

**THE IMPACT OF MARKET AND ENTREPRENEURIAL ORIENTATIONS
ON INNOVATIVE MARKETING PROCESSES:
THE CASE OF A LARGE FIRM**

By:

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ABSTRACT

Given the uncertainty, turbulence and intense competitiveness that characterizes today's markets, Entrepreneurship and Innovation suggest complementary approaches to Marketing Management that may have positive effects on a firm's performance and competitive advantage. Therefore it is necessary to understand the marketing processes that result from the interface between firms' Entrepreneurial Orientation and Market Orientation, within the scope of their organizational behaviors. As there is scarce empirical evidence on this subject in literature, this study follows a qualitative approach methodology by using a case study research strategy to explore these phenomena. Taking the example of a large company operating in the Portuguese Information Technology (IT) sector, this case study analyzes its marketing processes and subsequent outcomes in the marketplace, from evidence collected from in-depth interviews with its top management and two of its reference customers. These Marketing processes result from the interface between Entrepreneurial and Market Orientations, and therefore we will try to identify the influence of several factors on this interface. These comprise external market environment circumstances, as well as internal factors resulting from organizational architecture. We can find influencing effects from these factors, and observe that the firm's marketing processes leverage on innovation – either organizational, in their business model or of products/services – in order to acquire and maintain favorable positions in the market. This evidence raises new research alternatives and hypotheses for further development and operationalization of the Entrepreneurial Marketing Concept.

Keywords: Entrepreneurial Orientation, Entrepreneurial Marketing, Innovation, Marketing Processes.

JEL classifications: L26 - *Entrepreneurship*; M31 - *Marketing*

RESUMO

Dada a natureza de incerteza, turbulência e intensa competitividade que caracteriza os mercados actuais, o empreendedorismo e a inovação apresentam abordagens complementares à gestão de Marketing que poderão ter efeitos positivos na performance e na criação de vantagens competitivas pelas empresas. Revela-se, pois, necessário compreender os processos de Marketing que resultam da interface entre a Orientação Empreendedora e a Orientação para o Mercado, no âmbito dos comportamentos organizacionais das empresas. Procurando complementar a escassa evidência empírica na literatura sobre este domínio, este estudo adopta uma abordagem de metodologia qualitativa através da pesquisa de caso de estudo para explorar estes fenómenos. Com o exemplo de uma grande empresa do sector das TI em Portugal, este caso de estudo analisa os processos de marketing e os seus resultados no mercado, a partir da evidência recolhida de entrevistas de profundidade com a gestão de topo e dois clientes de referência. Estes processos de Marketing resultam da interface entre as Orientações para o Empreendedorismo e para o Mercado, e assim tentamos identificar a influência de diversos factores sobre esta interface. Estes incluem circunstâncias da envolvente externa de mercado e factores internos resultantes da sua arquitectura organizacional. Verificamos existirem efeitos de influência destes factores, e observamos também que os processos de marketing da empresa alavancam na inovação – seja organizacional, de modelo de negócio ou de produto/serviço – para conquistarem e manterem posições favoráveis no mercado. Estas evidências suscitam novas alternativas e hipóteses de pesquisa para o desenvolvimento e operacionalização do conceito do Marketing do Empreendedorismo.

Palavras-chave: Entrepreneurial Orientation, Entrepreneurial Marketing, Innovation, Marketing Processes.

Classificações JEL: L26 - *Entrepreneurship*; M31 - *Marketing*

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ABBREVIATIONS AND GLOSSARY

BU

Business Unit.

CAPEX

Capital expenditures.

CONGLOMERATE

Large corporation run as a single business, but made up of several firms.

CORPORATE LEVEL

Refers to Reditus Holding top management level.

CRM

Customer Relationship Management. Processes implemented by a company to manage contacts with customer, generally employing purpose-built software.

EM

Entrepreneurial Marketing.

EO

Entrepreneurial Orientation.

GTM

Reditus' "Go To Market" unit.

HOLDING

A holding company is a company that owns other companies' outstanding stock.

IT

Information Technology.

MO

Market Orientation.

SME

Micro, small and medium-sized enterprises (SME). The category is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million (EU Commission Recommendation 2003/361/EC).

SUBSIDIARY

A company controlled by another company, known as "parent company". Control is commonly achieved through shares' ownership in the subsidiary company.

CHAPTER I – INTRODUCTION

Nowadays, firms face growing levels of uncertainty which affect the demand-side of the business, motivate changes on market structures and new relationships with their partners or suppliers, competitors and customers. In a nutshell, market contexts are changing fast, with growing intensity and frequency.

However, market transformation is not a recent phenomenon. As early as 1934, Schumpeter (cited by Stevenson & Jarillo 1990) associated contextual change and evolution with the development of economy. This was linked to individual entrepreneurial attitudes and behavior that induced market “discontinuities”, to be exploited in innovative and opportunity-driven ways.

The Marketing function is context-dependent (Morris *et al.* 2002), and despite efforts to propose new approaches – such as Relationship Marketing – more commensurate with the new competitive environments, literature (Hills *et al.* 2008) still debates whether the fundamental precepts of Marketing practice respond to the challenges of new market contexts created by the contemporary economy. Indeed, these authors suggest that Marketing is not a mere functional area such as Accounting, Finance, or Human Resources, as it is often considered by entrepreneurs as a core function of the firm.

The present study aims to shed new light on this issue from the analysis of a specific firm and its industry. The case study method was used to explain and describe the marketing processes of a large firm – Reditus Corporation – operating in dynamic market contexts, focusing on the marketing processes carried out at the “Services Outsourcing” business area of Reditus Corporation. It studies the link between market and firm-specific factors, with a focus on the organization’s Market and Entrepreneurial Orientations. Moreover, this study pays special attention to the outcomes of marketing processes resulting from the interface between these two strategic Orientations, in what concerns leveraging innovation and obtaining favorable market positions.

1. Reasons for the Study

1.1 Academic relevance

The interface between the Market Orientation and the Entrepreneurial Orientation concepts and its influence on the practice and processes of marketing management has been subject of significant interest in literature (Schindehutte *et al.* 2008; Hills *et al.* 2008; Miles & Darroch 2006; Matsuno *et al.* 2002; Morris *et al.* 2002; Collinson & Shaw 2001; Stokes 2000). Their joint impact on the identification of market opportunities and the proactive and innovative exploitation of such opportunities has been suggested to have positive outcomes in company performance (Zahra 2008), leveraging on innovation (Schindehutte *et al.* 2008) and using a set of marketing processes that are entrepreneurial (Hills *et al.* 2008; Miles & Darroch 2006). This set of entrepreneurial marketing processes has been proposed (Morris *et al.* 2002) as a more adequate approach under certain market conditions, such as those characterized by a high degree of competitiveness and turbulence (Morris *et al.* 2002). Also, the adoption of such organizational processes depends on internal factors, which will facilitate or hinder top management's efforts to implement them throughout the organization (Ireland *et al.* 2009; Green *et al.* 2008; Zahra 2008).

Morris *et al.* suggest an Entrepreneurial Marketing construct that captures the attributes of both Market and Entrepreneurial Orientations which are more adequate in contexts of market turbulence, competitive hostility and uncertainty, and depending on certain firm-specific circumstances (2002, p.13).

These propositions concerning new Marketing approaches stem from what some authors regard as Marketing's shortcomings in certain situations. Slater and Narver (1995) mention that the outcomes of firms' Marketing practices may be restricted to satisfying explicit needs of their current customer segments as a consequence of the narrow focus of market intelligence activities on customers and competitors. New approaches to Marketing, integrating attributes of innovation, risk-taking and proactiveness, would enable widening this scope (1995, p.68) to include other information sources – such as suppliers, universities, businesses in different industries, among others – thus enabling the identification of business opportunities in new customer segments and markets.

On the other hand, Marketing planning activities methodically commit resources to the exploitation of opportunities; however, entrepreneurs are less restricted by formal planning and control of resources in their activities (Hills *et al.* 2008). This enables them to pursue and

exploit opportunities by managing resources and risks in innovative ways, which is a basic characteristic of entrepreneurialism (Stevenson & Gumpert 1985), since innovation “lies at the heart of entrepreneurship” (Jeffrey G. Covin & Miles 1999, p.49).

Subsequent to the theoretical model of Morris *et al.* (2002) on Entrepreneurial Marketing, rising attention has focused on theory building and empirical evidence of entrepreneurial Marketing processes. However, according to Hills *et al.* (2008, p.106) “we still have few studies of what characterizes EM [Entrepreneurial Marketing]”. Among these are Miles and Darroch’s (2006) qualitative study on the practice of Entrepreneurial Marketing in 20 large firms, Hills *et al.* (2008) qualitative study on the practice of marketing processes in 59 international SME¹ and Schindehutte *et al.* (2008) two single case-studies on the temporal evolution of Market and Entrepreneurial Orientations, and the impact of resulting processes on the performance and sustainability of competitive advantage.

Although we find empirical evidence in literature that establishes the positive impact on performance of Market Orientation (Atuahene-Gima *et al.* 2005; Kara *et al.* 2005; Han *et al.* 1998), Entrepreneurial Orientation (Zahra 2008; Keh *et al.* 2007) and of their interface (Schindehutte *et al.* 2008; Zhou *et al.* 2005; Matsuno *et al.* 2002), few empirical evidence is found on the factors that influence the organizations’ adoption of an Entrepreneurial Orientation. More recently, Ireland *et al.* (2009) suggest that research should focus on phenomena that affect the translation of the entrepreneurial strategic vision from top management into the organizations’ membership and fabric.

The present case study has the purpose of providing further advances in understanding what characterizes these innovative marketing processes that result from the interface between Market and Entrepreneurial Orientations.

1.2 Practical significance

At the beginning of the millennium, the Portuguese IT² industry was going through a phase of uncertainty, after a long and favorable period of sustained growth³. Overall spending on IT was decreasing, particularly pushed down by cuts in public spending and the overall contraction in private investment⁴. In 2003, Reditus Corporation – a large holding firm with a decreasing business turnover of €12.3 million and employing approximately 360 people – was

¹ Small and Medium sized Enterprises

² Information Technology, information systems comprising software applications and computer hardware

³ “IDC”, IT market intelligence firm; www.idc.com

⁴ *Ibid.*

about to complete the restructuring of its activities, refocusing on rendering Business Process Outsourcing (BPO) services.

With the evolution of information technologies, over the previous 15 years, organizations in most countries had been adopting operating models that subdivided administrative processes into separate components. Pressures on infrastructure ownership costs, demand for increased structural flexibility and the emergence of firms specialized in the operation of administrative processes – such as accounting and human resources – pushed for the externalization of some of these processes. Innovative technological platforms ensured the credibility of the service, enabling the safe, complete and reliable transfer of data between remote places. In Portugal, however, a market study then commissioned by Reditus⁵ revealed that opportunities for BPO services were not being pursued and explored to their full potential. Multinational IT companies operating in Portugal were concentrating on infrastructure services or on a limited scope of processes⁶. The opportunity for a new generation of BPO services was identified. This would aggregate components of infrastructures, software, people and all types of processes, including transactional activities but excluding strategic activities in the organizations' value-chain. Additionally, these BPO services would be provided on a variable cost format, with service level obligations and quality requirements that regulated the relationship with the provider.

In 2004, with a new CEO leading the “Services Outsourcing” business area, Reditus Corporation showed a significant improvement in this activity, with turnover figures continuously increasing, up to the present time. By 2006, Reditus was already the fifteenth largest IT services provider in Portugal, and the overall national market for IT services grew 6% that year with forecasts of 5% growth for the subsequent years⁷, overtaking international growth. One important aspect of Reditus Holding organizational architecture is that it does not include an autonomous Marketing Department, neither at corporate level nor at business unit level. Marketing functions naturally exist, particularly in view of the above mentioned business activity, but are carried out at different levels within the organization, by managers covering a wide range of responsibilities and activities.

