

## CHAPTER 7: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 7.1 INTRODUCTION

The purpose of the study was to measure market driving and determine firm-internal factors that influence an organisation's market-driving ability in the South African healthcare industry.

The primary research objective was supported by secondary objectives which were classified into objectives that could be achieved by means of a literature study and by means of an empirical case study.

The following paragraphs discuss the theoretical and practical implications of this study.

### 7.2 RESEARCH RESULTS AND THEORY REVISITED

#### 7.2.1 Measuring market driving: Research implications

The literature discussing market driving argued that certain activities, such as market sensing, shaping customer preferences and alliance formation characterise the construct (Barlow Hills & Sarin, 2001, 2003; Ghauri *et al.*, 2008; Harris & Cai, 2002; Jaworski *et al.*, 2000). In chapters three and four market driving was described as a multidimensional construct consisting of a formative second-order object with reflective first-order indicators.

The results of this study have provided support for several claims that have been made about market driving.

Market sensing has been described as an important activity for market-driving firms to learn about opportunities and how the market reacts to strategic moves (Harris &

Cai, 2002:185). The results of this study showed that market-sensing activities positively contribute to the market-driving construct.

Influencing and educating customers about new products and hence trying to change behaviour has been found to be another important aspect of market driving in the literature (Barlow Hills & Sarin, 2003; Harris & Cai, 2002; Jaworski *et al.*, 2000; Kumar *et al.*, 2000). The study also found support for a positive contribution of influencing customer preferences to form the market-driving construct.

The last concept considered in the measurement of market driving was alliance formation. Ghauri *et al.* (2008) argue that strong relationships with various stakeholders, such as suppliers, retailers or government authorities, are characteristic of market-driving firms. The study could support these claims, as alliance formation was shown to positively influence market driving.

Overall, the study showed that market driving can be measured by market sensing, influencing customer preferences and alliance formation. Although the measures of market driving only represent a selection of activities, the results provide a reliable basis for future research on the measurement of market driving.

## **7.2.2 Firm-internal factors influencing market-driving ability and outcomes of a market-driving approach**

From the literature study several influencing factors on market-driving ability were identified. These factors were summarised under organisational characteristics and an entrepreneurial and market orientation perspective (Barlow Hills & Sarin, 2001, 2003; Carrillat *et al.*, 2004; Harris & Cai, 2002; Jaworski *et al.*, 2000; Kumar *et al.*, 2000; Schindehutte *et al.*, 2008).

For the research study the following four latent variables were investigated: Corporate entrepreneurial management, entrepreneurial capital, strategic orientation and entrepreneurial behaviour.

*Corporate entrepreneurial management* included the concepts of risk-taking, management support and organisational structure. As outlined in the literature study

in chapter three, organisational capabilities and processes need to be present in order to achieve market-driving ability (Barlow Hills & Sarin, 2001; Carrillat *et al.*, 2004).

The research study provided a partial confirmation of these factors. While organisational structure and management support were found to positively contribute to corporate entrepreneurial management, risk-taking was found to negatively influence the construct. Regarding the impact of corporate entrepreneurial management on market-driving ability, the study results showed that the construct impacts slightly negatively. It can therefore be deduced that, contrary to the findings of the literature study, corporate entrepreneurial management is not an enabling factor for market-driving ability in the overall model. However, when data were analysed across different business sectors it was found that pharmaceutical distributors/wholesalers did regard corporate entrepreneurial management as an influencing factor.

In the literature study it was suggested that market-driving ability also requires *entrepreneurial capital* to be present (Ghauri *et al.*, 2008; Schindehutte *et al.*, 2008). Entrepreneurial capital was represented in the form of financial, human and social capital in the study. The study showed that all three types of resources well reflect the construct of entrepreneurial capital. In accordance with the literature, the study found that entrepreneurial capital positively impacts on market-driving ability.

