

Innovation in the Platform Economy: The Case of Tencent

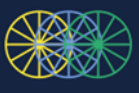
Xiaolan Fu

Technology and Management Centre for Development

ODID, University of Oxford



UNIVERSITY OF
OXFORD



TECHNOLOGY and
MANAGEMENT CENTRE
for DEVELOPMENT

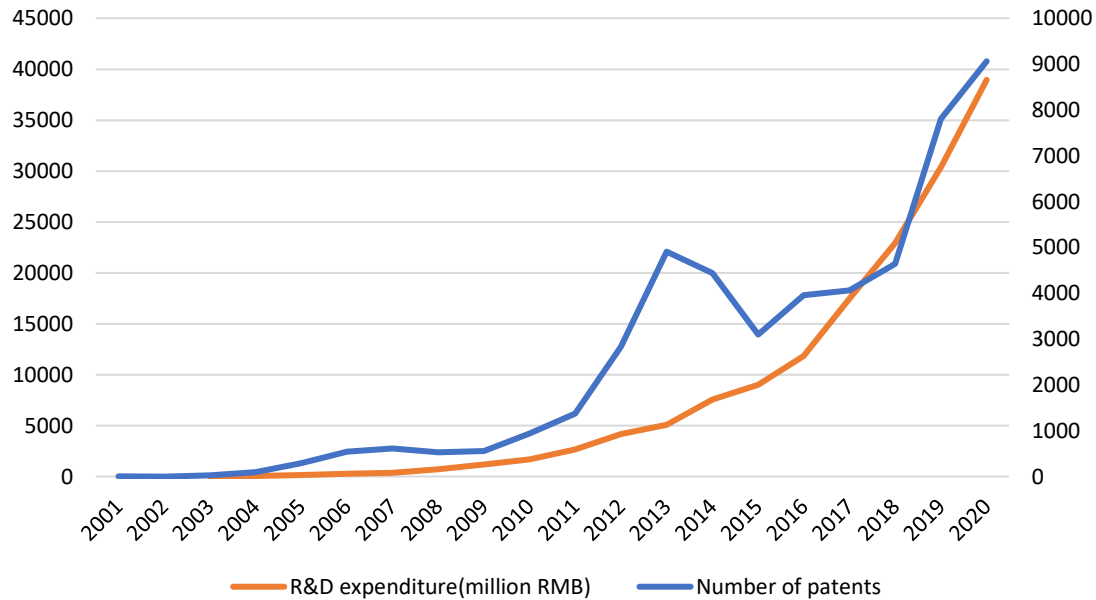
Motivation of the research

- Digital revolution offers opportunities for inclusive & sustainable development
- China's internet companies have risen to the world frontier
- How did Chinese internet giants innovate to the frontier?
- What is different in China's approach to innovation?
- What lessons can Chinese experience offer to other countries?
- Little academic research on China's internet companies
- We explore these questions through an in-depth case study of Tencent.

Research Design:

A case study of China's Internet Giant - Tencent

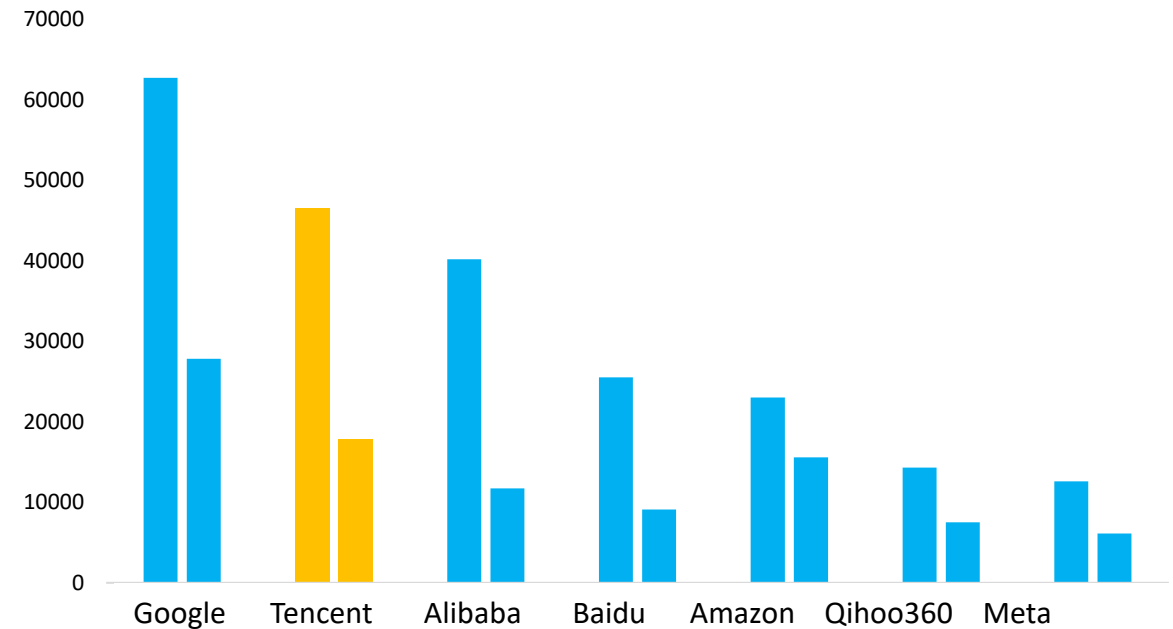
Theoretical sampling: Success, one of two major giants, 20 years