⁵ CEO

⁶ *Ibid.*

⁷ “IDC”, in Reditus Corporation “2007 Management Report”

2. Objectives of the Study

This study's main objective is to describe the marketing processes that result from the interface between Market Orientation and Entrepreneurial Orientation, particularly regarding the processes of Organizational Learning and Opportunity Recognition. It will try to characterize these processes and describe how they capture the main attributes of those strategic Orientations.

Another main issue of the study is the characterization of the organizational architecture of a large firm, and its alignment with the top management's style of decision-making and entrepreneurial vision, which is suggested in literature as a facilitating factor towards organizational adaptation to, and adoption of, entrepreneurial behavior (Ireland *et al.* 2009; Green *et al.* 2008). This adaptation process includes aspects of organizational innovation to be analyzed and described.

Additionally, we focus on the outcomes of the mentioned marketing processes, in what concerns innovative outputs and its consequences on the firm's accomplishments in the marketplace.

While the main focus of the study is marketing processes that result from the Market and Entrepreneurial Orientations interface, it is also relevant to analyze the relationship between this interface and exogenous market factors, exploring Morris *et al.* (2002) and other authors' suggestion that these marketing processes are more adequate in certain market contexts, as previously mentioned.

In what concerns Market Orientation (Slater & Narver 1995; Jaworski & Kohli 1993) and Entrepreneurial Orientation (Lumpkin & Dess 1996), the boundaries of the study are defined by the behavioral aspects of each Concept, as defined in literature. The outcomes of the interface will be analyzed under the scope of organizational marketing processes and practices, in what concerns Organizational Learning and Opportunity Recognition, which are intrinsically and respectively related to each of the mentioned Orientations (Schindehutte *et al.* 2008).

Therefore, our purpose is to analyze the entrepreneurial phenomenon in what concerns its integration with Marketing processes from the perspective of organizational behavior and not from the perspective of individual initiatives of entrepreneurial nature.

Naturally, as organizations count on the joint efforts of different people, and on their Entrepreneurial Orientation, while depending on facilitating factors, it is suggested that they had one or more entrepreneurial individuals at their origin (Ireland *et al.* 2009).

3. Dissertation Structure

This study is organized in five chapters. It follows Yin's (1994) suggested linear-analytic structure. Chapter I introduces the study's objective and scope, presents a brief summary of the market environment and the sector in which Reditus Corporation operates and competes. The main reasons for this study are discussed, with the basic purpose of enhancing the knowledge about the marketing processes that result from the interface between Market Orientation and Entrepreneurial Orientation. This chapter also introduces the case study boundaries in what concerns the theoretical concepts that support its propositions and analysis.

Chapter II reviews the relevant literature divided into two parts. The first covers the constructs of Market Orientation and Entrepreneurial Orientation, as well as their underlying concepts of the Marketing Concept and Entrepreneurship, and the common approach of these theoretical concepts is their focus on organizational processes and behaviors. The second part presents the theoretical developments of marketing processes that result from the interface of Market and Entrepreneurial Orientations, and the constructs of Entrepreneurial Marketing. This second part also explores the relationship between these entrepreneurial marketing processes and innovation and their outcome in the competitive stance and achievements of the firm in the marketplace.

Chapter III describes the research framework and strategy used in this study. First, it proposes an antecedents and outcomes model of the marketing processes that result from the interface between Market and Entrepreneurial Orientations, and the main objectives of the study are explored. The subsequent case study questions are described, followed by this research's three propositions that provide the framework for the collection and subsequent analysis of the empirical evidence obtained. Next, the research strategy is explained, in the context of the inductive approach that justified the choice of the qualitative method of in-depth interviews as the primary source of evidence. The unit of analysis is presented in all its components, including the firm's participants and the secondary information sources utilized. Additionally, the method for organizing and processing the collection of information, including the in-depth

interview schedules, is explored. The scripts of the interviews are Annex 2. This chapter concludes by exploring the chosen method for data analysis, which followed Yin's (1994) suggested pattern-matching logic.

Chapter IV starts by presenting a brief summary of Reditus Corporation and outlining its organizational structure. The remaining sections of this chapter present in detail the most relevant aspects of the data collected from the various in-depth interviews carried out, discusses the study's propositions in the context of the collected evidence and presents the results of the study. The second part of the chapter presents and discusses the study's first proposition, concerning the relationship between exogenous market conditions, firm-specific factors and their effect on the interface between Market and Entrepreneurial Orientations. Following this, the third part of the chapter discusses the study's second proposition, as it suggests that marketing processes of Organizational Learning and Opportunity Recognition capture the attributes of Market and Entrepreneurial Orientations, and this relationship is explored under the evidence collected. Lastly, the fourth part of this chapter analyses the outcomes of the mentioned marketing processes. For this, evidence collected from in-depth interviews with Reditus' reference clients is included in the analysis. The inclusion of these external primary sources of evidence confers increased validity to the analysis itself and its findings. The third proposition is discussed in this context, as it proposes the relationship between these marketing processes and the organization's leveraging on innovations, in order to achieve favorable market positions.

Finally, chapter V presents and discusses the study's final conclusions, discusses the case study methodological limitations and offers some suggestions for further research in this domain.

CHAPTER II – LITERATURE REVIEW

The scientific discussion on the interface between Marketing and Entrepreneurship was formalized in 1982 (Hills *et al.* 2008), during a research meeting on that subject under the sponsorship of AMA⁸. This meeting helped make that debate more systematic, in what concerned both theoretical domains, addressing their similarities, overlapping and differences. The relevance and primary motivation for research in this field is evidenced by Hills *et al.* (2008, p.100) when they suggest that firms operating in entrepreneurial contexts are not well served by mainstream Marketing theory and processes. Also Morris *et al.* (2002, p.4) suggest “the need for theories that accommodate marketing’s responsibility for innovation, risk management and environmental change, and its corresponding to the dynamism of competition, would seem especially critical”. Empirical evidence and theory building allowed the conceptualization of Entrepreneurial Marketing Construct (Morris *et al.* 2002; Collinson & Shaw 2001; Stokes 2000; Chaston & Mangles 1999; Duus 1997) as a result of the interface of both Entrepreneurial Orientation and Market Orientation.

1. Entrepreneurial Orientation and Market Orientation

The present study focuses on the effects of the interface between Entrepreneurial Orientation and Market Orientation on marketing processes within the boundaries of a corporation and its business units, its antecedents and outcomes. Therefore, in order to understand the nature of this interface and its outcomes, we proceed to analyze the state-of-the-art of both constructs of Entrepreneurial Orientation and Market Orientation.

1.1 The Entrepreneurial Orientation (EO) Concept

The Interface between Entrepreneurship and Entrepreneurial Orientation

In 1934, Schumpeter (cited by Stevenson & Jarillo 1990) considered Entrepreneurship to be essential for the development of Economy, owing to its disruptive effect on equilibrium through the exploitation of innovation and opportunity. This led to the separation of the concept of Entrepreneur from that of a mere businessperson, linking it to Innovation.

⁸ American Marketing Association

Popular definitions (Stevenson & Gumpert 1985) describe Entrepreneurship as the activity of starting and operating new ventures, whereas business executives might describe it using terms such as *flexible*, *innovative*, *dynamic* and *persistent*. Although these definitions might partially describe why and how Entrepreneurs act, they provide a deficient explanation of the concept, lacking in precision on its boundaries, level of analysis and general properties. However, they probably represent the lack of consensus in literature of two or three decades ago on this subject, as suggested by Stevenson and Gumpert (1985). These authors propose a behavioral approach, identifying behaviors of entrepreneurial nature versus behaviors of administrative nature, used by managers and organizations. They also propose that entrepreneurial management relates to activities based on how to identify and exploit opportunities, how to manage risk in that process and how to manage resources required for entrepreneurial endeavors.

Simultaneously, other approaches viewed Entrepreneurship as a trait, a personal characteristic of individuals. However, Stevenson and Gumpert (1985) provide a clear separation of the Behavioral approach from the other approaches; this perspective aided in explaining its causes, centered on why individuals become entrepreneurs. In addition, they sought understanding on how entrepreneurship operates. Finally, they suggested the approach of understanding which economic consequences are brought about by Entrepreneurship, beyond the starting of new businesses. Entrepreneurship is the quest for growth through innovation. The individual lies at the heart of organizations and these can encourage entrepreneurial behavior by reducing barriers, doing so by decreasing the cost of failure and implementing reward systems, thus stimulating the entrepreneurial spirit.

The pursuit of opportunities is suggested to be a commonality in literature regarding this concept, affecting individual and corporate entrepreneurship (Stevenson & Jarillo 1990); “pursuing opportunity, whether through specific company structures or not, constitutes the core of entrepreneurship, both individuals and corporate” (1990, p.25). In this process, they identify the following dimensions: opportunity identification – which links it to some form of organizational learning – willingness to pursue the opportunity and confidence on success, both of which relate to proactiveness and risk management. These authors also propose that the definition of the Entrepreneurship concept should not be limited to describing individuals who merely start a business, which would exclude those executives which have had success in larger firms, bringing innovation to the marketplace. Nor should it be limited to describing individuals who have an entrepreneurial personality. Stevenson and Jarillo (1990, p.23) define

Entrepreneurship as “a process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control”.

Two decades later, increased research on this concept had produced other definitions (Brockhaus 1994); but it was Stevenson & Jarillo’s (1990) focus on Entrepreneurship as a **process** that enabled further developments (Lumpkin & Dess 1996; Morris & Sexton 1996), particularly because previous focus on individual characteristics of entrepreneurship had led to “inconclusive results” (Brockhaus 1994, p.34). Therefore, this approach views the organization as the primary level of analysis, with the entrepreneur as part of its processes (Sandberg 1992).

In line with this evolution, definitions of the concept have evolved, maintaining consensus about it being a **process**. More recently, Sarkar (2007, p.47) defined Entrepreneurship as “the process of creation and/or expansion of business that is innovative or that results from the identification of opportunities”.

Another relevant question is to understand the circumstances and factors that trigger the Entrepreneurial Process. Some of these are of **individualistic nature**, such as job dissatisfaction, ambition, creation of one’s own professional activity, among others. Other factors are of **strategic or operational nature**, internal and external to the firm, such as alterations and discontinuities in the market, competition, strategic reorientation, access to resources and performance crisis (Schindehutte *et al.* 2000, p.22). Other authors refer to these triggering circumstances and factors as inputs, resulting in certain outputs. Morris and Sexton (1996, p.6) mention that:

...inputs consist of environmental opportunities, one or more entrepreneurial individuals, an organizational context, a business concept, and various financial and nonfinancial resources. Outputs tend to be quite variable, but can include creation, new products and services, a going venture, profit, employment and asset growth, and failure.

A relevant aspect of the conceptualization of Entrepreneurship as a process is that, in order to implement it, specific behaviors and a set of competencies and skills are required. These might result from education, training and experience. Underlining this perspective is the suggestion that this process can be learned (Stevenson & Jarillo 1990; Day *et al.* 1998).

The Entrepreneurial Orientation Concept

The different approaches to Entrepreneurship conceptualization explained above, namely the individual, organizational and environmental perspectives, made it difficult to develop theory

on this issue. A specific problem of this ambiguity was the difficulty in characterizing the concept in order to test it and study its relationships, for example, with performance (Lumpkin & Dess 1996). These authors suggest the separation between the concepts of Entrepreneurship (E) and Entrepreneurial Orientation (EO), distinguishing one from the other as if “content and process” (1996, p.136). This separation was based on the strategic management concept, as it proposes a focus on “the methods, practices, and decision-making styles managers use to act entrepreneurially” (Lumpkin & Dess 2001, p.136). EO represents the entrepreneurial perspective reflected in a **firm’s** entrepreneurial processes and culture.

EO dimensions

Lumpkin and Dess (1996) propose five dimensions of EO, suggesting they are independent from each other and dependent on contextual factors, such as business environment and organizational structures, which include characteristics of top managers’ decision-making styles. This dependency on contextual factors gained consensus in literature and is later explored in the present study’s theoretical base model. These authors note that the five dimensions encompass planning, decision-making activities and strategic management activities, as well as aspects of the organization’s culture.

