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Jiangzhang Liang: A successful entrepreneur

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1 Introduction

Jiangzhang Liang, a successful entrepreneur, is reckoned with in OTA industry of China. In the year 1999, Liang formed his own company, Ctrip, which was the first company of OTA industry of China listed in the NASDAQ. Liang is also an outstanding leader, who made Ctrip become the most famous and profitable online travel agency in China. Therefore, the leadership style of Liang is entrepreneurial leadership. According to the definition of Gupta, Liang is a leader with the entrepreneurship, meanwhile, he is also an entrepreneur with leadership. Throughout the story of Liang, the unique contributions to entrepreneurial behavior in his organization has been made, including focusing on opportunity with insight, framing the challenge, transforming with competitive environment, absorbing uncertainty, and taking the burden of risk for the future.

2 An innovator in tourism industry of China

In 1999, Internet industry in China had just started. Jianzhang Liang, who recognized the development potential of the country, left Oracle, the world's largest software company, returned to China to construct his own firm. Considering the advantages and disadvantages of the tourism industry developing in the Internet era, Liang quickly identified the development direction of his company. Based on the business models of Booking and Priceline, which were already successful in the OTA industry at that time, Liang set up Ctrip. With the support of a sophisticated team in terms of Internet technology, business investment, business operation and industrial experience, Liang guided Ctrip to overcome many difficulties in the early stages and well developed. In 2003, Ctrip listed in the NASDAQ, the US, which made Ctrip become the first stock of OTA industry in China, with the market value of more than 4 billion US dollars. With the rapid development of Internet technology, especially the large-scale promotion of mobile smartphone, the OTA industry has ushered in a new challenge. At the beginning of 2013, Liang came back again from a lecturer in Beijing university to be the executive officer of Ctrip. He adjusted the development strategy of the organization, re-designing the layout of Ctrip in the mobile Internet field in two years. After Liang successively

acquiring eLong and Qunar, the Chinese tourist industry officially entered the era of Ctrip in 2016. From then to now, Ctrip has been the leader of the OTA industry. Jianzhang Liang, who founded the Chinese largest tourist enterprise, is a successful entrepreneur to be reckoned with in OTA industry of China, and an innovator in Chinese tourist industry.

3 Entrepreneurial leadership

3.1 Definition of entrepreneurial leadership

In order to cope with the uncertainty raised by the environment, the core competitive advantage of enterprises can be kept by shaping their entrepreneurship. Thus, the organizations can perform better and effectively to stimulate the growth of enterprises(Hayton and Kelley, 2006). The researchers in and abroad have made extensive discussions on various factors that drive corporate entrepreneurship, among which the research on the influence of leadership style on corporate entrepreneurship has been paid increasing attention(Ling *et al.*, 2008). Entrepreneurial leadership, a new leadership style, is a combination which mix the characteristics of the entrepreneur, as well as the successful leader(Huang, Ding and Chen, 2014; Renko *et al.*, 2015). Entrepreneurial leadership refers to a leadership style in which leaders take the initiative to create a future vision and share the vision with employees so as to encourage and mobilize them to create strategic value for their organization, and then make them actively commit to exploring and discovering the realization approach of that value(Gupta, MacMillan and Surie, 2004). Entrepreneurial leadership is regarded as an important element for new enterprises to effectively build their own competitive advantages in the environment of high-speed dynamic competition. It is highly correlated with the strategy, which emphasizes that companies need to improve organizational performance through organizational change, continuous innovation and risk taking in an uncertain environment(Chen, 2007).

3.2 Liang: an entrepreneurial leader

Entrepreneurial leadership is proposed based on the theoretical framework of strategic

entrepreneurship. Since the concept was proposed, definition was varied across scholars. This report adopts the definition of Gupta(Gupta, MacMillan and Surie, 2004). Gupta defined entrepreneurial leadership as a leadership style in which leader could create an organizational vision, mobilizing followers to be loyal to that vision and encouraging them to explore value creation. From my perspective of understanding the definition, I think Liang is an entrepreneurial leader, as his behavior fits what Gupta denoted the entrepreneurial leadership. The characteristic of the successful entrepreneur and the leader can be found in Liang. He constructed a common vision at the beginning for his organization. During the growth of Ctrip, he always analyzed every change in the market with the creative perspective on problems and seize the business opportunities accurately and quickly(Yang, 2016). Moreover, he often encouraged employees to be innovated and created, so as to make entrepreneurial opportunities come true. Also, employees of Ctrip always worked together to create value with his encouragement(Tang, 2004). In addition, the strategy of his organization constantly be adjusted according to the changing environment in the development of company, so as to enable the company to sustainably develop.

4 Unique contribution to entrepreneurial behavior

4.1 Focusing on opportunity with insight

The theory of strategic entrepreneurship indicates that entrepreneurial leadership is a key driving force in the process of formation of a new venture. Entrepreneurial leaders take action of innovation and promote creativity though managing the strategic resource of new enterprises based on opportunity orientation.(Ireland, Hitt and Sirmon, 2003). Many scholars believe that the leadership style of entrepreneurs plays a very important role in constructing the innovation environment for organization and adapting to the market of high-speed dynamic competition, therefore, it is one of the core elements of the strategic management of new enterprises(Swiercz and Lydon, 2002). Based on the theory of strategic entrepreneurship, entrepreneurial leadership has an important impact on the strategic resource management of opportunity-focused. That is, through the opportunity-orientation allocation, integration and reconstruction of enterprise

resources, it would further affect the innovation, strategic renewal and new business development at the enterprise level.