A *strategic orientation* is considered to be important for market-driving activities. Barlow Hills and Sarin (2001:219) state that a strategic orientation is formed by certain capabilities such as an understanding of customers and competitors and networking capability. Furthermore, the necessary presence of innovation in an organisation has been emphasised (Jaworski *et al.*, 2000; Kumar *et al.*, 2000; Schindehutte *et al.*, 2008). The research study considered aspects of information generation, dissemination, interfunctional coordination and innovation intensity in the construct of strategic orientation. The results provided support for the positive and significant influence of these factors in measuring the strategic orientation of the organisation. The study also provided support for a positive influence of strategic orientation on market-driving ability. Analysing the impact of strategic orientation

across different business sectors showed that strategic orientation is regarded as an influencing factor, particularly by pharmaceutical manufacturers, whereas pharmaceutical distributors/wholesalers consider it of little importance in influencing market-driving ability.

*Entrepreneurial behaviour* reflected in seeing opportunities and filling unmet needs in the market, is considered to enable market-driving ability (Kumar *et al.*, 2000). The research study included the specific behaviours of proactiveness and responsiveness to information. The results showed that both concepts well represent the entrepreneurial behaviour construct. It could also be demonstrated that entrepreneurial behaviour positively influences market-driving ability.

The outcomes of a market-driving approach have been described as impacting on firm performance and competitive advantage (Carrillat *et al.*, 2004; Harris & Cai, 2001; Schindehutte *et al.*, 2008). The results of this study support the findings described in the literature. Market-driving ability positively influences firm performance and relative competitive strength.

### **7.3 CONTRIBUTION TO BUSINESS SCIENCE**

This study presented a way to measure market driving and identified firm-internal factors that influence market-driving ability. The study is the first of its kind in South Africa and also in the South African healthcare industry. The study made the following contributions to business science:

- The study presented literature on research at the interface between entrepreneurship and marketing, with a specific focus on market driving.
- As indicated by various researchers (Barlow Hills & Sarin, 2003; Carrillat *et al.*, 2004; Harris & Cai, 2002; Jaworski *et al.*, 2000; Schindehutte *et al.*, 2008) this study addressed the need to:
  - Develop a framework to capture market driving
  - Develop an approach to measure market driving
  - Identify organisational factors that influence a firm to become market driving

- Identify and measure market-driving outcomes
  - Investigate market-driving behaviour in a competitive environment
- By means of the literature study, this research developed a framework to capture the measurement of market driving and its influencing firm-internal factors.
- The empirical study showed that:
  - Corporate entrepreneurial management, strategic orientation, entrepreneurial behaviour and market driving can be measured as formative constructs.
  - Market driving can be successfully measured by assessing a firm's market sensing, influencing customer preferences and alliance formation activities.
  - Market-driving ability is influenced by firm-internal factors such as entrepreneurial behaviour, strategic orientation and entrepreneurial capital.
  - Market-driving ability does not seem to be influenced by corporate entrepreneurial management.
  - Market-driving ability positively influences firm performance and relative competitive strength.
  - Market-driving ability in a competitive environment, such as the healthcare industry in South Africa, can be successfully measured.
  - The perception of influencing factors is moderated partly by the level of management and industry focus.
- The findings of this study provide a first statistical assessment of the measurement of market driving and factors influencing market-driving ability, which could be used as a basis for future research in the field.

#### **7.4 MANAGERIAL IMPLICATIONS**

Today's organisations need to find different ways to keep and attract new customers in a highly competitive market. Currently many organisations apply a market-driven approach, which starts with a careful assessment of customers' needs and developing services for a particular market (Kumar *et al.*, 2000:129). However, in