In 2020, 68% are R&D staff
 In 2022, 74% are R&D staff

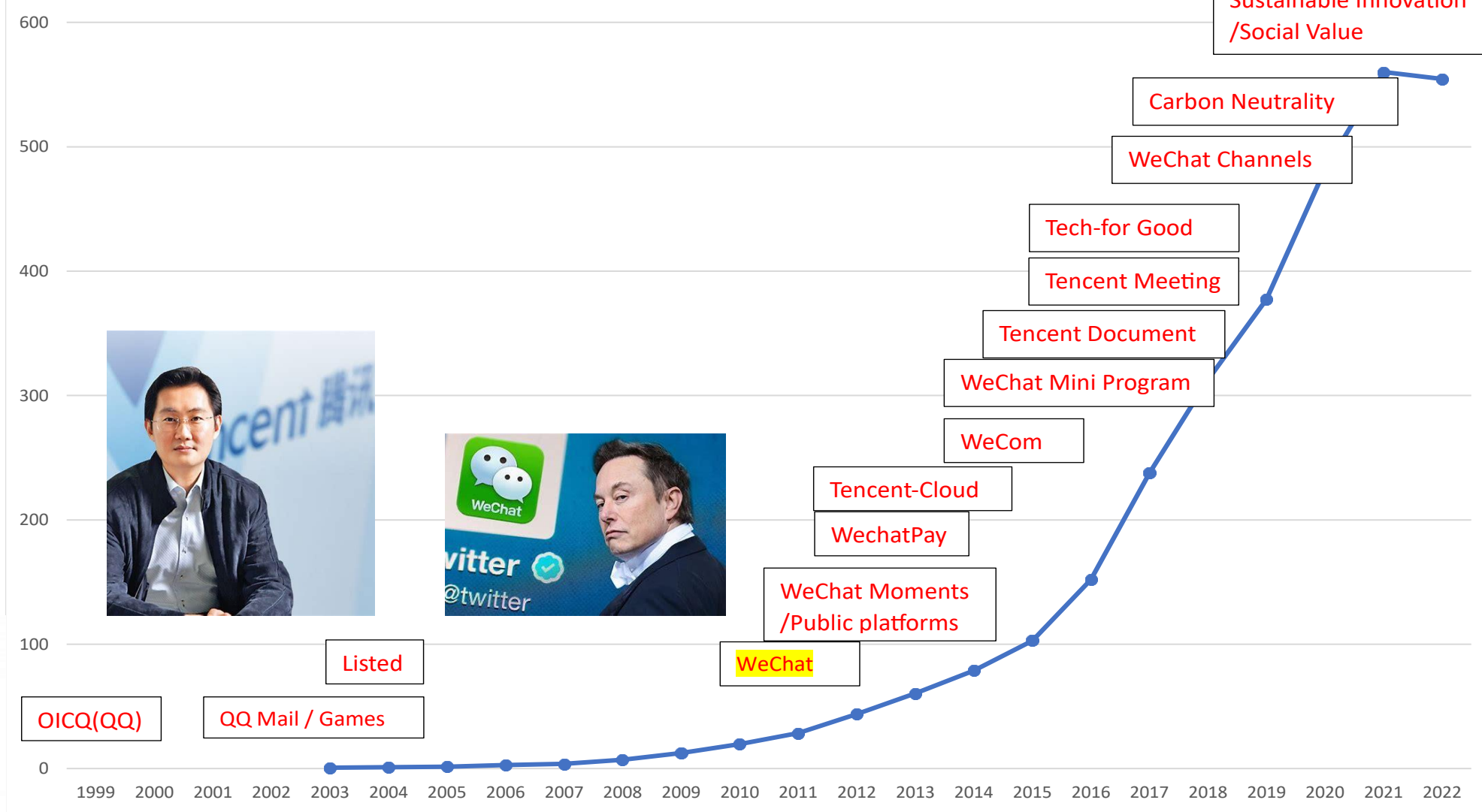
Source: Patentics & Derwent (April 2021)

Patents app/granted in major countries



Source: Patentics & Derwent (February 2021)

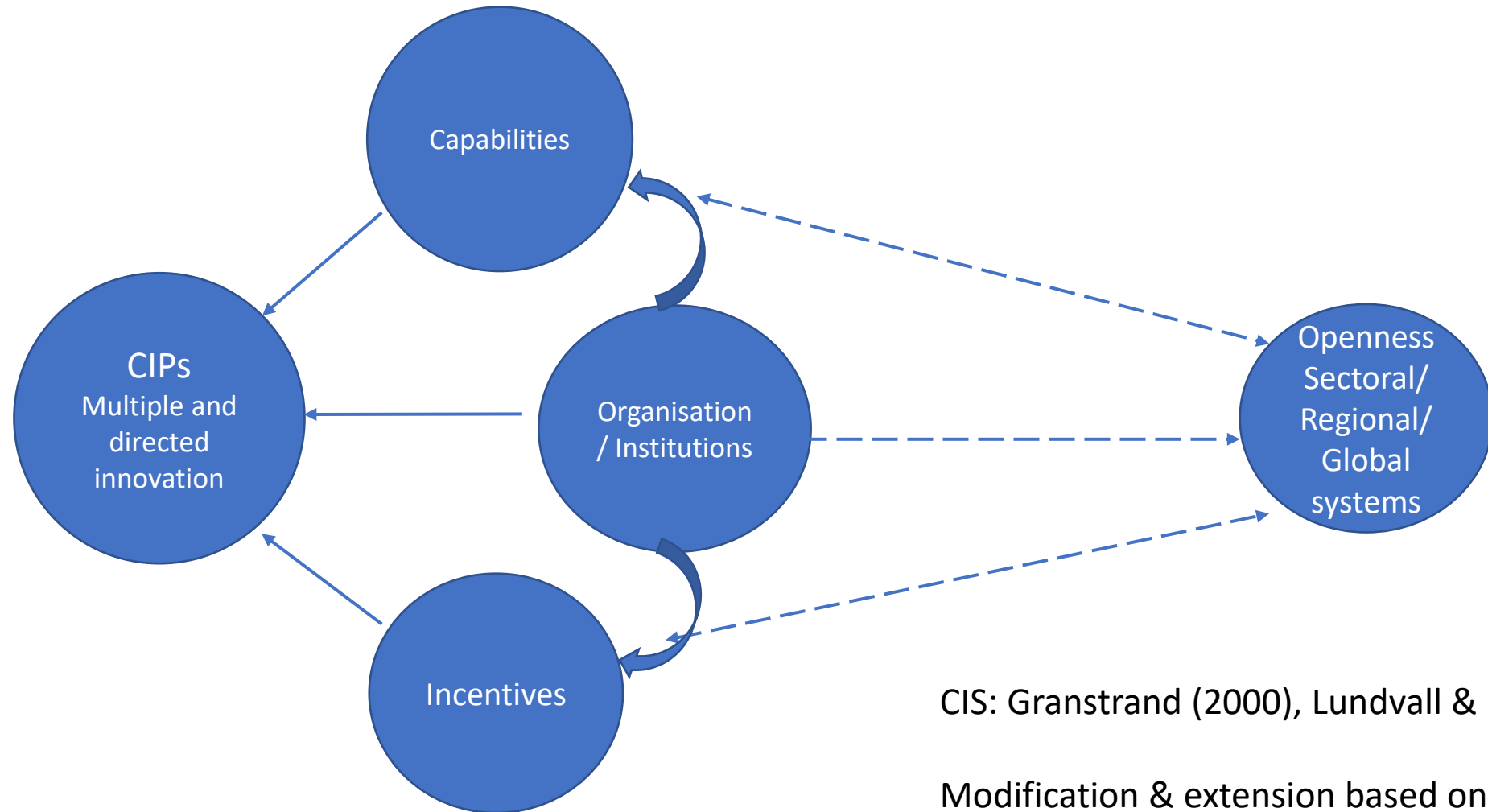
Annual revenue of Tencent (bil RMB)