The first three dimensions were proposed by Miller in 1983 (cited by Lumpkin & Dess 1996, p.139); they are **innovativeness**, **risk-taking** and **proactiveness**. Two more were proposed by Lumpkin and Dess (1996); **competitive aggressiveness** – referring to the intensity of the dispute for market positions – and **autonomy**, which refers to the constraints imposed by traditional and bureaucratic structures.

However, the first three dimensions have been used consistently in literature to address the EO concept, and they are summarized as follows:

Innovativeness, at the basis of the Schumpeterian entrepreneurial phenomenon, reflects a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes.

Proactiveness is concerned with doing whatever is necessary to bring an entrepreneurial concept to fruition, in anticipation of others. It involves perseverance, adaptability, and a willingness to affect the environment but also to assume some responsibility for failure.

Risk-taking involves the willingness to commit significant resources to opportunities with a reasonable chance of costly failure. It is intimately connected with Entrepreneurship, and Cantillon, in the XVIII century (Sarkar 2007; Lumpkin & Dess 1996), considered that the main difference between business owners and other workers resided in uncertainty and risk

associated with their activity. That author believed that the fact that business owners acquire goods at known prices and sell them at uncertain prices make them “risk takers”, as mentioned by other authors (Day *et al.* 1998). In this context, risk assumption by Entrepreneurs and Entrepreneurial Organizations is of a financial nature, dealing with uncertainty of return on investment and decisions associated with mitigating, leveraging or sharing that type of risk (Morris *et al.* 2005).

Dickson and Giglierano (1986) mention two other types of risk, of non-financial nature, incurred by managers in their marketing decision-making processes. The first, labeled “sinking the boat”, is the risk incurred by organizations with new ventures failing to reach a satisfactory level of performance. This perception of risk may constrain risk-averse managers’ decisions. The second type of risk was labeled “missing the boat”. Here, decision makers face the risk of missing attractive opportunities, either by overlooking or dismissing them, or by losing them to competitors’ preemptive moves. This is related to how organizations learn and exploit opportunities, later discussed in this study. Miles and Darroch (2006, p.496) refer to this type of risk as “the likelihood that a strategic window is missed because the firm failed to see the market opportunity”.

A fourth type of risk is mentioned by Dess and Lumpkin (2005) naming it “personal risk”, referring to the executive that makes decisions with impact on his/her firm and his/her career.

Literature reveals that most research and theory building on EO is focused on the individual entrepreneur and small and medium-sized enterprises (SME). Linking the initial propositions of the entrepreneur as creator of business ventures and the structure of SME with the role that business owners assume in SME management, the use of SME as the suitable level of analysis, on a dimensional perspective, seemed appropriate at a time when the EO construct was being developed (Lumpkin & Dess 1996). However, the approach of looking at EO as a strategic process employed by firms, entailed a perspective of looking at organizations, irrespective of their size, as the primary level of analysis for this phenomenon. In this context, the scope of the construct covers firms of every size, comprising the following (Lumpkin & Dess 1996; Morris & Sexton 1996; Sandberg 1992):

- The individual entrepreneur, which in classic economics is regarded as a firm (Lumpkin & Dess 2001);
- Small Businesses, as a natural extension of the individual;
- Corporations and strategic business units (Sandberg 1992).

Therefore, EO is not confined to address Entrepreneurial processes in small-sized businesses under the leadership of Entrepreneurs (their business owners). In fact, there is empirical evidence as well as conceptual models concerning EO in corporative structures – including Holding corporations with their strategic business units, with clear separation between ownership and management – of any size and life cycle stage (Miles & Darroch 2006; Dess & Lumpkin 2005; Jeffrey G. Covin & Miles 1999; Morris & Sexton 1996; Stevenson & Jarillo 1990). Consequently, the operationalization of this concept is not restricted to start-up ventures or SME. According to Dess and Lumpkin (2005, p.147), “EO refers to the strategy-making practices that businesses use to identify and launch corporate ventures”. EO processes entail the discovery, assessment and exploitation of market opportunities, in what literature refers to as Opportunity Recognition; this process has intrinsic links with Entrepreneurship (Schindehutte *et al.* 2008; Dutta & Crossan 2005; Morris *et al.* 2002). Dutta and Crossan (2005, p.426) propose Opportunity Recognition as “a complex, multidimensional process, incorporating within its ambit not only the search for new opportunities but also the recognition of feasible opportunities and their selection over other non-feasible ones”.

Further clarification was provided by Covin and Miles (1999), concerning the application of the EO concept at a Corporate level. They discuss three different aspects of Entrepreneurship occurring in Corporations – where ownership may be separated from management – and not in a mutually exclusive way. Whenever an established organization launches a new business venture, it is referred to as Corporate Venturing. When individuals champion new product ideas within a corporate context, it is known by the label "intrapreneurship" a term popularized by Pinchot in 1985 (cited by Jeffrey G. Covin & Miles 1999). The third aspect concerns an “entrepreneurial philosophy” (1999, p.49) permeating the organization, inducing firms to act in an entrepreneurial manner, rather than leaving entrepreneurship exclusively to individuals within it. An entrepreneurial firm is one that exhibits EO in its planning and decision-making activities, strategic management activities, as well as in aspects of its organizational culture (Lumpkin & Dess 1996). This is the perspective – including the related theoretical concepts and empirical evidence – considered most relevant for the present study. There are obvious particularities of Entrepreneurial processes occurring in Corporative Structures and large firms that distinguish them from start-up and SME contexts. These differences mainly concern the “assumption of risk, ownership of the entrepreneurial concept, personal reward possibilities, availability of existing resources, and the amount of freedom and control exercised by the entrepreneur” (Morris & Sexton 1996, p.6). Despite these

particularities, the EO concept and its dimensions provide a consensual framework within which Entrepreneurial Processes could be analyzed and operationalized (Morris & Sexton 1996).

EO measurement in organizations

Current literature (Zahra 2008, p.128) provides insights on what an entrepreneurial organization is:

In established organizations, it is then possible to suggest that being entrepreneurial requires certain dynamic capabilities be embedded in organizational routines that allow firms to continually search, recognize, and exploit new opportunities.

However, literature still evidences lack of consensus in the measurement and characterization of entrepreneurship and EO in organizations. Based on previous definitions of EO by Lumpkin and Dess (1996), Covin and Miles (1999) proposed that the common factor of entrepreneurial firms is their innovativeness “which lies at the heart of entrepreneurship” (1999, p.49). In addition, being entrepreneurial is not a question of either/or determination, but a question of “how much” (Morris & Sexton 1996, p.7). These authors mention a combination of **frequency** of entrepreneurial actions and **degree** of entrepreneurship that together form a variable labeled “entrepreneurial intensity” (1996, p.7).

However, literature shows the consistent use of the mentioned three-dimensional EO construct because of its relevance in EO measurement at firm level (Chadwick *et al.* 2008; Brown *et al.* 2001), employing a measurement scale developed by Covin and Slevin in 1986 (cited by Chadwick *et al.* 2008), which has gained consensus as a relevant tool to measure the entrepreneurial status of organizations and enable further empirical advances in theory.

Other authors still noted that measuring EO might provide an incomplete characterization and assessment of firm-level entrepreneurship (Brown *et al.* 2001). They argue that the EO approach should be used in conjunction with other relevant factors, including a strategic orientation and commitment to opportunity, commitment of resources, management structure and reward philosophy, growth orientation and entrepreneurial culture (2001, p.955). Other authors would consider those factors to be contingency factors of the EO construct (Ireland *et al.* 2009; Green *et al.* 2008; Zahra 2008). There were other approaches to the entrepreneurial process of exploiting opportunities, which capture most of these dimensions. An example of this is Dutta and Crossan’s (2005) integration of Entrepreneurship and Organization Learning constructs. This enabled these authors to analyze the relationship between Entrepreneurial Processes and contextual factors, such as influence from stakeholders.

Conditioning factors of EO

In the previous section, we mentioned the influence of context – environment and organizational factors – on EO, and this has been well evidenced in recent literature (Ireland *et al.* 2009; Green *et al.* 2008). Green *et al.* (2008) propose that firms with adequate alignment between their organizational structures and top management decision-making styles exhibit superior capacity to react to uncertainty, which is linked with the exploratory nature of entrepreneurial behavior.

Ireland *et al.* (2009) propose a model of corporate entrepreneurship that enables EO to permeate all levels of an organization, with enduring effects. The model establishes the relationship of EO with entrepreneurial strategic vision and a pro-entrepreneurship organizational architecture (2009, p.38).

Already previous examples in literature mentioned factors affecting EO, such as Erikson (2002) exploring the relationship between entrepreneurial competencies and entrepreneurial commitment and their critical role in entrepreneurial success. Additionally, Morris *et al.* (2005) suggest that the appropriate business model employed in entrepreneurial organizations can serve as a “focusing device” (2005, p.734) for entrepreneurs and employees, if rules and guidelines represent well the decisions made at proprietary level.

These contributions help clarifying the operationalization of the EO construct, and provide a useful framework for our study’s description of EO processes within the unit of analysis.

EO impact on Performance

The positive effect of EO on performance has been recurrently proposed in literature (Lumpkin & Dess 2001; Jeffrey G. Covin & Miles 1999; Morris & Sexton 1996; Lumpkin & Dess 1996; Stevenson & Jarillo 1990). For instance, Morris and Sexton (1996) establish a positive correlation between the abovementioned “entrepreneurial intensity” and business turnover, growth in human resources and client-base. More recently, others researchers have established EO’s positive effect on performance when mediated by other factors, such as Market Orientation (Zahra 2008; Jeffrey G. Covin & Miles 1999; Morris & Sexton 1996; Lumpkin & Dess 1996; Stevenson & Jarillo 1990). With a different perspective, Dess and Lumpkin (2005) suggest another kind of EO’s positive impact beyond what is tangible to accounting and market measures:

...entrepreneurial failures may lead to new resource combinations and, in turn, help create “learning platforms” which may facilitate future value creation. New

skills as well as value relationships can be developed that may be exploited at some point in the future. Thus, indicators of the creation of human and social capital both within the focal organization as well as with suppliers, customers, and alliance partners can become a valued outcome.

1.2 The Market Orientation (MO) Concept

The Interface between Marketing and Market Orientation

The American Marketing Association⁹ stated the most recent definition of marketing as follows:

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Due to the evolution of supply and demand in north-American consumer markets in the 1950's (Weeks & Marks 1969; Hise 1965), as a result of consumers' growing prosperity and purchasing power, adaptations were required to deal with the emergence of this new "buyers' market" (Hise 1965) where consumers were increasingly conscious of the power of their discretionary judgment.

In this context, marketing gained expression as "a basic set of values and beliefs about the central importance of the customer that guide the organization" (Webster 1992, p.10). All levels of the firm are required to share this philosophy of 'orientation towards the satisfaction of customer needs'. However, specific social-economic and market conditions required a more holistic approach distinguishing the attitude and philosophy of Marketing Concept and Marketing Management. The Marketing Concept (Kotler & Keller 2006, p.16) consists of developing an orientation towards the satisfaction of market needs of both buyers and consumers. The intent of this orientation towards buyers/consumers is not only to find the right customer for a product, but mainly to find the right product for a customer. For this, firm's resources must be allocated to determining and satisfying consumers' needs and wants, as well as understanding consumers' buying processes.

Although considered in literature "the cornerstone" (Kohli & Jaworski 1990, p.1) of marketing theory, the implementation of such a Concept at an organizational level required clarification of Marketing's new role as a business function for planning and managing the process of achieving customer satisfaction.

Webster (1992) suggests clarification of the Marketing Management Concept by proposing that Marketing operates at three different levels; corporate, business management (including strategic business units) and operating or functional level. In all of these levels, marketing's

⁹ AMA, 2004

dimensions of culture, strategy and tactics are implemented in various degrees, according to the relevance of each dimension to each hierarchical level (Webster 1992). So Marketing Management, at corporate level, is primarily concerned with analyzing what businesses the firm is (or should be) in, and to determine “the mission, scope, shape and structure of the firm” (Webster 1992, p.10).

