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## **Effectiveness of the entrepreneurship orientation as a strategy for flexibility in marketing**

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### **Introduction**

Across the world, nations and firms are becoming progressively more sophisticated and well-educated. All markets increasingly demand innovative, higher quality products and services due to the pressure for change. Innovative products, processes and management methods are spreading rapidly across the globe (Balwin 1997). Going forward marketing must be 'holistic' and less departmental. Marketers must achieve larger influence in the company if they are to be the main architects of the business strategy. (Kotler & Keller 2006)

Empirical evidence suggests that a significant relationship exists between an enterprise's marketing and entrepreneurial orientations, both of which directly impact organizational success. A growing body of literature has focused on the role of marketing in SMEs, although some scholars have also addressed the application of entrepreneurial concepts to the marketing side of an enterprise – regardless of organization size or age. In these cases, attempts have been made to transfer entrepreneurial concepts to marketing concepts, such as marketing strategy, product development, sales, or buyer behavior. Many entrepreneurial activities, such as the identification of new opportunities, the application of innovative techniques, the commercialization of products, and the satisfaction of customer needs in the chosen target market are also elementary aspects of marketing theory.

On the other hand, many researchers have tried to apply marketing ideas to new enterprises. Without doubt, marketing plays a crucial role not only in developing, producing, and selling products or services, but also in guiding recruiting efforts and raising capital. However, it can be concluded that successful entrepreneurs undertake marketing in unconventional ways. Entrepreneurial firms in fact often exhibit marketing behavior which is very different to classic textbook approaches. Entrepreneurial marketing often relies on interactive marketing methods often communicated through word-of-mouth rather than a more traditional marketing mix; monitoring the marketplace through informal networks rather than formalized market research, and generally adopting more entrepreneurial approaches to marketing activities.

Several overlaps between these two disciplines could have been identified. Successful entrepreneurs practice marketing, and the better marketers are entrepreneurial. Several entrepreneurial activities, e.g. the identification of new opportunities, the application of innovative techniques, the commercialization of products, or the successful satisfaction of customer needs, are also fundamental aspects of marketing theory (Collinson & Shaw, 2001).

The interaction between market and entrepreneurship orientations plays an important role in fostering product innovation and its outcomes. (Ko & Gima-Atuahene, 2001). This study proposes that entrepreneurship is the key to unlock new dimensions of marketing by adding wings of autonomy to knowledge, creativity and innovativeness. The present global market scenario requires individual entrepreneurial skills in professionals as well as an entrepreneurial orientation (EO) in organizational culture. A growing body of evidence suggests that an EO is critical for the survival and growth of companies as well as for the economic prosperity of nations (Morris, 1998).

## **Dimensions of EO in Marketing**

A growing body of evidence suggests that an EO is critical for the survival and growth of companies as well as for the economic prosperity of nations (Morris, 1998). As originally proposed by Miller (1983), EO is revealed through an organization's exhibition of risk taking, innovativeness, and proactiveness. Lumpkin and Dess (1996) have outlined five salient dimensions of EO consisting of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. EO is different from entrepreneurship itself. Although entrepreneurship simply refers to new entry, a firm's EO refers to the entrepreneurial process, namely how entrepreneurship is undertaken--the methods, practices, and decision-making styles used to act entrepreneurially.

### **Autonomy**

Autonomy refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion. In general, it means the ability and will to be self-directed in the pursuit of opportunities. In an organizational context, it refers to action taken free of stifling organizational constraints.

Miller (1983) found that the most entrepreneurial firms had the most autonomous leaders. That is, in small simple firms, high levels of entrepreneurial activity were associated with chief executives who maintained strong central authority and also acted as the firm's knowledge leader by being aware of emerging technologies and markets. In a study of decision making by 32 Indian firms, Shrivastava and Grant (1985) found a similar strong reliance on managerial autocracy among 10 of the firms in which a single key manager was the primary decision making agent. Of these 10 firms, 8 were classified as "entrepreneurial."

### **Innovativeness**

Innovativeness reflects a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes. Although innovations can vary in their degree of "radicalness" (Hage, 1980), innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Kimberly, 1981). There are numerous methods by which to classify innovations but perhaps the most useful distinction is between product-market innovation and technological innovation. Until recently, most research has focused on technological innovativeness, which consists primarily of product and process development,

engineering, research, and an emphasis on technical expertise and industry knowledge. Product-market innovativeness suggests an emphasis on product design, market research, and advertising and promotion (Miller & Friesen, 1978; Scherer, 1980). Even this broad categorization may be hard to distinguish; however, because innovativeness frequently represents considerable overlap and blending of product-market and technological innovation, as in the case of technologically sophisticated new products designed to meet specific market demand. In either case, innovativeness is an important component of an EO, because it reflects an important means by which firms pursue new opportunities.

