
Entrepreneurial firms and globalisation: A theoretical perspective of faster speed to market for global traders

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1 Introduction

This paper is part of a broader program that is opening up a new area of research, namely: institutional preparedness for entrepreneurial economic development. In particular, it examines the preparedness of industry associations for economic development. The membership of these associations is predominantly made up of entrepreneurial firms that are trading globally (Obrecht 2000: p.185). This paper explores individual entrepreneurial firms' collaborative strategies to maximize the likelihood of faster speed to market for global traders (Tan 2000: p.423). Wherever there is change in a society you will find entrepreneurial firms carrying out innovation (Schumpeter 1934). The current era is clearly one of great change. Specifically, this paper conceptualises a theoretical model that clarifies the variations in both trust and power-dependence of institutional structures.

The objectives of the paper are twofold. The first is to enquire into the relationship between an industry association's innovation process, and the organisational structuring of enterprise development activities. "Innovative process" is the "accomplishment of actions that depends on organisational structure (Edwards 2000)". This definition of innovation draws on Giddens "structuration theory" (1982). It is a view that focuses on the "underlying mechanisms that enable or constrain innovation" (Edwards 2000). Our second objective is to outline a typology of industry association structures and trust that explains variations in their capacity to implement innovative actions.

Background to the research is the impact globalisation is having on entrepreneurial firms (Commonwealth of Australia 2001). Entrepreneurial firms often act collectively to engage in entrepreneurial development programs when they have limited internal resources (Christie 2001). This paper focuses on industry associations as the agents for entrepreneurial development programs. Industry associations are made up of firms within an industry and they seek out income that is normally membership-based but may include government funding. How well the entrepreneurial firm acts collectively in global markets as members of industry associations is not well understood. Specifically, how industry associations manage assistance to member firms is not well understood. Industry associations assist entrepreneurial firms across generations, cultures, differing levels of affluence, across old and new economies and through the life cycle of the firm and their resource needs. Although the benefits of industry associations for capacity building within communities are well acknowledged, there is little research about the industry association's internal operations of managing innovative assistance for member firms.

When attempting to obtain a clear picture of the external assistance provided to entrepreneurial firms it is necessary to investigate the types of initiatives, who are the sponsors, and how the assistance is delivered. This is because bureaucracies and the industry associations themselves may discourage industry association member firms' strategic initiatives on a number of levels. The types of institutional constraints for industry associations vary from country to country and from industry association to industry association. Industry associations can be subject to up to seven institutional constraints that influence the type of strategic initiatives that can be undertaken.

The first of these constraints relates to the main sponsors of industry associations. Sponsors may be government and/or member firms. Government sponsors can be characterised by a traditional bureaucratic system where accountability and responsibility are narrowly defined and stringent output controls are imposed. Thus, bureaucracies can discourage strategic initiatives through the implementation of tight control. This may impede the industry association from having the ability or scope to guide its strategic direction. Normally, a centrally controlled bureaucracy will narrowly define the scope of what an industry association can do rather than allowing it to take full responsibility. In contrast, many industry associations do not rely on government programs. They have a greater reliance on member firms to resource them. However, member firms can also have a strategic agenda that is narrowly defined and that does not allow for visionary initiatives.

A second constraint that can influence strategic initiatives is that governments can poorly resource industry associations. This is the situation in Australia. In contrast, there are large amounts of resources being committed to industry associations by other nation states in Europe and North America (Rosenkopf, Metiu, George 2001). Some industry associations have the possible advantage of a wealthy and/or a large number of member firms to draw fees from, or surplus generating enterprises. To compensate for poor resourcing and a dependence on one particular sponsor, industry associations lobby to have funding from a range of sponsors including different tiers and departments within government and from non-government sources.

Third, industry associations can be constrained by lack of national political leadership that has a vision for leadership in economic development. However, some industry associations have members who may be key opinion leaders in the nation state due to the reputation of their firms. These associations can effectively lobby government and thus influence economic development decision-making.

Fourth, program policy changes can occur with government electoral cycles rather than being driven by entrepreneurial firm development cycles. Consequently, in some cases (for example in Australia) when a different political party is elected to office, there are normally major policy changes in economic development. In contrast to this situation, programs in Europe are implemented over a period of five years regardless of the political persuasion of the ruling political party. The situation in Europe is similar to that in the USA and in many Asian countries.

Fifth, there can be a lack of skilled experts to implement initiatives both at the board and staff levels. Sixthly, there can be a shortage of development initiatives for developing these skills. Professional development initiatives can be carried out in an ad hoc

manner that can have an operational focus on the staff rather than on the board or other stakeholders. Seventhly, there can be a lack of career paths for staff that are normally employed on short-term contracts.

Despite these constraints, faster speed to market is becoming critical for entrepreneurial firms with the salience of globalisation. Entrepreneurial firms able to act within global markets receive the necessary returns that are not usually possible by operating in limited domestic markets. Entrepreneurial firms in industry associations form a unique alliance of traders who through a common industry, wish to act collectively. This collective action can assist in faster speed to market. For example, industry associations can be a mechanism for providing faster speed to market for its member firms through innovative assistance such as forming networks to stimulate export activity (McNaughton 2001).

