exceptions, but basically those promoted are basically infused with these values. The firm has written the corporate philosophy and broad objectives such as creating the company that represents the 21st century. Rather than memorizing such things perfectly, important criteria are to imagine and apply how the President would think about things in this situation. Of course, we have to ask him what he really thinks about and it is always beyond our imagination, but as you work in the company for a while, you appreciate 'CyberAgent-ness', which is along the line of the thing 'what the president would think/say regarding this specific issue'. (Manager, Headquarters)

Such an emphasis on specific values is promoted as an intentional corporate policy. As an HRM manager reflected:

'We emphasize the fit between the firm and employees… the firm suffered from a high turnover rate in the early 2000s, more than half the staff we recruited were gone in a couple of years. In order to address this high turnover rate, we launched several reforms. One of them was to strengthen and emphasize our corporate culture, since our sense of the high turnover issue was related to the fact that those who were attracted to the firm purely because of the money went for higher payments.' (HRM Manager, Headquarters)

These competitive opportunities for promotion constitute some of the disciplining processes that are central to the experiences of employees.

Increasing reliance on project-based organizing

CyberAgent has increasingly come to rely on projects as the basis for organizing. This is partly related to the appointment of early career workers to the role of presidents of subsidiaries that are making the products that they have proposed. These have been constructed as, potentially, large-scale projects. But a project-based approach is also important in how the parent and its subsidiaries undertake their business more broadly, particularly as this has evolved in the last ten to 15 years. CyberAgent was originally based on the sales of internet advertisements, but due to the changing market environment, it radically shifted its

business focus in the mid-2000s. The company is now focused on the development of content for the internet and mobile phones, such as video games, applications and advertisements. According to interviews as well as textual sources, the company aims to increase the sources of content that may be successful by working with others. Therefore, the firm increased its reliance on projects and IOC:

'The firm relies on projects a lot. At the moment, I am involved in three projects, and next month, another project will be launched. My main affiliation is to the internet TV division and I take care of product development jointly with one company, which is advertised on our TV programme. But, I am in charge of another project connecting smartphone application providers and advertising clients, since one of them is the one I am jointly working for the new product development. Also, another project is use focus groups for new product development. This is kind of irregular, when companies approach us to do some specific things, like the perception of this product among housewives' (Employee, Internet TV Division)

Initially the firm employed workers with non-engineering backgrounds who were involved in many projects:

'I take care of back-end systems… it depends on the timing, but usually I join three to five projects, mainly related to smartphone applications and internet advertisement… I need to communicate with front-end engineers, who are in charge of user interface, say, if it is an internet advertisement, the movies or pictures or characters or something users directly see on their screen. Also, if necessary, I need to communicate with sales people, who usually do not understand the system, but give feedback from the point of users or clients' (Back-end Engineer)

This process of creating new and rapid promotion opportunities, combined with an increasingly project-based organizing approach, has produced a collaborative network organization. But the nature of the IOC between the parent firm and its subsidiaries does not fit readily into the existing conceptions of IOC. We draw on the systems of exchange framework to elaborate and theorize the key features.

Subsidiary creation and abolition: Moderated market mechanisms

As described above, the company uses employee competitions to elicit ideas for new business. In the decision making regarding the creation or subsequent closure of subsidiaries, a form of moderated market mechanism has been adopted. Individuals and teams of employees are put into competitive market relationships to bid for support to create new subsidiaries, with the decisions informed by instrumental evaluations of the financial prospects of the proposals. This approach and its objectives has evolved, as our interview with the HRM director illustrates:

'In the beginning subsidiaries were formed for the sake of regional coverage. I mean in the past, we were selling advertisements and our clients were not only operating in Tokyo, but also in Nagoya, Osaka and so on. So we needed to create subsidiaries in these cities and we suffered from a high turnover rate up until the early 2000s. So we set up an HRM division, which planned and implemented various policies to deal with the issue, one of them was the business plan contest. At the beginning, nobody cared about it so we [the HRM division] talked to key employees and disseminated the information over and over again. Gradually people started to recognise the contest…at the beginning, the contest for the sake of contest…but over time, we came to accept suggestions from the president of the HQ as well as others…resulted in the current form, the business contest winners could develop their suggested plans together with nominated members.' (HRM Director)

While these are competitions for resources, this is a form of a 'moderated market mechanism', with a combination of market mechanisms and network forms of organizing. We view this as moderated because the creation and abolition of subsidiaries is not purely based on (prospective) market performance. Rather, the decision making process also considers the positioning of subsidiaries, as well as the roles and identities of the subsidiary executives. Such considerations embrace market conditions, such as the speed of the market changes in which subsidiary firms operate, and executive members' personal 'growth' mainly derived from independent decision making opportunities. This moderated market mechanism would appear to be particularly relevant for maintaining the disciplined entrepreneurialism of subsidiary presidents and their nominated co-workers. It introduces subjective and particularistic aspects of the relationships and creates substantively rational elements to the decision making. Nonetheless, objective measures and instrumental rationality play a part too.

