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Global Entrepreneurship and Market-Driven Management*

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1. The Outside-in Perspective in MDM

International entrepreneurship emerged in recent years as a promising research stream in international business studies. This stream focuses on how firms explore and exploit opportunities across borders, creating value for the company and for its customers and anticipating/contrasting competitors' moves. In highly volatile economic environment, where customers tend to change their buying orientations and behaviors quickly and competitive pressure are rising, entrepreneurship studies provide a promising approach in order to analyse how performing firm seize innovatively and proactively opportunities in the global market place, in order to respond effectively to the above mentioned challenges from customers and competitors. From this point of view, it is possible to identify important and potentially fruitful relationships between international entrepreneurship (IE) and market driven management MDM (Day, 1999, 2007). The latter constitutes one of the most innovative and convincing approaches to the understanding of successful companies behavior in globalizing markets. On the other hand, international entrepreneurship studies aim at throwing new light on the process of opportunities' exploration and exploitation, for small and large firms as well as for new and established companies. In this paper we will try to argue that the two approaches are strictly complementary and that including the entrepreneurial perspective within the market driven management can help to better understand our knowledge of innovative and successful firms. The outside-in perspective which characterizes market-driven management (Brondoni, 2007b) fits very well with the outward orientation towards opportunities of entrepreneurship; the anticipatory approach to customer value of market driven management finds a correspondence in the proactive attitude of entrepreneurial firms; the focus on time to market and demand bubbles of the former approach is paralleled by the

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focus of rapidity and opportunities' seizing of the latter. While sharing similar foundations and key constructs, MDM and IE are complementary fields because the former has a more consolidated and comprehensive set of concepts and managerial practices, which permit to give substance to the management of entrepreneurial ventures in global markets. In the present paper we demonstrate that the ongoing debate on international entrepreneurship can help to identify the driving keys to corporate success. This paper is structured as follows. In the next paragraph we define the concept of international entrepreneurship referring to the most comprehensive concept of global entrepreneurship and then, in the following section, we integrate this concept within the market-driven management (MDM) perspective. The last paragraph is devoted to define the concept of entrepreneurship within multinational corporations and its possible links with the MDM approach. The final section identifies the potential contribution of an integrated perspective and we conclude with an outline of the possible implications of this integrated approach for future research.

2. From International Entrepreneurship to Global Entrepreneurship

The Italian literature contributed extensively to develop entrepreneurship studies, with particular attention to the case of small firms, which characterise deeply the country's economy and its local production systems (Golinelli, 1992). The relevance of the Italian case and literature for the development of entrepreneurship studies has been recognized also by foreign authors (Minniti, 2005). A number of Italian studies has highlighted the international orientation of small entrepreneurial firms (Varaldo, Ferrucci 1997, Pepe 1984, Cafferata, Genco 1997, Depperu 1993, Corò, Rullani 1998, Grandinetti 1992; Zucchella, Maccarini, 1999; Caroli, Lipparini, 2002). Venkataraman (1997) and Shane and Venkataraman (2000) define the study of entrepreneurship as the, 'examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited'.

The most prevalent and compelling views of entrepreneurship focus on innovation as the key factor to define an entrepreneur and on the perception of new economic opportunities and the subsequent introduction of new ideas in the market, without regard to the domestic or the foreign one. Both entrepreneurship and international business are fields of research which have seen an increasing number of studies during the last decade (McDougall and Oviatt, 1997, 2000; Zahra and Garvis, 2000). Entrepreneurship and international business are strictly interrelated because entering and venturing in foreign markets are viewed as entrepreneurial activities for the firm (Lumpkin and Dess, 1996; Zahra and George, 2002).

One of the most used definitions of international entrepreneurship is the following: 'international entrepreneurship is a combination of innovative, proactive, and risk seeking behaviour that crosses national borders and is intended to create value in organizations' (McDougall and Oviatt, 2000).

Authors focus on three different dimensions to examine the international behaviour of the entrepreneurial venture: risk taking, proactiveness and innovativeness. In addition Zahra and George (2002) define International Entrepreneurship as a process in which firm would discover and exploit opportunities in the international marketplace. In these definitions the authors do not identify the arena of research in term of size or age of the firm, but they seek to capture the entrepreneurial behaviour of any firm abroad. According to Zahra and George (2002), the innovativeness by which the firm identifies a market opportunity, defines (configures) its value chain, selects areas to be internationalized, and identifies unique ways to reach potential customers in global market place is what makes this an international entrepreneurship-type study.

As a consequence, this approach tends to encompass firms with different size and age, not necessarily small and/or young, as it happened when entrepreneurship studies started to develop. Due to the emerging features of world markets in the direction of growing interdependence and (partial) integration, we suggest to adopt the term Global entrepreneurship, which can express better the orientation of the firms towards this environment. Moreover, international entrepreneurship represents a proactive attitude towards global markets, which needs to be complemented by an appropriate set of managerial approaches. Market driven management fits very well to this need.

