INTRODUCTION—THE 21ST CENTURY STARTUP DEFINED

New business company categories (Luczkiw, 2005) include self-employed independent consultants, small business owners (franchisees and mom & pop operations) and entrepreneurs. The entrepreneurs see themselves as “dream merchants” (Purewal, 2001), formulating plans intuitively (Mintzberg, 1983), building emerging businesses rather than extending and defending existing businesses (Baghai & Coley, 2000). Most importantly, the entrepreneurial company capitalizes on opportunities arising...
from “market transitions and business model shifts” (Fryer & Stewart, 2008) in advance of the overall marketplace.

In the 21st century, the incumbent businesses are bureaucratic and dysfunctional as a result of the breakdown of traditional distribution channels and growth of social media communications channels. Companies balance between the short-term “business as usual” (BAU) while simultaneously attempting to satisfy the long term through overcoming existing deficiencies in the business model (Seppanen, 2008). These business model changes pertain to a wide variety of industries and are accelerating in the 21st century as a result of widespread consumer access to online services, emerging payment services, social media, mobile technologies, wearable computing and smart television devices. The groups within an existing business exploring new ways of working with consumers and focusing away from BAU are “internal startups” (Hoskisson & Busenitz, 2001) or “skunk works” (Fosfuri & Ronde, 2009). The primary focus of this article is startups comprising entrepreneurial driven companies and internal company startups or skunk works.

THE BUSINESS ENVIRONMENT CHALLENGE OF INTERNAL STARTUPS

The internal company startup groups form part of small to mid-size organisations operating in a business as usual (BAU) manner yet the environment in which they operate is changing drastically. For example, the global retail environment is undergoing tremendous pressures from customers purchasing online. In turn, the large retail chains desire to work directly with manufacturers bypassing the distributors to obtain a greater margin. Under this circumstance, the distributor faces total extinction or move to a future state transforming to become a brand owner dealing directly with consumers online (Figure 1). Thus, the distributor bypasses the retailer online and finds creative approaches to working in-store (offline).

In light of this, the distributors failing to transform are unlikely to remain in business over the forthcoming 3 to 5 years. New players as brand owners will replace the distributor of 2012. Software organisations face similar challenges. The software as a service model forces the traditional software supplier to reinvent or die. In the service model the software supplier no longer receives a capital expenditure but an ongoing monthly fee for customer access to the software.

Further compounding the issues of changing business environments is recognition within internal startup organisations, the existing culture fosters minimal risk taking and maintains the status quo. Hence, a company operating as a wholesaler maintains BAU without in some cases even exploring the potential of E-commerce while in some countries including Malaysia the level of e-commerce is “... in it’s infancy” (Mansour & Abidin, 2010). Clearly, these businesses not even leveraging E-commerce find participation in social media untenable. This stems not from the lack of business value if any but an allocation of limited resources. One company after another views the opportunity of social media as an additional task alongside the existing work activities of employees. Supporting this lack of resourcing is apparent in the formal use of social media in small businesses within the well-developed Australian economy with only a small uptake by 17 to 25% of businesses (Hammond, 2011). This approach to entirely depending upon resource allocation to leverage e-commerce and social technologies is flawed. Achieving success in e-commerce and social media to support change and moving away from BAU requires dedication of resources. The writing on the wall is clear, small (startup) businesses will fall behind even further through non-adoption of not only social media and e-commerce but emerging technologies. What is the way forward?
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