CHAPTER 3: ENTREPRENEURSHIP AND MARKETING: VALUE CREATION AS THE LINK

3.1 INTRODUCTION

As outlined in chapter two, research on the entrepreneurship/marketing interface has identified a number of commonalities between the two disciplines.
Carson (2010:8) summarises the commonalities and states that both disciplines consider innovation, creativity, opportunistic behaviour, flexibility and change orientation. Both disciplines include a managerial perspective and organisational behaviour. Moreover, both disciplines are process based and market driven.

A firm's market-driven behaviour, which relates to an understanding of and response to manifest and latent customer needs, has been widely studied within market orientation research (Day, 1998, 1999; Kohli & Jaworski, 1990; Narver & Slater, 1990; Narver *et al*., 2004).

However, contemporary research at the interface is concerned with an understanding of exceptional firm performance and competitive advantage, which cannot be explained by a market-driven understanding of the firm (Kumar *et al*., 2000; Schindehutte *et al*., 2008).

This chapter will firstly distinguish between the two different constructs of market-driven and market-driving behaviour of firms. Secondly, relevant literature on market-driving research will be presented and a summary of the literature will be given.
Thirdly, various definitions of market driving will be outlined and the definition that is applied to this study is presented.

Fourthly, research suggestions derived from previous research on market driving will be addressed and the focus of this study will be outlined. This is followed by a general framework of market driving that provides the basis for this study. Then the conceptual model of market-driving ability in corporate entrepreneurship will be developed. The conceptual model will be presented with its antecedents and consequences deriving from constructs and concepts developed in entrepreneurship, marketing, strategy and organisational behaviour research.

3.2 MARKET-DRIVEN VERSUS MARKET-DRIVING BEHAVIOUR

Hamel and Prahalad (1994:29-30) argue that the wealth of firms in the future largely depends on their ability to create tomorrow's markets and to anticipate future opportunities. Competing in the future will require different strategies. Top management needs to think differently about its role in creating these strategies.

Hamel and Prahalad (1994:45-47) suggest a three-stage process, with overlapping steps, in order to compete in future. First, firms compete for intellectual leadership. This dimension refers to gaining insight into different trends which create new customer benefits or create new ways of delivering benefits. These trends need to be evaluated before the competition (Hamel & Prahalad, 1994:45-46).

Secondly, firms need to shape the direction of the industry development and acquire the necessary competencies to be able to deliver the products and services, acquire alliance partners and design the surrounding infrastructure (Hamel & Prahalad, 1994:46).

Thirdly, firms will compete against one another in the newly created market. Competition is then again targeting market share, cost, value, service and price (Hamel & Prahalad, 1994:46).

Hamel and Prahalad (1994:47) argue that today's businesses spend most of their effort and time in the last stage - of competing against one another - rather than looking for new opportunities in different industries or markets. The ideas presented by Hamel and Prahalad (1994) can be used to assess market-driven and market-driving behaviour of firms.

It is argued that market-driven firms optimise the third stage of the competition process, whereas market-driving firms evaluate opportunities to deliver better customer value and explore markets which are not yet served. The main differences between a market-driven and a market-driving approach have been studied along different dimensions. The following table summarises the main aspects that have emerged in literature and will be described in the following paragraphs.

TABLE 3.1: Summary of market-driven versus market-driving approaches

Dimension	Market-driven approach	Market-driving approach
Market / industry	Focus on existing markets/industries	Focus on existing and new markets/industries
Main business philosophy	How to retain and gain valuable customers	Shaping, creating, changing the market and/or behaviour of stakeholders
Main stakeholder focus	Customers	Entire range of stakeholders e.g. customers, competitors, employees, regulatory bodies
Strategic orientation	Reactive & proactive market orientation	Market orientation, entrepreneurial orientation, technology orientation
Outcomes	Short-term superior performance and competitive advantage	Long-term superior performance and competitive advantage

Sources: Barlow Hills & Sarin (2003); Harris & Cai (2002); Jaworski *et al*. (2000); Kumar *et al.* (2000); Narver *et al.* (2004); Schindehutte *et al*. (2008)

Market-driving firms are characterised by creating new markets or redefining the existing market in a way that makes competitors obsolete. Furthermore, market driving can occur on different levels, such as at an industry, a market or product level. Change that occurs on an industry level tries to change the nature of the competition. Change on a market level requires an alteration of customer preferences, while product-level change considers the standards of current offerings. Hence, market driving does not only occur in existing and future markets but also with a different range of stakeholders (Barlow Hills & Sarin, 2003:15-16; Carrillat *et al*., 2004:2; Jaworski *et al.,* 2000:47-48).

Gaddefors and Anderson (2008:26-27) suggest that the market needs to be considered as a process rather than a pre-existing "thing". This is even more relevant when markets are created. It is argued that marketing and entrepreneurial elements are required to create markets. It is necessary to provide customers with knowledge of how to use the product as well as form their understanding of the product's value.

Kjellberg and Helgesson (2007:141-143) state that market practice involves activities of market shaping as well as activities to promote and sell in markets. A conceptual model for market shaping is presented. The model includes three dimensions that are interlinked. First, exchange practices are described as concrete activities related to the actual economic exchange. Second, representational practices capture the performance of the firm with regard to its exchange practices. Hence, information must be generated and be responded to. Third, normalising practices refer to guidelines, whether voluntary or legislated, of how the market should be shaped.

Market-driven firms focus on learning and understanding stakeholders in an existing market. As markets evolve, firms adapt to changing circumstances and try to stay ahead of competitors (Jaworski *et al.,* 2000:45; Schindehutte *et al.,* 2008:5). With regard to stakeholders, market-driven firms "… demonstrate a superior ability to understand, attract and keep valuable customers" (Day, 1999:5).

A market-driven firm can be characterised by specific capabilities and behaviours.
The primary strategic orientation of market-driven firms is reactive and proactive.

A reactive market orientation refers to the response of the firm towards expressed customer needs. In the market-driven business orientation, the customer is at the centre of all activities, which influences the way the organisation approaches its customers, employees and competitors. A firm learns about customer needs through continuous information generation (Day, 1998:8-10; Narver *et al.,* 2004:336; Slater & Narver, 1998:1001-1003; Tuominen *et al*., 2004:208).

A proactive market orientation uncovers latent needs, which are represented as current needs of which the customer is unaware. One approach to uncovering those latent needs is to observe customer behaviour and learn and infer from this behaviour possible solutions. Staying close to customers translates into customer satisfaction that transfers into customer loyalty (Day, 1998:8-10; Narver *et al.,* 2004:336; Slater & Narver, 1998:1001-1003; Tuominen *et al.,* 2004:208).

In order to change, shape or create markets, market-driving firms consider various strategic orientations such as an entrepreneurial orientation, a market orientation and a technology orientation to trigger innovation to achieve superior performance (Schindehutte *et al.,* 2008:13).

Existing organisations that want to pursue market driving need to overcome several obstacles (Kumar *et al.,* 2000:135). Chapter two addressed strategies for existing organisations on corporate entrepreneurship. One of these strategies targets domain redefinition. This approach helps organisations to find new markets and products and hence establish a competitive advantage. Preconditions for this approach are a certain amount of risk-taking, innovative behaviour and proactiveness within the organisation (Covin & Miles, 1999:54-55; Dess *et al*., 2003:355; Morris *et al*., 2008:91).

The outcomes of a market-driven approach have been described as leading to superior cost and investment efficiency, employee satisfaction, price premium, revenue growth and competitive pre-emption (Day, 1998:12). However, if every organisation in the market applies a market-driven approach, no one organisation will outperform the others and hence no long-term competitive advantage will be created (Carrillat *et al*., 2004:2).

The outcome of market-driving behaviour is the generation of capabilities through the discovery process that are not quantitatively measurable. These capabilities are considered to contribute to an enduring competitive advantage (Jaworski *et al*., 2004:2; Schindehutte *et al*., 2008:15).

3.3 MARKET-DRIVING CONCEPTS AND FRAMEWORKS

As outlined in chapter two, entrepreneurial marketing is conceptualised as firm behaviour that includes dimensions of an entrepreneurial and a market orientation in order to create value for customers and achieve superior performance.

Over the past 10 years researchers have been concerned with analysing the behaviour of exceptional organisations such as Body Shop, IKEA, Swatch, Virgin and Starbucks (Kumar *et al*., 2000:130).

Analysing characteristics of market-driving firms and elaborating on ways to achieve market driving within existing organisations has been the research focus of various studies.

The following paragraphs outline the different concepts and frameworks researchers have developed so far to analyse market-driving behaviour.

3.3.1 Firm-internal dynamics: radical innovation (Kumar, Scheer & Kotler, 2000)

Kumar *et al.* (2000:130) state that market-driving firms create radical innovations that arise from a vision that sees the world in a different way and addresses latent or emerging customer needs. A radical innovation evolves around a discontinuous leap in value proposition and the implementing of a unique business system. A value proposition can be created around product/service benefits, cost and price. A unique business system refers to all activities around creating, producing and delivering the product/service to the customer. Furthermore, market-driving firms focus on new markets, redefine the market segmentation in a fundamental way and make competitors obsolete. Figure 3.1 summarises the different types of strategic innovation.

Kumar *et al.* (2000:131-132) describe market driving as an orientation distinct from other market orientations such as being sales driven, market driven or customer driven.

In an exploratory study of 25 market-driving firms, Kumar *et al.* (2000:132) found the following distinguishing elements from other firms.

- First, market-driving firms are guided by vision rather than traditional market research, as customers are usually not able to consider the benefits of revolutionary products, concepts or technologies. Market-driving firms see opportunities to fill latent and unmet needs (Kumar *et al*., 2000:132).

- Second, market-driving firms also change the market by replacing previous market segments with new ones (Kumar *et al*., 2000:133).

- Furthermore, new price points are established. Market-driving firms are better able to provide the same quality at a lower price or provide a unique value for which consumers are prepared to pay a significantly higher price (Kumar *et al*., 2000:133-134).

- Market-driving firms also educate the customer about the product and how to use it. They exceed customer expectations through creating a leap in customer value (Kumar *et al*., 2000:134-135).

- Next, market-driving firms reconfigure distribution channels that result in unique business systems (Kumar *et al*., 2000:134).