In global markets, the strategic leverage of the firms moves from goods to knowledge. Information systems and inter-firm collaboration become fundamental ways to access to knowledge and to exploit its potential (Brondoni, 2002). Firms showing an international orientation should be aware to compete in a global space characterised by multiple opportunities of selling, sourcing and collaborating, where proactiveness and innovativeness refer to the capacity to create value quicker and better than competitors, through novel and effective combinations involving the global value chain[1]. The Italian industrial sectors is rich of examples of successful entrepreneurial firms that in different world markets (Zucchella e Maccarini, 1999) succeed in emerging as leaders using innovation on a global scale as a competitive tools. Firms like Tod's, Prada or Bulgari in the luxury sector; Brembo in the mechanical industry or Geox in the traditional mass market sector for shoes identify themselves as global innovator and are now world leader in their competitive segment.

3. Market- Driven Management and Global Entrepreneurship

According to Day (1993), considerable progress has been made in identifying market-driven organizations, understanding what they do, and measuring the bottom-line consequences. The next challenge is to better understand how this organizational orientation can be achieved and sustained. According to the same author (ibid), capabilities are embedded in the business's ‘outside-in’ processes, which guide the creation and delivery of value in the organization. Two capabilities stand out as essential ingredients of a market orientation: *Market Sensing*, which enables the business to learn about customers, competitors, and channel members, with the purpose of acting on events and trends in the market and *Customer Linking*, which involves an ability to create and manage collaborative relationships with customers. Market-driven organizations are more adapt at learning and more systematic, thoughtful, and anticipatory in storing, interpreting, and using market information. On the other hand entrepreneurship studies highlight that entrepreneurship lies in a proactive and outward looking orientation to market space. From this point of view we could say that market driven organizations are entrepreneurial and moreover, market driven organizations possess superior capabilities in anticipating and exploiting trends and market changes as well as competitors' moves. The entrepreneurship literature frequently ignores the need to develop adequate capabilities as much as it ignores the managerial approaches which can feed an entrepreneurial posture over time. Being an entrepreneurial venture means also the capacity to maintain this approach over time and not only at the foundation or turn- around of the company.

Market driven management requires dedicated organizational capabilities sustaining the outside-in approach of the firm, and it relies on management principles addressed at generating instability of offer and at enlarging the variability of demand (Brondoni, 2007). This approach is enhanced in the global market place where competitive positioning and customer value creation, in a highly volatile environment, are strategic priorities.

4. International Entrepreneurship at the Subsidiaries Level and MDM

As we try to argue in the previous paragraphs the literature on international entrepreneurship, which has been viewed as a proactive and innovative attitude of the firm to explore and exploit effectively opportunities arising from the globalising market place, has been flourishing in the last decades. It must be noted that this literature does not only refer to small or new firms but it also deals with large and multinational firms. According to our view, this debate can fruitfully complement the work on MDM. In his key works on market-driven management Day (1999, 2000), defines three conditions that are necessary for a firm in order to 'understand, attract and keep valuable customers' i.e. in order to be a market-driven company that out-performs his competitors. These conditions are an externally oriented culture, distinctive capabilities in market sensing, market relating and anticipatory strategic thinking and, finally, an organisational structure (he call it a configuration) that enables the entire organization to continually anticipate and respond to changing customer requirements and market conditions. Supporting these three elements is a shared knowledge base in which the organization collects and disseminates its market insights. Working on the most innovative multinational corporations but using a different perspective, Bartlett and Goshal (1989) produce similar conclusions. Studying firms such as ABB, General Electric or Unilever Bartelett and Goshal identify a model of organization that they called Transnational and which, according to their view, is the best solution in approaching the highly volatile and dispersed world markets that multinationals have to face nowadays. According to Bartlett and Ghoshal (1989) the Transnational model can be described as an integrated network where the nodes of the network, i.e. the different subsidiaries around the world can play different roles and where the role of the corporate centre is to combine a high level of coordination, shared values with an high degree of initiative at the subsidiary level. The Transnational model has attracted much attention due to its ability to conciliate the need for high economies of scale with the marketing requirement to follow the needs of different clients according to their geographical position. This model seems to effectively respond to the different competing needs that firms face in many industries. On the one hand costs savings needs force corporations to reinforce global integration. On the other hand, geographic dispersion is needed in order to respond to different customer needs, adapt locally to different context, and to exploit assets that are location-specific. This approach in turn tends to promote innovation. The need to develop a structure that guarantees at the same time local adaptation and global integration leads to the development of the new organisational model. Many authors have underlined that with dispersed activities the usual hierarchical methods of controls were ineffective and the network configuration requires new methods of control based on informal systems and mechanisms. This leads to the overlapping of formal and informal methods of control and to the development of intense relationships among subsidiaries. In the present discussion is interesting that among the Transanational model main characteristics two requirements stand out for their similarity to the Day's conditions: the need to combine shared knowledge in large and dispersed multinationals and the organizational structure with a forward-looking approach i.e. with a positive attitude for innovation. The debate on international entrepreneurship at the MNCs levels offer some interesting insights on these two points shared by both the approaches.