The subsidiary firms are, officially, in competition with each other to see which ones grow and establish themselves. The company also uses the principle of internal competition between divisions through CyberAgent's business and personal development programme, which sees business units ranked annually on their sales, services and financial performance. This programme provides clear criteria for business withdrawal (that is the closing of a subsidiary business) or promotion decisions. There are strict and widely understood rules that underpin this programme. For example, a subsidiary has 18 months to establish itself and deliver consistent profitability. If this is not achieved, either the business is closed or the CEO is replaced. Having said that, the headquarters tends to consider the positioning of the subsidiary in their decision making. Our informant reflected his experience of 'prolonging' the subsidiary:

'Subsidiaries may be integrated back into the headquarters, I know a couple of [such] examples. If they make a loss for two consecutive years, the headquarters may give a 'yellow notice' and undertake radical measures, such as sending somebody to integrate the business with the parent. They know that our business domains [related to internet and smartphones] are rapidly changing. So, for example, our subsidiary was developing games for feature phones. But, as you know, feature phones were quickly replaced by smart phones. And so our subsidiary company experienced painful losses at that time. In the second year [when we made a loss], the headquarters financially supported us by sending us a couple of engineers who were familiar with smartphone applications and let us continue to develop similar games…I really felt indebted to the headquarters.' (Subsidiary President, Mobile Game Applications)

The headquarters regard subsidiaries as places to provide growth opportunities for young high flying managers. And this plays a part in decision making. The opportunities that are created act as motivation for those selected and the disciplining processes become internalized:

'I was not really an excellent guy, at least when I graduated from university, I think [it was] maybe some sort of mistake [that] the firm let me in. I think people in this firm are usually very active and smart. During my university days, I did not study hard, I just had a moderate university life, nothing special…but [after I entered the firm] for some reason, I got the motivation to do something interesting and happened to win the [business plan] contest. I don't think the plan itself was so good compared to others, but I personally talked to a board

member regarding my ambitions and he recognized it and he convinced others, I think… I really appreciate the executives of the firm, so if they want me to stay here [as a president of the subsidiary], I would be happy to, but one day I want to do something similar for newly employees, letting them extend themselves [at subsidiaries].' (Subsidiary President, Advertisement Creation)

The importance of 'growth'

Subsidiary executives pointed out the importance of the growth of both themselves as individuals and in terms of their new spin-outs when working at subsidiaries. These related to the relative autonomy concerning management decision making and recruitment by the subsidiary. In terms of autonomy, all the subsidiary executive informants referred to a high degree of autonomy. Such a recognition of autonomy may be shaped by reference to their days in the headquarters:

'In the headquarters, you have your boss and you get directions, in the company [the headquarters] it does not usually sound like strict order! But, still, somehow you follow the boss. But, after I took up this position [as a subsidiary president], although I often consulted with the headquarters, I basically decide what to do and how to do it. I think the speed for growth is incomparable [to the case of working at the headquarters] and the most important thing is I do is 'decision making'. I search for reliable information, consider who else to ask in the [subsidiary] company, study hard [by myself] and consider the best possible way, but 'best' is continuously changing, you cannot accuse others, that's the pressure I am put on myself.' (Subsidiary President, Smartphone Application)

A second interviewee, who had been seconded into an existing subsidiary from the headquarters, made a similar point:

'I worked at the headquarters in the first three years… then, because of a nomination of the subsidiary president, I was transferred to this subsidiary. We need to make decisions by ourselves. In contrasting with the headquarters, the broader direction was provided, more or less… but, here, our autonomy is much more… we have a different company name from the headquarters, I think those who move from the headquarters [to subsidiaries] tend to see

themselves as a part of the headquarters but we do recruit our own employees, who are registered to this [subsidiary] firm. In a way, our evaluation of subsidiary employees is everything for them, which puts us under significant pressure' (Subsidiary Executive, Smartphone Application)

This relatively hands-off approach from the senior management of the parent company creates the space and necessity for inexperienced individuals to 'grow' and develop their capabilities. This is reported by interviewees as a motivating experience:

'We knew how to make [smartphone] applications, but did not necessarily have the management skills [when we set up the subsidiary]. But, the headquarters just emphasized that this was OK, we should only aim to consider how to increase the number of application downloads! Cost-benefit-wise, they said discuss it in your firm, if necessary, we are happy to give advice. I learnt a lot from this process and would like to make a greater contribution to the firm in the future' (Subsidiary President, Smartphone Applications).

