Journal of Business Research xxx (2016) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

Market driving strategies: Beyond localization☆

Pervez Ghauri [a,*], Fatima Wang [b], Ulf Elg [c], Veronica Rosendo-Ríos [d]

[a] Birmingham Business School, University of Birmingham, Edgbaston Park Road, Birmingham, B15 2TY, United Kingdom
[b] School of Management and Business, King's College London, 150 Stamford Street, London SE1 9NH, United Kingdom
[c] Economics and Management, Lund University, Box 7080, SE-22007 Lund, Sweden
[d] Business Administration, Colegio Universitario de Estudios Financieros (CUNEF), Leonardo Prieto Castro, 2. Ciudad Universitaria, 28040, Madrid, Spain

ARTICLE INFO

Article history:
Received 1 November 2015
Received in revised form 1 February 2016
Accepted 15 April 2016
Available online xxxx

Keywords:
Market driving
Standardization
International marketing

ABSTRACT

Adaptation to local customer preferences may result in a more rapid market acceptance, and market orientation studies often propound that firms need to closely monitor changes in the marketplace and adapt to customer needs in order to enhance firm performance (Slater & Narver, 1995). However, firms operating in multiple markets may choose minimal adaptation to local market trends in favor of introducing proprietary value propositions that satisfy customers' latent needs (Ghauri, Elg, Tarnovskaya, & Wang, 2011; Harris & Cai, 2002). Scholars suggest that such firms are “market driving” (Jaworski, Kohli, & Sahay, 2000). This paper investigates how firms can be market driving in foreign markets. Findings suggest that market driving firms tend to possess certain capabilities in order to reconcile conflicting demands in the local markets and company strategies at the global level. Using network, knowledge transfer, branding and market orientation literature, the present study provides evidence on the capabilities that global firms possess in order to drive markets. Based on a survey of 110 international companies, this study shows that strong capabilities in configuration, networking, knowledge transfer and internal branding can lead to market driving behavior. This study is the first to carry out a systematic investigation of market driving behavior in international firms.
Crown Copyright © 2016 Published by Elsevier Inc. All rights reserved.

1. Introduction

Based on the resource based view, firms should focus on building distinctive competencies that can lead to sustainable competitive advantage. Market orientation is a firm's strategic behavior that places emphasis on understanding stakeholders such as customers and competitors for sustainable competitive advantage (Kohli & Jaworski, 1990; Lado, Maydeu-Olivares, & Rivera, 1998; Rogers, Ghauri, & George, 2005). Market orientation helps firms develop capabilities that support adaptation activities in order to more closely meet the needs of customers (Cadogan, Diamantopoulos, & De Mortanges, 1999; Kumar, 1997; Slater & Narver, 1998) and lead to higher performance (Day, 1994; Jaworski & Kohli, 1993; Narver & Slater, 1990). However, implementing adaptation in different markets may mean modifying marketing activities, and this may hinder companies from focusing on globally consolidating a set of valuable, unique and inimitable capabilities for sustainable competitive advantage in the long term (Barney, 1991; Sirmon, Hitt, & Ireland, 2007). A firm that is constantly changing in order to adapt to the local market trends may lose long-term focus and find its competitive advantage eroded over time (Ghauri et al., 2011).

Narver, Slater, and MacLachlan (2004) suggest two forms of market orientation: responsive and proactive. Responsive market orientation consists of reacting to market changes and has been the focus of most research on market orientation. Proactive market orientation addresses latent needs. Narver et al. (2004) provide empirical evidence that responsive market orientation is insufficient for new product development. Global firms may seek a more standardized or market driving approach to foreign markets, which consists of influencing consumers and changing market conditions to suit their unique business model (Carrillat, Jaramillo, & Locander, 2004; Jaworski et al., 2000; Kumar, 1997; Hunt & Lambe, 2000). Hi-tech firms such as Apple, manufacturers such as Swatch and DeBeers, and retailers such as IKEA, Starbucks and Wal-Mart have been able to drive rather than be driven by the market that they enter, thanks to the firms' innovative business systems (Harris & Cai, 2002; Jaworski et al., 2000; Kumar, Scheer, & Kotler, 2000). Pioneering change in the market and revolutionizing rather than responding to market trends create long-term value for the firm (Kumar et al., 2000). Kumar et al. (2000) describe market driving as implementing radically innovative business systems and creating a revolution in the customer value proposition. Jaworski et al. (2000: 47) define market driving as “changing the composition and/or roles of players in a market and/or behaviors of players in the market.”