Contribution of the research

- Contribute to the **corporate innovation system** literature by providing theoretical and empirical analysis of the constructs of the corporate IS and the interrelations between them that are important for the innovative performance
- In-depth analysis of the impact of organisation structure and incentives on creativity of individuals. Go beyond financial incentives, focus on non-financial incentives
- Examine the impact of digitisation of management on innovation of employees.
- Explore **micro evidence** at individual level, both quantitative and qualitative
- The **first academic study** of Tencent's innovation capabilities development, based on **first-hand** material: 57 interviews, focus groups, and 1970 employees survey.

Analytical framework - Corporate Innovation System



CIS: Granstrand (2000), Lundvall & Rikap (2022)

Modification & extension based on Lall (1992),
Fu (2015), Fu & Zhang (2022)

1. Competition and cooperation in a federal company: **organisational resilience** to foster innovation
2. Serving talents through digital human resource management: **motivate** great innovation
3. Flowing water for dynamic minds: **internal mobility** to bolster innovation
4. Building a collaborative **open ecosystem for co-growth**: the case of WeChat
5. Developing **superior products** by continued product innovation: the case of QQ & Tencent-Docs
6. Maximise the value of platforms: **Social innovation and social value creation** in the platform economy

Research Methods [2021-2023]



- A combination of qualitative and quantitative methods
- Explore micro evidence at individual level
- In-depth interviews with stakeholders
- An employee level online survey within Tencent, at the end of 2021.
- Sampled 30,000 staff; **1970 people** valid responses, resp. rate: 6.6%
- Link the survey data with patent data, administrative mobility and attributes data.
- Final sample after cleansing: **1344 employees**.



Advisors



Topics	Department	Number of participants	Forms
Digital HRM	HR department	16	Interview
	Business departments	14	
Coopetition	Business departments	14	Interview
WeChat ecosystem	WeChat group	4	Interview
Product development and innovation	Tencent Docs team	3	Interview
	QQ team	2	Interview
Technological innovation	Open-source team, Tencent Quantum Laboratory	2	Interview
Social innovation and social value creation	Sustainable social value department	1	Interview
Innovation model	Social research center	7	Focus group
Others	Patent department, Tencent Ads team, Tencent meeting team	8	Interview
Total (by May 2023)	--	57	

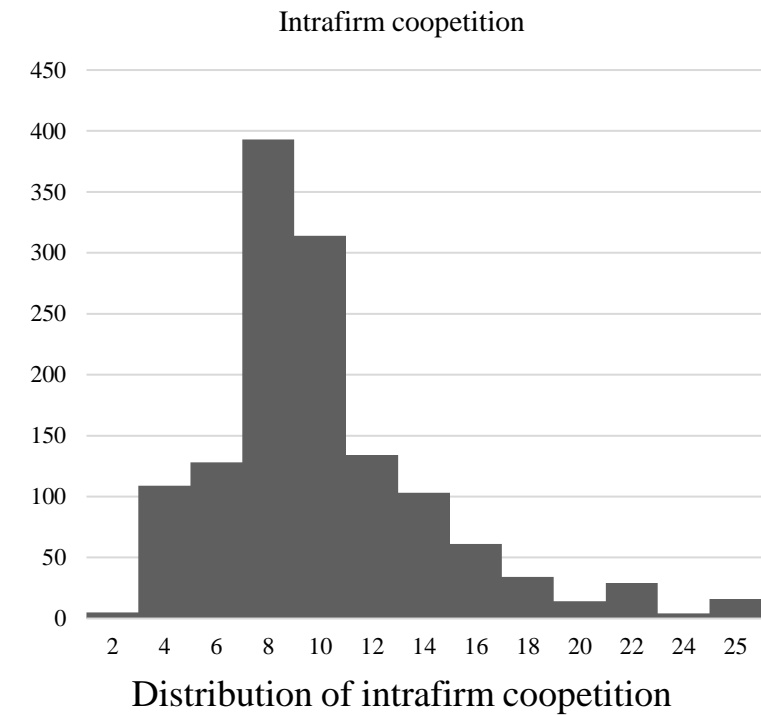
Main findings [interim]

