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Managing Startup Enterprises in Emerging Markets

Leadership Dynamics and Marketing Strategies

Ananya Rajagopal

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To my parents and family

PREFACE

Start-up enterprises commonly evolve from family business firms (FBFs), which operate in a niche, and continuously expand their business by exploring new opportunities through collaborations in the innovation and technology sector. However, FBFs face several complexities to incubate SUEs as independent organizations with predetermined organizational designs and business plans. SUEs deliver innovative solutions to the latent needs in the society. The need-based innovations are required in various social sectors such as health, food and beverages, transportation, and telecommunication. SUEs adopt practices of open innovation in a contextual needs-based approach. SUEs face major challenges in developing and implementing marketing strategies. These enterprises initiate low-profile business in their early stages of growth, producing confined values to primary stakeholders, beneficiaries, and customers. Marketing strategies of SUEs are broadly co-created and need larger social or business ventures.

Start-up enterprises form the foundation of local and regional economy in the twenty-first century. They have also opened up business cooperation with multinational companies through reverse innovation opportunities, which helps in commercializing local innovations by the multinational companies. The bi-directional dynamics in business expansion consists of penetration of multinational companies into local markets and local enterprises aiming to grow global. This dynamism has improved the opportunities of horizontal expansion for start-up enterprises. Globalization has opened many routes to marketing including marketing opportunities through Internet and virtual shops. However, amidst increasing market competition, the rules of the game for micro-, small, and medium

enterprises are often challenging. Therefore, managing start-up enterprises is a complex managerial task as they need to sustain the market competition by understanding thoroughly all the moves of the rival firms in the local-global markets. SUEs grow in a niche environment with protected market ambience, limited resources, high societal influence, ethnic culture, and low competitive options on production and business operations to determine their posture in the marketplace. An intriguing aspect of the innovation-led marketplace driven by the start-up enterprises is that the nature of competition can change over time and cause uncertainty.

Small firms try to attract customers by various means to polarize business and earn marginal consumer value in the marketplace. As the trend of expansion of start-up enterprises in emerging markets appears to be latitudinal, doing business in a competitive marketplace and reaching out to the up-market segment is becoming more complex than before. Start-up enterprises need to adapt to new roles such as low-cost entrants, focused segment marketers, and providers of shared utilities. They must also be prepared to make new strategic choices as the structure of the industry changes.

SUEs require a sustainable ecosystem to move over the infancy stage and enter the business governance propositions. The entrepreneurial ecosystem focuses on developing appropriate marketing strategies, operations systems, and profit paradigms. The SUE ecosystem drives innovation management, technology diffusion and adaptation, marketing strategy, operational effectiveness, and socio-economic development cycle. Most SUEs in Latin America exhibit cultural features, outward orientation, industry networking, and strategic alliance with multinational companies. Many start-up enterprises understand that developing marketing strategies have several dilemmas because of unforeseen competitive moves and lack of clear entrepreneurial objectives. Small enterprises view such market adjustments as complex strategic choices to manage local-global business scenarios. However, start-up enterprises, who visualize the growing market potential, like to develop scenario-based strategy maps to sustain unpredictable market competition.

The rapidly changing enterprise-management system provides agility in leadership and strategy development. Increasing opportunities of corporate alliances and shifts in the consumer preferences toward innovative products and services have triggered chaos in the market, which needs to be meticulously handled by micro-, small, and medium enterprises within their resources. This book discusses the leadership patterns and strategic

marketing models for start-up enterprises to carry out sustainable business operations in the competitive marketplace. The strategic implications of PESTL factors (political, economic, social, technological, and legal) for management of micro-enterprises are also discussed. The strategic decisions on marketing the products of start-up enterprises drive new dimensions of organizational management comprising employee engagement, stakeholder value management, collective leadership, participatory organizational design, and team management.