This view of subsidiary autonomy was supported by a second respondent who noted that parent company board members held several roles and responsibilities, which helped ensure their involvement in the day-to-day operation of the numerous subsidiaries for which they were responsible remained limited:

'One of our board members is allocated to the subsidiary as a mentor. There may be some sort of variation regarding the characteristics of board members, some are empowering subsidiary executives, some are more sort of stimulating them by showing some challenges they may want to consider to pursue. One thing they have in common is that board members have their own tasks, and are mentoring approximately five subsidiaries. So, basically they let subsidiary presidents make their own decisions' (Subsidiary President, Advertisement Creation).

Subsidiary autonomy also involved making difficult decisions. This was most obviously illustrated in relation to redundancy decisions, which were in most cases undertaken by those in charge of the individual subsidiary.

'I think the toughest decision I have ever made is about the redundancies. The [subsidiary] firm drastically changed the business focus from the feature phone to the smartphones, we had several engineers and the majority of them agreed to invest their time on

learning skills for smartphones, but a couple of them [who were directly employed by the subsidiary, not the headquarters], we could not accommodate them. I had to tell them and to help them find new jobs either inside our group or outside of the firm. Fortunately they could find new positions, but I think the moment was really giving me lessons in how to realize the implications of the accumulation of my [daily] decision making' (Subsidiary President, Mobile Game Application)

While the subsidiary executives report considerable autonomy and a 'hands-off' approach from headquarters, this is not best understood as an arm's-length, market relationship between subsidiary and parent firm. The interviewees reported a strong sense of 'corporate identity' as can be seen in the management approach reported above.

Strong commitment to the HQ

When asked about their future plans, our subsidiary president informants tended to point out that their preference would be to return to the headquarters.

'I want to return to the headquarters at some point, hopefully as an executive member. I know I am in charge of this [subsidiary] as a 'president' [*shacho*] and I am still early 30s. So, other people [from outside of the firm] often say the next step should be spin-off or spin-out. But my ultimate aim is to do something for CyberAgent.' (Subsidiary President, Mobile Game Applications)

The subsidiary presidents' loyalty to the firm can be attributed partly to the internal promotion/appointment system in CyberAgent. The company intentionally picks employees infused with the values of CyberAgent, emphasizing ambition and ideas for new businesses. It could be argued that their respect of the president/founder of CyberAgent, as well as their identity as a member of the company, act as the most important reasons explaining why they would aim to return to the headquarters. All of our interviewed subsidiary presidents referred to their respect for the president of CyberAgent:

'Everybody [inside and outside CyberAgent] knows about him. I mean he is, I think, one of the most well known corporate owners in the country, he has published several books, the media covers him quite a lot… he has charisma… he is very strict in a sense, but he is very

flexible, as you may know from the dramatic change to the firm since the establishment… so, for me, to work with him at the same level, in the board would be a dream.' (Subsidiary President, Smartphone Application)

Similarly, they mentioned the importance they placed on their self-identity as a member of CyberAgent. We asked subsidiary presidents about their identity, and all except one indicated that their identity as a member of CyberAgent remained stronger than that related to the subsidiary company:

'I do like this firm [the subsidiary] and I cannot choose one, but I think I would say I belong to *CyberAgent*. On top of this, I am the president of [the subsidiary] …so returning to the headquarters is like returning to my home town' (Subsidiary President, Advertisement Creation)

Maintaining a sense of shared commitment

In our understanding of the dynamics of disciplining entrepreneurialism, it is important to emphasize that these individualistic and competitive aspects of CyberAgent have been developed in an organizational context that also retains elements of the associational exchange system of mutuality and reciprocity. The firm has several characteristics often recognised as traditional Japanese management practices, including long-term employment, dense social networks and a preference for internal growth and staff development. The HRM director reported that the firm did not lay off full-time employees because of poor performance: 'We do not practice seniority but do maintain long-term employment. If a manager cannot make his output, this will be simply reflected in his salary. If employees cannot make good progress, it is their managers' fault. That is our basic principle'. In a later meeting he was clear in explaining that the company also maintains a 'mismatch approach' which will see individuals leave the organization if it is concluded that they are not a good fit for the CyberAgent way of working.