At business level, Marketing Management focuses on strategic planning based on market analysis and assessment of the firm’s resources. Key outcomes are strategic decisions on market segmentation, target selection and positioning the firm’s value proposition on that target.

At operating or functioning level, Marketing manages the operational decisions related to the implementation of strategy, using a set of operational decisions regarding price, product, placement and promotion, which literature consistently refers to as the “marketing mix”.

The Market Orientation (MO) Concept

Kohli and Jaworski (1990) came to explore how the Marketing Concept could be implemented in organizations, labeling this process as Market Orientation (MO). They provide a definition, stating that “a market-oriented organization is one whose actions are consistent with the marketing concept” (1990, p.1). These authors developed this Market Orientation construct, exploring its antecedents and outcomes (Jaworski & Kohli 1993; Kohli & Jaworski 1990) while proposing three distinct dimensions, which have enduring support in literature. These dimensions are **intelligence generation**, **intelligence dissemination** and **responsiveness**, which, according to Kohli and Jaworski in 1990 (cited by Schindehutte *et al.* 2008, p.6) were summarized as the “organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organization-wide responsiveness to it”. Slater and Narver’s (1995, p.67) discussions on the theme conclude that “a market orientation is inherently a learning orientation”. These authors pursue a definition of MO as corporate culture rather than behavior required to implement the marketing concept in organizations, as suggested by Kohli and Jaworski (1990). However, they still identify three resulting behavioral components – customer orientation, competitor orientation, and inter-functional coordination – “each of which is engaged in intelligence generation, dissemination, and responsiveness to the collected information” (Han *et al.* 1998, p.31). This provided a stable construct foundation upon which research on other related phenomena could be pursued, such as the integration of MO with Entrepreneurial Orientation.

Determinants of MO

Jaworski and Kohli (1993) identify several determinants of MO. They include the emphasis placed by top managers on MO, the degree of risk-aversion of managers, interdepartmental conflict, organizational decentralization and market-based reward systems. Having established the link between MO and a learning orientation, Slater and Narver (1995) further developed the construct, proposing that determinants of Organizational Learning include entrepreneurship, facilitative leadership, organic structure and decentralized strategic planning. These determinants overlap with the precedent, and provide suggestions for future theory building and empirical validity, which came to add market turbulence factors (Han *et al.* 1998) to the mentioned set of proposed determinants.

Limitations of MO

Literature (Han *et al.* 1998; Slater & Narver 1995) suggests a positive correlation of MO with performance. However, focusing on the creation of superior customer value based on knowledge derived from customer and competitor analysis may confine and limit the firm's reaction to serving only explicit needs, thus not being able to identify unmet and latent needs of customers. As noted by Slater and Narver (1995, p.68)

A business must be careful not to underestimate the potential contributions of other learning sources, such as suppliers, businesses in different industries, consultants, universities, government agencies, and others that possess knowledge valuable to the business.

Another danger of this limited focus on current customers and competitors would be failing to notice the emergence of new markets. This led to a reexamination of the MO construct by Slater and Narver in 2000 (cited by Schindehutte *et al.* 2008, p.6) proposing that market orientation “represents a long-term commitment to understanding both expressed and latent customer needs”, with a proactive approach to serving those latent needs and unserved markets with innovative solutions.

Even if this new approach of reactive and proactive MO (Atuahene-Gima *et al.* 2005) mitigates the construct's limitation on proactive identification of untapped needs and markets, it is worth mentioning that literature (Hills *et al.* 2008) still mentions that MO entails organizational behavior which is consistent with the traditional “administrative marketing” deriving from the Marketing Concept. This means that processes are formal in nature, such as formal market research, formal business planning and operations, as well as segmentation, targeting and positioning, followed by the implementation of a marketing-mix (Hills *et al.* 2008; Schindehutte *et al.* 2008; Morris *et al.* 2002; Stokes 2000). It is suggested that this

administrative nature of marketing processes is less efficient in certain conditions of market turbulence and dynamics, as will be discussed later on.

MO measurement in organizations

The MO construct has provided two types of measurement tools, subsequently developed and evidenced in literature. From Slater and Narver's (1995) school of thought derived a 15-item scale, whose validity was tested by Han *et al.* (1998). From Kohli and Jaworski's (1990) work derived the MO scale labeled MARKOR, which attracted greater attention in literature, with internal validity and predictive validity and development being discussed and proposed by Matsuno *et al.* (2000) and Kara *et al.* (2005). An adaptation of MARKOR scale was used in the present study as a tool to discuss and characterize the MO of the unit of analysis.

MO impact on Performance

Kohli and Jaworski (1990) suggest that MO is an important determinant of a firm's performance. Other authors pursued empirical research on this theme, having established positive effects of MO on performance, depending on external and internal factors (Zahra 2008; Kara *et al.* 2005; Matsuno *et al.* 2002; Han *et al.* 1998; Slater & Narver 1995).

1.3 Entrepreneurial Orientation (EO) and Market Orientation (MO) Interface

Literature reveals that the study of this interface dates back to 1991 (Hills *et al.* 2008; Miles & Arnold 1991). As the basis of the MO construct, Organizational Learning and its focus on customers, competitors and inter-functional coordination, assumes great relevance to the Entrepreneurial Orientation process, in what concerns the process of identifying, assessing and exploiting opportunities (Hills & LaForge 1992), that is, the process of Opportunity Recognition. Both EO and MO processes operate on organizational boundaries, establishing a profound relationship with the environment, dealing with risk, uncertainty and complexity of human behavior. Hills and LaForge (1992) mention the particular relevance that a consumer behavior perspective may have on the Entrepreneurial Orientation process, knowing that this is characterized by a supply-side, “sellers” perspective, based on innovation. This process could then benefit from the MO’s focus on the “buyers” perspective from the customers’ demand-side. Benefits could be obvious in situations dealing with, for instance, diffusion and adoption of innovations and the buying-decision process. Moreover, Marketing is an organizational function that comprises processes – the substance of the abovementioned Marketing Management activities – to support interactions with the external environment. At the same time, entrepreneurial activity is concerned with creating discontinuities in the external environment – Schumpeter’s “creative destruction” – with the intention of profiting from those discontinuities by creating new products, new markets, new organizational forms and new value propositions for consumers (Schindehutte *et al.* 2000). These authors argue that innovation, as an output of the entrepreneurial process, requires adequate management processes, which can be assured by traditional marketing, from its diffusion and throughout its life cycle. Marketing “...becomes responsible for the more mechanistic aspects of entrepreneurial outputs” (2000, p.21). In addition, they contend that under certain circumstances, marketing can trigger the Corporate Entrepreneurial process.

Collinson and Shaw (2001, p.761) summarize differences and overlapping between MO and EO as follows:

Traditional marketing operates in a consistent environment ... [whereas] entrepreneurship operates in uncertain environment, where market conditions are discontinuous and the needs of the market are yet unclear.

Overlapping also exists where market conditions are stable and entrepreneurship aids in the process of identifying unperceived needs, as well as in a discontinuous market where

entrepreneurship benefits from marketing formalization in assisting the exploration of opportunities.

Schindehutte *et al.* (2008, p.7) mention that in corporate contexts, EO's "market-driving" role is contrasting to MO's "market-driven" nature in that:

Firms create entirely new markets, produce discontinuous leaps in customer value, design unique business systems, develop new channels, raise service to unprecedented new levels, and fundamentally change the rules of the competitive game. While market-driven [with predominant market orientation] companies are excellent in generating incremental innovation, market drivers produce radical innovation in products, business models, or value creation networks.

These authors note that both orientations are always present, even if in different degrees and with one prevailing over the other. This predominance may vary along the firm's life cycle, due to internal or external conditioning factors. This is consistent with the previous analysis on internal independence of EO and MO dimensions and the proposition that these orientations do not pose a question of either/or, but rather a question of degree.

EO/MO interface's impact on performance

Another aspect revealed by literature regarding the interface between EO and MO is the positive impact exhibited by both orientations, either mediated or related to each other, on business performance (Matsuno *et al.* 2002). Other authors (Zhou *et al.* 2005) suggest they complement each other, evidencing MO's facilitating role on innovation's diffusion in known markets, while inhibiting it on new, emerging markets; EO, in conjunction with MO, facilitates both these innovation scenarios.

2. Entrepreneurial Marketing (EM)

2.1 Origins of Entrepreneurial Marketing (EM)

Evidence in literature of the emergence of the EM concept can be traced back to the 1980's, but greater emphasis on the discussion was posed during the 1990's (Fuller 1994; Chaston 1997; Hunt 1997; Duus 1997; Day *et al.* 1998; Chaston & Mangles 1999; Gilmore & Carson 1999).

Duus (1997) explored the concept within the domain of Economic Theory and its relationship with Marketing. This author suggests that from the demand-pull perspective, there are gaps of unmet needs that traditional Marketing, through its management tools and practices, will identify in methodical and formal ways, reacting either with product, service and/or organizational innovation. However, considering the unpredictability of the business environment, Duus (1997, p.291) mentions that “business opportunities are not something 'out there' waiting to be discovered and reacted to, but something to be invented and created by vigilant 'acting' agents a la Schumpeter's classic entrepreneur”. In opposition to this, the supply-push perspective focuses on the process of discovering new business opportunities. By employing entrepreneurial actions through the development of specific competencies, the organization adopts a “market-oriented inside-out” perspective (1997, p.297), with views towards serving latent and future needs for products/services that still do not exist. Duus labeled these entrepreneurial actions as Entrepreneurial Marketing (EM). Few years later, further developments on the conceptualization of the construct would occur.

There is empirical evidence in literature that SME and Entrepreneurs adapt the traditional Marketing methods and its tenets to their needs and scarcity of available resources, foregoing formal planning and formal market research (Beverland & Lockshin 2004; Stokes 2000; Gilmore & Carson 1999; Chaston & Mangles 1999; Fuller 1994). Stokes (2000) stresses the recurrent adoption by entrepreneurs and managers of “entrepreneurial ventures” (2000, p.13) of marketing processes that differ from the precepts of traditional marketing. This author proposes that these processes constitute processes of Entrepreneurial Marketing (EM). With a perspective on SME and Entrepreneurs, Stokes (2000) suggests that the Marketing Concept still permeates entrepreneurial marketing processes, but that these exhibit differences such as an innovation-focused culture, whereby “the idea comes first and the check for market acceptance second” (2000, p.7). Strategic planning is informal and characterized by “bottom-

up” targeting, interactive marketing tactics including “word of mouth” and “networking” and informal market intelligence collection (2000, p.13).

Collinson and Shaw (2001) suggest that the adoption of EM is justified in situations of environmental change and fluctuation, when time and opportunity restrictions prevent rigorous Marketing Planning. In such circumstances, the adoption of shorter decision processes is imposed on managers.

Evidence of EM behavior and practices diverging from traditional Marketing at SME level has been justified with the scarcity of resources that characterize firms of that size or simply because entrepreneurial marketing is marketing put into action by entrepreneurs (Fuller 1994; Chaston 1997; Chaston & Mangles 1999; Gilmore & Carson 1999).

However, other authors (Beverland & Lockshin 2004; Stokes 2000), still focusing on a SME level of analysis, diverge from this justification of scarcity of resources, contending that Entrepreneurial Marketing is “marketing [approach] which is more appropriate in entrepreneurial contexts” (Stokes 2000, p.14). This author refers to contexts of “entrepreneurial ventures” (2000, p.1); and irrespective of size, all firms will eventually operate in that sort of context. Therefore, the search for EM’s determining factors should focus on contexts where traditional Marketing methods, in order to be more efficient, require a proactive and innovation-focused approach to the market. From the previous analysis on the limitations of the scope of Market Orientation, conclusions are drawn (Stokes 2000; Morris *et al.* 2002; Miles & Darroch 2006) on the complementary effect of Entrepreneurial Orientation and its innovative and proactive pursuit of opportunities. In an era of dramatic technological and social change, with markets exhibiting growing complexity and hostility, EM offers an adequate framework for marketers to act as innovators and change agents.