– Tencent's innovation approach & corporate innovation system

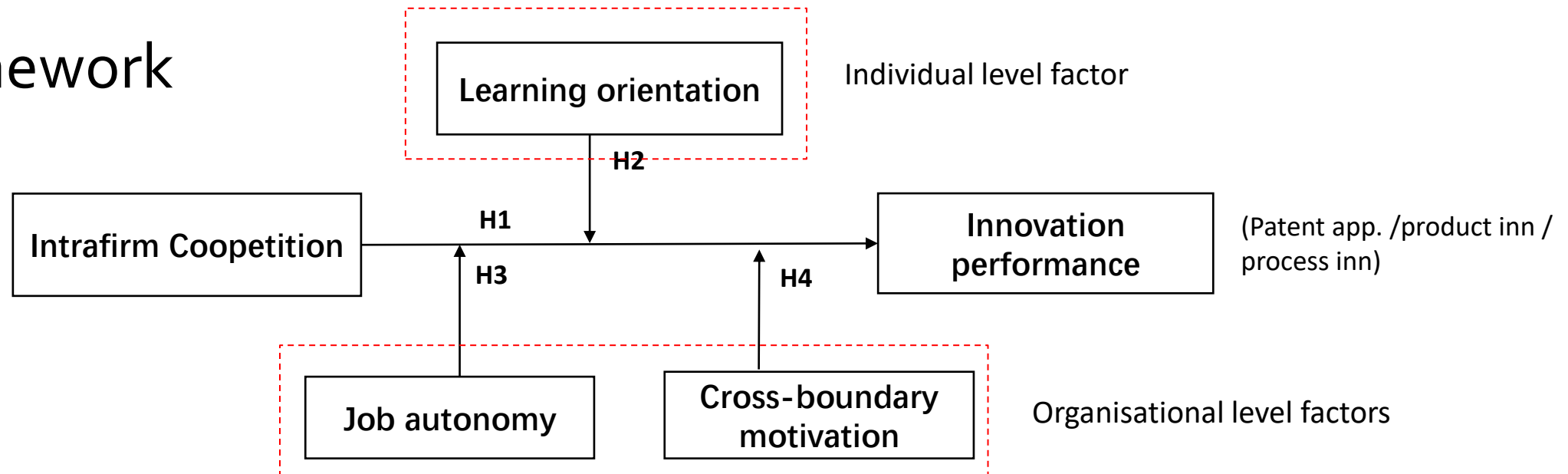
1. Process innovations-supported superior products
2. Market-type organisation –Autonomy, freedom, coopetition, internal mobility
3. Self-motivated talents
4. Open Corporate Innovation System
5. Inclusive – internal and external (empower & co-growth)
6. Directed innovation – tech for good; business value, social value
7. Platform-based ecosystem: autonomy, digital mgt, co-growth

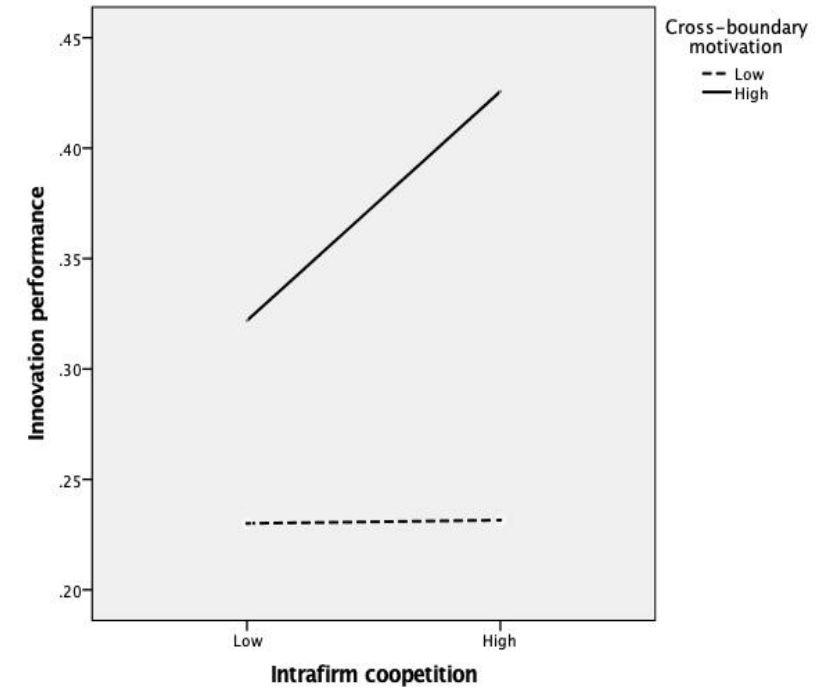
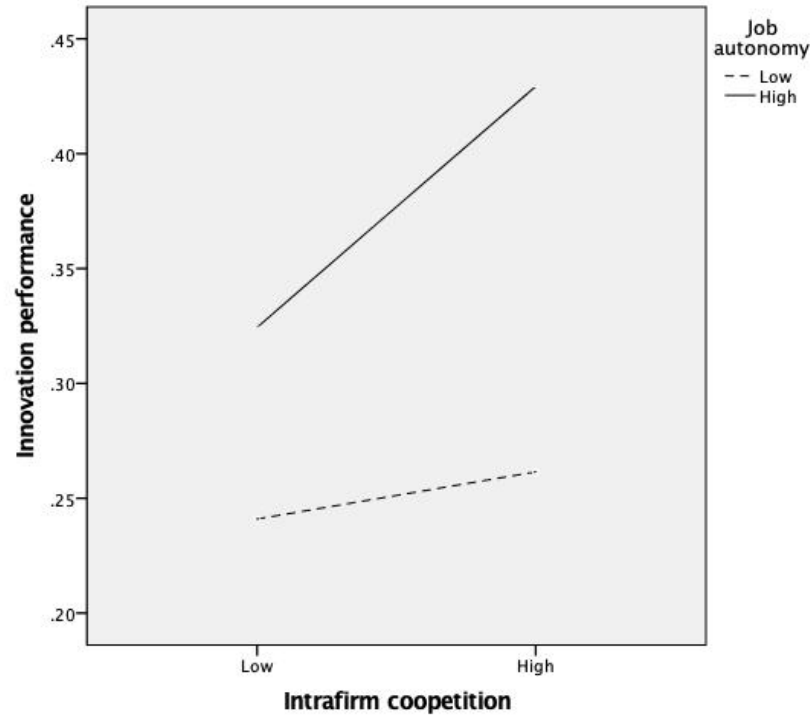
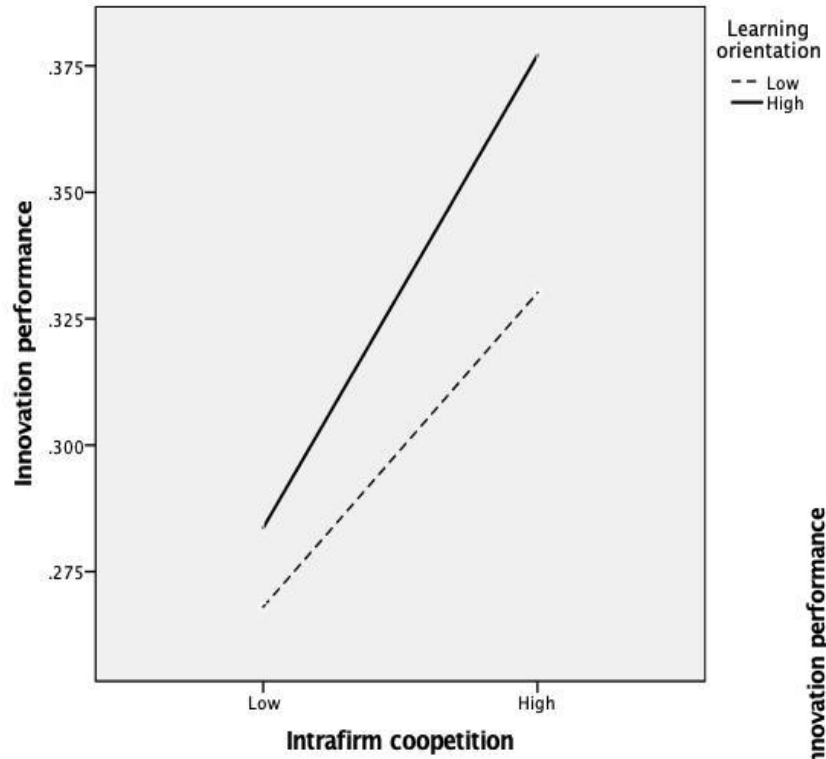
Intrafirm coopetition and innovation

