Entrepreneurial Strategies in an Emerging Economy

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ABSTRACT Entrepreneurship and innovation remains a frustrating pursuit. Failure rates for these ventures are high, and even successful companies cannot sustain their performance. The root cause is that companies fall into the trap of adopting whatever best practices are in vogue or aping the exemplar innovator of the moment. Entrepreneurs should therefore articulate an innovation strategy that stipulates how their firm’s entrepreneurial innovation efforts will support the overall business strategy. This will help them make trade-off decisions so that they can choose the most appropriate practices and set overarching innovation priorities that align all functions. There is no single route to entrepreneurial success or failure: successful entrepreneurs are those who can identify and adjust their entrepreneurial strategies according to their social capital and capabilities. Therefore, this paper has identified four entrepreneurial collaborative strategies in emerging economies—namely alliances, licence agreement, joint venture and cooperatives. Using a sample of 20 entrepreneurs to test the hypothesis using a multiple regression analysis, the paper found that these strategies can promote Entrepreneurial and economic development in an emerging economy.

Keywords: Entrepreneurship, Innovation, Strategy and Economic development

Introduction

Most parts of the developing world are experiencing growth spearheaded by entrepreneurship, but our understanding of them remains equally limited. It is predicted that by 2050, the economies of Brazil, Russia, India, and China (the “BRIC” economies) will be larger than that of the United States, Japan, Germany, U.K., France, and Italy (G6) (Bird & Mendenhall, 2016). Yet there are extremely limited research efforts, particularly on Brazil, Russia, and India. It has been shown in other domains such as strategy that researchers should not assume that findings in a developed economy will be equally applicable in an emerging economy (Peng et al., 2015). As a result, the setting today can be summarized as what is known from the world’s developed economies may not readily apply to entrepreneurship in emerging economies plus there is only limited research directly on these environments. Thus, there is a strong need to develop an understanding of entrepreneurship strategies in emerging economies (Chen & Shapiro, 2015).

Nations with emerging economy do play significant roles in the general global economy. These nations receive huge amount of foreign direct investment (FDI). Chari et al., 2015, there are about 64 nations with emerging economy, 51 with growing economy and 13 in transition. The growing importance of emerging economies is reflected in an upsurge of strategy research on the topic in recent years. Since the first
major overview of the field by Kim et al., 2015, numerous publications have appeared to push the frontier of this research. In addition to journal articles, books which cover more than one country or region in this area include Chittoor et al., 2015. For continues development in emerging economies, entrepreneurs need to develop sustainable strategies to ensure sustainability.

**Emerging Economies**

Firms in Emerging economy (EE) are increasingly competing in global markets and also find themselves facing foreign multinational corporations (MNCs) at home (Hertenstein et al., 2017). This creates problems for these firms because their organizational routines and management processes are rooted in local institutional conditions (Kumar et al., 2012) contend that this mismatch between global markets and local institutions constitutes a “liability of localness” as EE firms face global competitors in their home markets. The institutional conditions in EE countries are sometimes referred to as “weak” in that they are believed to be less conducive to effective and competitive firm governance and management (Meyer, 2015). While in some cases EE firms may be able to “springboard” to international competitiveness by acquiring foreign firms or resources (Lami, 2013), this is a short-term substitute for indigenously developed competitive advantage (Li et al., 2016). Furthermore, most of the literature on business environments in EEs focuses on the societal or national level and several empirical studies indicate that institutions in EEs result in different outcomes (Li et., 2017), but they fail to explain how national level institutional weakness results in firm-level competitive disadvantage. Thus, in this perspectives paper, we extend the EE strategy scholarship work (Li et al., 2016) in furthering the understanding of how institutional differences affect strategic choices in EE firms.

**Concept of an Emerging Economy**

In laying the foundation for understanding strategic entrepreneurship in an emerging economy, one must first define the term *emerging economy*. Past scholars have defined the term in multiple ways. In the 1980s, the World Bank economist Antoine van Agtmael first used the term “emerging economies” to describe less developed countries. From these early efforts to examine emerging economies, scholars recognize that emerging economies are characterized by underdeveloped market-supporting institutions that include weak laws and poor enforcement capacity of the formal legal institutions referred to as *institutional voids* (Liu & Woywode, 2013). Yet, others also recognized that to separate emerging economies from economies of those nations that are just poor, scholars need to incorporate both the rapid pace of economic development and government policies favouring economic liberalization through the adoption of a free-market system into the definition (Luo & Wang, 2012).