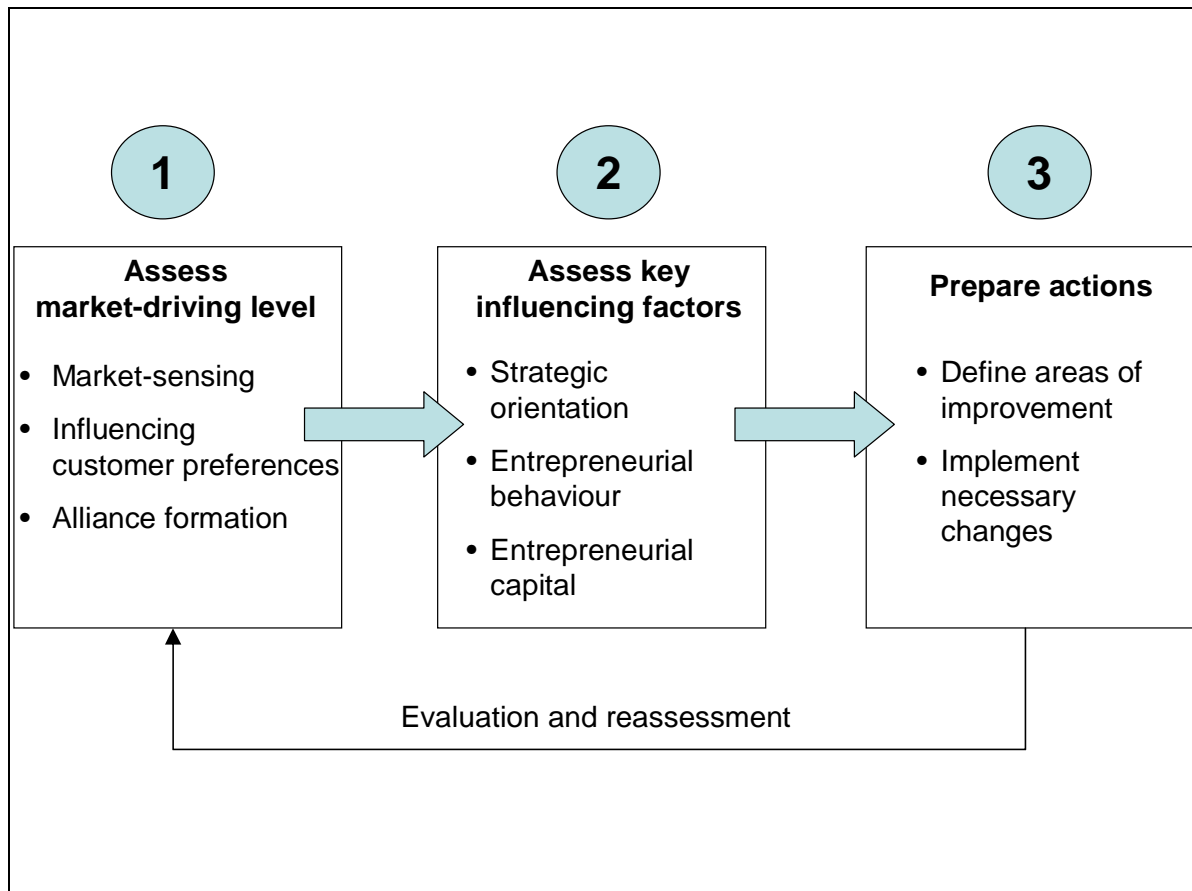
order to stand out in a highly competitive environment, firms need to take a different approach, which is described as market driving.

The focus of market driving lies in a comprehensive view of the market. Market-driving firms address all relevant stakeholders such as customers, suppliers and business partners. Furthermore, the market and entrepreneurial orientation that is demonstrated within the organisation tries to shape and change the behaviour of all stakeholders, which results in higher firm performance and relative competitive strength (Barlow Hills & Sarin, 2003; Harris & Cai, 2002; Jaworski *et al.*, 2000; Kumar *et al.*, 2000; Narver *et al.*, 2004; Schindehutte *et al.*, 2008).

This study showed that a market-driving ability positively influences firm performance and relative competitive strength. In order to achieve these outcomes two main aspects of market-driving need to be addressed within organisations. First, specific activities that are related to market driving such as market sensing, influencing customer preferences and alliance formation activities need to be assessed. Organisations can determine their current level of engagement in these activities and identify areas for improvement. Second, in order to accelerate market-driving ability management needs to focus on key influencing factors such as strategic orientation, entrepreneurial behaviour and entrepreneurial capital. An assessment of the current level of market driving, together with an assessment of key influencing factors, could give managers a good picture of the current situation within the organisation and highlight areas for improvement.

The following figure summarises the three-step process that may be used to improve market-driving ability in organisations.

**FIGURE 7.1: Accelerating market-driving ability in organisations**



**Source:** Author's own compilation

This study identified three components of market driving, namely market sensing, influencing customer preferences and alliance formation. By identifying the current performance level in these three areas, managers can get an overview of their market-driving level.