The typology outlined in this paper draws on Giddens' structuration theory to explain why some industry associations are innovative while others attempt to institutionalise the innovation process in inappropriate structures. In particular, the model presented herein is an application of Edwards (2000) concept of the "innovation process" applied to the context of industry associations.

There has been insufficient research on how an industry association manages its assistance to member firms. In particular, the relationship between variations in industry association centralised/decentralised structures and variations in trust are not well understood. The purpose of this paper is to conceptualise a theoretical model that clarifies variations in centralized/decentralized structures (Anderson 1993, Halkier 1992) that are predictors of the effectiveness of an industry association. In addition, it explores variations in the level of trust by applying delegation as an indicator (Kumar, Paddison 2000).

2 Literature review

Resource-dependence, trust and innovation literatures provide the basis to explore the influence that power-dependence has on entrepreneurial firm's industry associations. Trust establishes an environment in which the industry association can undertake continuous interaction of shared understanding and mutually agreed upon decisions. It can be built and sustained if an industry association is able to achieve results, act with integrity and demonstrate concern (Shaw 1997). Trust is defined in this study as "confidence in the reliability of a person or system, regarding a given set of outcomes or events, where that confidence expresses a faith in the probity of another or in the correctness of abstract principles (technical knowledge)" (Giddens 1990: p.34). In the context of this study, trust is examined from the perspective of a modality rather than a passion. That is, it focuses on making conscious choices with a view to "handling the freedom of the other human agents or agencies" (Dunn 1988: p.73). Economies of high trust locations develop much faster than low trust locations. This happens because in high trust locations people are able to create "middle-tier institutions" (Fukuyama 1995) such as industry associations, which are more competitive and more efficient.

Delegation is a key indicator of trust (Kumar, Paddison 2000). In the context of this study, delegation is examined between government and the industry association and within the association. A working definition of delegation is the degree to which governments and industry association members allow authority to be delegated to staff.

Resource-dependence is a theoretical dimension that is fundamental to organizational sociology and focuses on environmental resources (Miller 1992, Pfeffer 1981, Singh 1990). It explores the exercise of power-dependence of individual organizations in an environment (Pfeffer 1981, Pfeffer, Salancik 1978, Thompson 1967). In terms of this paper, resource-dependence explores centralised and decentralised power in the relationship(s) between the sponsor(s) and the industry association. The focus is on the power-dependency that these relationships create within the delivery of an entrepreneurial development program. For instance, an industry association that is highly centrally planned and controlled would have a high level of power-dependence on sponsors compared to a decentralized organization with a greater emphasis on partnership.

Under conditions of decentralized planning and control, power-dependence is far more dispersed. As a result, there is a greater emphasis on partnership. This view is consistent with the emerging innovation literature. For example, in one study, managerial influence on variations in innovation is characterised by the level of centralisation/decentralisation in operational decisions and activities (McGrath 2000). In the context of industry associations under conditions of dispersed power-dependence, associations seek resources through a number of differing institutions rather than through a single sponsor. Resource-dependence for entrepreneurial development initiatives explores the degree of power-dependence that industry associations can experience and infers a range of strategic initiatives that industry associations can implement to affect their degree of power-dependence.

Not much is known about why industry associations, with low resource-dependence and with high trust, enable faster speed to market, sophisticated business practices and ROI/profit for members. What is known is that both social environment and organisational context have an impact on the frequency of innovation (Amabile 1996, Moorman, Miner 1998, Martin et al. 2001). In addition, organisations with low formalisation of structures and that emphasize loose coupling of groups and flat hierarchy in structures have a higher capacity to innovate (Burns, Stalker 1961, Kohli, Jaworski 1990). This is because low formalisation of structures can promote openness and flexibility in roles, which is a precondition for the initiation of new ideas (Martin et al. 2001, Shephard 1967). This type of industry association facilitates the sharing of expertise, is more open and encourages more frequent communication and has a tendency to focus on results rather than turf (McGinnis, Ackelsberg 1983).

In contrast, high levels of resource-dependence imply a high level of bureaucratic control that does not necessarily allow an industry association to have the full scope of strategic initiatives. These highly centralised organisations are characterised by high levels of formalisation of structures, high power dependence, low trust, little delegation and low innovation.

In summary, variations in structures and trust in industry associations can have a direct impact on innovation. These variations are the result of a combination of high or low

power-dependence, depending upon the diversity of its sources of income and level of trust between the sponsor and the industry association. However, there may be a single sponsor where there are low levels of control and high levels of trust. In this second situation, the industry association has a lower power-dependence on its sponsor and innovation is likely to occur.

Based on this review, the relationship between types of industry association structures, trust and innovation is summarised in figure 1.