- Previous literature on intrafirm competition in Tencent
- We find actually a lot coopetition
- **RQ:** What is the impact of intrafirm coopetition on employee innovation performance?



Framework





Intrafirm cooperation significantly promote the quality of innovation, but not competition.

Findings

- Intrafirm coopetition promotes innovation performance.
- Positively moderate the relationship between intrafirm coopetition and innovation performance.
 - Individual learning orientation
 - job autonomy and
 - cross-boundary motivation
- Intrafirm cooperation significantly promote the quality of innovation,
 - but not competition

Incentives, internal mobility and CIP

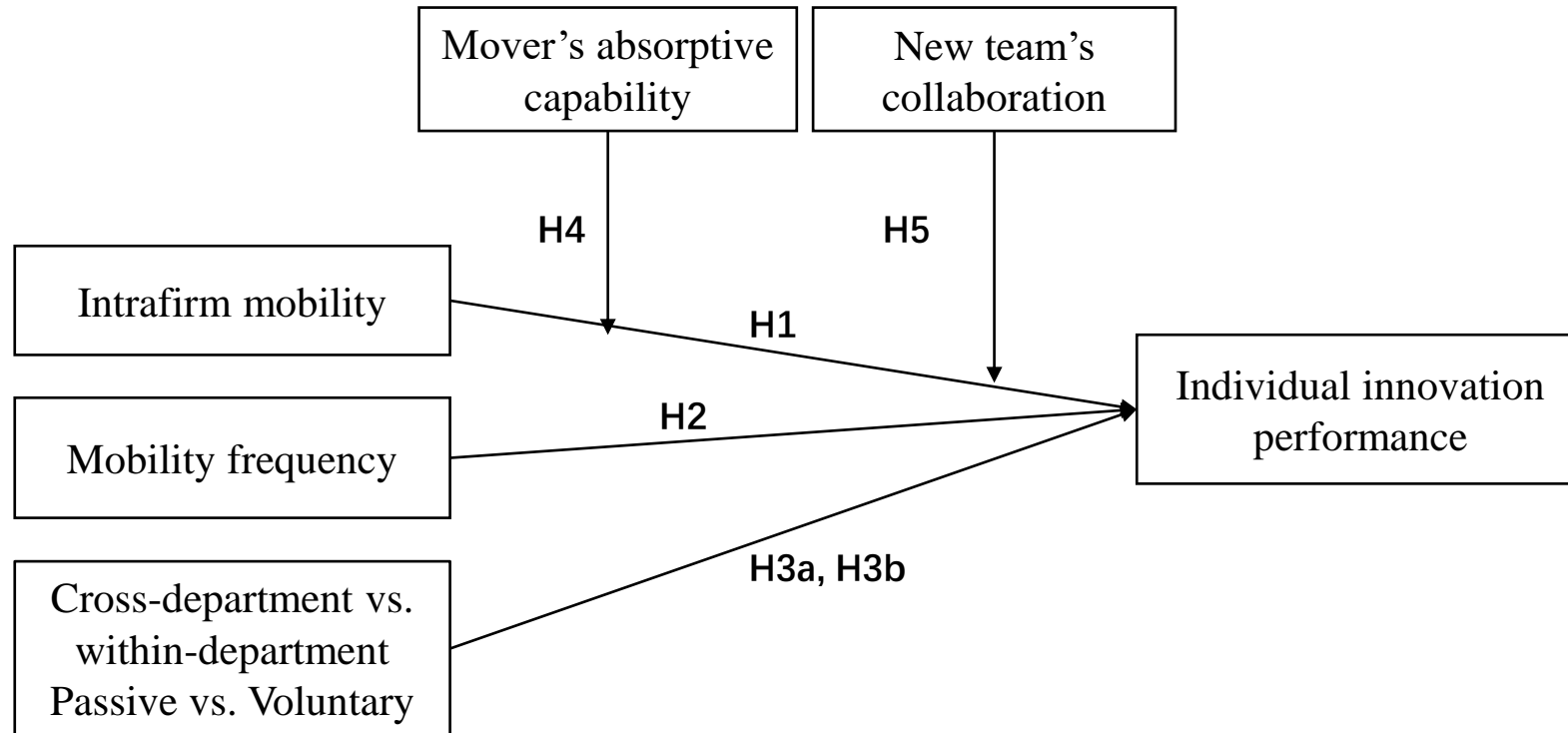
➤ Encourage self-motivation and autonomy