- Lastly, market-driving firms do not invest a great deal in traditional advertising, as their message is transmitted via various channels, such as popular press reporting on innovations, and early adopters and opinion leaders spreading the news (Kumar *et al.*, 2000:134).

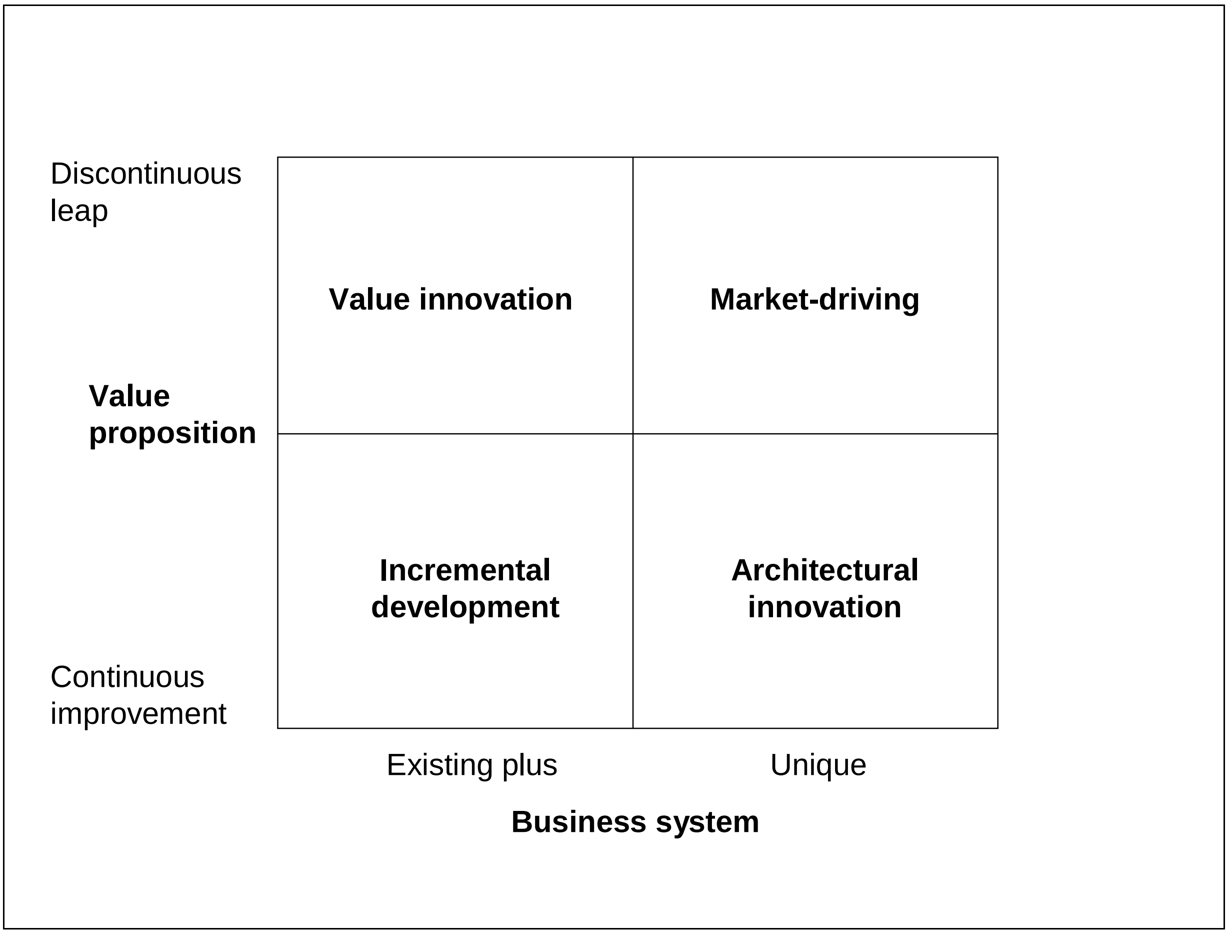
Kumar *et al*. (2000:135) state that market-driving firms are usually new entrants in the market, as they dramatically change existing rules and structures. Larger firms need to overcome several obstacles to become market driving. First, new ideas often contradict the current business of the organisation. Secondly, high risks, such as financial and personal risk, are involved in developing market-driving ideas. Third, the development of ideas is often biased towards following tried and familiar territory that is in line with the organisation's overall direction. Fourth, more resistance towards breakthrough ideas is experienced if the status quo is at risk of changing (Kumar *et al*., 2000:136).

Established firms which want to become market-driving firms need to establish the vision and environment to generate breakthrough ideas and implement capital and risk tolerance (Kumar *et al*., 2000:136).

Management must set up project teams and encourage a certain type of behaviour, allowing for serendipity, encouraging experimentation and tolerating mistakes. The right employees need to be assigned specifically to the project team and exempted from the existing business structure and priorities. Management needs to establish several channels for approval of new ideas, and new ideas should be allowed to cannibalise existing business (Kumar *et al*., 2000:137-138).

Kumar *et al*. (2000:138-139) state, however, that it is difficult to become a serial market-driving firm, as bureaucracy, standard routines and risk aversion rise the bigger the organisation gets.

FIGURE 3.1: Types of strategic innovation



Source: Kumar *et al*. (2000:130)

The three main points to consider from the analysis of market-driving firms by Kumar *et al*. (2000) are:

- Radical innovation is performed on two dimensions: the value proposition and a unique business system.
- Market-driving firms compete on different levels, such as changing industry segmentation, channel reconfiguration, new price points, providing customer education and exceeding customers' expectations.
- In order to become market driving, firms must create a vision and environment for innovation.

3.3.2 Firm-external dynamics: shaping market structure and behaviour (Jaworski, Kohli & Sahay, 2000)

Jaworski *et al*. (2000:45) state that market-driving behaviour is characterised by influencing the structure of the market and/or the behaviour of its market players with the goal of enhancing the competitive position of the business. These authors characterise market driving and market driven as being two complementary approaches of the market orientation of a firm.

Market-driven behaviour is characterised by accepting the current structure and/or behaviour of market players and working within those constraints. A market-driving approach aims to change the composition of market players and/or change the behaviour of market players. Market-driving is considered to be a function of the number of changes and the impact of these changes on the market. Market-driving and market-driven behaviour are complementary approaches that can both appear in the same organisation. It is noted that firms which are not the first ones in a market also have the potential to drive the market, as the extent of change is crucial and not necessarily the timing (Jaworski *et al*., 2000:45-47).

Jaworski *et al*. (2000:46-47) provide a conceptual framework that includes market structure and market behaviour. The market structure encompasses all market players in the value chain. A market-driving firm proactively changes the composition and number of market players, or changes the roles of these players by adding new players or making others obsolete. Market behaviour considers the behaviour of all market players, customers, suppliers and competitors. Market-driving firms change customers' perception of the firm's products or shape customers' behaviour by focusing on product attributes that have not been considered before, or by introducing completely new product offerings. The conceptual framework is summarised in Figure 3.2.

Jaworski *et al*. (2000:47) describe three different strategies for shaping the market and/or the behaviour of its players: a deconstruction approach, a construction approach or a functional modification.

A *deconstruction* approach can involve channel reconfiguration, where the firm's business model is built around eliminating players. An elimination of competitors can be achieved by joint ventures and partnerships. Suppliers can also be acquired in order to gain a better cost position (Jaworski *et al*., 2000:48-49).

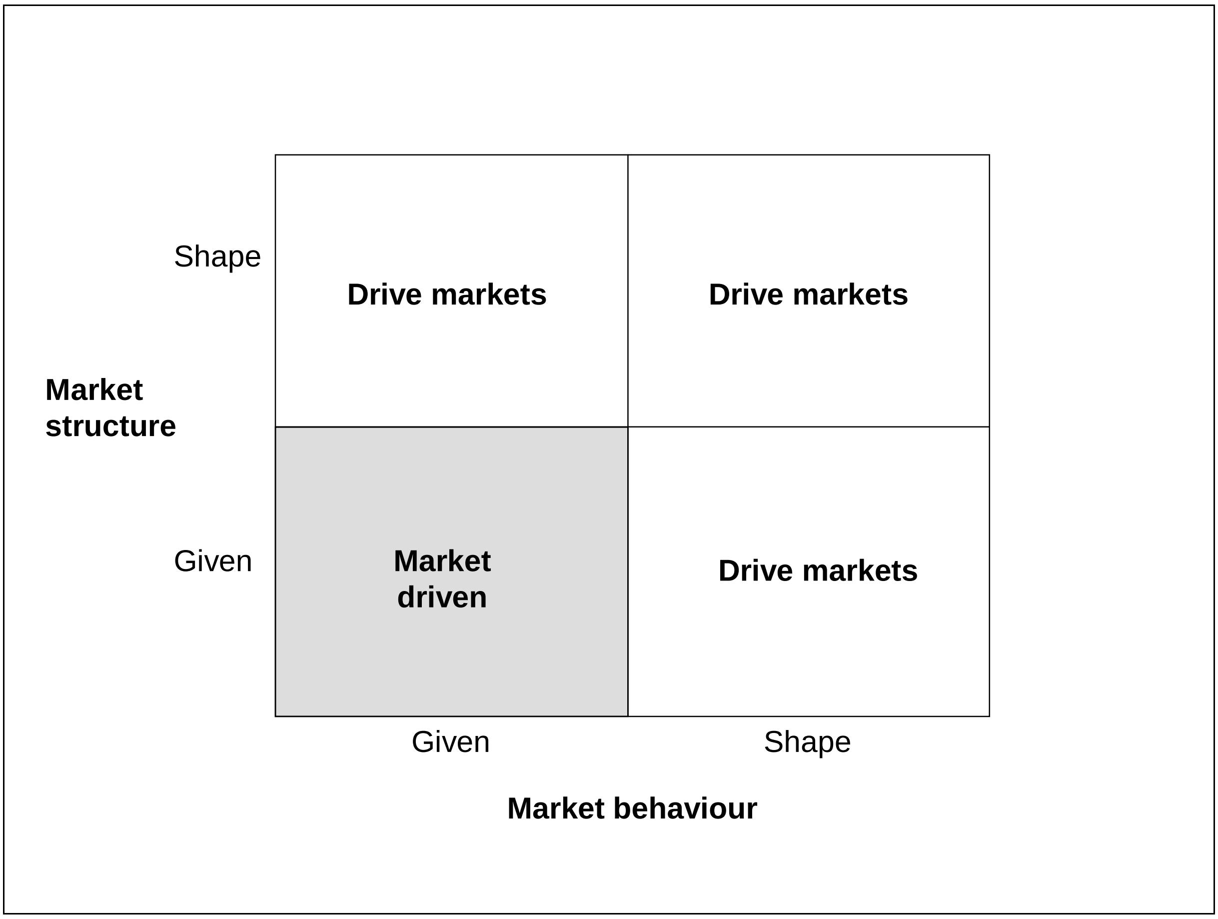
Adding new players to the market represents a *construction* approach. This can be either achieved by building a set of new players or by adding new players to the existing structure (Jaworski *et al*., 2000:49-51).