In 1999, China's Internet industry had just begun, when many startups pinned their hopes on the pure network economy. Liang considered that such business mode of interactive information and transactions did not require delivery, was more profitable, and more advantageous compared with traditional industries. But for dispatch, it would take a lot of money to build a distribution system, which could not be established in one year or two. Therefore, Liang found a way to develop tourism industry by incorporating the Internet with tradition approach. Then he acquired a domestic leading travel company, which integrated Ctrip with other industries. What he did made the company quickly embark on the road to profitability.

4.2 Framing the challenge

According to the theory of entrepreneurial leadership, entrepreneurial leaders prefer to challenge themselves. They are also in favor of discovering potential of employees to the greatest extent. They attempt to set challengeable goals, encourage to think independently and break through the stereotypes of thinking pattern, and mobilize members to actively engage in activities which can create strategic value for organizations(Wang, Tee and Ahmed, 2012). Innovation is the key element activity of firms to continue to create strategic value. However, innovation itself is a big challenge. Therefore, entrepreneurial leaders encourage their followers to actively engage in innovation, and strive to promote the development of firms' innovation activities(Townsend, Busenitz and Arthurs, 2010).

At the beginning of the company, Liang proposed that Ctrip should produce service as what manufacturing industry did and set up the standardization of service quality, so as to make the development of organization healthy and sustainable. In order to achieve the goal of accurately controlment of service quality, Liang applied the Six Sigma quality strategy of manufacture industry into Ctrip since the end of 2001. It was

conducive to continuously refining the service process and dividing virtual services into operational tasks which could be quantified and controlled. Therefore, the service quality would be evaluated by completion of these tasks. This mode of Ctrip was the best in China at that time in terms of technical content, process, personnel management and service level. However, it was very difficult to reach the requirement, because services like tourism are not easy to standardize. A zero-defect service standard was a daunting challenge for all members. As a result, Ctrip did it and it was this high standard service that made Ctrip the largest and most successful online travel agency in China.

4.3 Transforming with competitive environment

Entrepreneurial leadership is an important driving force of enterprise innovation (Lloyd, George and Tarabishy, 2005). It is the essence of entrepreneurship to continuously question the inertia of organizational structure, while the existing structure of the organization resists such action. Therefore, it is necessary for leaders to actively guide the rational allocating resources through their behavior, so as to make company effectively compatible with environment and resources (Chen *et al.*, 2014). One of the key objectives of entrepreneurial leader is to make firms flexibly adapt to the change of the competitive environment (Li and Zhang, 2006). Therefore, for one thing, entrepreneurial leader would change inertia within organization through the goal-setting transformation. For another thing, entrepreneurial leader also actively promote adjusting the organizational structure to adapt to the strategic change (Surie and Ashley, 2008).

In 2012, Ctrip suffered the biggest decline in performance since its establishment, because Ctrip's competitors abandoned the strategy of follow-up and imitation and shifted their business focus to online services. Liang also argued that it was the trend of the e-commerce industry. Therefore, he quickly responded and made three changes to adopt the future industry environment from the perspective of technological innovation, including development direction adjustment, organizational structure innovation, and incentive method creation. First of all, Liang integrates products such

as air ticket reservation, hotel reservation, travel products, ticket of attractions and car rental, launching a new travel agency mode in mobility, promoting the transformation of company from OTA (online travel) to MTA (mobile travel). Moreover, Liang changed the organizational structure and built BU (Large business unit) and SBU (Small Business Unit) to maintain the vitality of company. In addition, Liang made these BUs and SBUs operated independently, so as to maintain a keen response to the market and keep passion of startup.

4.4 Absorbing uncertainty

On the one hand, entrepreneurial leaders can keep insight and high sensitivity to market changes. On the other hand, they take the initiative to obtain more comprehensive market information timely through the interaction and communication with shareholders, employees and other stakeholders of the company (Todorovic, Todorovic and Ma, 2015). These activities would help the entrepreneurs lead all the organization members to work out competitive strategy which adapts to market changes, so as to keep the development of companies flexible.

In 2011, Liang accidentally found that Ctrip's competitors had cheaper air fare and better service quality. He immediately realized that the situation was not simple. As expected, Ctrip was suffered the largest decline in performance. However, Liang predicted this situation in advance, and quickly took actions, promoting merger and acquisition of Ctrip with other tourist firms. In the next few years, Liang invested with capital to participate in or hold shares in other competitive companies. It took three years for Liang to get Ctrip out of a valley gradually and call for rational competition in the tourist industry. The overall profit of the online travel industry has also returned to a better level.

4.5 Taking the burden of risk for the future

Entrepreneurial leaders are brave to burden all kinds of risk-taking, ambitious to seize new opportunities, and optimistic to face the challenges and possible failures. In order

to achieve higher performance, they actively carry out risk activities, which is conducive to the realization of organizational goal(Lloyd, George and Tarabishy, 2005). Therefore, entrepreneurial leadership is helpful for organization to expand their living space though the new business development and the new market exploration.

In 2010, Ctrip's stock price was very good, and its profits were ahead of other competitors in the industry. Almost all believed that the company had been very successful. However, Liang argued that Ctrip's competitors were mainly startup companies, who were supported by venture capital. In the first few years of their start, they did not consider the cost. In this way, if Ctrip tried to compete with them, it should consider long-term profit rather than short-term profit. Therefore, Liang changed the goal of development, viewing market share as a key performance indicator. Ctrip used to be a profitable company. After the transformation, it began to pursue market share. Although the growth rate has increased, the profit has declined in the short term. It required more interaction with the capital market. However, at present, although this action of Liang has to burden many risks, this strategy is recognized across the tourist industry. Ctrip is still the leader of online travel industry, and its position has been well consolidated so far.

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