☆ The authors thank the anonymous reviewers for their comments and ESRC Research Grant RES-062-23-2690 for funding the project.
* Corresponding author.
E-mail addresses: P.Ghauri@bham.ac.uk (P. Ghauri), Fatima.Wang@kcl.ac.uk (F. Wang), Ulf.Elg@fek.lu.se (U. Elg), vrosendo@cunef.edu (V. Rosendo-Ríos).

http://dx.doi.org/10.1016/j.jbusres.2016.04.107
0148-2963/Crown Copyright © 2016 Published by Elsevier Inc. All rights reserved.

ARTICLE IN PRESS

Overall, market driving is a proactive market orientation approach (Narver et al., 2004) that emphasizes the development of latent trends in the foreign market. Market driving firms educate consumers and exert an influence on their values, norms and behavior so that consumers are open to the firm's business offering (Carrillat et al., 2004; Jaworski et al., 2000; Kumar et al., 2000).

Despite work on market driving behavior and performance in the hi-tech sector (Hills & Bartkus, 2007; Neuenburg, 2010), there is little knowledge about the antecedents of market driving behavior. Why are some firms more market driving than others? This paper studies the different capabilities that lead to market driving behaviors. Capabilities are important for developing a firm's competitive advantage, because they reflect the unique skills and core competencies that distinguish one firm from another (Hall, 1993; Hitt & Ireland, 1985; Snow & Hrebiniak, 1980). Market driving firms implement radical business innovation (Kumar et al., 2000) and are therefore difficult to imitate. These firms do not seek to adapt to current market conditions or follow established set rules of competition. They appear to have distinct capabilities that they are able to leverage while taking into account the characteristics of the specific market that they enter (Narver et al., 2004; Tuominen, Rajala, & Möller, 2004).

Research on the antecedents to market driving behavior in international business development is still at an embryonic stage. Ghauri et al. (2011) provide a theoretical list of capabilities that market driving firms are likely to possess, such as learning, corporate branding, business configuration and networking capabilities. The authors call for further studies to empirically address the antecedents of market driving behavior, especially in the context of internationalization. This paper seeks to answer this call by studying the influence of capabilities on market driving behaviors, and firm performance. While some researchers describe market driving strategy as a firm's marketing strategy (Jaworski et al., 2000; Narver et al., 2004), a broader strategic perspective would view it as an overall corporate strategy (Hills & Sarin, 2003; Schindehutte, Morris, & Kocak, 2008). This paper develops scales to measure market driving capabilities based on Ghauri et al.'s (2011) theoretical propositions and on strategic marketing, organizational learning and international business literature. In particular, the paper explores the extent to which networking, knowledge transfer, configuration and brand orientation capabilities influence market driving behavior and firm performance.

2. Theory and hypothesis development

2.1. Market driving strategy

Market driving strategy focuses on proactively influencing change in a firm's marketing environment, including customers, competitors and market structure (Jaworski et al., 2000). Market driving literature focuses on single markets and has not been studied in the internationalization context. With regards to customers, a firm pursuing market driving strategy will strive to educate customers and exert an influence on their values, norms and behavior in order to prepare the ground for the new, unique benefits that are available and will minimize adaptation (Carrillat et al., 2004; Jaworski et al., 2000; Kumar et al., 2000; Tarnovskaya, 2007). Changing customer perceptions is a proactive behavior that helps firms to create new markets (Hamel & Prahalad, 1994). For example, some regard Starbucks as being partly responsible for driving coffee drinking habits and the taste for coffee in many markets (Kumar et al., 2000).