In fact, the work of Bartlett and Goshal has nurtured a large number of studies not only regarding the best organizational structures for multinational corporations but also concerning the kind of resources to be shared and to be promoted in the multinationals units. Surprisingly, only very recent studies have identified entrepreneurial abilities as a key element in shaping multinational competitiveness. Bartlett and Goshal's view stresses the role of the capability of a multinational corporation to leverage the innovative and entrepreneurial potential of its dispersed assets but until now only a few studies have paid attention to the role of international entrepreneurship within MNCs. An important contribution into this field has been given by the works of Birkinshaw (1997; Birkinshaw *et al.* 2005) who concentrated his attention on international entrepreneurships in multinational corporations (MNCs). Relying on previous studies on corporate entrepreneurship, which define corporate entrepreneurship as any departure from existing practices or a new way for the corporation to use or expand its resources' (Kanter, 1982), Birkinshaw affirm that successful firms promote entrepreneurship not only at the corporate level but also in the subsidiaries around the world. Since the role of the subsidiaries are very different it is only certain subsidiaries that are given the responsibility for innovating or pursuing initiatives, while others are simply given an implementational role. However, subsidiary initiative has a very powerful role in promoting the competitiveness of multinationals. It is the entrepreneurial attitude that enhances the flow of information i.e. is that look extensively at the different competitive environments both in search for innovation and to scout costumers' needs and their evolution. In this sense the distribution of entrepreneurship abilities in the Multinational Corporation matches with two of the conditions that Day identify for a successful market-driven company, and more specifically: the outside-in oriented culture and the distinctive capabilities in market sensing. Along the same line of Day however, the literature on international entrepreneurship underlines the role of the organizational structure in order to coordinate, nurture and promote the entrepreneurship abilities in MNCs. It must be noted that subsidiaries initiatives must not harm the general design of the firms. As Birkinshaw et al (1998 pg. 236) state: ‘For initiatives to be accepted by the corporate headquarters they must be aligned with the MNC's existing strategic priorities, otherwise they are likely to be viewed as self-interested behavior’.

The empirical evidence brought by Birkinshaw through both quantitative analysis and in-depth case studies methodology convincingly argues how entrepreneurial culture is a crucial resource of the most innovative and successful MNCs supporting the emerging view that subsidiaries are significant contributors to the firm-specific advantage of the MNC and that, among their resources, also entrepreneurial competence is important.

5. Conclusion

As Lambin and Brondoni (2002, pg. 1) correctly point out ‘the globalisation of markets highlights a deep re-thinking of long-term development philosophy by leading large corporations, that tend to reconcile a quantitative approach to growth (supply-driven management) with the goal of satisfying demand (market-driven management)’. It is not only the continuous change in consumers’ preferences that forces firms to adopt a market driven approach. It is the overall competitive arena that is constantly being modified, which obliges firms to continually scan the market in order to adapt their strategies to new changing conditions. Stable markets are shaken by sudden crises like in the case of the deep financial crisis of the American financial institutions, new competitors arise from different and geographically distant markets like in the case of shoes producers from Vietnam threatening European producers. At the same time new and wider opportunities are opened by globalisation processes, like the vast and promising markets suddenly opened to foreign market entry as in the case of India. These phenomena affect deeply small and large firms that have been forced to adopt a market driven approach in order to identify new business opportunities and in order not to be overtaken by competitors.

The market-driven management approach constitutes a broad paradigm that explains the success of many firms around the world and is at the moment the most up-to-date framework to analyse and explain this success. This approach underlines (Day 2000) that firms should develop relationships with their most valuable customers: in order to achieve this goal a relationship orientation with customers must be integrated in the firms’ culture and externally aligned with the corresponding processes of the firm's customers. In fully accepting this paradigm we have underlined how adding to this framework the concept of international entrepreneurship would help to better define the criteria that lead to successful management in multinational companies. If our approach is correct, firms, in order to be successful, must combine a market oriented management with an entrepreneurial attitude. As Christensen (1997) argues, the practical implementation of two approaches by firms is a difficult task and can generate potential tension since firms' attention on existing or potential markets can harm firms' innovativeness, risk taking, and proactiveness. However, the first study (Matsuno, Mentzer and Özsomer, 2002) devoted to test the performance of firms that succeed in being both entrepreneurial and market oriented shows that these companies have superior performance compared to other firms not following the same strategy. We are convinced that this stream of research can open a window for research opportunities in order to identify the key drivers of firms' performance in the coming years.

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Notes

[1] ‘In the marketplace, content, context and infrastructure can be disaggregated to create new ways of adding value, lowering costs, forging relationships with nontraditional partners and rethinking ‘ownership’ issues. In the new arena of the market-space, content, context and infrastructure are easily separated. Information technology adds or alters content, changes the context of the interaction and enables the delivery of varied content and a variety of contexts over different infrastructures’ (V. Raiport J. F., Sviokla J. J., Managing in the Marketspace, *Harvard Business Review*, November-December, 1994, p. 145, cit. in Brondoni, 2002).