We heard from individual employees who were able to confirm that the company is good to its word of giving individuals a 'second chance'. One said, 'I made quite a serious mistake and I was very depressed at that time. But a *senpai* [senior employee] at the company really took good care of me. I still remember when I returned home, that *senpai* sent me a text message and it was simply rephrasing one of the codes of conduct, "give a second chance to

those who are challenged" … [After that] I really felt that I was happy to work for the firm and liked the firm more'.

Discussion

This chapter has focused on the experiences of network actors with a specific interest in individuals who lead spin out firms and the resulting network relations between parent and subsidiaries. The research findings highlight a number of key aspects in interpreting these experiences and the nature of the inter-organizational relationships. First, there is the combination of a management approach that delivers strong processes of socialization and initial induction in combination with rapid promotion opportunities through the creation of subsidiaries. These processes promote normative controls and a dynamic of both individualized competition and personal ambition in conjunction with an identification with the parent company. In this sense, our research distinguishes the disciplining effects of such organizational processes from other discussions of trust as an 'organizing principle' in network relationships (see Möllering & Sydow, 2018)[v]. Our findings are more in line with previous work describing normative controls at the level of the workplace (for example, Willmott, 1993; Sewell, 1998) and consistent with a conceptualization that sees trust and control as a duality (Möllering, 2005). Second, these management controls are incorporated into a fluid, project-based approach to organizing and an emphasis on both subsidiary and personal growth which are promoted and monitored through a relatively hands-off relationship with parent firm executives in the headquarters. Overall, the outcome is a combination of the objective and subjective, the substantively and instrumentally rational, and universalistic and particularistic decision making which result in a distinctive form of moderated market/network arrangements (see Table 2). The disciplining processes of these relationships promote both entrepreneurship and commitment to the parent company.

The focus on network relationships between parent firm and subsidiaries, and the attendant processes, has allowed us to inductively identify a form of disciplining entrepreneurialism which provides new insight into the theorizing on IOC. Through this we

advance an elaboration of IOC that embraces parent-subsidiary relationships and distinguishes disciplining entrepreneurialism from other forms of organization in the following three ways. First, the examination of our 'extreme' case illustrates an intriguing and long-term effect of the network form of organizing on participants' entrepreneurship. This would not be observed without adopting the long-term approach that is a consequence of a process perspective. This is because our findings illustrate the dynamics of the governance structures. In response to problems with labour turnover and as the importance of projects and project networks (network form of governance) became increasingly important, the firm developed a complementary governance structure, utilizing both hierarchy and price-mechanisms and allied to normative controls, resulting in the emergence of disciplining entrepreneurialism.

Second, our 'extreme' case analysis has implications for existing research that focuses on a conventional definition of IOC, and tends to exclude headquarter-subsidiary relationships from the analytical focus. We argue that the conceptual boundary of IOC may usefully embrace headquarter-subsidiary relationships. As represented in Table 2 which reflects the experiences of the subsidiary executives, the nature of what we are describing as disciplining entrepreneurialism is neither market nor hierarchy in the way that it is experienced by the individual members in the subsidiaries, and these subsidiaries move between the two in ways that are not adequately captured as a network. This disciplining entrepreneurship approach can be characterised as substantively rational with social relations of loyalty and self-discipline. This contrasts with networks, which can be seen as extended partnerships, as well as differing from both contractual markets or obligatory hierarchies. Moreover, most importantly, such a notion does not constrain actors' entrepreneurship which is manifested in competitive relations – both in terms of the establishment and operation of subsidiaries – while remaining coherent and committed to the overarching enterprise of the parent company.

Table 2 Comparison of disciplining entrepreneurialism with other alternatives

	Market	**Hierarchy**	**Network**	**Disciplining entrepreneurialism**
Social	Universalistic.	Particularistic.	Typically mixed but	Particularistic.

relationships	Asocial exchanges.	Insiders treated differently.	social relations matter. Combination of strong and weak ties.	But some relationships are relatively hands-off.
Rationality	Instrumental. Contractual relations.	Typically instrumental and contract based. Formal employment relations.	Instrumental (exceptionally substantive). Combination of trust and formal contracts.	Substantive. Normative relations and moral obligations are key following an initial period of moderated market in formation. Instrumental rationality relevant as an element in the growth dynamic.
Meaning	'You pay, I'll work'	'I work out of obligation to the organization'	'I'll work for your benefit, if you'll work for my benefit'	'I work for your benefit, because I am proud of doing that'
Remuneration	Wages	Privilege	Payment	Opportunity
Differentiation	Individualistic	In/out group	Relational	Competitive relations
Relation	Contractual	Obligatory	Extended partnership	Loyalty and self-discipline