### **Risk taking**

It can be argued that all business endeavors involve some degree of risk, such that it is not meaningful to think in terms of "absolutely no risk." Thus, the range of risk-taking behavior extends from some nominal level - "safe" risks" to highly risky actions, such as borrowing heavily, investing in unexplored technologies, or bringing new products into new markets. Cantillon (1734), who was the first to formally use the term entrepreneurship, argued that the principal factor that separated entrepreneurs from hired employees was the uncertainty and riskiness of self-employment. Thus, the concept of risk taking is a quality that is frequently used to describe entrepreneurship. Thus, firms with an entrepreneurial orientation are often typified by risk-taking behavior, such as incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace.

### **Proactive ness**

Many economics scholars have emphasized the importance of initiative in the entrepreneurial process. Penrose (1959) argued that entrepreneurial managers are important to the growth of firms because they provide the vision and imagination necessary to engage in opportunistic expansion. Lieberman and Montgomery (1988) emphasized the importance of first-mover advantage as the best strategy for capitalizing on a market opportunity. By exploiting asymmetries in the marketplace, the first mover can capture unusually high profits and get a head start on establishing brand recognition. Thus, taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets also has become associated with entrepreneurship. This fourth characteristic of entrepreneurship is often referred to as proactiveness.

The term proactiveness is defined in Webster's Ninth New Collegiate Dictionary (1991: 937) as "acting in anticipation of future problems, needs, or changes." As such, proactiveness may be crucial to an entrepreneurial orientation because it suggests a forward-looking perspective that is accompanied by innovative or new-venturing activity.

### **Competitive aggressiveness**

Competitive aggressiveness refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace. As suggested previously, competitive aggressiveness is characterized by responsiveness, which may take the form of head-

to-head confrontation, for example, when a firm enters a market that another competitor has identified, or reactive, for example, when a firm lowers prices in response to a competitive challenge. Competitive aggressiveness also reflects a willingness to be unconventional rather than rely on traditional methods of competing. Examples of this and other forms of competitive aggressiveness available to new entrants include adopting unconventional tactics to challenge industry leaders (Cooper, 1986), analyzing and targeting a competitor's weaknesses (Macmillan & Jones, 1984) and focusing on high value-added products while carefully monitoring discretionary expenses (Woo & Cooper, 1981). Similarly, Porter (1985) recommended three approaches for aggressively pursuing existing firms: "doing things differently," that is, reconfiguration; changing the context, that is, redefining the product or service and its market channels or scope; and outspending the industry leader. Thus, competitive aggressiveness, which refers to firm responsiveness directed toward achieving competitive advantage, is an important component of an EO. The breadth and speed of new entry also may indicate an aggressive posture.

### **Examples of EO in marketing**

Specifically, those firms that act independently (autonomy), encourage experimentation (innovativeness), take risks, take initiative (proactiveness), and aggressively compete within their markets have a strong EO, whereas those lacking some or all of these have a weaker EO. (Lee & Peterson 2000). In fact, the Ford Mustang, IBM's personal computer and Kenner Toys' "Star Wars line" were all forged by intrapreneurs working for other people. As Innovations, competitiveness and proactiveness always bring fruitful results to the company so EO approach in marketing must be practiced by all the organizations.

Here are some other examples:

*'An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' employee innovations, beating competitors to the punch.'*

As a motivation technique (usually called Innovation Time Off), all Google engineers are encouraged to spend 20% of their work time (one day per week) on projects that interest them. Some of Google's newer services, such as Gmail, Google News, Orkut, and AdSense originated from these independent endeavors. In a talk at Stanford University, Marissa Mayer, Google's Vice President of Search Products and User Experience, stated that her analysis showed that 50% of the new product launches originated from the 20% time.

When Virgin Mobile launched its new plan of paying back the customers on outgoing calls many people termed it as a wrong move. Still, there is no doubt that as a marketing strategy, the move is as audacious as any Virgin's CEO Richard Branson has made. While cash-back offers are common in the US and the UK, especially with credit cards that pay you for a certain per cent of your expenses back, the oligopolistic nature of most Indian industries has meant companies have not felt the need for such aggressive customer-friendly offers. But this competitive aggressiveness and proactiveness has helped Virgin to penetrate the market.

In 1974, a 3M Corporation employee accidentally discovered an adhesive that had very low sticking power. He figured that markers made with the adhesive might stick lightly to something and would come off easily. The man took his new discovery to the management at 3M, a company that encourages employees to spend no less than 15 percent of their time at work developing their own ideas and projects. With the company's support, the resourceful man researched and developed a new product. Twenty-five years later, Post-It Notes® continue to be one of 3M's top-grossing products.