Functional modification, as a third approach to shaping the market, would include forwards or backwards integration (Jaworski *et al*., 2000:49-51).

Jaworski *et al*. (2000:51) emphasise that shaping the market and its players can be achieved with latent and manifest customer needs in mind. Latent needs refer to needs that are not apparent and as yet unmet in the market.

Market behaviour can be shaped either directly or indirectly. A direct influence on customer and competitor behaviour can be achieved by building or removing constraints. Indirect action can be taken when new customer preferences are created; for example, new benefits can be introduced that have not been recognised before. Another way to indirectly shape customer preferences is to change existing preferences. Previously negative perceptions of a product could be changed into positive perceptions (Jaworski *et al*., 2000:52-53).

FIGURE 3.2: Conceptual framework: two forms of market orientation



Source: Jaworski *et al*. (2000:46)

The main aspects of the concept provided by Jaworski *et al*. (2000) can be summarised as follows:

- Market-driving firms shape market structure by using different approaches: deconstruction, construction and functional modification.
- Market-driving firms shape market behaviour, either directly or indirectly.

3.3.3 Four tenets of market driving (Harris and Cai, 2002)

Harris and Cai (2002:172) built on the market-driving concepts of Kumar *et al*. (2000) and Jaworski *et al*. (2000). A case study with De Beers in China was conducted to elaborate on factors that lead firms into a market-driving approach and how market driving occurs in practice.

Harris and Cai (2002:180-182) found several factors leading to market driving.

First, customer unfamiliarity with the product and preconceptions in new markets require a market-driving approach. The firm explores a new market and tries to transform mental models to build the market to achieve growth (Harris & Cai, 2002:180-182).

Second, market control of a firm puts it in a favourable position to explore new markets where a market-driving approach can be applied. A market-driven approach can be pursued in mature markets (Harris & Cai, 2002:183). It is argued that market control puts De Beers into a position where market structure and behaviour can be shaped. Although De Beers has not totally applied a construction, deconstruction or functional modification approach to the market, as outlined by Jaworski *et al*. (2000), it has influenced the behaviour of customers directly and indirectly by bringing the value perception of diamonds to China (Harris & Cai, 2002:190).

In addition, as market-driving firms change the market, a need arises to also become more market-driven. It is argued that market-driving and market-driven behaviour are sequential processes (Harris & Cai, 2002:184). This finding supports the view of Jaworski *et al*. (2000) that market-driving and market-driven approaches are complementary (Harris & Cai, 2002:184).

Harris and Cai (2002:185) describe four tenets of market-driving: *market sensing*; *changing customer preferences*; *alliance formation;* and *local sensitivity*.

A market-sensing ability is important for a market-driven as well as a market-driving approach. However, market sensing is applied differently in the two approaches. Market-driven firms apply market sensing to generate information, disseminate it and react. Market-driving firms use the information to learn about emerging opportunities and learn how the market may react to strategic moves. Hence, market-driving firms use information to change the market (Harris & Cai, 2002:185). This perspective can be linked to the findings by Kumar *et al.* (2000:132), in that market-driving firms see how the market can evolve (Harris & Cai, 2002:185).

Secondly, firms need to educate their customers about the product, how to use it and create emotional attachment (Harris & Cai, 2002:186-187). This finding is consistent with the approach of shaping customer preferences directly and indirectly, as presented by Jaworski *et al.* (2000) (Harris & Cai, 2002:185). Kumar *et al.* (2000:134) also consider customer education vital for a market-driving approach.

Thirdly, establishing relationships with suppliers, retailers and regulatory bodies is beneficial in controlling and managing the channels (Harris & Cai, 2002:187-188). Channel reconfiguration is also an important aspect in the works of Jaworski *et al.* (2000) and Kumar *et al.* (2000). Innovative channel management, such as including or excluding other market players, is practised by market-driving firms (Harris & Cai, 2002:188).

Finally, being sensitive to cultural issues while implementing a market-driving approach is considered to be linked to success in that market (Harris & Cai, 2002:189).

Important aspects of the study by Harris and Cai (2002) can be summarised in the following points:

- Partial support for the frameworks presented by Jaworski *et al.* (2000) and Kumar *et al.* (2000) is found.
- Market sensing, changing customer preferences, forming relationships and local sensitivity represent the four tenets of market-driving.

3.3.4 Combining firm-external and firm-internal dynamics (Barlow Hills & Sarin, 2001, 2003)

Market driving is described as consisting of three dimensions: value creation, change and leadership. It is argued that all three dimensions need to be present at the same time to characterise a firm as market driving (Barlow Hills & Sarin, 2003:17).

Value creation refers to an innovative behaviour that includes process innovation, strategy implementation and barriers to entry. Changes in structures and/or behaviour are pursued with different stakeholders such as customers, competitors, suppliers, regulatory agencies and alliance partners. Market-driving firms are also believed to lead other firms into new territory (Barlow Hills & Sarin, 2003:15).

Market-driving firms take into consideration all stakeholders: customers, competitors, alliance partners and channel members, in their strategies to achieve industry change. Market-driven and customer-leading activities focus primarily on the customer (Barlow Hills & Sarin, 2003:17).

Barlow Hills and Sarin (2003:15-16) claim that market driving is not only a multi-dimensional construct but also consists of multiple levels. Depending on the firm's strategic orientation, it can influence the market and its stakeholders on three levels: on an industry, a market or a product level (Barlow Hills & Sarin, 2001:218; 2003:16).

First, market driving can occur on an *industry* level, which refers to a change of the structure and the nature of the competition. Barlow Hills and Sarin (2003:16) refer to Jaworski *et al.* (2000) and state that altering industry scale and the supply chain influences the competitive structure. In the same vein Kumar *et al*. (2000:130) note that the introduction of a unique business system changes the way a firm competes in an industry.

Secondly, on a *market* level firms focus on activities to change customer preferences and behaviour (Barlow Hills & Sarin, 2003:16). By considering various stakeholders, firms can expand their current market and create new markets. Increasing access to products and services out of common time and location principles increases customers' perception of individuality and changes market boundaries (Barlow Hills & Sarin, 2003:16). This approach is also reflected in the findings of Jaworski *et al.* (2000:52), who claim that building or removing customer constraints can be used to shape market behaviour.

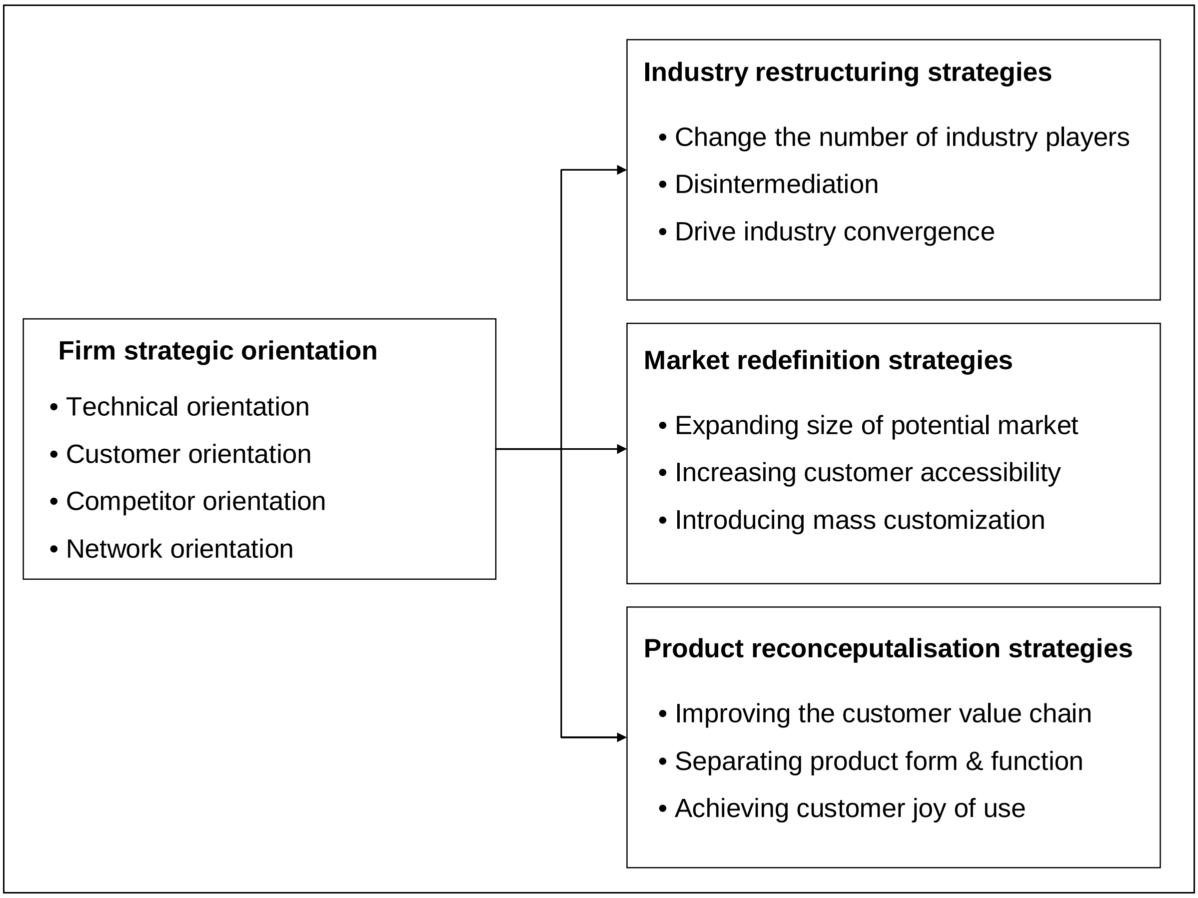
Thirdly, at a *product* level firms aim to change the standards of products and services in a particular market. It is argued that most market-driving activities take place at a product level, where firms modify or improve product features to acquire new customers and change the perceived value of the product (Barlow Hills & Sarin, 2003:17). This perspective corresponds with the findings of Kumar *et al.* (2000:130), who state that a leap in customer value is created when existing technology is exploited to serve the customer in a different way that delivers greater benefit.