Integrating these different definitions, Meyer & Xin (2017) defined emerging economies as low-income, rapid-growth countries using economic liberalization as their primary engine of growth. These scholars went further to recognize that 13 former centrally planned economies evolving into market economies are a unique subset of emerging economies, which they called transitional economies. Scholars have now built on the work by Xie & Li (2017) to try to provide greater context for the definitions of emerging economies. One of these definitional streams argues that factor endowments, such as natural resources, found in classical economics are an important
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Joint venture

Joint venture is the venturing of two or more companies for the development of new businesses within the existing organizations with a new way of working, organizational structures and rewards (Saha & Chattopadhyay, 2015), as against the existing working style and culture of an organization (Amadabadi & Gerdefaramarzi, 2012). Similarly, Beamish and Lupton (2016), defined joint venture as an engagement between firms for the expansion of their market participation in a geographical manner, learning new technologies and skills, the creation of economies of scale, etc. Also, joint ventures help in consolidating and strengthening their existing market positions as well as gaining information process (Beamish & Lupton, 2016). In international operations, a joint venture is referred to as having its headquarters in the country of operation of any one of the venturing companies (Pomponi et al., 2015). Amadabadi & Gerdefaramarzi (2012) considers joint venture as the involvement of any one of the local partners with a foreign partner for the achievement of business objectives. The main motives of joint venture are gaining and sharing knowledge in the market place, acquiring or learning knowledge from the venturing partner, and improving and managing the marketing, administration, operations, finance and human resource departments (Pomponi et al., 2015). Besides all these ideas, cluster analysis suggests that the development of knowledge is an important criterion for joint ventures (Triki & Mayrhofer, 2016). Almost 82 % of the total joint venturing organizations help in generating knowledge and alleviating poverty (Vitalis & Scott, 2015).

Strategic alliance

The agreement between two or more companies for reaching a common goal or objective is referred to as a strategic alliance (Reuer & Devarakonda, 2016). Albers et al. (2015) argue that strategic alliances are one of the various operating options for achieving organizational goals based on the cooperation between the alliance companies (Albers et al., 2015). Veltri et al. (2015) posited that for a strategic alliance to impact on economic development and reduce poverty, there must be an agreement between two or more independent organizations. In a strategic alliance, the alliance
companies share all kinds of relationships, except for acquisitions, loans, sales based on short-term contracts, and less important activities based on agreements or activities that are not strategic for the partners (Xu et al., 2016), for example, a long-term basis agreement provided for service or outsourcing (Albers, 2016). The alliance partners willingly provide modifications to their existing business practices for reducing wastage and duplication and for facilitating improved performance (Veltri et al., 2015; Jordan, 2015. A strategic alliance can sometimes be referred to as a “partnership”. It offers the chance for businesses to take mutual benefits from each other and take the opportunity of a sustained competitive advantage (Albers, 2016).

**Licensing agreement**

A commercial contract between the licensee and the licensor is defined as a licence agreement (Dauletshina, 2015). There are several key elements in the contract, even though this varies from contract to contract (Bonfanti et al., 2016). The contract is based on the patented technology, registered trademark, a copyright work, industrial design, trade secret or any kind of intangible asset (Littlewood & Holt, 2015). A licensing agreement is also referred to as a reference for providing technical support, assistance and training (the licensing agreement provided by the licensor for the benefit of the licensee) (Chandra, 2016).

Licensing may be general, and this is due to the fact that only having one kind of right or patent will not be sufficient for the licensee party to produce as well as to sell a particular item (the licensee needs to obtain the right to use a corresponding trademark) (Massey et al., 2015). Similarly, the licensing contract also specifies and permits the functional use of Intellectual Property Rights (IPRs) (De Sousa & Docuyanan, 2016). The licence agreement gives the right to use the subject matter without distribution of the copyright with respect to the competition ((Duchene et al., 2015)). The geographical market restrictions can be specified with regional, national and international laws (Fox & Sohnesen, 2016). The expiry date is another important aspect of a licensing agreement. Other important elements of a licensing agreement include performance warranty (performance of the licence subject matter under the right conditions as per the licence agreement to give the desired results) and lastly, termination contingencies (this is in the event of any kind of bankruptcy of either of the parties). Biggins and Scott (2015) argued that the licensing agreement is not only applicable to commercial businesses, but also in the social service sector for the purpose of poverty alleviation. Furthermore, Thomas and Wilkinson (2015) added that CSEs can take advantage of licensing agreements to achieve the corporate mission of poverty alleviation. Wu et al. (2015), in relation to the Commercialization of University Invention, posited that licensing agreements are a source of major innovation within learning organizations who want to add value to the economy and the local community through poverty alleviation. Policy framework could affect a successful licensing agreement in any society, therefore the government has a major role to play in the process ((Duchene et al., 2015). The need for transparency from both the licensor and the licensee is important in a licensing agreement if it is to achieve its objectives (Akinwale, 2016).

