Gaining Competitive Advantage through Market Innovation and building Strategic Alliances and Partnerships

Olabode Samuel Adeola
CAPELLA UNIVERSITY

Introduction

The increase demand for organic growth strategies among companies has increase the awareness on external networks a shift from the firm-centric innovation. Also, companies have increased they shifted their attention to digital marketing in order to better engage, and involve customers during product creations. This study will examine global and cross-cultural market impact on innovation, Customers and Their Role in Innovation, Growth Strategies through Mergers and Acquisitions, Strategic Alliances and Joint Ventures, Network and alliances and finally, International Business and Technological Capability.

Global and Cross-Cultural Market Impact On Innovation

Globalization has help increased the number of companies entering global markets. Because of these, companies have been able to gain competitive advantages by operating in economies of scale, which has helped firms to lower production and labor costs (Tae Won & Sang, 2011).

Below are the top 10 factors every MNC should consider in creating a market innovation strategy"

1. MNCs should put emphasis on the environmental conditions of all countries in which they do business (Tae Won & Sang, 2011).
2. Firms must understand the culture of the countries they operate in. This is very important when introducing a new product or services in international markets (Tae Won & Sang, 2011).
3. Firms must help shape the perspectives their managers have towards the environment in which the business operates. This helps accurately interpret the cultural difference that exists between different foreign markets (Tae Won & Sang, 2011).
4. Firms must understand that customers have predictable attitude towards global products and it's important to understand customer's motivation structure before entering a foreign market (Steenkamp & de Jong, 2010).
5. Firms must adopt a global consumer culture strategy where customers are willing to participate in the global village. MNCs must also use cultural positioning in their marketing strategies in order to gain competitive advantages (Steenkamp & de Jong, 2010).
6. MNCs must adopt market orientation strategy in order to successfully enter a foreign market. This involves gathering enough information on the present and potential customers needs as well as utilizing this information to meet the needs of the customers (Sheth, 2011).
7. MNCs must invest and put emphasis on customer satisfaction in their marketing strategies. This helps to gain global competitive advantage (Sheth, 2011).
8. MNCs must adopt green marketing by producing products that are less dangerous to the environment. This is important, because global customers are now environmentally conscious (Sheth, 2011).
9. MNCs must hire competent local managers and give them the freedom to initiate and execute marketing strategies in order to succeed in foreign markets (Douglas & Craig, 2011).
10. MNCs must also hire people with operational knowledge and experience as well as develop partnership with local firms in order to gain insight into how to tailor its marketing strategies into local markets (Douglas & Craig, 2011).

Customers and Their Role in Innovation

Baird and Gonzalez-Wertz, (2011) states that business leaders need to focus more on ways of overcoming ever-changing customer behaviors. In order to improve business processes, organizations need to tap into customers insights and knowledge possessed by its customers through the use of the Internet and social media. The Internet has become the best marketing avenue through which firms can gain customers participation and engagement. The internet helps establish customer participatory forums that helps obtain real time feedbacks and participation from customers during new product design, product or service lauch (Sawhney et al., 2005).

Baird and Gonzalez-Wertz, (2011) described how business executives can achieve customer-focus market leadership. Customer's behaviors and taste have drastically changed since the end of the recent global economic meltdown. This has caused business executives to establish new ways of doing business and as well as seek new ways of meeting customers' needs. In order to achieve these, it is imperative for business executives to focus its resources towards creating new customer insight and develop new digital channel leadership to positively change customers' experience, establish new markets, and reduce organizational involvedness (Baird & Gonzalez-Wertz, 2011).

Baird and Gonzalez-Wertz, (2011) described three types of market leaders namely: **Customer insight leaders.** These companies takes extra step of not only capturing, utilizing and deriving values by generating insights, but they also take concrete business actions through their employees and business processes. These companies are experts at using emerging data sources for their analysis and customer insights. These companies go beyond just data gathering to actually utilizing the data to gain customer insights. They have solid business processes, they seek to better understand what customers want to deliver better customer experience. They are active listeners and they take time to learn from the customers in order to deliver the best customer experience. They can anticipate where targeted improvements can be most effective to improving customers' experience. Finally, they know where to eliminate or reduce cost with no impacts to customers' value (Baird & Gonzalez-Wertz, 2011).

Digital Channel Leaders. These companies adopts multi-channel strategies. They operate and implement the most effective digital marketing strategy. They encourage customers and serves the customer in the lowest-cost channel that meets their needs by also adopting a service strategy. Also, digital channel leaders are more focused on mining online conversations for customer insights (Baird & Gonzalez-Wertz, 2011).