A firm's strategic orientation is formed by its capabilities. In order to pursue a market-driving approach on one of these levels, firms need to have certain capabilities. A technical capability refers to a firm's ability to actively create new products and services. A customer capability refers to activities directly related to an understanding of customers' needs and preferences. The degree to which a firm undertakes activities assessing competitors' performance is considered as a competitor capability. A network capability refers to a firm's ability to form strategic alliances and an industry-wide product standard (Barlow Hills & Sarin, 2001:219).

It is argued that these strategic orientations can occur simultaneously in one organisation; however, most often one orientation is more dominant than others. The strategic orientations guide the firm in its market-driving endeavours. Hence firms with a more internal technical orientation will drive the market through product innovations whereas firms with an outside competitor orientation will focus on marketing activities to drive the market (Barlow Hills & Sarin, 2001:219-220).

Figure 3.3 presents the framework suggested by Barlow Hills and Sarin (2001:218).

FIGURE 3.3: Competing values framework



Source: Barlow Hills and Sarin (2001:218)

The main aspects of the research by Barlow Hills and Sarin (2001, 2003) can be summarised as follows:

- Market driving consists of the simultaneous presence of three dimensions: value creation, change and leadership.
- A firm’s strategic orientation determines the level on which market driving is pursued.
- Market driving can occur on an industry level, a market level or a product level.

3.3.5 Conceptual framework of market-driving strategy (Carrillat, Jaramillo & Locander, 2004)

Carrillat *et al*. (2004:1) state that market-driving and market-driven behaviour are components of the general framework of market orientation. Their focus is on customer needs and desires as well as profit.

Carrillat *et al*. (2004:2-3) combined previous research on market driving by Kumar *et al*. (2000) and Jaworski *et al.* (2000) to build their conceptual model. They argued that although previous research showed different ways in which to achieve market driving, it did not provide a conceptual model that integrated organisational processes to achieve market driving.

The conceptual model, which is presented in Figure 3.4, describes which organisational processes lead to market driving. It is argued that the realisation of a market-driving strategy is a two-stage process. First, a market-driving culture needs to be created; and second, this culture needs to be implemented (Carrillat *et al.,* 2004:1).

Creating a market-driving culture requires a transformational leadership style. A transformational leadership style needs to align the values and goals of all organisational members. Furthermore, the vision needs to be articulated, which requires strong leadership that leads to an adoption of the goals and a sharing of the vision by all employees. A transformational leadership also requires the implementation of different strategies to create an atmosphere where market driving can flourish. Carrillat *et al*. (2004:4-5) adopted the following strategies from Kumar *et al*. (2000):

- Allow space for serendipity.
- Select and retain creative employees.
- Empower entrepreneurial employees.
- Establish competitive teams.
- Favour new ideas – cannibalise your own products.
- Encourage experimentation and tolerate mistakes.

The outcome of a transformational leadership style is a change in an organisation's culture towards market driving (Carrillat *et al*., 2004:5).

Organisational culture can be determined in two dimensions: first, the degree of structure, which varies from informal to formal; second, an internal-external perspective which considers the development of internal systems as well as the development of competitive advantage (Carrillat *et al.,* 2004:5).

It is argued that for the creation of a market-driving culture an adhocracy type of leadership is most suitable, whereas for the implementation a market type culture is beneficial. Adhocracy cultures are described as being supportive of risk-taking, creativity and innovative behaviour. The main focus is on an external perspective and informal structures within the organisation. A market type culture focuses on the implementation of innovations. It relies on well-defined formal goals as well as formal information systems and inter-functional coordination to continuously monitor the market and understand customer needs (Carrillat *et al*., 2004:5-6).

The capacity to innovate is influenced by the firm's propensity for risk-taking, innovativeness and organisational learning. Risk-taking refers to undertaking actions that could potentially result in a loss. In order to build a market-driving culture innovativeness is required. Furthermore, interactive organisational learning, which takes place as a two-way process, will decrease the risk of failure. First, the firm learns from its environment and later the environment learns from the firm. Through interactive learning the firm is in a better position to launch new products (Carrillat *et al*., 2004:6).

In the transitional phase two concepts are important. First, organisational change needs to be supported and initiated by senior management. It is important that top management adopts the market-driving culture in order for middle and junior management to follow. Second, inter-functional coordination of all departments is required to implement organisational changes (Carrillat *et al*., 2004:7).

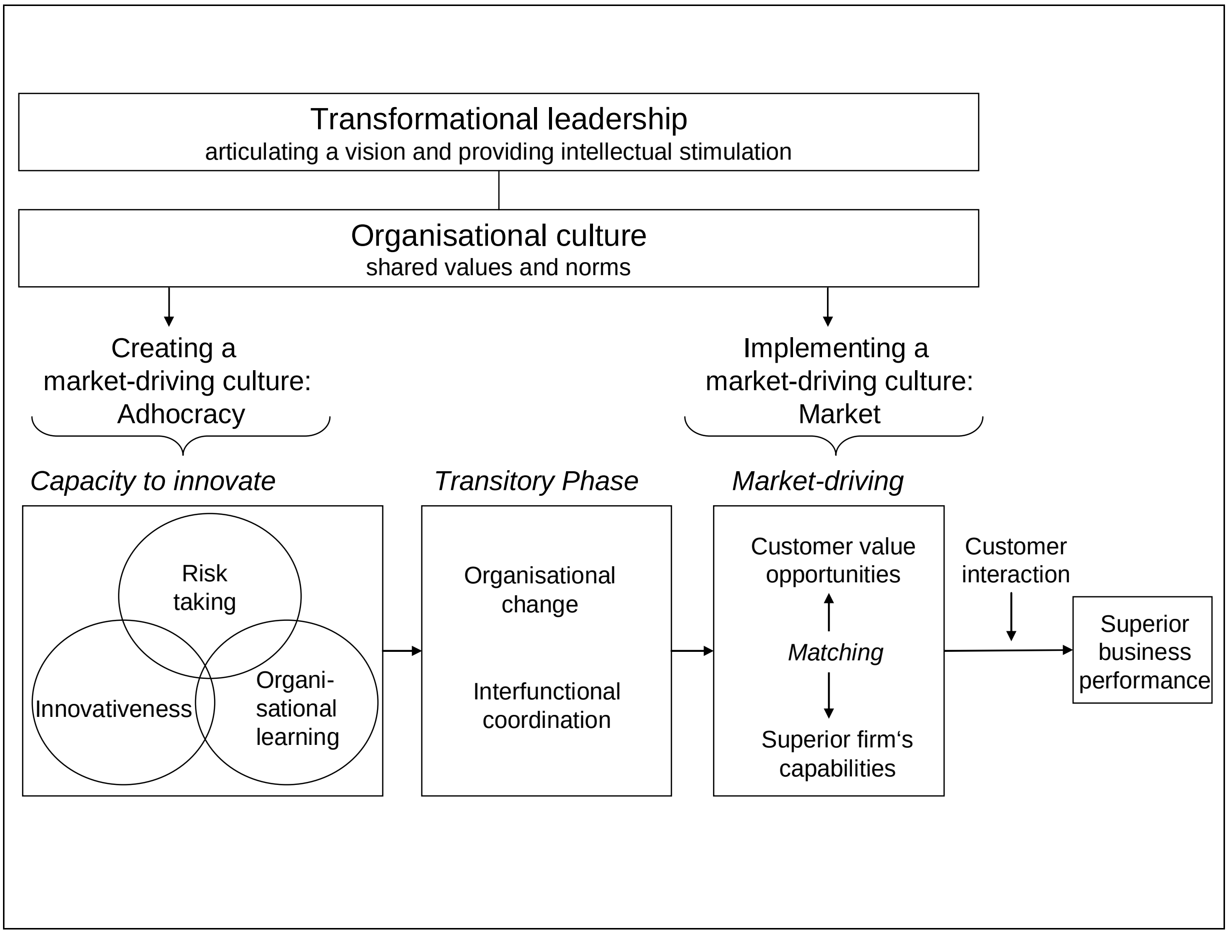
The final step in the process is the implementation of market driving. For that purpose Carrillat *et al*. (2004:8) apply an internal perspective adopted from the

research conducted by Kumar *et al.* (2000) and an external perspective representing the thoughts of Jaworski *et al.* (2000).
It is argued that creating a radical innovation initiates a leap in customer value and a unique business system. These result in the creation of barriers to entry for competitors (Carrillat *et al.,* 2004:8).

The external perspective considers that market-driving firms are able to shape the structure and behaviour of market players by adopting one of the following approaches: construction, deconstruction or functional modification. As outlined, behaviour can be influenced directly or indirectly (Carrillat *et al.,* 2004:8).
Therefore market-driving firms not only match their capabilities to customer value opportunities but also strive to create innovations that allow them to drive the market into different territories (Carrillat *et al.,* 2004:8).

Market driving results in superior business performance. Carrillat *et al.* (2004:9) add that market driving works better in service industries than in manufacturing industries, because of higher customer interaction effects.

FIGURE 3.4: A conceptual framework of market-driving strategy



Source: Carrillat *et al.* (2004:3)

The main aspects of the conceptual model by Carrillat *et al.* (2004) are:

- Antecedents to market driving are: transformational leadership style, organisational culture, capacity to innovate, organisational change and inter-functional coordination.
- Market driving occurs on a firm-internal and firm-external level.
- Market driving results in superior business performance.