In such contexts, for a firm to create, renew and sustain competitive advantage, it must focus on emphasizing opportunity discovery, assessment and exploitation. As mentioned by Miles and Darroch (2006, p.488),

Thus, the firm will not only innovate in order to meet expressed needs of current customers, but it will also leverage the innovation of products, processes, strategies, or business domains in order to discover and create, evaluate and exploit new market opportunities that satisfy unmet and latent needs of existing *and* new customer groups.

Such as in the empirical evidence of Entrepreneurial Orientation (EO), literature initially focused the scientific discussion of EM on SME, as a natural extension of the individual entrepreneur. However, other authors have established that EM is more adequate in entrepreneurial contexts, regardless of the dimension of the firm, as discussed previously.

Morris and Sexton (1996, p.6) note that “the organizational context within which entrepreneurship occurs can range from a small, home-based business or an independent retail establishment to a large multinational corporation”.

The Corporate Entrepreneurship Concept also contributes to this discussion by proposing (Ireland *et al.* 2009) that a corporation acts in an entrepreneurial manner when an Entrepreneurial Orientation permeates all levels of the organization. Therefore, the corporation – irrespective of size and involvement of ownership in management – is a valid organizational context for the study of EM and its processes.

2.2 EM Construct

Morris *et al.* (2002) helped define EM’s construct, increasing “the visibility and creditability of work in EM” (Hills *et al.* 2008, p.104). These authors suggest that traditional Marketing practices should be complemented with new perspectives and strategies that enable it to respond to competitive dynamics that generate disequilibrium. Moreover, innovation should be the primary focus of Marketing in order to exploit the opportunities resulting thereof.

More than simply describing marketing actions as “entrepreneurial”, Morris *et al.* (2002) propose a construct of EM that integrates both disciplines of Marketing and Entrepreneurship, as “an alternative approach to marketing under certain conditions” (2002, p.5). The theoretical foundation for this construct is the resource-advantage theory, which links the source for competitive advantage with innovation (Hunt 1997; Morris *et al.* 2002, p.9). Morris *et al.* (2002, p.5) define EM as:

The proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation.

Consequently, innovation is Marketing’s main responsibility, and the key-element in creating sustainable competitive advantage. The authors do not oppose EM to traditional Marketing, but mention a continuum between both approaches and their coexistence, with the predomination of each one depending on the context where firms operate. The traditional Marketing methods will be more adequate in stable contexts, with lower competitiveness, where the implementation of marketing-mix tactics may be more efficient. On the other hand, EM should predominate in dynamic contexts, in fragmented, hostile and emerging markets. This construct, and its elements, capture entirely “the relevant domains of both market and entrepreneurial orientations” (Miles & Darroch 2006, p.489).

2.3 EM Dimensions

Morris *et al.*'s (2002) EM construct proposes seven basic dimensions that capture the attributes of the interface between Marketing and Entrepreneurship. The first four of them derive from Entrepreneurial Orientation propositions, and they are:

- Proactiveness, as the inclination towards taking action to influence the environment;
- Innovativeness, as the organizational capacity to transform ideas into new products/service, processes or markets;
- Risk-taking, as the ability to identify, assess and mitigate risks involved with resource allocation decisions made by organizations,
- Opportunity-driven, as the orientation to recognize and pursue market opportunities and unnoticed market positions.

A fifth dimension represents the new tendencies in marketing, and is common to Entrepreneurship literature (2002, p.5):

- Resource leveraging, as the ability to leverage resources and not be constrained by their existence.

The final two dimensions are consistent with Market Orientation propositions:

- Customer intensity, as the focus on organizational learning and the ability to establish “visceral relationships with the firm’s customer base” (2002, p.7)
- Value creation, as the capacity to create superior value propositions for customers.

The authors propose that these dimensions apply to traditional Marketing’s organizational approaches (Webster 1992) of **culture**, **strategy** and **tactics**.

Additionally, they conclude (2000, p.13) that EM “is not a panacea. It is an opportunity-driven and opportunity-seeking ... approach to marketing that becomes more appropriate depending on the firm’s circumstances”.

2.4 Influencing factors on EM

Literature mentions the influence of internal and external factors on EM. Being a concept that integrates both Marketing and Entrepreneurial processes, variables affecting these will have a causal effect on EM. Besides the influence of external environment factors, the EM construct of Morris *et al.* (2002) suggest the influence of organizational-climate factors on the extent to which a firm becomes more or less entrepreneurial in its marketing approaches. This happens within the boundaries of its internal organizational environment, as can be seen in figure 1, below.

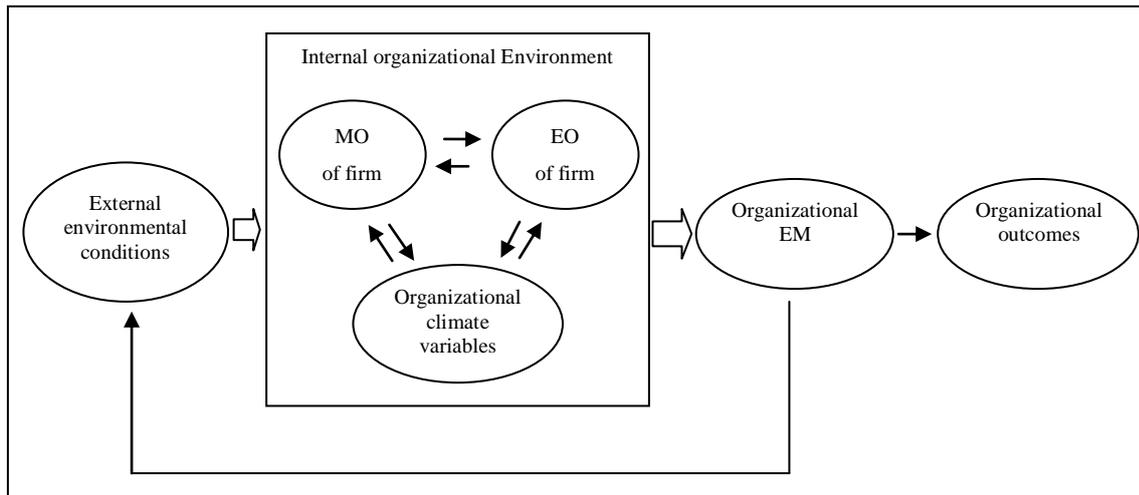


Figure 1 - Morris *et al.* EM model (2002)

EM will be more likely in firms that develop (Morris *et al.* 2002, p.12):

- “Flatter decentralized and cross-functional structures;
- Cultures that value innovation and change, tolerance of failure and empowerment of the individual;
- Accountability for outcomes;
- Strategies emphasizing growth, technology leadership and product/market diversification;
- Encouragement of creative problem-solving, acceptance of change, employee discretion, a balanced individualism-collective orientation and tolerance of ambiguity”

The feedback loop in the model symbolizes the influence that EM may have on the environment and its capacity to redefine environmental conditions, through the creation of new markets, product/services and organizational structures. In a word – innovation, either of incremental or radical nature.

Other models explore the joint effect of external environment factors and firm-specific factors on the organizations’ Market and Entrepreneurial Orientations. It is the case with Schindehutte *et al.*’s (2008) model, in figure 2, which suggests that firms’ market-driving behavior is a possible outcome of innovation, which in turn results – through the mediation of organizational processes – from the Market and Entrepreneurial Orientations’ interface, eventually integrating a Technology Orientation. Those organizational processes are the marketing processes of Organizational Learning and Opportunity Recognition.

These authors note that firm-specific factors may have a relevant strategic value as a result of “their rarity, durability, inappropriability, imperfect imitability and imperfect substitutability” (2008, p.14). These relationships can be observed in figure 2.

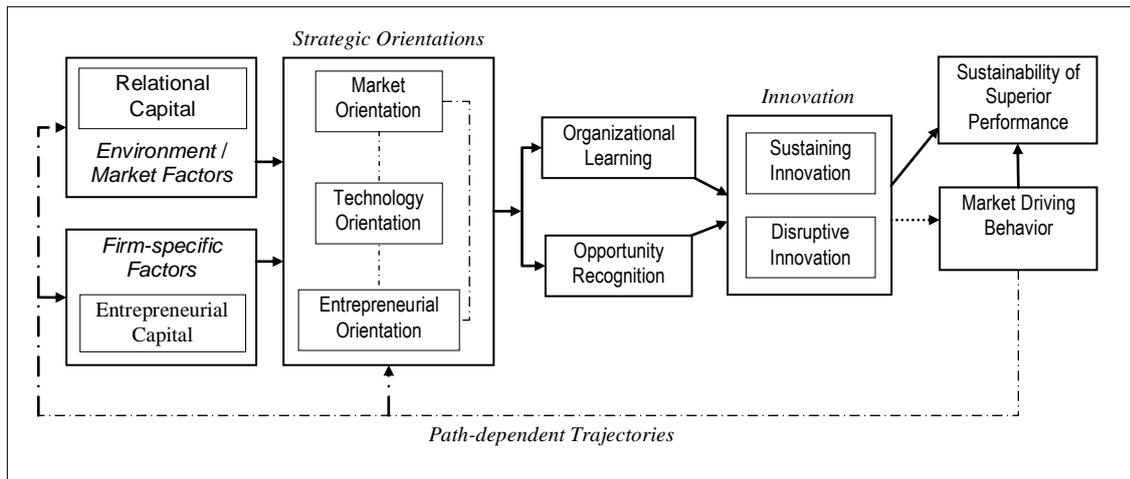


Figure 2 - Schindehutte et al. model (2008)

Additionally, they propose that within firm-specific factors, entrepreneurial capital, as the firm's human and social capital, will affect the organizational outcomes if mediated by the firm's dynamic capabilities, which are managerial processes. The level to which entrepreneurial capital is embedded into the management structure will be critical to the adoption of an "innovation culture in which values and beliefs [of the dominant entrepreneur] are upheld by all employees within a firm" (2008, p.12).

Subsequent literature explored this relationship; borrowing from Ireland et al.'s (2009) concept of Corporate Entrepreneurship strategy, the organization's adoption of an entrepreneurial culture not only depends on external environment factors – such as intensity of competition and rapidity of change – but also on "individual entrepreneurial cognitions" (2009, p.37) of organizational members. These authors also propose that Corporate Entrepreneurship is affected by internal factors such as an entrepreneurial strategic vision, entrepreneurial processes exhibited throughout the organization and a pro-entrepreneurship organizational architecture.

This element of pro-entrepreneurship organizational architecture, whose components were also mentioned in the previously discussed models, facilitates entrepreneurship and provides the context "through which the entrepreneurial strategic vision is translated into specific entrepreneurial processes and behaviors" (Ireland et al. 2009, p.30). Organizational architecture comprises **structure, culture, resources and capabilities** and **reward systems**. Both these authors' recent propositions and the link between innovation and marketing processes suggested in Schindehutte et al.'s (2008) model provide the reference framework for the present study.

2.5 Empirical evidence of EM

Hills *et al.* note (2008, p.106) that there are few empirical studies characterizing processes of EM and the differences between EM's and traditional Marketing practices. These authors performed a qualitative study at SME level, identifying differences in behavior of traditional administrative marketing and EM (2008, p.107). The authors also note the fact that their findings were consistent not only with Morris *et al.*'s (2002) EM construct, but also with Miles and Darroch's (2006) research on EM, which explores the leveraging of Entrepreneurial Marketing processes by large firms, in order to achieve competitive advantage.

Schindehutte *et al.* (2008) carried out another qualitative research at SME level by pursuing two in-depth case studies, describing the temporal evolution of firms' Market and Entrepreneurial Orientations and resulting outcomes, particularly on innovation. Their findings provided support to their model's hypothesis relating Entrepreneurial Orientation with radical innovation.