Discussion

		<i>Industry association structures in place</i>	
		<i>Low formalization of structures / systems</i>	<i>High formalization of structures / systems</i>
<i>Trust</i>	<i>High (much delegation)</i>	<p>Cell 1</p> <p><i>Innovation pervasive</i></p> <p>Manifests as creative individuals who are encouraged and have the opportunity to innovate.</p>	<p>Cell 2</p> <p><i>Innovation unguided</i></p> <p>Manifests as creative individuals whose efforts are unguided.</p>
	<i>Low (little delegation)</i>	<p>Cell 3</p> <p><i>Innovation frustration</i></p> <p>Manifests as creative individuals not identified and industry association structures are frustrated.</p>	<p>Cell 4</p> <p><i>Innovation lacking</i></p> <p>Manifests as low valuing of innovative individuals and little formal interest in innovation.</p>

Figure 1: Typology of industry association structures and trust

Next is a brief synthesis of the literature review. The theoretical proposition of this paper is that formalisation of structures, coupled with trust has a significant impact on industry association innovation. Although power-dependence focuses primarily on external institutional relationships how these institutional relationships are structured will influence the industry association’s strategy. The level of power-dependence creates differing structural conditions that are identified as decentralised and centralised structures. These two structural types are associated with either strategic or bureaucratic processes respectively. In turn, the structure/strategy typology that results from power-dependence has a significant impact on the internal management of industry associations. In particular, it influences the level of formalisation of structures/systems. Further, consistent with the proposition of Kumar and Paddison (2000), delegation is a key indicator of trust.

The model in figure one is now explained. Cell 1 relates to three factors of structures and processes that correspond to a situation that is “innovation pervasive”. First, it relates to structures and processes that facilitate innovative practices for industry association for their member firms to get products and services to market (faster speed to market). Secondly, it relates to structures and processes that proactively encourage entrepreneurial citizenry. Thirdly, it relates to structures and processes that establish a strong foundation for firms to generate wealth through ROI. Fourthly, it relates to structures and processes that facilitate high trust with government and within the association.

Cell 2 relates to three factors of structures and processes that correspond to a situation that is “innovation unguided” because of high formalization of structures/systems and high trust that is observable through much delegation. First, it relates to structures and processes that constrain firms to get products and services to market (faster speed to market). Secondly, it relates to structures and processes that discourage entrepreneurial citizenry. Thirdly, it relates to structures and processes that establish some foundation for firms to generate wealth through ROI.

Cell 3 relates to three factors of structures and processes that correspond to a situation that is “innovation lacking” because of low formalization of structures/systems and low trust that is observable through little delegation. First, it relates to structures and processes that constrain firms to get products and services to market (faster speed to market). Secondly, it relates to structures and processes that discourage entrepreneurial citizenry. Thirdly, it relates to structures and processes that fail to establish foundation for firms to generate wealth through ROI. Fourthly, it relates to structures and processes that have a high level of factional conflict.

Cell 4 relates to three factors of structures and processes that correspond to a situation that is “innovation frustration” because of low formalization of structures/systems and low trust that is observable through little delegation. First, it relates to structures and processes that constrain firms to get products and services to market (faster speed to market). Secondly, it relates to structures and processes that discourage entrepreneurial citizenry. Thirdly, it relates to structures and processes that fail to establish foundation for firms to generate wealth through ROI.

3 Implications for industry association management of assistance

An industry association provides a means to deal with the complexity of economic development and to coordinate innovative activities. Internal management expertise within an industry association is of particular importance in this post-Fordist period (Amin, Thrift 1994) that can be characterized as a period of economic history during which large public bureaucracies are consolidating. An industry association that can mobilise support for innovation within its local and regional community requires a high range of management expertise, though not all achieve this (Christie, Chamard 1998).

Specifically, public bureaucracies operate with diminished resources, limiting their direct capability for immediate involvement. Examples of the contraction of bureaucracies can be found in the rationalisation of the welfare state (Saul 1997, Tower 1995). This contraction of public bureaucracies is increasing the complexity of managing economies. Consequently, the industry association provides an alternate structural mechanism to government services that allows for greater citizen controlled partnering and coordination of complex economic development issues (Hassink 1999).

4 Limitations and further research

These cases must be considered within the context of the institutional strategic initiatives constraints of industry associations as outlined in the literature review. Future trends in industry associations indicate that power-dependence and trust have important implications for the way in which industry associations structure and delegate development programs to facilitate innovations that manifest as faster speed to market, sophisticated business practices and ROI/profit. Future research will need to consider the implications of how industry associations' structure and delegation of development programs can lead to commercial success for their program participants.

5 Conclusion

Globalisation has created the situation of entrepreneurial firms needing to increase their speed to market. The model suggests that industry associations can encourage innovation that can result in markets being accessed more readily. The model clarifies that variations in the levels of power-dependence and trust can inhibit or enhance this complex process. Further research is required to understand how the industry association is best placed to facilitate entrepreneurial firms into global markets.

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