3.3.6 Developing supplier relationships to support market-driving strategy (Ghauri, Tarnovskaya & Elg, 2008)

Ghauri *et al.* (2008:504) build on research conducted by Kumar *et al.* (2000) and Jaworski *et al.* (2000). It is argued that market driving is an ability of firms to create a leap in customer value by redefining internal business processes and restructuring activities in the value chain. In order to achieve market driving, firms need innovation and supplier relationships (Ghauri *et al.,* 2008:504).

The main focus of the study presented by Ghauri *et al.* (2008:505) is how firms can mobilise their suppliers to create a leap in customer value by changing customer behaviour and the market structure in general.

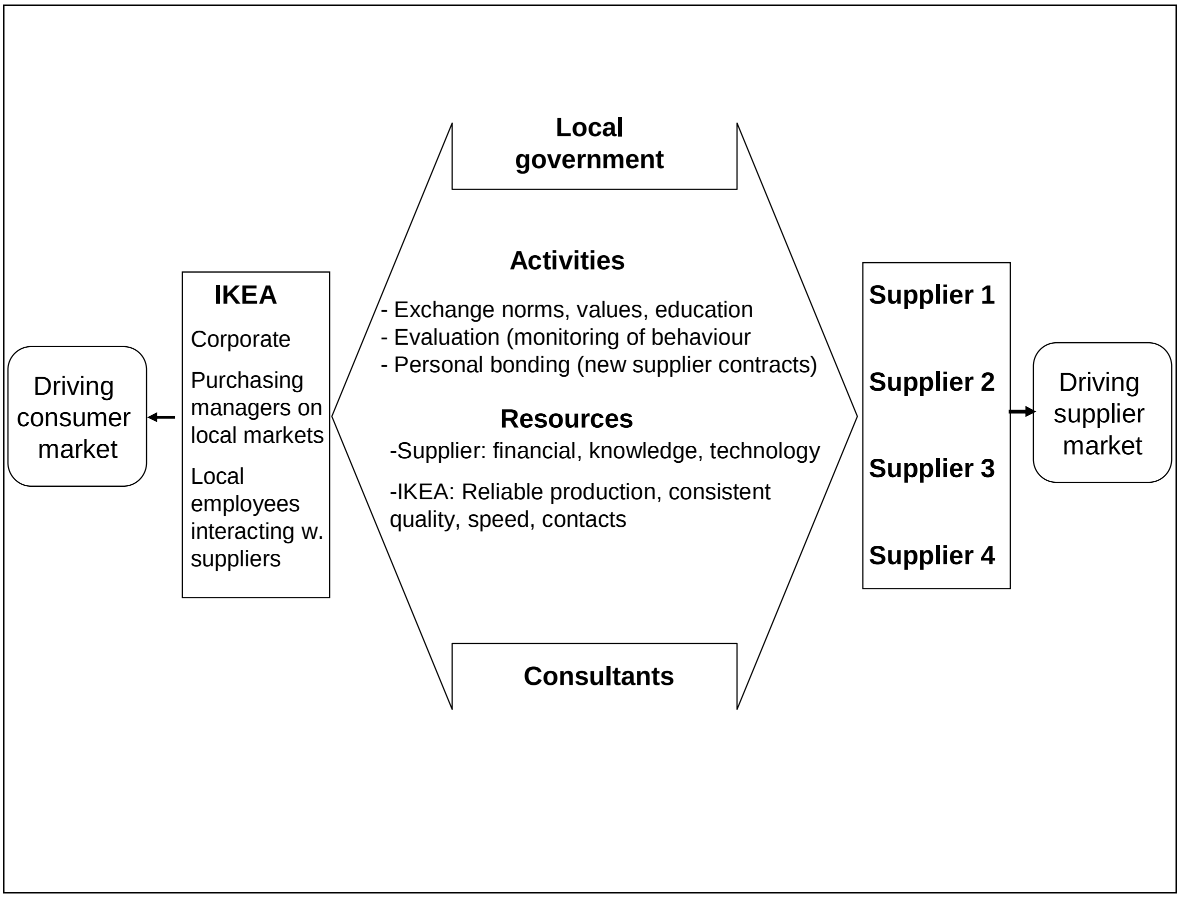
Ghauri *et al.* (2008:506-507) conducted a qualitative case study with Ikea in which a network approach was used to analyse Ikea's relationships with its suppliers. The network approach includes an analysis of actors, activities and resources. First, the roles of different actors and the relationships between them are analysed. "Activities" refers to performed tasks and "resources" focuses on exchange of resources. By exchanging critical resources, value can be generated.

Regarding the activities perspective of the approach, it was found that the development of personal relationships with suppliers and a common understanding of the vision of the business are typical of market driving. Furthermore, shared norms and standards are established, which increases involvement of workers.

Resources, exchanging technologies and Ikea's financial support for the factories were considered to improve working conditions and safety standards.
Ikea's close relationship with its suppliers is considered to be the key to its market-driving success. This requires the management from both organisations to be involved in the development of these relationships (Ghauri *et al.,* 2008:512-515).

The conceptual model of a market-driving firm and its relationship with suppliers is presented in Figure 3.5.

FIGURE 3.5: A conceptual model of a market-driving firm and its relationship with suppliers



Source: Ghauri *et al.* (2008:514).

The main findings of the research conducted by Ghauri *et al.* (2008) can be summarised as follows:

- Market-driving firms create strong relationships with suppliers.
- Market-driving firms share norms and vision with suppliers.
- Market-driving firms exchange resources, such as technologies and knowledge, with their suppliers.

3.3.7 Integrative model of sustainable advantage (Schindehutte, Morris & Kocak, 2008)

Schindehutte *et al*. (2008:4,7) argue that market-driving behaviour is distinct from a market orientation. Market driving focuses on the entire range of market players, and is not limited to the beginning of a technology life cycle.

These authors argue that firms can be characterised by the following four positions. First, firms may be neither market driven nor market driving. Second, firms may be either market driven or market driving. Third, firms can be sequentially market driving and then market driven, and fourth, they can rarely be market driven and predominantly market driving (Schindehutte *et al.,* 2008:8).

Schindehutte *et al.* (2008:12) propose an integrative model that represents a process and content perspective of the marketing and entrepreneurship interface towards achieving a sustainable competitive advantage. Further, it is argued that market driving is an outcome of innovation. Figure 3.6 presents the integrative model. Dark shaded boxes refer to constructs related to an entrepreneurial orientation and white boxes refer to marketing constructs (Schindehutte *et al*., 2008:12).

The antecedents of the model are represented by environmental/market factors and firm-specific factors. These factors, combined with strategic orientations of the firm represented by market, technology and entrepreneurial orientation, drive the type and nature of innovations. It is noted that the innovation has an important role in the process, as several types of innovation can lead to market-driving behaviour (Schindehutte *et al*., 2008:13-14).

Mediating processes of organisational learning and opportunity recognition occur simultaneously. A firm learns from its environment how to compete in an existing market by responding to market needs. However, opportunity discovery enables the firm to find out about new needs and the process whereby the necessary resources are required to achieve a competitive advantage and superior financial performance (Schindehutte *et al.,* 2008:13,15).

The model presented by Schindehutte *et al*. (2008:16) also includes path-dependent trajectories. The two preconditions for the model are that entrepreneurial orientation is dynamic and the environment in which firms operate is moderately or highly turbulent. Four basic situations arise.

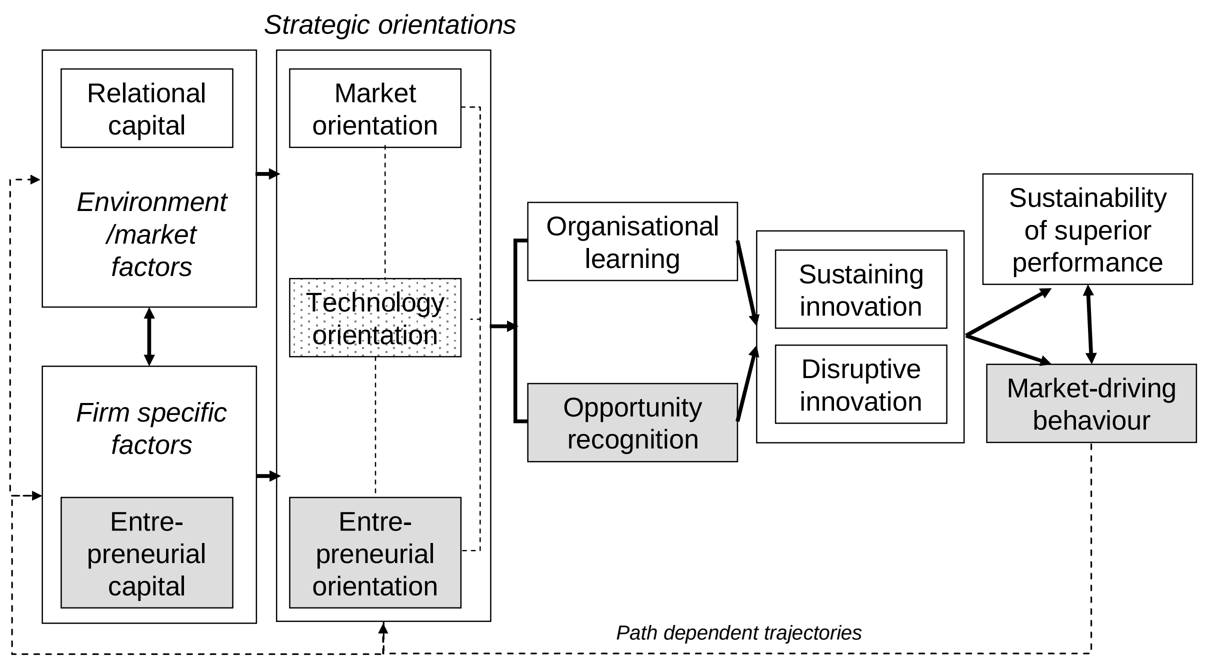
First, firms can start with a strong internal orientation focusing on production or financial management. The survival of the firm will depend on the level of entrepreneurial orientation in order to make the transition to becoming more market driven (either reactive or proactive) or customer oriented (Schindehutte *et al*., 2008:16).