*Market-sensing activities* consider approaches to assessing competitor strategies (e.g. market intelligence activities), evaluating changes in the regulatory environment (e.g. active involvement in industry associations) and investigating clients' opinions (e.g. interactive communication tools, market surveys). The combined information from these activities should be used to anticipate changes and identify measures that lead the organisation into a favourable position compared to its competitors.

*Influencing customer preferences* can be achieved by monitoring customer complaints (e.g. customer feedback systems), delivering exceptional and new services that are not expected by customers (e.g. home delivery of medication,

reminders for filing a new prescription) and educating customers about the development of new products (e.g. collaborating with patient associations).

*Alliance formation activities* refer to collaboration with other organisations in areas such as research and development or joint marketing campaigns. The success of these alliances can be assessed by analysing the impact on sales or customer loyalty. The success of future alliances can be improved by applying processes that help to select the right alliance partner (e.g. competitive intelligence about all possible partners, definition of selection criteria). Having strong alliance partners enables risk sharing, optimises the cost base and increases the chances of market power to control a particular part of the market, as described by Harris and Cai (2002:191).

In combination, market sensing, influencing customer preferences and alliance formation represent market driving within an organisation.

In a second step, managers can identify key influencing factors on market driving. This study found that three factors: strategic orientation, entrepreneurial behaviour and entrepreneurial capital, positively enhance an organisation's ability to become more market driving. It is crucial that all departments, functions and hierarchy levels be included in the process. This requires a commitment of top management to be willing to implement structures and processes that foster activities that improve market driving. The study showed that middle management in particular plays a crucial role in the organisation and can function as a moderator between the hierarchy levels.

The highest impact on market-driving ability is made by an organisation's *strategic orientation*. Strategic orientation in this study is characterised by the organisation's approach to information generation, information dissemination, interfunctional coordination and innovation. Managers need to develop a cohesive approach that accommodates all four aspects.

Information needs to be generated with all relevant stakeholders (e.g. customers, business partners). Once the relevant information has been consolidated it needs to be distributed via different communication channels (e.g. newsletters, meetings)



across functions and departments. Next, interfunctional coordination needs to take place. Different departments need to collaborate in order to develop a competitive edge. For that purpose managers should ensure that a common platform for information exchange is available (e.g. regular workshops between different departments, single IT system for the whole organisation).

The last aspect of a strategic orientation is innovation. Managers need to use the insights from various information channels that are put together in actionable steps by cross-functional teams to develop products and services that demonstrate a leap in customer value.

Combined, information generation, information dissemination, interfunctional coordination and innovation will increase an organisation's market-driving ability.

The second influencing factor on market-driving ability is *entrepreneurial behaviour*. Entrepreneurial behaviour includes proactiveness and responsiveness to information. Information that has been gathered in the organisation needs to be used in various ways. First, it should be used to formulate actions in response to competitors' moves or to clients' requests. Secondly, it should result in a development of new products and services that are introduced before the competition. This provides the advantage of being the first in a market and can hence also provide the opportunity to shape and influence the preferences of customers and other stakeholders.

The last factor influencing market-driving ability is *entrepreneurial capital*. This encompasses the organisation's financial, social and human capital.

In order to develop new products and services, management needs to be committed to making financial means available. A continuous plan of innovation activities throughout the years needs to be maintained to ensure funding of viable projects.

Human capital relates to employees' education, work experience and managerial expertise. In order to promote human capital managers can set up programmes to support managerial talent. The third aspect of entrepreneurial capital is social capital. Employees should be given time to participate in various types of networks (e.g. industry association meetings, social responsibility projects) which provide an opportunity to learn about developments in the environment that could potentially be

used to create new products and services or allow the organisation to enter new markets or shape the current market.

Although entrepreneurial capital was shown in this study to have a rather low impact on market-driving ability, it should not be neglected. Kumar *et al.* (2000) state that the success of market-driving organisations lies in the recruitment and selection of people who share the values of the organisation. Therefore, managers need to ensure that the mindset that is needed to support market driving is shared by all its employees across all levels and functions.