This book is divided into six chapters comprising “Understanding Start-Up Enterprises,” “Entrepreneurial Evolution at the Bottom of the Pyramid,” “Epistemological Endorsement to Small Enterprises and Markets,” “Cognitive Determinants of Entrepreneurial Leadership,” “Market Orientation and Performance of Micro-Enterprises,” and “Synthesis and the Road Ahead.” Chapter 1 discusses the current scenario of start-up enterprises in emerging markets based on thorough literature review. This chapter discusses entrepreneurial ecosystem, marketing strategies, and Latin American perspectives on start-up enterprises. In addition, general and specific objectives of the study are laid out in this chapter along with justification for this research study. Critical analysis of previous studies in reference to entrepreneurial evolution at the bottom of the pyramid is discussed in Chap. 2. In all, 251 previous studies have been reviewed in this chapter to provide literature support for the methodology and data analysis of this study. The reference period for the studies covered under the review of the literature ranges from 1977 through 2019. Some epistemological studies, which date back to 1957, have also been reviewed to support the conceptual background of the study. A literature review has been done in the context of organizational design, marketing strategies, the consumer-centric approach, consumer acquisition, consumer buying behavior, consumer segmentation, the transaction-based approach, pricing, distribution, serviceability, and entrepreneurial leadership. The literature review in the above sections has supported ten quantitative research hypotheses and five qualitative research propositions.

Chapter 3 discusses epistemological endorsements to small enterprises and markets. It critically analyzes the theoretical evolution on entrepreneurship in the context of research contributions of classical schools of thought, neoclassical philosophy, contemporary rationale, conceptual framework of research, and qualitative research perspectives. The classical theories suggest that convergence of entrepreneurial knowledge and market ecosystems leads to entrepreneurial development within socio-economic

environment in a region. In the neoclassical school of thought, an entrepreneur is the pivot to mobilize new business by developing new products or to make existing products from a new perspective. Accordingly, this chapter stands as the methodological foundation for the research discussed in the following chapters.

The cognitive determinants of entrepreneurial leadership are discussed in Chap. 4 in reference to the epistemological evolution of qualitative research. Validation of qualitative inquiry using in-depth interviews and analyzing content for validating research propositions constitute the core discussion in this chapter. Qualitative information analysis in this chapter validates all the research propositions and reveals that employee openness and organizational flexibility are the key contributors in improving the performance of SUEs in a competitive marketplace. An employee-oriented SUE enhances employee contentment to increase productivity and organizational performance. New technologies leading to innovative utilitarian ideas are generated and implemented by organizational teams in some SUEs to serve a wider portfolio of stakeholders. Strong team culture in micro-enterprises like start-ups helps in implementing best practices learned from other organizations and enhances organizational performance. It also provides job satisfaction to employees and augments the sense of belongingness to the organization. The co-created innovations have the possibility of aggressive expansion with the scope of grabbing high market share in potential markets rather than being confined to a niche market with unbranded innovations. In SUEs, employee engagement is a prime motivating factor for commercializing the innovations. The decision-making process in SUEs is widely controlled by the leaders, which creates behavioral biases in the decision-making process. The chapter reveals that collective decision-making is a better approach as compared to a leader-driven, top-down decision-making practice.

Chapter 5 provides information on market orientation and performance of micro-enterprises through categorical discussions on introduction to non-parametric analysis, organizational design, the consumer-centric approach, consumer segmentation, the transaction-based approach, pricing, distribution, and serviceability. The quantitative information analysis in this chapter validates all research propositions and reveals that consumer-employee relationships in start-ups are acceptable in general to support their manufacturing and marketing activities within the minimum viable segments. Successful start-up enterprises tend to co-design products and services by involving consumers, and to manufacture and market desired

products and services at an affordable price. The analysis of data reveals that start-ups gain competitive advantage in providing easy accessibility to and availability of their products within a niche market. SUEs offer effective post-sales services to stimulate demand, brand loyalty, and brand image. Start-up enterprises tend to operate in both B2B and B2C market segments and explore opportunities to acquire consumers. The focus of these enterprises in an ambidextrous market helps them position their products in both market segments and provides them a wider opportunity to attract consumers and reinforce confidence in the brands of SUEs. The analysis of data also reveals that most consumers stay up-to-date on digital platforms to review consumer experiences exhibited on blogs. The awareness among consumers generated through digital platforms helps in developing me-too-feeling for the innovative products of SUEs.