Second, firms can focus on a technological orientation. If at least a moderate level of entrepreneurial orientation is present, the firm can transform into a proactive market-driven firm (Schindehutte *et al*., 2008:16).

Third, a firm can start as market driven (reactive or proactive) and if this is combined with a moderate level of entrepreneurial orientation it can be successful over time (Schindehutte *et al*., 2008:16).

Fourth, a firm may be market driving in the beginning, which requires a high level of entrepreneurial orientation. A transformation into market-driven behaviour with moderate levels of entrepreneurial orientation will follow. It is possible for the firm to rotate between market-driving and market-driven phases (Schindehutte *et al*., 2008:16).

FIGURE 3.6: Integrative model of how sustainable advantages evolve through path-dependent trajectories



Source: Schindehutte *et al.* (2008:13)

The main aspects of the integrative model by Schindehutte *et al*. (2008) can be summarised as follows:

- Antecedents to market driving derive from two dimensions: environmental factors and firm-specific factors.
- A combination of different strategic orientations and organisational learning and opportunity recognition results in innovation.
- Different types of innovation offer an opportunity for market-driving behaviour that results in superior performance.

3.4 SUMMARY OF MARKET-DRIVING CONCEPTS AND FRAMEWORKS

The presented models can be summarised from three different aspects. First, what market-driving is; second, which factors influence the market-driving ability of firms; and third, the outcomes of market driving.

Market driving has been presented as a specific firm behaviour to shape the market structure and/or behaviour of all stakeholders (customers, competitors, suppliers and regulatory bodies). Certain abilities such as market sensing, changing of customer preferences, forming alliances, networks and local sensitivity characterise market-driving behaviour. Finally, market-driving can be undertaken on an industry, a market or a product level (Barlow Hills & Sarin, 2001, 2003; Ghauri *et al*., 2008; Harris & Cai, 2002; Jaworski *et al*., 2000).

Factors that influence market-driving ability can be summarised under an entrepreneurial and a market orientation. Organisational characteristics are important factors in facilitating market driving (Barlow Hills & Sarin, 2001, 2003; Carrillat *et al*., 2004; Harris & Cai, 2002; Jaworski *et al*., 2000; Kumar *et al*., 2000; Schindehutte *et al*., 2008).

Existing organisations need to create an enabling environment in order to achieve market-driving (Barlow Hills & Sarin, 2003; Carrillat *et al.,* 2004; Kumar *et al.,* 2000; Schindehutte *et al.,* 2008).

The outcomes of market-driving have been described as superior business performance and competitive advantage (Barlow Hills & Sarin, 2001; Carrillat *et al*., 2004; Schindehutte *et al*., 2008).

Market driving can occur together with other strategic orientations such as market-driven behaviour in a firm; however, orientations alternate in that one orientation is more dominant than the others at a certain time (Barlow Hills & Sarin, 2001; Harris & Cai, 2002; Jaworski *et al*., 2000; Schindehutte *et al*., 2008).

Table 3.2 summarises the presented concepts and frameworks.

TABLE 3.2: Overview of market-driving concepts and frameworks

Author	Year	Definition of market driving	What market driving firms do	How firms can become market driving	Outcomes of market driving	Study approach
Jaworski, Kohli & Sahay	2000	-Influencing structures of the market and/or -behaviours of market players	3 general approaches to shaping the market: construction, deconstruction, functional modification Shape market behaviour directly and indirectly	- Focus on structure and behaviour - Balance market-driven and market-driving markets	Competitive advantage	Secondary research
Kumar, Scheer & Kotler	2000	Radical innovation in: -Creation of leap in value proposition -Implementing unique business system	- Opportunity driven - Redraw industry segmentation - Create new price points - Customer education - Channel reconfiguration - Overwhelm customer expectations	- Mostly new entrants to the market - Established firms must have: vision, environment, capital and risk-tolerance	Competitive advantage	In-depth qualitative interviews, n=25 with market-driving firms

TABLE 3.2: **Overview of market-driving concepts and frameworks - continued**

Author	Year	Definition of market driving	What market driving firms do	How firms can become market driving	Outcomes of market driving	Study approach
Harris & Cai	2002	Reshape, educate and lead the customer / the market [definition adopted from Jaworski *et al.* (2000); Kumar *et al*. (2000)]	- Shift consumer preferences - Build demand and transform mental models - Control the market - Pursue activities in selected markets	- Market sensing - Changing customer preferences - Alliance formation - Local sensitivity	Performance	Case study; De Beers in China
Barlow Hills & Sarin	2001, 2003	-Value-creation -Change -Leadership all three elements to be present simultaneously	- Include various stakeholders - Seek industry change through changes at product / market level	- Proactively develop inter-firm networks	Short and long-term performance	Secondary research using the high-technology industry

TABLE 3.2: **Overview of market-driving concepts and frameworks - continued**

Author	Year	Definition of market driving	What market driving firms do	How firms can become market driving	Outcomes of market driving	Study approach
Carrillat, Jaramillo, Locander	2004	- Change the market - Propose offerings that are more valued by customer [definition adopted from Jaworski *et al*. (2000) and Kumar *et al*. (2000)]	- Use transformational leadership to create market-driving culture - Culture fostering: risk-taking, innovativeness, organisational learning	- Create a market-driving culture - Implement that culture	Superior performance: financial performance, customer perceptions	Secondary research
Ghauri, Tarnovskaya & Elg	2008	- Innovative restructuring the value chain - Build strong supplier relationships [definition adopted from Jaworski *et al*. (2000) and Kumar *et al*. (2000)]	- Exchange norms, values - Education (management) - Evaluation (monitoring behaviour) - Personal bonding	- Build strong relationships with suppliers	Create leap in customer value	Case study; n=1

TABLE 3.2: **Overview of market-driving concepts and frameworks - continued**

Author	Year	Definition of market driving	What market driving firms do	How firms can become market driving	Outcomes of market driving	Study Approach
Schindehutte, Morris & Kocak	2008	- Is the essence of entrepreneurial action - Dynamic advantage-creating capability - Reflects strong entrepreneurial orientation	Innovation activities occur at higher frequencies and greater disruptive force	Build an integrative model consisting of: - Industry specific factors - Firm specific factors with - Strategic orientations: entrepreneurial, marketing, technology orientation	Sustainable competitive advantage. Superior long-term performance	Case study; n=2

Sources: Barlow Hills & Sarin (2001, 2003); Carrillat *et al*. (2004); Ghauri *et al*. (2008); Harris & Cai (2002); Jaworski *et al*. (2000); Kumar *et al*. (2000); Schindehutte *et al*. (2008)

3.5 DEFINING MARKET DRIVING

Various researchers have tried to define market driving. The initial point for a definition of market driving was made by Jaworski *et al.* (2000) and Kumar *et al.* (2000). Subsequent research usually adopted their definition and added other perspectives. The following paragraphs outline the various definitions. A definition that is applied for this study will be given.

Kumar *et al*. (2000:131) define market-driving firms as firms that "… trigger industry breakpoints … which change the fundamentals of the industry through radical business innovation. Second, … the inspiration for the radical business concept usually comes from a visionary. Third, … they have to teach potential customers to consume their discontinuous value proposition."

Jaworski *et al*. (2000:47) state that market driving "… refers to changing the composition and/or roles of players in a market and/or the behaviour(s) of players in the market …".

Harris and Cai (2002:173) contend that a market-driving approach is a "… more proactive approach to reshape, educate and lead the customer, or more generally, the market".

Barlow Hills and Sarin (2003:17) define market driving as "… a firm's ability to lead fundamental changes in the evolution of industry conditions by influencing the value creation process at the product, market or industry levels [sic]".

Carrillat *et al*. (2004:2) build on the definitions provided by Kumar *et al*. (2000) and Jaworski *et al*. (2000). Carrillat *et al*. (2004:2) state "Market-driving organizations may achieve greater performance than market-driven organizations by reshaping the structure of the market according to their own competencies and by exploiting competitor's weakness."

Ghauri *et al*. (2008:505) argue that market driving requires supplier relationships and describe the concept as "… a proactive approach of a firm to its supplier relationships, with the goal of mobilizing suppliers in creating a leap in customer value, and in influencing the customer's behaviour and the market structure in general".

Schindehutte *et al*. (2008:5) state that "… market-driving is a dynamic advantage-creating capability and a disruptive advantage-destroying performance outcome, and that [sic] it reflects a strong entrepreneurial orientation …".

For the purpose of this study the following definition of market-driving is applied; it represents a synthesis of the definitions presented above. The market-driving ability of a firm is characterised by a dynamic capability that consists of various interconnected firm-internal activities that aim to shape, change or create new structures and/or behaviour of market players. Market-driving ability is influenced by a firm's approach to entrepreneurial, market and organisational behaviour. The outcomes of a market-driving behaviour are superior firm performance and relative competitive strength.

3.6 SUGGESTIONS FOR MARKET-DRIVING RESEARCH

Researchers claim that the construct of market driving is not well understood. Hence, several future avenues to investigate market-driving behaviour were pointed out.

The suggestions emphasise the need for developing a measure of market driving and the identification of factors that influence the capability to become market driving.

- Develop frameworks that capture market driving (Schindehutte *et al*., 2008:22).
- Develop an approach to measure market-driving behaviour (Barlow Hills & Sarin, 2003:21; Carrillat *et al*., 2004:10; Jaworski *et al*., 2000:53).
- Identify which organisational factors facilitate or hinder the firm in becoming market driving (Barlow Hills & Sarin, 2003:21; Schindehutte *et al*., 2008:22)
- Investigate whether large organizations are better equipped to conduct market-driving (Jaworski *et al*., 2000:53).

- Investigate market-driving behaviour in a competitive environment (Harris & Cai, 2002:193).
- Identify and measure market-driving outcomes, e.g. performance, competitive advantage (Barlow Hills & Sarin, 2003:21; Schindehutte *et al*., 2008:22).
- Investigate whether market behaviour can be shaped (Jaworski *et al*., 2000:53).