- “Tencent is a company where employees are **highly self-motivated** and have a **high level of autonomy.**” — Employee 2
- “In other companies, it is more likely to be top-down management and authoritative control. However, in Tencent, it is **not about managerial control.** We are serving and supporting employees.” — HR staff 6

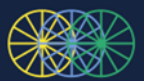
➤ Market mechanism – free and effective talent mobility

- “The ‘**Flowing Water**’ (活水) program provides a **market mechanism** to allocate talent effectively. When employees can find their own passions and keep being energetic, then the organisation will be more dynamic.” — Xi Dan, SVP and Head of HR, Tencent

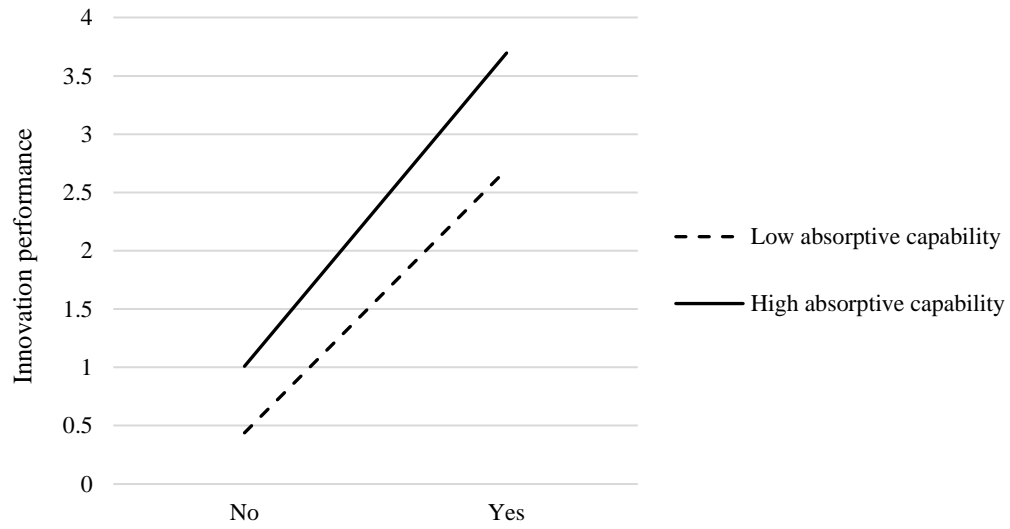
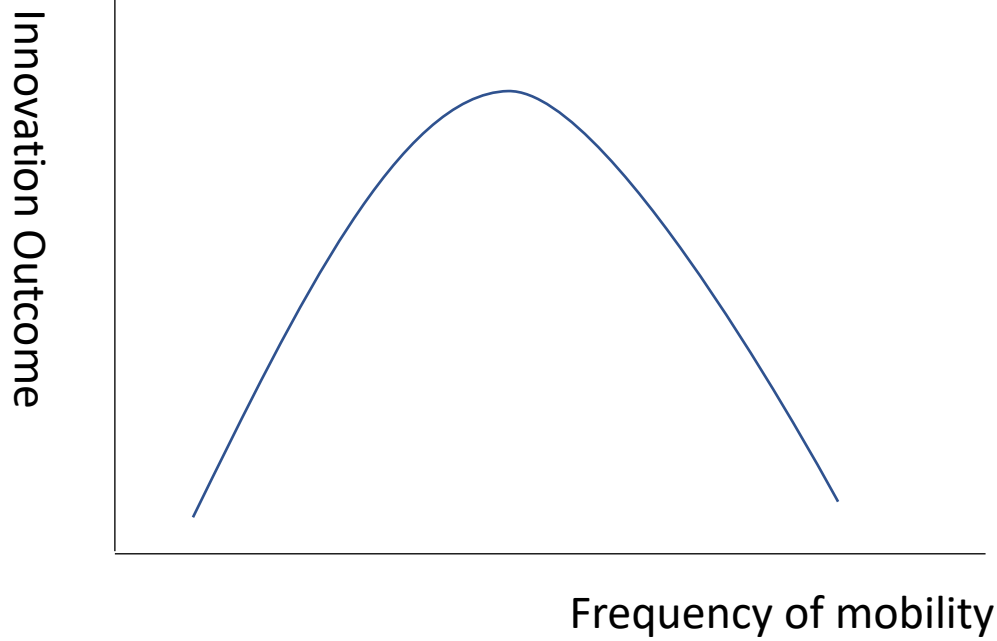
Analytical Framework