New Era leaders. These companies choose the best strategies among the three above mentioned strategies to help differentiate their products and services according to their market vision. These companies seek to find ways to reduce operational cost and make buying more flexible and accessible to customers. They introduce new products and services by co-creating solutions and products by collaborating with customers, vendors, and even rivals. They utilize all available marketing channels to improve customer experience. They use social media capabilities to find answers to customer's problems and understand customer's wants. They engage customers using every marketing channel possible and engage customers during R&D (Baird & Gonzalez-Wertz, 2011).

According to Baird and Gonzalez-Wertz, (2011) Customers are more aware and more informed of the market due to the impact of social media and the internet. This has had a great effect on the service approaches adopted by companies. In order to better satisfy these customers' needs and attain a customer relationship marketing leadership, it is important for companies to recognize these three forces when formulating their marketing strategies:

New business models – Companies should consider changing their outdated business models to fit the current market demands to meet the needs of the digital age consumers.

Changing customers, evolving markets – Business executives must focus on both customers that are digitally savvy and informed as well as non-digitally savvy and less informed customers in order to address the issue of redistribution of wealth and population.

Digital information explosion - Consumers are always surfing the internet for new ways to save money across their entire spending portfolio, therefore, business executives must pay attention the content of their digital marketing. They need to listen and learn about customer's behaviors to help engage customers better at co-creating new business models.

Eli Lilly Pharmaceutical Company is a good example of a company commitment to involving customers in designing a new innovative product or service (Sawhney et al., 2005). In order to succeed in the pharmaceutical industry, it is important for firms to engage and collaborate with the customers in introducing new products and services. The company succeeded at exploring innovation processes by using the Internet to involve and engage its patients suffering from various diseases. The company successfully conducted online polls and surveys that helped Lilly gather valuable feedback about new product initiatives and solve health some the world's health problems (Sawhney et al., 2005).

Growth Strategies through Mergers and Acquisitions

The key element of an organizations growth strategies is the strategic acquisition of other companies and business units. Companies executes their growth strategies by acquiring or merging with another company in order to achieve organizational goals, increase and expand the company's geographical presence against its competitors (Berkovich and Narayanan, 1993).

The major distinction between joint ventures and mergers and acquisitions is that the former involves the coming together of two companies to share resource for a short period of time of which partners can still make independent decisions especially in other business units not under a particular partnership contract (Sawler, 2005). The latter involves the combination of two or more companies coming together on a permanent basis and the decisions made by these companies affects other business units too. Furthermore, mergers and acquisitions helps get rid of the competition that existed previously among companies involved, while alliances and joint ventures allows the involved parties to keep competing among themselves even in order business units (Sawler, 2005).

Strategic Alliances and Joint Ventures

Mergers and acquisitions are not the only avenue for a company to extend its external growth strategies, it can also be extended by alliances and joint ventures (Kumar, 2012). Businesses are beginning to engage in Alliances and Partnerships, by exploiting business opportunities and ventures within their local and global markets in order to expand, penetrate new markets and increase their customers and shareholders values. Some companies have been successful in alliance because of good structures being in place and well stated objectives put in place to achieve them (Kumar, 2012).

There is need for companies pursuing alliances to have a clear knowledge of their strategic objectives, evaluate their company's resource capabilities to know if they can achieve the company's objectives and strategies through internal efforts or through a strategic alliance. The company need to be aware of the resources needed to achieve the long term goals relating to capitals, technology, distribution or financial resources (Kumar, 2012).

Networks and Alliances

Businesses are beginning to engage in Alliances and Partnerships, by exploiting business opportunities and ventures within their local and global markets in order to expand, penetrate new markets and increase their customers and shareholders values. Strategic alliances and joint ventures are new ways for companies to increase and expand their human resources, capitals, market shares and their technological capacities. A study conducted by Accenture (Charles and Charles, 1999) revealed that even though companies enter into alliances with good faiths, the alliances and partnerships have 20% successful rate. A related study by Vantage Partners (2006) revealed that the major cause of alliances failures is the lack of cooperation and collaboration between companies.

Rese and Baier, (2011) explains that innovation concept has shifted focus to the interactive nature of innovation processes and the role played by networks organizations to stay competitive. According to Rese and Baier (2011), inter- firm collaboration is believed to realize innovations faster than internal R&D. Networks allows participating organizations to share risks and cost while also enjoying higher degree of flexibility and improved technical know-how. For Networks to be effective and run smoothly, it is important to consider how compatible the network partners.