With regards to competition, Kumar et al. (2000) theorize that market driving strategy encourages firms to offer a completely different value proposition, thereby changing the rules of competition. For example, IKEA has defined and changed the rules of the competition by offering a new value proposition based on DIY design furniture at affordable prices (Carrillat et al., 2004; Elg, Ghauri, & Tarnovskaya, 2008; Kumar, 1997).

In relation to changes in the market structure, Jaworski et al. (2000) highlight three approaches that demonstrate how market driving firms revolutionize the supply chain. *Deconstruction* means that players or functions considered to be redundant are eliminated. *Construction* involves the addition of complementary actors or a whole set of players that can do things differently. The authors show how Apple's web based distribution process can change the value chain in the music business. The third alternative is *modification* — that is shifting the tasks performed by different actors in the channel. Although Jaworski et al. (2000) do not discuss the international context, global retailers offer a number of examples of how a more powerful player can drive the structure of the value chain and remodel it (Ghauri, Tarnovskaya, & Elg, 2008; Kumar, 1997). For example, Wal-Mart, H&M and Zara, in developing their own brands, have led manufacturers to lose control of strategic activities such as branding and consumer relationships (Burt, 2000).

In the international context, firms may use lobbying in order to gain support for their interests (Jaworski et al., 2000). They may find it necessary to engage in political activities in order to change the conditions for their businesses (Oliver & Holzinger, 2008) and to create a better competitive position (Capron & Chatain, 2008; Hadjikhani & Ghauri, 2001). Elg et al. (2008) describe how IKEA's market driving strategy in foreign markets required interactions with governments to change regulations. By developing city centers and building large shopping malls, IKEA changes the whole shopping environment. The IKEA example suggests that market driving strategy in the international context may require influencing regulations, norms and values on a societal level in the foreign markets.

The market driving literature argues that when adopting the market driving strategy, firms must leverage capabilities to support their distinctive business concept (Narver et al., 2004; Tuominen et al., 2004). However, specific antecedents to market driving strategy are unclear. According to the resource-based view, resources and capabilities may be heterogeneous and imperfectly mobile within an industry (Barney, 1991; Hunt, 1997; Peteraf, 1993). Developing rare, inimitable, and valuable resources and capabilities can lead to sustainable competitive advantage (Barney, 1991). Ray, Barney, and Muhanna (2004) suggest that in order to understand whether the resource-based view leads to competitive advantage, one should study whether a firm's capabilities translate effectively into activities and business processes. Hunt and Lambe (2000) also argue that the link between capabilities and marketing activities needs to be exploited in order to support more robust theory building. According to the resource based perspective, a firm's external market activities are a result of its internal set of capabilities. Two firms with the same resources may still have different performances because of the capabilities firms possess to combine and utilize these resources (Eisenhardt & Martin, 2000; Makadok, 2001). Market driving literature has focused on the nature of market driving activities, but not on the capabilities that lead to these activities. The purpose of this paper is to investigate the capabilities that can lead to market driving strategy.

Among the early supporters of the capabilities' approach to strategic management, Teece, Pisano, and Shuen (1997) argue that in order to achieve sustainable competitive advantage, firms need dynamic capabilities to quickly reconfigure and adjust competencies to adapt to changes in the environment. For example, in relation to customers, Teece et al. (1997) suggest that firms should develop dynamic capabilities to adapt to changes in consumer trends. This view of dynamic capabilities tends to describe market driven or market oriented firms that rely on market sensing and customer linking capabilities (Day, 1994). However, market driving firms focus on developing a *forward sensing* rather than market sensing capability,

Please cite this article as: Ghauri, P., et al., Market driving strategies: Beyond localization, *Journal of Business Research* (2016), http://dx.doi.org/10.1016/j.jbusres.2016.04.107

Download English Version:

https://daneshyari.com/en/article/5109639

Download Persian Version:

https://daneshyari.com/article/5109639

Daneshyari.com