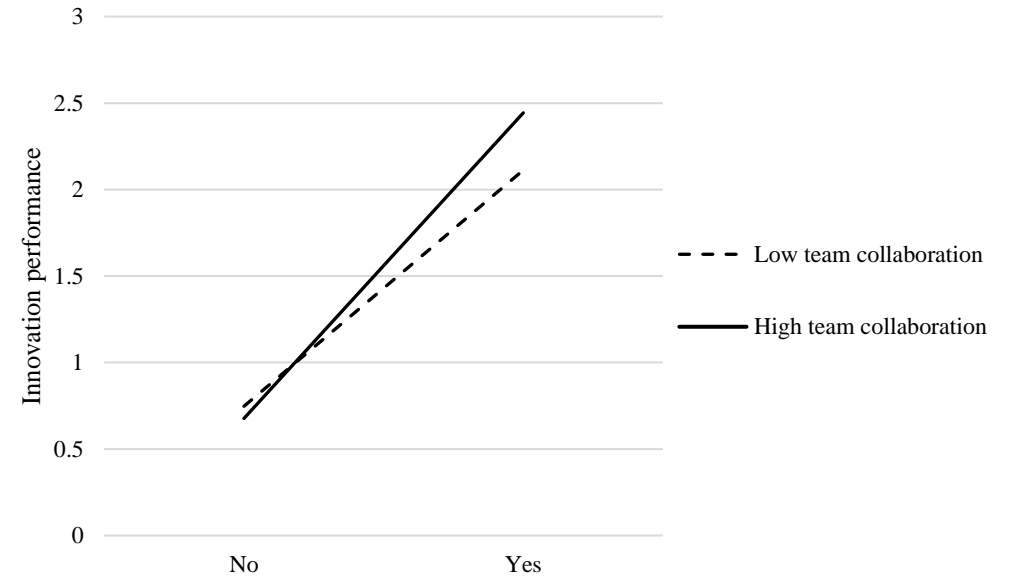
Innovation outcome measured by number of patent applications in the past three years



Internal mobility & Innovation



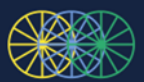
Moderating effect of the mover's absorptive capability on innovation



Moderating effect of the recipient team collaboration on innovation

Findings

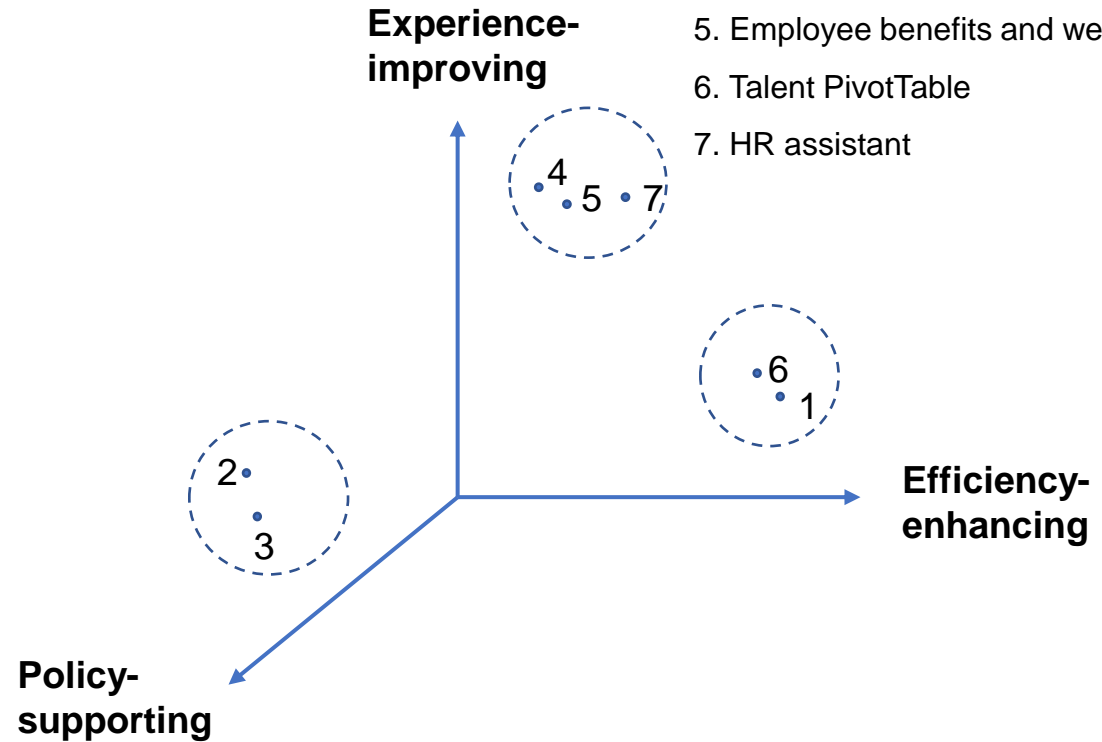
- Intrafirm mobility could promote mover's innovation performance.
- Mobility frequency has an inverted U-shape relationship with innovation performance.
- Cross-department mobility has a higher positive effect on innovation performance than within-department mobility.
- Voluntary mobility has a higher positive effect on innovation performance than passive mobility.
- Mover's individual absorptive capability moderates the relationship between intrafirm mobility and mover's innovation performance.
- Team collaboration moderates the relationship between intrafirm mobility and mover's innovation performance.