At the level of large firms, Miles and Darroch (2006) draw evidence from an international qualitative study designed to explore the practice of entrepreneurial processes and its strategic implications in 20 corporations from North America, Europe and Oceania.

Using Morris *et al.*'s (2002) EM elements as framework for their analysis, they suggest that:

Managers and corporate executives may find that adopting an EMP [entrepreneurial marketing processes] approach to marketing is a more sustainable and economically viable approach than the more traditional managerial approach.

Still, there are scarce empirical observations of EM – including at large firm's level – and of what characterizes innovative marketing processes resulting from the EO/MO interface.

2.6 Outcomes of EM

The concept of EM stipulates that its processes capture the attributes of both Market and Entrepreneurial Orientations. Miles and Darroch (2006), studying the outputs of EM processes in large firms, suggest that “large firms can, and must, effectively leverage entrepreneurial marketing processes for competitive advantage” (2006, p.488).

These processes are not opposed to traditional Marketing processes but complement them, requiring marketers to engage in processes “not only of identifying change opportunities but also of inducing continual change in their organizations and, by extension, in the marketplace” (Morris *et al.* 2002, p.13).

Schindehutte *et al.* (2008) suggest that market-driving firms innovate “at a faster rate, with higher frequency and greater disruptive force, thereby ensuring and enduring sustainable

competitive advantage” (2008, p.22). This is the outcome of innovative marketing processes, resulting from the Market and Entrepreneurial Orientations’ interface, which leverage on innovation and creativity to serve existing customers and, at the same time, seek radical innovations to create and serve new product/service-market spaces. In highly dynamic markets, this is a condition not only to create competitive advantage, but also to sustain and renew it.

Hills *et al.* (2008) empirical research findings provide evidence concerning the differences between EM and traditional Marketing processes. For instance, in what concerns strategic orientation, highly successful firms evidenced a strong “selling orientation” in contrast with the Market Orientation proposed focus on “demand-generating” variables. Also, entrepreneurial marketers exhibited greater tendency to explore market opportunities through innovative products or processes than less entrepreneurial marketers did. Opportunity-recognition mechanisms of successful entrepreneurial firms used few formal market research activities but involved a continuous interaction with the market, on an individual level. As for commitment of resources, business owners revealed the less formal structure of their organizations, showing a tendency for limited formal marketing planning activities. The majority of firms emphasized the importance of flexibility and adaptability in their effort to fully serve their customers’ needs.

The relationship between EM and innovation draws consensus in literature as one of EM’s most notorious outcomes. Innovation is a source of competitive advantage in the marketplace (Schindehutte *et al.* 2008; Hills *et al.* 2008; Miles & Darroch 2006; Morris *et al.* 2005). Higher levels of Entrepreneurial Orientation are associated with “innovation of discontinuous, radical nature” (Schindehutte *et al.* 2008, p.14). These authors suggest that, as a source of competitive advantage, innovation – and particularly innovation on processes and business models – enables the creation of inimitable resources, which, with adequate isolating mechanisms, will be difficult to replicate by competitors. However, there is a dynamic element in innovativeness. As customers’ needs and market environments evolve, innovation should be a permanent orientation embedded in organizations, which would not only facilitate achieving competitive advantage, but also sustaining and renewing it.

CHAPTER III – FRAMEWORK AND RESEARCH STRATEGY

1. Framework and propositions

This study aims to provide further knowledge on the Marketing and Entrepreneurship interface from an organizational behavior perspective. Applied to a large Portuguese Information Technology corporation (The Reditus Corporation), its organizational marketing processes will be described and analyzed. These organizational processes result from the interface between Market Orientation (MO) and Entrepreneurial Orientation (EO). This analysis will also focus on the antecedents of both MO and EO as well as on the outcomes of the mentioned marketing processes.

Stemming from the state of the art literature on the interface between Market Orientation and Entrepreneurial Orientation, the model in figure 3 integrates and depicts the abovementioned scope of the present study, showing its structure and mainframe.

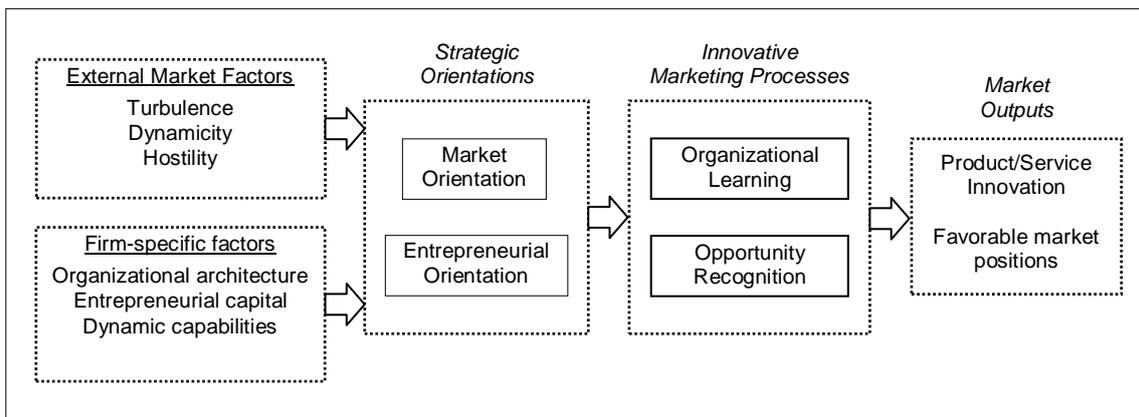


Figure 3 - Antecedents and outcomes of marketing processes

The first main objective of this study is to describe the marketing processes of Organizational Learning and Opportunity Recognition that result from the MO and EO interface, and to explore organizational innovation put into place in order to integrate those processes. As mentioned in Chapter II, the process of Organizational Learning refers to the generation of market intelligence regarding present and future customer needs, its dissemination within the firm and the organization-wide responsiveness to it, which are the main behavioral elements of the Market Orientation Concept (Slater & Narver 1995; Jaworski & Kohli 1993). These behavioral elements are **intelligence generation, intelligence dissemination and responsiveness**.

The process of Opportunity Recognition is linked to Entrepreneurial Behavior (Hills *et al.* 2008) required to discover, assess and exploit opportunities to satisfy unmet and latent market needs, leveraging on innovation (Miles & Darroch 2006). Additionally, Opportunity Recognition is the outcome of the organization's entrepreneurial behavior, which includes processes of **discovering**, **evaluating** and **exploiting** market opportunities, in ways that are **proactive**, **innovative** and **risk-taking**. According to Dutta and Crossan (2005), entrepreneurial behavior affects the process of organizational learning because this learning process involves personal intuition and interpretation of market intelligence, followed by the integration of a common understanding within the work group and *institutionalizing* (Dutta & Crossan 2005), or embedding, subsequent routines and actions within the organization.

The relevance of these organizational marketing processes resulting from the MO/EO interface lies in the eventual shortcomings of the marketing processes proposed by the Market Orientation (MO) Concept. According to Hamel and Prahalad (1991, cited by Slater & Narver 1995, p.67) these MO's shortcomings are related to "the tyranny of the served market", meaning that market intelligence generation focuses on current customers' and competitors' analysis. The risk is ignoring emerging markets and/or competitors and not contemplating other relevant information sources such as those provided by suppliers, universities, consultants and other industries. The interface with Entrepreneurial Orientation captures entrepreneurial behaviors that are opportunity driven and whose "attributes are applied to the full range of marketing activities" (Morris *et al.* 2002, p.13) proposed by the Marketing Concept.

A second main objective is to analyze how a large organization innovates in terms of its structure, procedures and routines in order to leverage and facilitate the implementation of these marketing processes, resulting from the synergistic and complementary effects of the MO/EO interface. This sort of internal innovation refers to "business model and business process innovation" (Schindehutte *et al.* 2008, p.14), "new approaches to brand management, customer communication and relationship management" (Morris *et al.* 2002, p.7) and "new approaches to competitive strategy" (Slater & Narver 1995, p.68). In line with this objective is the analysis of the market outcomes of these processes of Organizational Learning and Opportunity Recognition, in what concerns product and service innovation, both of incremental and radical nature, as well as the conquest of favorable market positions by this Corporation.

A third main objective is to analyze the effect of environmental factors and firm-specific factors on the MO/EO interface. Under certain conditions of the environment, such as in turbulent, dynamic and hostile environments, “the magnitude of MO and EO, and the extent to which a firm becomes more entrepreneurial in its marketing approaches, will depend on how the organization adapts its internal environment” (Morris *et al.* 2002, p.12). Firm-specific factors, such as its dynamic capabilities, entrepreneurial capital and organizational structure¹⁰, will facilitate or hinder this adaptation to adequate levels of MO and EO (Ireland *et al.* 2009; Schindehutte *et al.* 2008; Morris *et al.* 2002).

Reflecting the main objectives of this investigation, the case study questions were developed and selected with the purpose of generating relevant information to respond to these issues. In consequence, the main case study questions will be the following:

- What are the characteristics of the organization’s market environment?
- What are the main characteristics of entrepreneurial capital, dynamic capabilities and organizational structure within the boundaries of the unit of analysis?
- What are the characteristics of the firm’s Market Orientation and Entrepreneurial Orientation?
- How are the processes of Organizational Learning and Opportunity Recognition carried out?
- What characterizes these processes in terms of internal innovation on structure, business model and market approaches?
- What are the outcomes and impact of these processes on the organization’s product/service innovation? What are the outcomes on the firm’s competitive market performance?

This selection of case study questions provides orientation towards the selection of the information sources that can provide the most pertinent data, and it allows shaping the research propositions. Within the context of the abovementioned model of “Antecedents and outcomes of marketing processes”, shown in figure 3, specific propositions are assumed, as follows:

¹⁰ As characterized in Chapter II – Literature Review

Proposition 1

Turbulent, dynamic and hostile environment and market factors, concurrently with firm-specific factors – particularly those related to entrepreneurship – affect the interface between the firm’s Market and Entrepreneurial Orientations.

The first set of external factors is analyzed in terms of their level of competitive intensity, demand uncertainty and market complexity. For this purpose, pertinent data was obtained from in-depth interviews and secondary sources of evidence. As for the firm-specific factors, particularly those pertaining to entrepreneurial capital, the major source of evidence was the in-depth interview with the CEO. Evidence concerning dynamic capabilities and organizational structure was obtained from the ensemble of interviews. The participants’ opinions – limited to internal participants – about the level of their organization’s MO and EO was assessed by semi-structured in-depth interviews.

Proposition 2

The marketing processes of Organizational Learning and Opportunity Recognition, resulting from the MO/EO interface, capture the attributes of both strategic Orientations and are innovative and opportunity driven.

The description of these marketing processes was the focus of in-depth interviews with all participants, including two reference customers’ representatives. Both strategic orientations complement each other (Zahra 2008) and this complementary effect was the focus of subsequent analysis of the data collected.

Proposition 3

These innovative marketing processes leverage on product/service and/or market innovation to achieve favorable market positions, outmatching competition in acquiring and retaining customers.

Particularly important for this analysis was the data collected from in-depth interviews with two reference customers’ representatives, enabling the validation and verification of evidence collected from interviews with internal participants.

2. Research strategy

Bearing in mind the investigation's objectives, and the qualitative nature of the data to be collected, Yin's (1994) suggested methodology was followed, by carrying out a single case study of explanatory nature. The study focused on a unit of analysis composed by an organization and its Chief Executive Officer, operating in a dynamic and turbulent market context. Data collection used multiple sources of evidence such as documentation and archival records, as well as interviews of semi-structured and focused nature (Yin 1994, p.85) with various stakeholders, internal and external to the firm.

2.1 The case study environment

Entrepreneurial Marketing is an approach to marketing, deemed more appropriate in certain market conditions, such as in fragmented, dynamic or hostile contexts and in emerging markets, where, quoting Morris *et al.* (2002, p.5) "the marketer must act as innovator and change agent".