The synthesis and future research perspective have been discussed in Chap. 6, emphasizing managerial implications and future research directions about the decision-making process, innovation management, and market competitiveness. This chapter also focuses on ambidextrous attributes of start-up enterprises, consumer behavior, market operations, and the service-quality relationship. The chapter focuses on effective word of mouth, utilitarian values, and low-cost advantages that help consumers in reinforcing the me-too-feeling. Low-prices of innovative products in niche markets can create not only personal preferences but also social consciousness about the products of SUEs. Start-up enterprises develop cost-effective, demand-led supply chain management within the minimum viable segment. The price-quality relationship of start-ups tends to develop confidence and buying potential among consumers in ambidextrous market segments. The chapter indicates that the low-cost distribution system provides leverage in enhancing value advantage toward serviceability and time management by reducing the distribution and inventory lapses. The consumer-centric approach in these organizations helps in stimulating demand for products and services to build repeat buying behavior within the ambidextrous market. Such a situation widens the possibilities of acquiring new consumers and retaining existing ones. The pricing approach in the minimum viable segment is further supported by optimizing distribution operations within the demand-driven business model to stay cost-effective and market competitive.

The general objective of the book is to analyze the key indicators of marketing mix, resource management, operational effectiveness, and stakeholder value generation, in a start-up enterprise. This book is based

on empirical research conducted using mixed methods research (MMR) methodology, which is often referred to as multi-strategy research implying the application of both methodologies for longitudinal and concurrent studies. The reference area for this study is the metropolitan area of Mexico City, Mexico. The discussions follow a linear path of cause and effect of doing business in emerging markets. Through logical-cognitive paradigms, the book indicates how leadership in the start-up enterprises can be developed effectively. The way unstructured marketing practices reduce the organizational efficiency and the scope of market expansion have also been analyzed. This book provides a comprehensive introduction to the concept of organizational growth in start-up enterprises and strategic business management. It categorically reviews the leadership and market theories and analyzes the strategic and tactical stewardship for sustainable growth in the global marketplace.

The book aims at measuring the performance of start-up enterprises which provide innovation and technology support for the business-to-business industrial segment. Effectiveness of marketing strategies, the causes and effects of marketing strategies on entrepreneurial performance, organizational design practices, and the design-to-market concept in the context of leadership and workplace culture have also been discussed. The book analyzes the current trends of client relations in ambidextrous markets, acquisition and retention of consumers, and the impact of minimum viable segments in improving the performance of SUEs. It provides a balanced view of entrepreneurial dynamics within industry by analyzing their marketing strategies in relation to exploiting new opportunities, enhancing stakeholder values, and protecting their business ecosystem for continuous growth. The above constituents of SUEs have not been previously studied in an integrated manner. This book explores the incidence and severity of problems pertaining to organizational design, marketing strategy, consumer-centric approach, and the transaction-based approach faced by start-up enterprises in improving business performance. Therefore, this contribution adds value to the existing literature. It proactively motivates future research on managing start-up enterprises in reference to developing efficiency in leadership to achieve market competitiveness and organizational growth.

The principal audience of this book is potential researchers interested in carrying out future research on entrepreneurial leadership and marketing streams categorically. This book also helps to establish new research dimensions on convergence of leadership and marketing with various

organizational dimensions of micro-, small, and medium enterprises. It serves as a reference for the students of graduate management programs in the entrepreneurship stream, for learning the entrepreneurial management patterns in emerging markets.

Mexico City, Mexico
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Ananya Rajagopal

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Understanding Start-Up Enterprises

Abstract Start-up enterprises have emerged as a socio-economic system for developing the regional economy and linking innovative ideas to consumer segments and large industries. These enterprises have grown over family business firms and are mostly founded on conventional wisdom. Therefore, start-up enterprises have narrow leadership vision and low-profile business models. Based on thorough literature review, this chapter discusses the current scenario of start-up enterprises in emerging markets. It also discusses the entrepreneurial ecosystem, marketing strategies, and Latin American perspectives on start-up enterprises. In addition, general and specific objectives of the study, along with justification for this research study, are presented in this chapter.

Keywords Start-up enterprise • Entrepreneurial ecosystem • Latin American perspectives

The global business environment today exhibits bi-directional dynamics in enterprise management, and marketing of products and services. Multinational companies seek alliances with local companies, and tend to exploit the reverse innovation (Ndhlovu 2012). Start-up enterprises (SUEs) form the core of local business, and share their products and services with large companies to grow global. However, start-up enterprises develop on a weak resource-based strategy, which includes paucity of