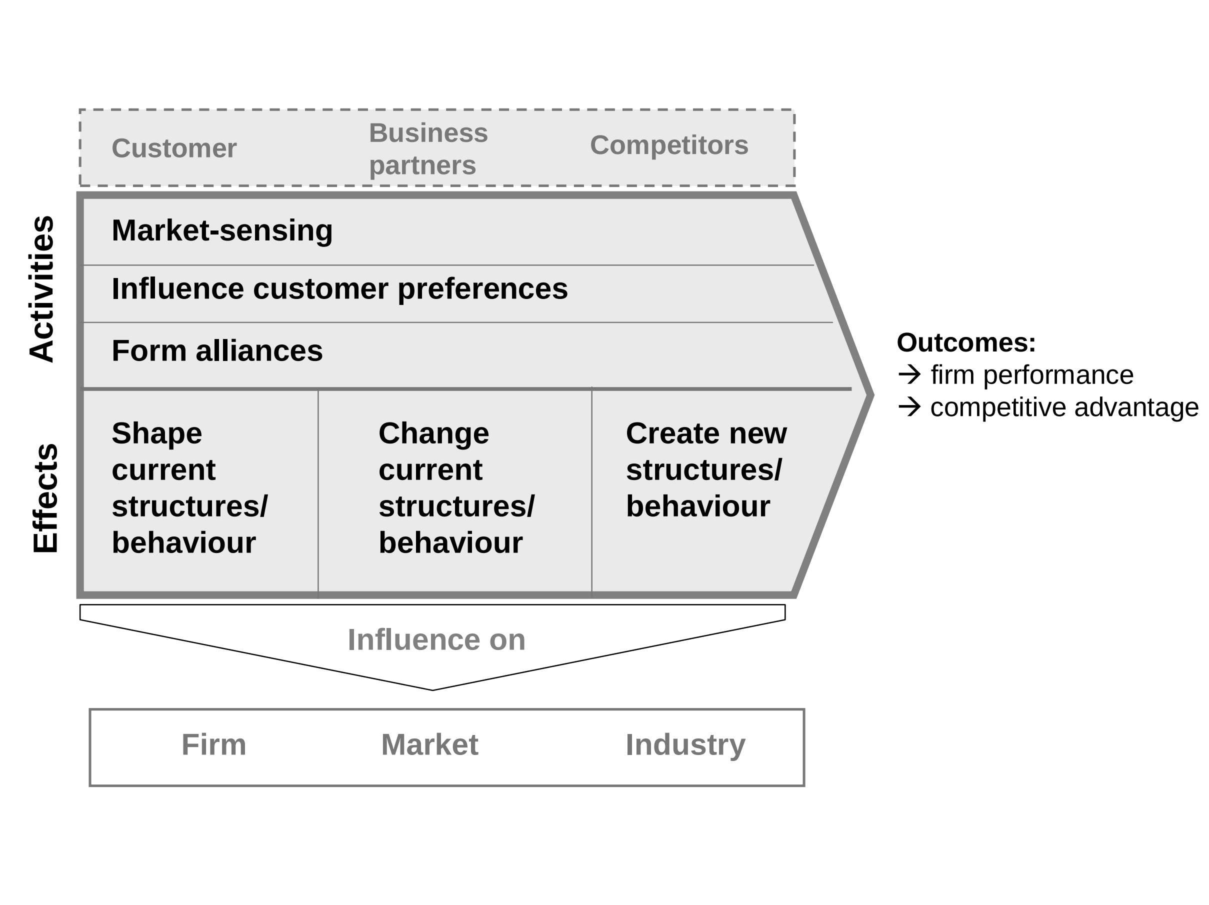
The conceptual framework which is presented in the following paragraphs addresses the need to develop a measurement model for market driving and an understanding of firm-internal factors that facilitate or hinder the ability to become market driving.

3.7 BUILDING THE CONCEPTUAL MODEL OF MARKET-DRIVING ABILITY IN CORPORATE ENTREPRENEURSHIP

Considering the literature on market driving, a new conceptual framework is developed. The purpose of the conceptual model that is transferred into a measurement model is to, firstly, measure market driving; secondly determine which competencies at a firm-internal level are required to achieve market-driving ability; and thirdly, to determine the influence of market-driving ability on competitive advantage and firm performance.

In order to build the conceptual framework for market-driving ability in corporate entrepreneurship, a broader framework is presented that provides a general understanding of market driving for this study (Figure 3.7).

FIGURE 3.7: General framework for market-driving ability in corporate entrepreneurship



Source: Author's own compilation

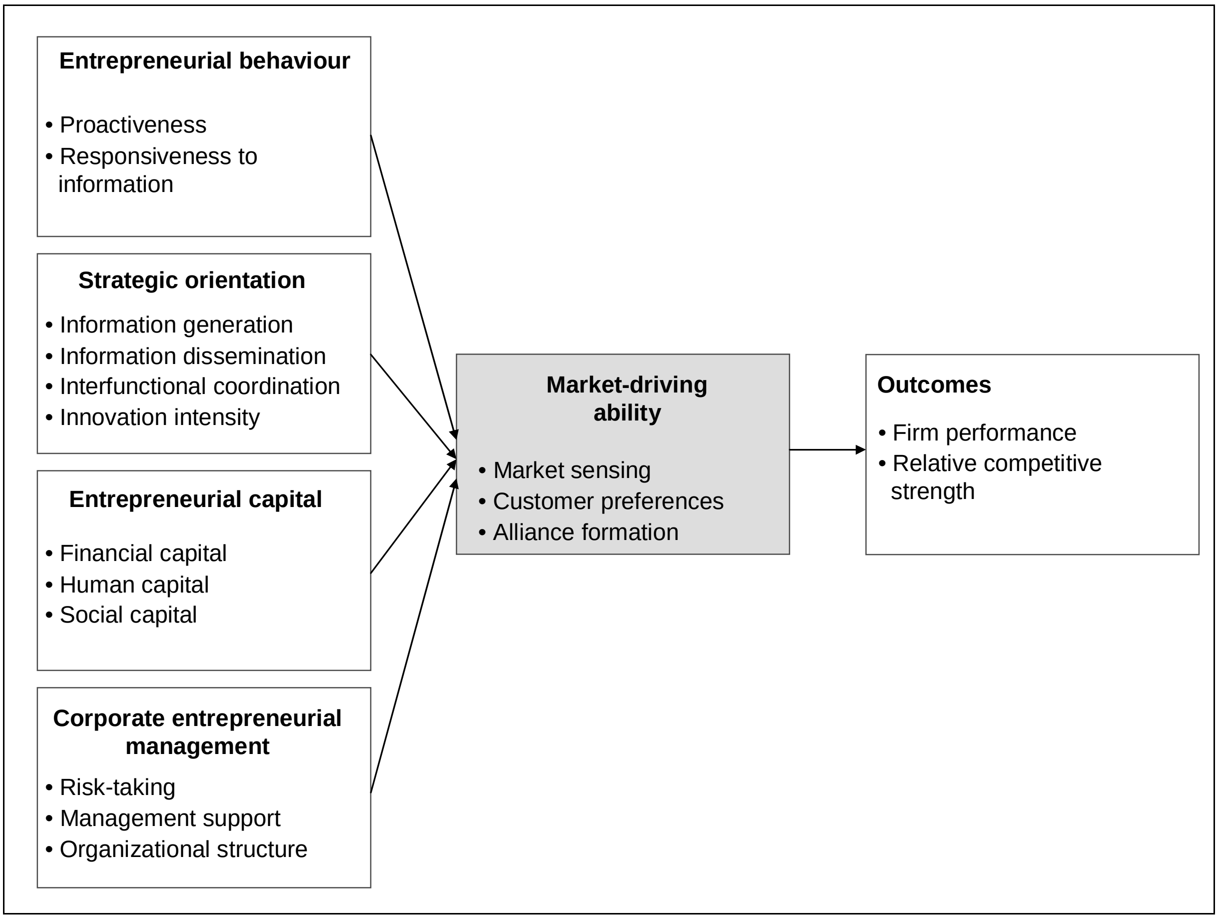
Depending on the firm's overall strategy regarding corporate entrepreneurship, certain capabilities should be developed and supported in an organisation to achieve its goals.

Increasing a firm's market-driving ability can be such a goal. Market-driving is an ability that becomes apparent by performing a combination of different activities that target various stakeholders, such as customers, business partners or competitors.

If the combination of market-driving activities leads to shaping, changing and creating structures and/or behaviour, then firms can be considered market driving. These changes in structures and/or behaviour impact on the firm itself, the market or the entire industry. The outcomes of market-driving ability in corporate entrepreneurship are superior firm performance and competitive advantage.

However, in order to pursue market-driving activities and the ability to shape, change and create structures and/or behaviours, firms need to demonstrate certain capabilities. The following paragraphs outline the conceptual model of market-driving ability, antecedents and outcomes of market driving (Figure 3.8).

FIGURE 3.8: Conceptual model of market-driving ability in corporate entrepreneurship



Source: Author's own compilation

3.7.1 Market-driving elements

For the purpose of this study, market driving is considered to be a multidimensional construct. In order to measure market driving, three activities are considered: market sensing, influencing customer preferences and alliance formation. These activities need to be performed across the organisation and by all departments.

3.7.1.1 Market sensing

Environmental scanning activities enable the firm to learn about future events and trends in order to increase opportunity recognition and reduce uncertainty to a certain level (Barringer & Bluedorn, 1999:423).

Harris and Cai (2002:185) state that market sensing is different when approached from a market-driving perspective compared to a market-driven perspective. In a market-driven perspective it is used to react to changes in the market. On the other hand, market sensing, when conducted in a market-driving approach, refers to understanding and learning about the market in order to change it.

For the purpose of this study, market sensing refers to activities geared at a forward-looking approach that is applied within the organisation and the market with its various stakeholders.

3.7.1.2 Customer preferences

Another aspect of market driving is to actively change and shape behaviour of stakeholders.

Kumar *et al*. (2000:130,135) describe the shaping of preferences as creating a leap in value proposition, which is achieved by overwhelming customers with product offers or services that they did not expect. For that purpose, it is also necessary to educate the customer about new products and offerings.