On the other hand, firm-specific factors facilitate the occurrence of marketing processes of an entrepreneurial nature (Morris *et al.* 2002), such as flatter, decentralized and cross-functional structures, with organizational cultures that value innovation and change. Other such factors include some degree of tolerance of failure and accountability for outcomes, and the existence of strategies that emphasize growth, technology leadership and product/market diversification, which can be summarized as entrepreneurial capital, organizational structure and dynamic capabilities.

The selection of this unit of analysis was based on evidence collected from the media and preliminary contacts with the firm's CEO, which allowed for the assumption that this organization fulfilled, to some degree, the selection criteria; it operates in dynamic market contexts and has recently been under a restructuring process following the acquisition of a shareholding stake by the current CEO, five years ago. The relative success of the company in recent years, as stated by media and stock exchange reports, corroborated the relevance of its selection. Another critical criterion for this selection process was the ample access to data, sources of evidence and participants, and this criterion was also met by this unit of analysis.

The chosen organization – "Reditus SGPS SA", publicly listed in the Portuguese stock exchange – operates in the Portuguese Information Technology (IT) market, which is dynamic, fragmented and hostile, as evidence will demonstrate. Its CEO, Mr. Miguel Ferreira, joined the group in 2003, buying in a shareholding stake. He seats in the holding's Board of

Directors and is CEO of the “Services Outsourcing” business area. This executive has a relevant track record as a business owner and manager.

This “Services Outsourcing” business area comprises three business units, namely “Integrated Business Support”, “Outsourcing of IT Infrastructures” and “IT Consulting”.

In 2004 the group created a transversal unit within the business area, called “Go To Market”, with the intention of exploring cross-selling opportunities between business units. The organizational structure has evolved since then, and by the time this study took place (July 2009) it had the structure shown in figure 4.

The components of the unit of analysis, shown in figure 4 in shaded boxes, were selected due to the relevant complementarities of their operations, the difference in segments served, differences in required commercial expertise and the relevance of entrepreneurial approaches *a priori* considered to be required for exploiting opportunities across these business units’ boundaries, such as in the case of cross-selling activities.

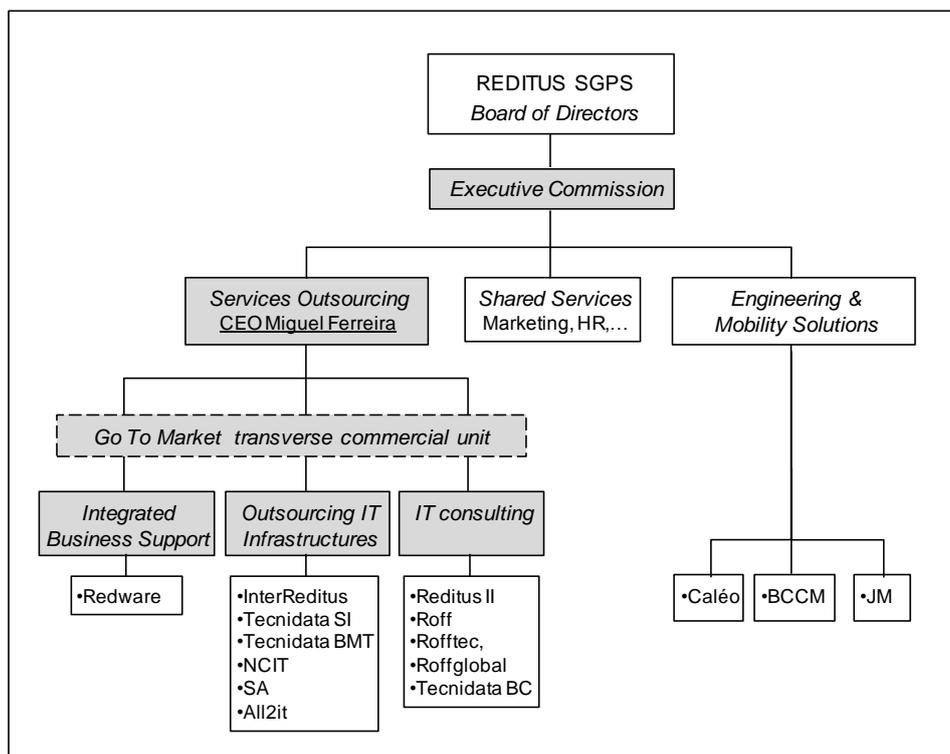


Figure 4 - Reditus' organizational structure and unit of analysis

For the sake of clarity and relevance of the evidence collected and the examples used by participants in their interviews, whenever this study refers to the “Integrated Business Support” business unit, it will mention its main activity of “BPO” or the name of its company, “Redware”. Similarly, whenever “Redware” and its manager are mentioned, it refers to the “Integrated Business Support” business unit and its manager.

This also applies to the remaining business units of “Outsourcing IT Infrastructures” and “IT Consulting”. Their key companies of “InterReditus” and “ReditusII”, as shown in the preceding figure, will be mentioned interchangeably either by their names or by their business units’ names.

Although there is a Marketing unit, it is not considered to be a Marketing Department, and it is uniquely focused on dealing with institutional communication, including that concerned with the public nature of its stockholding structure and subsequent mandatory procedures. Therefore, there is no comprehensive Marketing Department, neither at Corporate level nor at Business Unit level, but the marketing function is naturally carried out; all participants selected for this study provided evidence that, albeit in informal ways, marketing has a central role in this organization’s structure.

All interviews took place in the participants’ offices, in Lisbon. Preparation and initial discussions with Reditus’ CEO for this study were initiated in January 2009.

The analysis also included reference clients that have commercial or technical relationships, direct or indirect, with more than one business unit.

This unit of analysis, therefore, was considered to be a relevant source of data for the description of how this organization implements its marketing processes, how they affect innovation and their impact on the organization’s market performance.

2.2 Information sources and organization of data collection

With the purpose of providing enhanced validity to the case study findings (Yin 1994), data collection followed a predetermined path, in accordance with the stated propositions, creating a chain of evidence and using multiple sources, both internal and external to the unit of analysis, and of both primary and secondary nature.

The main sources of evidence used are summarized in the following list:

- Documentation and archival records
 - Annual Reports and Results presentations;
 - Product and service presentations, business overviews and studies;
 - Initial Public Offerings leaflets, news clippings and corporate press releases;
 - Corporate information on Reditus and specialized media websites.
- In-depth Interviews
 - Focused interviews for the gathering of facts and opinions of participants, and for corroboration purposes;

- Semi-structured interviews, for assessment of opinions regarding Market and Entrepreneurial Orientation characteristics.
- Direct observation
 - Informally, during field trips, special attention was paid to interactions among participants and their behavior in the workplace.

A list of suggested participants was prepared and sent over for validation by the CEO and confirmation of participants' availability, prior to finalizing the field trips schedule. The participation of two reference customers was arranged after completion of the first set of interviews with the CEO and business units' top managers. This enabled the most adequate choice of external participants, because at that stage of the study it was already possible for Reditus to fully appreciate the relevance of the information required from their reference customers, for the purpose of validating the results of the interviews already completed. The selection of these external participants was also influenced by their availability in the short term. The basic terms for assessing the adequacy of this selection of external participants were the innovativeness of Reditus approach to them, the opportunity they represented as a new market and service segment as well as the success story they represent for Reditus.

Interviews were conducted with the business area CEO, the Executive Commission's chairman, the manager of the Go To Market unit and general managers of the main business units within this business area. Table 1 indicates all participants involved in the study, with which personal in-depth interviews were carried out.

Sub-units	Participants
"Reditus" Executive Commission	<ul style="list-style-type: none"> • Chairman F. Moreira Rato
"Services Outsourcing" business area	<ul style="list-style-type: none"> • CEO Miguel Ferreira
"Go To Market" unit	<ul style="list-style-type: none"> • Manager Jorge Lobo
"Integrated Business Support" business unit / BPO / "Redware"	<ul style="list-style-type: none"> • General Manager Sérgio Moraes
"Outsourcing IT Infrastructures" business unit / "InterReditus"	<ul style="list-style-type: none"> • General Manager Vasco Vicente
"IT Consulting" business unit / "ReditusII"	<ul style="list-style-type: none"> • General Manager Jorge Lobo (accumulates with Go To Market unit)
	Reference clients: <ul style="list-style-type: none"> • Vodafone António Veiga • EX (alias) Luís Ferreira

Table 1 - Unit of analysis components and participants

Firstly, the CEO was interviewed regarding firm-specific factors and market environment factors. Immediately after, a second part of this interview asked for characterization of organizational MO and EO in a semi-structured way, later discussed in this chapter. At this stage, the two reference customers were selected, and their participation was confirmed soon after. Then interviews followed with each of the business units' general managers and the Go To Market unit manager, regarding the characterization of MO, EO and of Organizational Learning and Opportunity Recognition, as well as the description of outcomes of marketing processes in the selected customers. Again the CEO was interviewed, regarding the characterization of Organizational Learning and Opportunity Recognition, and the description of outcomes of marketing processes in the selected customers.

Both selected customers were interviewed in their offices. Finally, Reditus Group Chairman was interviewed regarding the characterization of MO, EO and Organizational Learning and Opportunity Recognition.

Several field trips to the holding's headquarters and to other stakeholders' offices took place to carry out individual interviews and preparatory meetings. Interviews had various durations. With the CEO and managers, the time span was 90 to 150 minutes. With the Chairman and reference customers, it took around 60 minutes to complete the interviews.

With one exception, all personal interviews were recorded with a sound recording device, with due consent. No constraints were perceived to be felt by participants, and the device was not considered intrusive. The exception was the case of Vodafone customer, which did not authorize recording of sound due to corporate regulations that prevented the use in individual interviews. This interview was recorded in personal handwritten notes taken by the interviewer.

All sound recordings were screened, backed-up and transcribed into handwritten hard copy. Along with other handwritten notes, they were later translated into English language and registered in word processor software.

Other secondary information was obtained from corporate Internet website, news agencies, consultant and business reports and specialized press. All gathered information was registered into a database.

Reditus' participants stated their opinions, views and responses referring to the current organizational structure and processes. Naturally, their input reveals the complexity of the reality perceived by them, involving their professional experience, experience in this Group and interactions with other colleagues, and their interpretation of events and situations.

2.3 Data collection methodology

Table 2 shows the topics used for organizing data collection and the sources required by each specific topic. This matrix was made available to the CEO and enabled the setting of specific interview schedules for participants, and the assessment of the overall availability required from them.

Topics for data collection	Sources of evidence			
	Documentation and archival records	Semi-structured interviews	Focused interviews	Direct observation
1. Description of environment / market factors	Annual reports, presentations Specialized press and other media Business and market research reports Internet corporate websites		CEO	
2. Description of firm specific factors, focus on Entrepreneurial Capital			CEO (organizational and personal aspects of entrepreneurship)	
3. Characterization of strategic Market Orientation MO		Chairman CEO Go To Market Manager Redware Manager InterReditus Manager		
4. Characterization of strategic Entrepreneurial Orientation EO		Chairman CEO Go To Market manager Redware Manager InterReditus Manager		
5. Description of organizational marketing processes			CEO Go To Market manager Redware G.Manager InterReditus G.Manager	Interaction between participants
6. Outcomes of marketing processes concerning two specific customers			CEO Go To Market manager Redware G.Manager InterReditus G.Manager Two reference clients	

Table 2 - Sources of evidence by topic

In semi-structured interviews, participants were asked to comment the questions of two basic questionnaires, pertaining to Market Orientation (MO) and Entrepreneurial Orientation (EO), and provide answers to them if so inclined.

The questionnaire used for MO interviews was a Likert scale 5-point scoring format (1 = strongly disagree; 5 = strongly agree) with 20 questions divided into groups pertaining to the 3 dimensions of MO, Intelligence Generation, Intelligence dissemination and Responsiveness. This questionnaire was adapted from MARKOR scale questionnaire, used for Market Orientation assessment (Matsuno *et al.* 2000; Kohli *et al.* 1993).