**Cooperatives**

The foremost voluntary business organizations formed for mutual development are the cooperative societies (Melton et al., 2016). These societies are managed by the people through shared capital contribution or profit contribution accrued from their respective businesses. In short, these societies are democratically managed by the members
Tregear & Cooper, (2016). Tregear & Cooper, (2016) has defined cooperatives as autonomous associations or organizations that are voluntarily managed by people in order to meet the social, economic and cultural needs of a democratically owned and operated enterprise. Cooperative is defined as a member-owned and group based enterprise or business, which aims at the social and economic development of any sector (Tregear & Cooper, 2016 Tregear & Cooper, (2016), considered cooperatives as an association of a person with limited means and voluntarily achievement of its goals through democratically controlled business organizations. The person is also responsible for sharing the profit and loss of his accrued shares and is liable to take all the benefits associated with the organizations (Jolly & Raven, 2015). Cooperatives act as a catalyst for the growth of the local entrepreneur (Tregear & Cooper, 2016). This is because it helps in mobilizing and operating the capital, and further helps in entrepreneurial development. This is supported by Mair & Marti (2009), since they understand that cooperative societies are owned, controlled and operated through their members on a non-profit or cost basis. Cooperative enterprises help in providing several productive employments and alleviating poverty through the achievement of social integration and collaboration (Mathuva, 2015). They also help in that they are a model for providing values of self-help, democracy, social responsibility, equity, equality and solidarity (Kania & Kramer, 2013; Poledrini, 2015).

Analysis of data

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.515*</td>
<td>.265</td>
<td>.250</td>
<td>.422</td>
</tr>
</tbody>
</table>

Predictors: (Constant), Alliances, Joint Ventures, Cooperatives, Licensing Agreements (Independent Variables)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>12.628</td>
<td>4</td>
<td>3.157</td>
<td>17.699</td>
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<tr>
<td></td>
<td>Residual</td>
<td>34.962</td>
<td>196</td>
<td>.178</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>47.591</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employment and Business Opportunities

Predictors: (Constant), Alliances, Joint Ventures, Cooperatives, CSE Collaboration (Independent Variables)


1c Impact of Entrepreneurial collaboration strategies on employment creation and business opportunity

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.681</td>
<td>1.023</td>
<td>2.62</td>
<td>.009</td>
</tr>
<tr>
<td>Licensing Agreement</td>
<td>-.120</td>
<td>.141</td>
<td>-.083</td>
<td>.396</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>-.414</td>
<td>.109</td>
<td>-.357</td>
<td>.000</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>.393</td>
<td>.102</td>
<td>.262</td>
<td>.000</td>
</tr>
<tr>
<td>Alliances</td>
<td>.514</td>
<td>.245</td>
<td>.154</td>
<td>.037</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employment Creation and Business Opportunity. Correlation Coefficient (R) .671, R-Square .450

Implication of data analysis

Table 1a shows a correlation coefficient of .515 in the model summary table, which indicates a linear relationship between Entrepreneurial collaboration strategies and employment and business opportunities. The model summary table also shows a correlation of determination value of .265. The ANOVA table shows a significant value of .000 at p<.05. Table 1c shows that licensing agreements have a correlation value of -.120 and a t-value of -3.797, joint ventures have a negative correlation value of -.414 and a t-value of -3.797, cooperatives have a correlation value of .393 and a t-value of 3.840 and, finally, alliances have a correlation value of .514 and a t-value of 2.095.

The results in Table 1c therefore indicate that both cooperative and alliance collaborations were statistically significant at t= 3.840 and 2.095 respectively, which implies that these forms of collaboration will positively impact on economic growth through employment creation and business opportunities. Collaboration through cooperatives and alliances have positive correlation values of .393 and .514 at 0.5 t-value, which thus implies that the more collaborations that there are through deliberate cooperatives and alliances of Entrepreneurial collaboration the emerging nations, the higher the likelihood of economic growth and transformation. More so, a coefficient correlation of .515 also indicates that there is a strong linear relationship among the variables explained. That is, a 26.5% increase in employment creation and business opportu-
ties is explained by the **Entrepreneurial collaboration strategies**. The ANOVA table figure shows a value of .000 at p<.05, indicating a positive and significant relationship between **Entrepreneurial collaboration strategies** and business opportunities.

Looking at the coefficient value from Table 1c, the Beta weights show values of -.083, -.357, .262 and .154, representing licensing agreements, joint ventures, cooperatives and alliances in standardized terms. These values show the relative importance of each independent variable. This indicates that the variables are significant predictors to economic growth. Joint ventures and cooperatives are highly significant (p < .01), in comparison to alliances (p < .05). The analysis in Table 1c, looking at the Beta values, indicates that alliances and cooperatives will contribute more to economic growth than joint ventures and licensing agreements, even though they are correlated.

**Conclusion**

This study has looked at various strategies adopted by entrepreneurs in an emerging economy from a different dimension as strategies drives vision. In conclusion, for the same reason that strategy practice in emerging economies pushes the frontier in strategic thinking, strategy research with a focus on these emerging economies, both as an opportunity and as a necessity, is challenging conventional wisdom in academic thinking and theories in significant ways. To the extent that emerging economies are fertile grounds not only for testing existing theories but also for developing newer ones, these endeavours are likely to greatly enrich the strategy enterprise globally. To keep pace as an emerging nation, there is need to adopt strategies for further development. These entrepreneurial collaborative strategies will enhance economic growth in the emerging nations.

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References