Jaworski *et al*. (2000:52-53) state that customer behaviour can be shaped. First, existing benefits that customers did not recognise before can be made more obvious. Second, completely new benefits can be introduced. Both approaches target the creation of new customer preferences. Another approach is to change existing negative perceptions into a positive perception of the product or service.

Harris and Cai (2002:186) also find that in order to change customer preferences, rational customer education needs first to take place, followed by subjective information to achieve emotional attachment.

For the purpose of this study, influencing customer preferences refers to delivering exceptional value, changing customer preferences and providing information on new products and services.

3.7.1.3 Alliance formation

Entering new markets can be achieved with the assistance of alliance partners.

Alliances are "… voluntary arrangements between firms involving exchange, sharing or co-development of products, technologies or service" (Gulati, 1998:293).

The formation of alliances is an important aspect of shaping, changing or creating the market and its stakeholders.

Harris and Cai (2002:187-188) state that in order to control channels it is important to establish beneficial relationships with various stakeholders.
Alliances have been shown to positively influence new product development as well as the identification of new opportunities (Baron & Markman, 2000:111; Deeds & Hill 1996:41; Gulati, 1999:399). In addition, they can help to obtain resources and capabilities from external sources (Teng & Cummings, 2002:86).

Firms enter into alliances in order to address their needs and at the same time try to reduce moral hazards. In order to reduce the risk of moral hazards, firms need to have information about their potential partners. This information is often obtained from the social networks that a firm has (Gulati, 1999:399-400).

Several factors that influence the likelihood and success of establishing strategic alliances have been investigated. It was found that the likelihood of entering into new alliances is influenced by the amount of network resources. Network resources are described as the extent of information that is available to the firm due to its position within networks. The number of new alliances that are entered into depends on past experiences with alliances and also whether high levels of trust and cooperation have been established. The number of alliances a firm engages in also depends on the capabilities it has acquired in forming alliances (Baron & Markman, 2000:111; Gulati 1999:405,413; Ireland, Hitt & Vaidyanath, 2002:413).

For the purpose of this study, strategic alliances refer to cooperative agreements where firms jointly work on product/service development or marketing strategies/activities.

The following paragraphs outline the firm-internal antecedents to market-driving ability.

3.7.2 Firm-internal factors influencing market-driving ability

For the purpose of this study, a market-driving ability is described by various firm-internal antecedents.

In the literature, competencies are described as building blocks of firm performance, representing bundles of skills and resources. To achieve firm performance, competencies need to have value in the market (Harmsen & Jensen, 2004:533,535). As market-driving ability has been described as a process of value creation (Kumar *et al*., 2000), firms need to determine which firm-internal factors contribute to achieving market-driving ability.

Previous research has considered entrepreneurial and market oriented and organisational factors to explain market-driving ability of firms.

The following sections present the constructs and concepts that will be used in this study.

3.7.2.1 Corporate entrepreneurial management

It has been argued that becoming more market driving is more difficult for existing organisations, as their whole structure and behaviour are aligned to preserving the status quo (Kumar *et al.,* 2000:136).

Organisational factors such as management support and commitment, risk-taking and an organisational structure that allows for a flow of communication, easy decision-making processes and a moderate amount of hierarchy levels have been shown to be beneficial in achieving firm performance (Holt *et al.,* 2007; Hornsby *et al*., 1993; Khandwalla 1976/77; Kuratko *et al*., 1993; Kuratko *et al*., 2004).

For the purpose of this study the construct of **corporate entrepreneurial management** will be formed by risk-taking, management support and a flat organisational structure.

3.7.2.2 Entrepreneurial capital

New developments require financial resources in order to promote the innovation process (Miller & Friesen, 1982:4). Furthermore, human and social capital are important factors for the creation of new products or markets and the achievement of firm performance and competitive advantage (Schindehutte *et al.,* 2008:11).

Resources can be tangible and intangible. Tangible resources include resources such as buildings and financial capital. Intangible resources consider human and social capital (Hitt, Bierman, Shimizu & Kochhar, 2001:13; Hitt & Ireland, 2002:3).

Intangible resources are difficult to imitate by competitors and hence provide a source of competitive advantage (Hitt *et al*., 2001:13; Hitt & Ireland, 2002:4; Rauch *et al*., 2005:683).

Human capital, which includes attributes such as education, experience and skills, is considered to be a critical factor in achieving firm success (Hitt *et al*., 2001:14; Hitt & Ireland, 2002:4; Rauch *et al*., 2005:682). Firms try to generate, leverage and protect knowledge. Knowledge can be gained through formal education and also through learning on the job (Hitt *et al*., 2001:14). Knowledge in a strategy context refers to market knowledge about customers and competitors or knowledge that is relevant for product innovation (Wright, Dunford & Snell, 2001:713). Employees' capabilities are developed in the organisation and include processes such as cooperation, participation and development (Rauch *et al*., 2005:683).

Individuals' social capital can be described as their ability to obtain necessary resources, such as information, and receive increased trust and cooperation from others (Baron & Markman, 2000:107; De Carolis, Litzky & Eddleston, 2009:529). Baron and Markman (2000:107), indicate that social capital is the result of social skills, such as interacting effectively with others. This is also described as networking, which is "… defined as the process of sharing contacts and obtaining resources …" (Sawyer & McGee, 1999).

For the purpose of this study the construct **entrepreneurial capital** will be formed by financial, human and social capital.

3.7.2.3 Strategic orientation

In general a business strategy describes how a firm decides to compete in an industry and how certain performance outcomes will be achieved. The strategic orientation of a firm relates to the way a firm tries to achieve these outcomes. By comparing different strategic dimensions, one can assess the relative emphasis the firm places on ways to achieve performance outcomes (Morgan & Strong, 2003:164-165).

For the purpose of this study the dimensions considered in a strategic orientation of the firm result from the market orientation (Kohli & Jaworski, 1990; Narver & Slater, 1990) and the innovation orientation (Morris, 1998) of the firm.

The dimension of *information generation* relates to organisation-wide activities to learn about clients' future needs. The information derives from various resources such as the clients, business partners or market research (Kohli & Jaworski, 1990:4).

Information dissemination within the organisation considers a firm's approach to spreading relevant information via different communication channels (Kohli & Jaworski, 1990:5).

Interfunctional coordination between departments relates to sharing of information and resources between departments (Narver & Slater, 1990:22).

Innovation intensity is a concept that derives from the entrepreneurial intensity idea (Morris, 1998). Innovation intensity considers a firm's general predisposition towards innovation. The number of new innovations and the significance of the innovation are also considered.

For the purpose of this study, information generation, information dissemination, interfunctional coordination and innovation intensity represent the **strategic orientation** of a firm.

3.7.2.4 Entrepreneurial behaviour

Firms that have specified their strategic orientation, set up their entrepreneurial capital and have corporate entrepreneurial management support also need to display entrepreneurial behaviour.
Entrepreneurial behaviour is an action orientation that consists of the two dimensions: proactiveness (Miller & Friesen, 1978) and responsiveness to information (Kohli & Jaworski, 1990).

A firm's *proactiveness* describes a general predisposition to events in the market. It is possible either to be the first one to introduce new changes or to rather follow developments (Miller & Friesen, 1978:923).

A firm's *responsiveness to the market* relates to internal actions that can be taken in order to respond to market events (Kohli & Jaworski, 1990:6).

For the purpose of this study **entrepreneurial behaviour** comprises the two dimensions of proactiveness and responsiveness to the market.

3.7.3 Outcomes of market-driving ability

Previous research in market-driving has considered performance outcomes on the basis of competitive advantage and/or business performance (Barlow Hills & Sarin, 2003; Carrillat *et al.,* 2004; Harris & Cai, 2002; Jaworski *et al.,* 2000; Kumar *et al.,* 2000; Schindehutte *et al.,* 2008).

3.7.3.1 Relative competitive strength

Competitive advantage results as a firm responds to environmental changes or new information in the market. Firms respond by taking appropriate actions within their internal structure to build the necessary capabilities and resources which allow them to be ahead of competitors (Cockburn, Henderson & Stern, 2000:1129,1141-1142).

Relative competitive strength considers a firm's share of the market, which gives an indication of its position in the market (Burke, 1984:347).

Relative competitive strength treats markets and competitors as given. As market-driving firms also pursue activities to find new market space, this dimension is limited to market-driving activities that aim to shape and change the behaviour of stakeholders in a set market. The change of behaviour can be assessed by a comparison of competitive strength between organisations.

3.7.3.2 Firm performance

Research on market driving reveals that shaping, changing and creating new structures and/or stakeholder behaviour results in superior firm performance (Carrillat *et al*., 2004).

Firm performance can be assessed by using financial or non-financial measures (Lumpkin & Dess, 1996:153-155). Moorman and Rust (1999:187) state that most managers are unwilling to disclose objective financial data. Hence, more subjective measures such as managers' perceptions are used to assess business performance and are considered to be a reliable indicator, as objective and subjective assessments are strongly correlated.

For the purpose of this study, **business performance** will be measured by subjective assessments by respondents.

3.8 CONCLUSION

The aim of this chapter was to give an overview of the literature relating to market-driving behaviour of firms.

Seven different concepts and frameworks were presented, their primary findings were summarised and research suggestions were outlined.

Market-driving ability was defined as a dynamic firm capability that consists of different interconnected firm-internal activities that aim to shape, change or create new structures and/or behaviour of market players. A market-driving ability is influenced by a firm’s approach to entrepreneurial, market and organisational behaviour. The outcomes of a market-driving behaviour are superior business performance and relative competitive strength.

In a next step a broader framework for market-driving ability was developed, which provides the basis for this study. It was argued that a market-driving approach considers all stakeholders, such as customers, competitors and business partners. Further, a market-driving ability requires several activities that lead to shaping, changing and creating structures and/or behaviours of market players. These changes in structures and/or behaviour impact on the firm itself, the market or the entire industry. The outcomes of market driving in corporate entrepreneurship are superior firm performance and competitive advantage.

The conceptual model for this study has been derived from the general framework. It was stated that in order to shape, change or create structures and/or behaviour, firms need to demonstrate certain capabilities. These capabilities were presented as the antecedents of the model. The outcomes of a market-driving ability were specified as firms' performance and competitive strength.

In chapter four the conceptual model will be transformed into a measurement model and different measurement instruments will be discussed.