It is also important for network partners to stay aligned to the network goal by reminding themselves of the reason for the partnership. Rese and Baier, (2011) further emphasized the importance of network stability in increasing the performance of new products. Network stability will also aid innovation processes as well as reduce cost. Rese and Baier, (2011) also emphasized on the importance of building network relationships on trust, which promotes information sharing among partners, and reduce conflicts. Networks and Alliance must be built on trust in order to yield the benefits of forming the partnership network (Rese, & Baier, 2011).

O'Dwyer, Gilmore and Carson (2011), states that adopting strategic alliances as a marketing tool is the most valuable innovation to any organization. Strategic alliances are usually established to increase an organization's competitive advantage. Strategic alliances allows smaller participating companies the ability to operate in the same capacity of the larger companies, while also increasing their resources, skills, competencies and geographical presence. (O'Dwyer, Gilmore & Carson, 2011). A strategic alliance is defined as the collaboration between partner companies to share market knowledge, technological expertise, and resources together to gain competitive advantage. Strategic alliances are not established for fixing corporate deficiencies, rather it is established to strengthen organizations process and technological expertise (O'Dwyer et al., 2011).

According to O'Dwyer, Gilmore and Carson (2011), alliances are formed for two reasons: to generate revenue or to reduce costs. Alliances succeeds when partner's goals are compatible and when partners make equal contributions to the alliance agreement. Successful strategic alliances are established for improving the alliance relationship through, commitment, trust, communication, and conflict minimization.

International Business and Technological Capability

The global trend of e-commerce has made companies to start strategically establishing various value chains around the world in order to gain geographical advantages over their competitors. The locations companies establishes their manufacturing activities has proven this new trend. Manufacturing costs varies from one country to another due to variations in wages, taxes, inflation rate and government regulations of these countries (Huan, Xiaohui and Ghauri, 2010).

Firms located in low-cost countries can gain a cost advantage due to lower cost of production, lesser strict government regulations and access to raw materials at cheaper cost. Companies that strategically establishes their production factories in low-cost countries like China, eventually end up having a competitive edge over their competitors still producing in high-cost production countries (Huan, Xiaohui and Ghauri, 2010).

The success of new ventures in both local and foreign markets depends on the technological capabilities of the company (Zahra 1996; Yiu et al., 2007). Technology capabilities is strategically positioned to help new ventures gain market recognition and also help maintain its competitive edge through new product introduction and disruptive innovations (Lee et al., 2001; Ghauri & Cateora, 2006; Hsieh & Tsai, 2007).

New ventures are able to enter new markets and produce differentiated products compared to its rivals through advanced technological capabilities. This also help new ventures to defeat disadvantages of been a foreigner in an international market (Rhee, 2008). There is new for new ventures to learn the impacts of technologies and how it operates in foreign markets, which will be instrumental to their continuous growth and increased revenues (Zahra et al., 2000; Spence & Crick, 2006).

In general, technological advancement, new product introductions and a proactive response to unstable market demands are major characteristics needed by any company seeking to venture into international business. Also, new international ventures should value their technological capabilities since it helps influence their foreign engagement in international markets (Siegel et al., 1993; Covin et al., 2000). In order sense, companies should approach international strategies with certainty of commercializing and maximizing their technological capabilities beyond local markets, because new ventures effectiveness and efficiencies in foreign markets depends on their technological capabilities.

Conclusion

In this study we have been able to examine global and cross-cultural market impact on innovation, Customers and Their Role in Innovation, Growth Strategies through Mergers and Acquisitions, Strategic Alliances and Joint Ventures, Network and alliances and International Business and Technological Capability. The above discussion emphasized the importance of understanding the global culture in which a business operate in order to better meet the needs of its customers. Also, the study above proved the importance of forming a strategic alliance and partnership with other external companies in order to create more value for their customers and also increase the company's competitive edge. The importance of building a strong technological capacity was also discussed if an organization is to succeed in conducting business in emerging markets.

References

Baird, C. H, & Gonzalez-Wertz, C. (2011). How top performers achieve customer-focusedmarket leadership. *Strategy & Leadership, 39*(1), 16 23.doi:http://dx.doi.org/10.1108/10878571111095385

Berkovich, E., & Narayanan. (1993). Motives for takeovers: An empirical investigation. Journal of Financial and Quantitative Analysis, 28(3), 347–362.