Digital Productization of HR Services

➤ Driven by **corporate HR value – serving talents**

- “For Tencent, business and funding are not as important as employees are. People is the **most irreplaceable and the most valuable treasure** for us.”
- Pony MA, Founder
- “Our HR department is **not managing** but **servicing people.**”
- XI Dan, SVP and Head of HR



1. External recruitment products
2. Internal recruitment products
3. Objective and performance management products
4. Training products
5. Employee benefits and well-being products
6. Talent PivotTable
7. HR assistant

Objectives of Tencent's digital HR services products

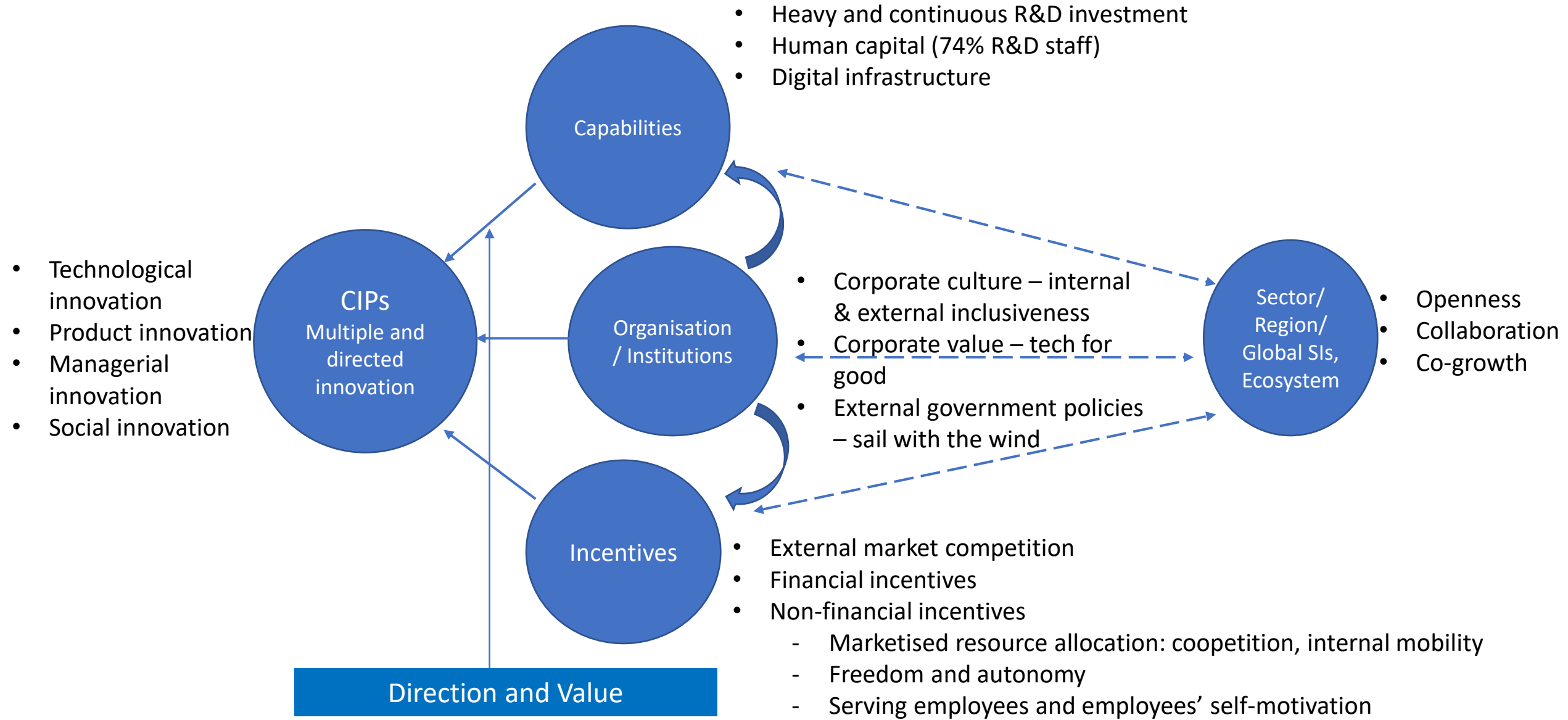
Findings

- Productisation provides a pathway to transforming HRM functions into HR services
 - not only for managerial purposes, but also for employee experience
 - balance *customer* logic and *user* logic
 - the **actors'** (employees) involvement and coordination in the process
- not over-do - a feasible and sustainable productisation of HRM
- Promotes innovation by **empowering people and enhancing their self-motivation**

“These products are not like some cold-hearted tools for us, or something that companies impose on us. I do feel that these products are **truly supporting us**, not only about our work but also relating to our life.” (employee 3)

“When we fulfil the goals for a team, it needs everyone to get involved. Such things can be achieved by our OKR tools and training platform. These products **empower us** bec there is less control from line managers. We can concentrate on our own tasks and fulfil them by **self-motivation.**” (employee 4)

Corporate Innovation System: The case of Tencent



Managerial and policy implications

- **Managerial implications**

- Introduce appropriate and innovative incentives to inspire creativity in organisations
- Build market-type organisations – freedom, autonomy, coopetition, internal mobility
- Foster inclusive organisational culture – employees, customers, business partners
- Emphasize not only business but also social value for innovations
- Ethical & warm digitalisation in management, not just in business operations

- **Policy implications**

- Encourage firms to actively adopt non-financial incentives to promote innovation
- Encourage open and collaborative eco-systems in the market, inclusive of different players
- Support to develop digital-enabled managerial capabilities, including SMEs
- Share good practices from successful innovators in the Global South, and help firms in developing countries for digital transformation and innovation in the digital era

Thank you!

References

- Fu, X., and Ding, X. (2022) Intrafirm Coopetition and Innovation Performance – Employee Level Evidence. Presented at R&D Management Conference, July 9-12, Trento, Italy. BAM Conference, 31st August - 2nd September, Manchester, UK.
- Fu, X., and Ding, X. (2023) Intrafirm Mobility and Innovation Performance – Individual-level Evidence. Presented at Strategy, innovation and Entrepreneurship and International Business Conference 2023, 11th April, Manchester University, UK. Accepted by EURAM 2023, AOM 2023, BAM 2023
- Fu, X., and Wei, W. (2023) Digital Productisation of HRM and Delivery of Human Resource Services: The Case of Tencent. Accepted by EURAM 2023, AOM 2023, BAM 2023
- Fu, X., Yip, G., Ding, X. and Wei, W. (2023) China's everything online company: Innovation Story of Tencent. Monograph to be submitted.