Managers of organisations could use the findings of this study in the three-step approach which was outlined in Figure 7.1. In a first step the current level of market driving, represented by the three activities of market sensing, influencing customer preferences and alliance formation, should be analysed. Based on this analysis, areas for improvement can be identified. For example, if the analysis shows that market-sensing activities are currently not conducted in the organisation, this would indicate a starting point for improvement. In a second step, managers would assess the organisation's performance in the three key influencing factors, namely strategic orientation, entrepreneurial behaviour and entrepreneurial capital. If the analysis identifies the fact that several aspects of strategic orientation are not considered (e.g. employees are not rewarded for innovation activities, information is not distributed to all departments, there are several IT systems in use) then in a third step priorities for improvement need to be set. Since activities that are summarised under strategic orientation were shown in this study to have the highest potential to increase market-driving ability, managers could start working on these aspects, followed by improvements relating to entrepreneurial behaviour and finally entrepreneurial capital issues.

To conclude the managerial implications of this study, it should be noted that market-driving activities are not fundamentally different from current activities that are performed within market-driven organisations. However, the key differentiating factor is that market-driving organisations use organisational capabilities in such a way as to anticipate and initiate changes in the market and its stakeholders (Harris & Cai, 2002:185) that result in higher firm performance and relative competitive strength.

## 7.5 LIMITATIONS OF THE STUDY

Since all research studies have limitations the reader is advised of the following methodological issues (Cooper & Schindler, 2008:585):

- The sampling used in this study followed a non-purposive, snowball sampling technique; which does not allow for an unrestricted generalisation of results.
- The study is cross-sectional. In order to support findings and show the impact of market-driving ability, especially on firm performance and relative competitive strength, a longitudinal study should be conducted.
- Market-driving was measured by market sensing, influencing customer preferences and alliance formation. As discussed in chapter three, these represent only a few concepts with which one could measure market driving.
- The presented firm-internal factors that influence market-driving ability were limited to four constructs.
- External influencing factors were excluded from the study.
- PLS path modelling calculates the latent variables as a linear combination of the observed variables (Henseler *et al.*, 2009:297). This means that it is not possible to account for disturbance terms, so the latent variable is fully captured by its indicators - which might not be true (Diamantopoulos *et al.*, 2008:1215).
- The number of indicators on the first-order level is rather low. Ideally eight items should be used to form a scale (Carifio & Perla, 2007:108).
- The specified model for this study produced a coefficient of determination ( $R^2$ ) of 0.612. As no similar studies could be found, this value cannot be compared within others in the field of research.

## 7.6 FUTURE RESEARCH RECOMMENDATIONS

Research regarding the measurement of market driving and factors influencing market-driving ability is only at the beginning. This study offers a starting point for future research in the field. The following recommendations can be made:

- Future research should consider measuring market driving with more, or other dimensions such as building supplier relationships (Ghauri *et al.*, 2008), networking activities (Barlow Hills & Sarin, 2001, 2003), local sensitivity (Harris & Cai, 2002) and market control (Harris & Cai, 2002).
- Extended measures of the described constructs should be used. For example, corporate entrepreneurial management could also include the concept of rewards.
- Research could also investigate the impact of other firm-internal factors on market-driving ability, such as organisational culture, organisational learning capacity, opportunity recognition and whether organisations have an overall enabling environment for market driving.
- External developments and their impact on market-driving ability should be considered.
- Research could also investigate market driving with other stakeholders, for example consumers or suppliers.
- Future research could take advantage of a covariance-based structural equation approach, e.g. Lisrel, to measure market-driving ability.
- A longitudinal study approach would help to determine the impact of market-driving ability on firm performance and competitive strength.
- The measures of market driving and factors influencing market-driving ability could be investigated within other industries and countries.

## 7.7 SUMMARY AND CONCLUSION

The literature study outlined the research conducted at the interface of entrepreneurship and marketing. It has been noted that both disciplines share common concepts, such as the approach to innovation, focus on opportunities and change (Collinson & Shaw, 2001). It has also been noted that within the field of entrepreneurial marketing two approaches have emerged: a market-driven and a market-driving approach. Both approaches can appear in an organisation.

The research on market driving, its measurement and influencing factors, has been the focus of the empirical study. The findings of the research study showed that the model presented here can help firms to identify their level of market driving and also

determine the state of influencing factors in their organisation. Implications for business science and management have been discussed and limitations of the study have been addressed.

It is hoped that the findings of the study will provide an inspiration to other researchers to conduct further research in the field of entrepreneurial marketing and further investigate the construct of market driving and its implications for organisations.