Although we argue here that all five dimensions are central to understanding the entrepreneurial process, they may occur in different combinations, depending on the type of entrepreneurial opportunity a firm pursues. Sony and Matsushita provide an example of how two competitors can differ along dimensions of entrepreneurial orientation. Sony, well known for its entrepreneurial spirit and R&D skills, aggressively pursues first-mover advantages from new-product innovation. Matsushita, on the other hand, takes a very different competitive posture. Its nickname in Japanese is "Maneshita denki," which roughly translates to "electronics that have been copied." Matsushita typically lets Sony and others innovate, but then take a leadership position based on its skills in manufacturing and marketing (Lieberman & Montgomery, 1988). Thus, Matsushita draws on the innovativeness of others to position itself to be ready to enter a market once rapid growth begins. Although few observers would argue that Sony has a strong EO, we suggest that Matsushita also has a strong EO. That is, it incurs risks through capital investment in plant and equipment, is proactive by entering markets early in the product life cycle, and displays intense competitive aggressiveness through its strategies that are intended to build strong market share.

## **Research & its Findings**

This study proposes that entrepreneurship is the key to unlock new dimensions of marketing by adding wings of autonomy to knowledge, creativity and innovativeness. The present global market scenario requires individual entrepreneurial skills in professionals as well as an entrepreneurial orientation (EO) in organizational culture. To understand the significance of Entrepreneurship Orientation in marketing, a qualitative research has been conducted, which helped us in generating an idea about the effectiveness of EO in marketing for an organization. Researchers have made some attempts to assess the level of EO in an organization, but it is not possible to determine the EO level in the organization accurately. So, we have focused on a very basic building block of EO i.e. Intrapreneurship. The organization that encourages Intrapreneurship in their culture is presumed as highly Entrepreneurially oriented. So here, the practice of Intrapreneurship is considered as an indicator of EO level in an organization.

Our objective was to study Intrapreneurship in the field of marketing and its effectiveness as an strategy of flexible marketing. To find out the impact of Intrapreneurship or EO in an organization on the firm's performance, a qualitative study has been conducted. This study was made by observing some of the most successfully running business organization of Indore. Indore is a rapidly developing Tier II city of India and it is known as the commercial capital of Madhya Pradesh. There are a number of companies that started in Indore and are operating very well

nationwide. To perform this study we interviewed many top managers of these companies several times.

In this study we found out that most of the companies in Indore are not encouraging Intrapreneurship in their organization formally. Though most of the marketing managers reported Intrapreneurial activities in their departments but none of them was a result of motivation by the company. They are solely employee initiatives and company did not provide any resources during the development of the concept. Once the concept is proved worthy by the employee, by applying it on his own responsibility, the company adopted it.

In Indore, Pakiza store (garment retail chain and supermarket) was the organization that was found to be having highest level of Entrepreneurship Orientation. It is an Indore based and is popular as one of the best shopping destinations in Indore. It is the only organization we found that is formally encouraging its employees to take initiatives by motivating them with positive rewards. As the market of Indore is a new target of national level organized retail players, more and more hypermarkets and shopping malls are opening here and fighting for market share but Pakiza is still maintaining its position in most favorite list of the customers because of its hospitality. Pakiza is well known in Indore for its innovative marketing concepts and they claim that most of them came from employee initiatives.

### **Implementation in an organization**

This study helps us to make an insight in the field of Intrapreneurship and suggests us the ways of increasing the level of entrepreneurship orientation in an organization. Here are some of the ways which can help in encouraging or maintaining EO level in the firm and help the firm to develop an entrepreneurial marketing orientation:

- *Build camaraderie.* To develop team spirit and discuss where the company was going. At such events employees can also distribute and share their marketing plan and discuss issues and ideas raised by their strategies.
- *Open doors to communication.* Use all-hands meetings for financial and operational information, team-building and social events so that employees are aware of the direction of the company and are involved in it.
- *Let the team build itself.* Within that safe, comfortable, open environment, let employees grow together without being made to.
- *Participate without controlling.* Let the culture thrive, without your either meddling with it or ignoring it.
- Manage a marketing planning system that leads to insightful long-term and short-term plans.
- Company should build partners out of its stakeholders and generously reward them.
- The company and all its employees involved in marketing should know the competitors: their strengths, weaknesses and latest information of every movement in the market should be updated.

## **Conclusion**

In my study I found out that all the companies that I visited and interviewed, most of them are doing very well and are growing steadily but all the marketing managers I interviewed are in consensus on the point that Intrapreneurship should be encouraged in the firm. It is not necessary to have a large corporation to foster intrapreneurship. All it needs is the ability to encourage employees to develop new ideas, and then give them the time, space and resources needed to turn those ideas into reality. Not only do innovations add to your revenue stream, they also increase motivation and empowerment among the intrapreneurial employees. The growing competition in market requires innovation and other dimensions of EO and hence it is an effective strategy for marketing in current scenario especially in era of flexible management.

## **Limitations**

This research was conducted in Indore and only Indore based organizations were interviewed. It gives us an idea about the status of entrepreneurship orientation in companies at Indore only. This research can be done on a large scale to understand relation between performance of the firm and Intrapreneurship. This research was a qualitative one and it doesn't give an empirical result about the effectiveness of the entrepreneurship orientation in marketing the results were dependent on the views of the marketing professionals of those organizations that were interviewed.

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