Source: Adapted from Beamish & Biggart (2006)

Finally, our findings have practical implications. Balancing employees' entrepreneurship and commitment to the firm has been a conundrum for corporate managers. Our research clearly illustrates a process that enabled the firm to manage these competing notions. In this regard there are similarities with the case study of Google presented by Garud and Karunakaran (2018) which reports the combination of employee autonomy and a disciplining ideology in delivering 'participative experimentation' which in turn produced 'identity-challenging' innovations within the firm. Such balancing may result in the higher satisfaction of employees while encouraging them to actively challenge the status quo of the organization and propose new activities. Although the entire process was not originally designed as a part of the CyberAgent management approach, practitioners may consider how the balancing of these

notions of 'independence from the headquarters' and 'loyalty to the headquarters' are founded on two aspects that have emerged over time. These are the creation of promotion and growth opportunities which in turn produce the space for employees to experience satisfying entrepreneurship. Recruitment and promotion are based on the need to evaluate not only past achievements but 'fit' with the organizational culture and values in ways that resonate with previous studies of normative control and identity regulation. These normative controls and the positive experiences of personal growth and the space and opportunities to act entrepreneurially appear to maintain the corporate loyalty of these entrepreneurial employees.

Conclusion

The focus and motivation for this chapter has been an examination of the experiences of network actors with our specific interest centred on individuals who lead spin out firms and the resulting network relations between parent and subsidiaries. This focus has allowed us to inductively identify a form of disciplining entrepreneurialism which provides new insight into the theorizing of IOC and allows us to advance an elaboration of IOC that embraces parent-subsidiary relationships and distinguishes disciplining entrepreneurialism from other forms of organization and exchange relationships.

Our central questions have embraced two related aspects concerning processes of disciplining entrepreneurialism. They have been about the organizational and management processes that result in the emergence of disciplining entrepreneurialism, and how these processes are experienced by the employee/entrepreneurs. To the first question, the research has illustrated the importance of emergence, that is, organizational processes that developed over time rather than being formulated instantly and in full form or having been transferred from outside the organization. This underscores the value of a process perspective. To the second question, our analysis highlights the importance of the normative controls that discipline these entrepreneurial employees, though this was not explicitly perceived as such by either them nor their colleagues. On the contrary, subsidiary executives were predominantly seen to be on a desirable career path. Moreover, those actually promoted to subsidiary executives displayed highly internalised core values of CyberAgent, hence our development of

the concept of disciplining entrepreneurialism to describe these normative and controlling processes.

Future research is needed to explore whether this extreme case is an outlier or whether this approach becomes increasingly common in responding to the challenges of organizing and delivering digital innovation in rapidly changing and competitive markets. There are certainly similarities with the case of Google that is described by Garud and Karunakaran (2018) which also faces a dynamic environment and has relatively low capital intensity to its innovation activity. Further research on CyberAgent would allow the evaluation of the future development of its disciplining entrepreneurialism approach and an examination of how that is experienced by individuals over extended periods of time.

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[i] Our use of the term 'disciplining entrepreneurialism' must be distinguished from the well-known concept of 'disciplined entrepreneur', the approach to teaching entrepreneurship pioneered by Bill Aulet.

[ii] The SoE framework elaborates understanding of the 'market', contrasting economic concepts with those from other perspectives (markets as social structures and cultural arenas), and providing an analytical framework for interpreting empirical examples. The conventional economic concept of the 'perfect market' is archetypal of the price-based exchange system. In practice, different types of exchange – including differing forms of market, hierarchy or network – may be classified according to the two-by-two matrix.

[iii] http://www.mhlw.go.jp/toukei/itiran/roudou/koyou/doukou/17-2/dl/gaikyou.pdf

[iv] In Japan, university graduates start job hunting usually at least one year before their graduation.

[v] Of course, the concept of trust in IOC is complex. There have been claims that Japanese firms are more trusting and trustworthy (Ouchi, 1981) but other work has pointed to the central importance of social controls and sanctions in 'apparently trust-induced cooperation' in Japan (Hagen & Choe, 1998: 589).