Charles Kalmbach Jr. and Charles Roussel (1999), “Accenture, Dispelling Myths of Alliances”

Covin, J.G., Slevin, D.P., Heeley, M.B. (2000). Pioneers and Followers: Competitive Tactics, Environment, and Firm Growth. Journal of Business Venturing, 15(2), 175–210.

David Ernst and Tammy Halevy (2005), “When to Think Alliance”, The McKinsey Quarterly, Vol. 1.

Douglas, S. P., & Craig, C. S. (2011). Convergence and divergence: Developing a semiglobal Marketing Strategy. *Journal of International Marketing, 19*(1), 82-101. doi:10.1509/jimk.19.1.82

Ghauri, P.N., Cateora, P.R. (2006). International Marketing (2nd Ed.). London: McGraw-Hill Publishing Company.

Hoegl, M., Lichtenthaler, U., & Muethel, M. (2011). Is your company ready for open innovation? *MIT Sloan Management Review, 53*(1), 45-48. Innovate from http://search.proquest.com.library.capella.edu/docview/896571219?accountid=2795

Hsieh, M.-H., Tsai, K.-H. (2007). Technological Capability, Social Capital and the Launch Strategy for Innovative Products. Industrial Marketing Management, 36(4), 493–502.

Kumar, T. (2012). Collaborative Strategy - The Way Forward in Alliances and Joint Ventures: A

Concept Note. IUP Journal Of Business Strategy, 9(2), 31-43.

Lee, C., Lee, K., Johannes, M.P. (2001). Internal Capabilities, External Networks, and Performance: A Study on Technology-Based Ventures. Strategic Management Journal, 22(6/7), 615.

O'Dwyer, M., Gilmore, A., & Carson, D. (2011). Strategic alliances as an element of innovative marketing in SMEs. *Journal Of Strategic Marketing*, *19*(1), 91-104. doi:10.1080/0965254X.2010.537765

Rhee, J.H. (2008). International Expansion Strategies of Korean Venture Firms: Entry Mode Choice and Performance. Asian Business & Management, 7(1), 95–114

Rufat-Latre, J., Muller, A., & Jones, D. (2010). Delivering on the promise of open innovation. *Strategy & Leadership, 38*(6), 23-28. doi:http://dx.doi.org/10.1108/10878571011088032

Rese, A., & Baier, D. (2011). Success factors for innovation management in networks of small and medium enterprises. *R&D Management*,*41*(2), 138-155. doi:10.1111/j.14679310.2010.00620.x

Sawhney, M., Verona, G., & Prandelli, E. (2005). Collaborating to create: The Internet as a platform for customer engagement in product innovation. Journal Of Interactive Marketing (John Wiley & Sons), 19(4), 4-17. doi:10.1002/dir.20046

Sawler, J. (2005). Horizontal alliances and the merger paradox. Managerial & Decision Economics, 26(4), 243-248.

Sheth, J. N. (2011). Impact of emerging markets on marketing: Rethinking existing perspectives and practices. Journal of Marketing, 75(4), 166-182. doi: 10.1509/jmkg.75.4.166

Siegel, R., Siegel, E., Macmillan, I.C. (1993). Characteristics Distinguishing High-Growth Ventures. Journal of Business Venturing, 8(2), 169–180.

Spence, M., Crick, D. (2006). A Comparative Investigation into the Internationalisation of Canadian and UK High-Tech SMEs. International Marketing Review, 23(5), 524–548.

Steenkamp, J.-B. E. M., & de Jong, M. G. (2010). A global investigation into the constellation of consumer attitudes toward global and local products. *Journal of Marketing, 74*(6), 18-40. doi: 10.1509/jmkg.74.6.18

Tae Won, M., & Sang Il, P. (2011). The effect of cultural distance on international marketing strategy: A comparison of cultural distance and managerial perception measures. *Journal of Global Marketing, 24*(1), 18-40. doi: 10.1080/08911762.2011.545718

Vantage Partners (2006), "Managing Alliances for Business Results".

Yiu, D.W., Lau, C., Bruton, G.D. (2007). International Venturing by Emerging Economy Firms: The Effects of Firm Capabilities, Home Country Networks, and Corporate Entrepreneurship. Journal of International Business Studies, 38(4), 519–540.

Zahra, S.A. (1996). Technology Strategy and New Venture Performance: A Study of Corporate-Sponsored and Independent Biotechnology Ventures. Journal of Business Venturing, 11(4), 289–321.

Zahra, S.A., Ireland, R.D., Hitt, M.A. (2000). International Expansion by New Venture Firms: International Diversity, Mode of Market Entry, Technological Learning, and Performance. Academy of Management Journal, 43(5), 925–950.