The questionnaire used for EO interviews was a semantic differential type, adapted to 5-point scoring format from the original 7, in order to simplify reading and not constrain participants' comments. This questionnaire was adapted from an EO scale questionnaire, used for Entrepreneurial Orientation assessment (Chadwick *et al.* 2008).

In both cases, participants were informed that the purpose was to obtain their opinion and comments on each of the questions, considered most relevant given the qualitative nature of the study. However, direct answers were welcomed, to the extent that it would facilitate the debate on each question. While some participants answered immediately and only then offered their comments, others chose to present their comments first, and only then indicate their preferred answer. In the case of Reditus Chairman there were no direct answers to the questions and only comments were made.

A second section of the interview on EO asked participants to comment on 7 written statements concerning the basic elements of Entrepreneurial Orientation (Hills *et al.* 2008; Morris *et al.* 2002). These comments should take into consideration the participants' own reality and experience within the group. In the case of the CEO, whenever questionnaires requested comments on specific business units, the correct interpretation included all business units under analysis.

The usefulness of this semi-structured way to conduct interviews resulted not from the quantifiable results the answers provide, but from the fact that all participants had the opportunity of discussing the same issues. Conclusions were drawn from the comments made and from the level of agreement and pattern of the answers to the questionnaires, and not from the answers themselves, that is, no quantitative conclusions were drawn from these interviews.

2.4 Data analysis methods

In this study, the strategy for data analysis relied on the theoretical propositions previously stated. These provided the overall orientation for the analysis.

Data was analyzed using a pattern-matching logic (Yin 1994, p.107), comparing the empirical-based and predicted patterns of Organizational Learning and Opportunity Recognition being carried out by firms where Market and Entrepreneurial orientations effectively co-exist, and whose interface is affected by environmental and firm-specific factors. The pattern matching and comparison enabled drawing out the case study conclusions and findings.

After the data collection, the marketing processes of Organizational Learning and Opportunity Recognition were described as well as its outcomes, and the resulting observations were compared with the initial predicted pattern. From this comparison conclusions were drawn, considering the limitations that case-studies have in what concerns limiting generalizations only to hypothetical propositions (Yin 1994). As mentioned, the analysis followed the orientation suggested by the case study propositions, facilitated (Yin 1994, p.105) by the fact that these propositions include causal relations of “how” and “why”. As suggested by Trigo (2002, p.97) this analysis followed the principles of initial familiarization with the data collected from interviews and secondary sources. Common characteristics in participants’ responses were categorized, and comparisons were made between evidence obtained from Reditus participants and the evidence given by their customers.

Chapter IV will focus on the analysis of evidence collected, and the overall conclusions of this case study will be presented in chapter V.

CHAPTER IV – CASE STUDY DESCRIPTION AND ANALYSIS

1. The “Reditus SGPS” group

1.1 Brief history

The “Reditus” firm was established as a public limited company in 1966, and its two main shareholders were a local bank and an insurance company. The purpose was to provide these companies with services in "Service Bureau"¹¹ and market studies. In 1980, already owned by a private economic group, the company begins its activity in the information technologies market. In 1987 Reditus is listed in the Lisbon Stock Exchange. In 1990, the Reditus Group is reorganized, becoming the "holding" company of a Group of operational companies in the IT sector.

Following a period of economical and financial difficulties, the Group is reorganized, and in 2003 a new structure reflected its core business as a provider of outsourcing services. Business Process Outsourcing (BPO) was now the primary business area, operated by the Group’s company “Redware”. At this time, the current CEO Mr. M. Ferreira joined the Group, buying in a shareholding stake. In order to optimize and reorganize¹² the existing activities, a new unit was created, called “Go To Market”.

By 2007 the Group’s current structure was complete with the separation into two business areas, namely “**Services Outsourcing**” and “**Engineering and Mobility Systems**”.

In 2008, the Reditus Group acquires the Portuguese IT Group “Tecnidata”, turning it into “one of the three largest Portuguese groups in the area of Information Technologies”¹³.

1.2 Outline of current organizational structure

As mentioned, the Group is currently divided into two business areas: “Services Outsourcing” and “Engineering and Mobility Solutions”. This study focuses on the “Services Outsourcing” business area.

This **business area**’s activities include Business Process Outsourcing, Outsourcing of IT Infrastructures, Contact Centers and IT Consulting. These activities are operated by individual

¹¹ Data processing services

¹² CEO

¹³ On the Reditus Group Internet homepage “www.reditus.pt”

business units, which comprise several individual companies. The main **business units**, as depicted in figure 4 in Chapter III, are:

- “Integrated Business Support”, operating BPO services, with one company, “Redware”;
- “Outsourcing of IT Infrastructures” integrating several companies, including “InterReditus”, which will be frequently mentioned;
- “IT Consulting” integrating several companies, including “ReditusII” and the concept of “Software Factory”, which will be frequently mentioned.

In the latest “Group Results Report”¹⁴ for the first half of 2009, it is mentioned that “despite the difficult business environment, Reditus Group proceeded with its strategy of organic growth, in particular targeting the Services Outsourcing area, demonstrating its capacity to pre-empt market trends and launch new products and services”.

In the “Services Outsourcing” business area, consolidated operating income for the first half of 2009 achieved €48.0 million, with “BPO” services contributing with €6.9 million, “Outsourcing of IT Infrastructures” activities with €23.4 million and “IT Consulting” services with €17.7 million.

¹⁴ On the Reditus Group Internet homepage “www.reditus.pt”

2. Market Orientation and Entrepreneurial Orientation interface

This chapter focuses on collected data and evidence required by the discussion of the first proposition of this study, which is:

Proposition 1

Turbulent, dynamic and hostile environment and market factors, concurrently with firm-specific factors – particularly those related to entrepreneurship – affect the interface between the firm’s Market and Entrepreneurial Orientations.

In the following sections, the main evidence pertaining to this issue is summarized and presented.

2.1 External environment and market conditions

“Reditus” operates in the Portuguese Information Technology (IT) market, which is both dynamic and hostile. It is a fragmented sector, particularly in the segment of IT and Business Process Outsourcing services. According to market intelligence firm IDC, this particular segment in Portugal is expected to grow at an average of 5.5% annually between 2008 and 2012, whereas the global growth rate is expected to be 4.1% for the same period. In 2007 the Portuguese IT outsourcing market sold 631M€ worth of services, and the 10 biggest market players (which include Reditus), from a universe of 302 companies, represented 74% of that turnover¹⁵; the other 292 companies account for the remaining 26%. As mentioned by the CEO¹⁶:

Clearly, the market isn’t mature. The Services Outsourcing market in technologies and business processes is not a mature market. It is still a developing market, still growing and it’s a clearly fragmented market.

Reditus innovated in the Portuguese BPO market by pioneering with new service packages and new approach to customers, in a new generation of BPO services. As the CEO puts it, “The great concept of BPO is that it aggregates four components – infrastructures, software, processes and people – and the transactional issue as well”. A market study, made in 2003, revealed that Reditus was ill-positioned to compete in this market, and so a strategic decision was made, which was revealed by the CEO in his first interview:

¹⁵IDC (2007) "Outsourcing de TI & BPO: Sondagem e Previsões, 2007 - 2012"

¹⁶CEO

So we decided to make a big leap, which was “we’re not going to compete on something that our competition can outmatch us and we’re going to lose”, but let’s introduce [and] potentiate this concept and achieve a differentiating factor, not comparable, and serve a need that customers have, which is still not properly explored in this country.

This market is still evolving as are customers’ needs. BPO services are evolving from a process outsourcing to a transformation outsourcing, called BTO (business transformation services). This comprises not only replicating, doing better, quicker and cheaper the customer processes but also introducing improvements and changes to the processes themselves that allow them to be cheaper and more efficient.

2.2 Firm-specific factors

Entrepreneurial capital

The human capital of entrepreneurial nature permeates this organization at the level of Reditus administration. Besides the Chairman and former CEO, that has vast experience in business venturing and management, the current CEO for the “Services Outsourcing” business area also evidences a vast track record in entrepreneurial endeavors. But the most important aspect of this entrepreneurial experience is the set of entrepreneurial attitudes, beliefs and values that enable the CEO to have a strategic vision concerning the future of this organization. After having sold his previous business venture, the CEO was looking for a new business venture opportunity. Reditus was looking for investors, as part of its restructuration endeavors. Ideas for BPO services were discussed, and the CEO at the time invited Mr. M. Ferreira to “do that in here”¹⁷. As mentioned by the current CEO:

[The CEO at that time] understood the concept, for he has an entrepreneurial spirit as well ... it was a confluence between my initiative of saying “I’m going to be in this market segment” and the proactiveness of Reditus’ CEO, stating that that “this may be what we need, we’re available to take the risk with you”, required to survive and evolve. The investment bank provided the adequate conditions for me to join the process. I had big hesitations on the matter, of the type “go-don’t go”. Then, I spent some months here as an Administration’s assistant to understand and integrate ideas and then I thought “It’s worth it”. [After] an in-depth research... the decision was “I believe in it”! If it was just based on research, the risk issue was so high that it wouldn’t allow me to take a decision. If it was just for the financial and technical issues, I would say “leave the boat, it will sink”. After research was done and risks identified, it was totally a “gut” decision.

¹⁷ CEO

At that time, the organization had different capabilities and a different structure, which will be discussed and presented in the following sections.

Changes to that context would have to happen, so that new cultural norms favoring entrepreneurial behavior would be adopted by Reditus.

Additionally, a characteristic of this organization's entrepreneurial capital, which is considered by Kohli *et al.* (1990) as a contributing factor for entrepreneurial behavior, concerns personal aspects of top managers, such as formal education, upward mobility and motivation, as well as their attitude towards change. In this respect, the group's formal education program, available to all hierarchical levels, assumes particular relevance. Also, the General Managers participating in this study mentioned having recently acquired new competencies in business management, after completing a University program in Business Administration.

Dynamic capabilities

The organization's capacity, embedded in its processes and routines, required to adapt and respond to changes in its market place is evident from the participants' accounts.

When the organization was restructured in 2003, and the current CEO started his executive functions there, his strategic vision required extensive changes in the capabilities of his Go To Market unit, and later, after becoming CEO, in his business area. New competences and attitudes were demanded from collaborators, and intense training and support were provided. The vision of delivering innovative BPO services to the market was translated into reality by means of this new flexibility and capability of adapting to new customer needs, which were not fully explicit at that time.

One example of this flexibility is given by the constant attitude of looking at threats as if they were opportunities, as is the case of the present financial crisis that affected most of Reditus' customers in the banking sector. The demand for outsourced processes regarding administrative management of mortgage contracts fell abruptly, posing a serious threat to Reditus. However, in close liaison with customers, Reditus anticipated the emergence of another process resulting from the financial crisis, which was the process of credit recuperation. This opportunity was translated into the development of new capabilities and competences required to serve that new need in their customers' business process.

Another example is given by the nomination of annual commitments in the BPO business unit, which congregate efforts around a common corporative objective. It is the case with the business unit's annual commitments on specific aspects of business. For 2009, Redware¹⁸ elected the concept of “reengineering” to be applied to BPO services, with views towards becoming BTO (business transformation services, already mentioned). In 2008 it had been “quality” and the year before “service levels”. This not only focuses capacity building efforts around that purpose, but also induces alertness for relevant opportunities in the marketplace.

Organizational architecture

The Group's **structure** outline has already been presented in the preceding sub-chapter. We have mentioned that the “Services Outsourcing” business area includes three separate business units, each comprising one or more individual companies. Each business unit is managed by a General Manager, and their services and products may be integrated or complement each other, thus enabling strong cross-selling possibilities.

By 2004, the strategic orientation towards providing BPO services was already a fact, which in turn induced growth of sales of applications and infrastructures¹⁹ operated by the other business units. With this purpose in mind, that is, to promote BPO services and exploit cross-selling opportunities, a new unit was then created, the aforementioned Go To Market (GTM) unit composed of senior commercial managers from within the group and initially set up by the current CEO. By interacting with all business areas, using their expert resources in sales activities, this unit had autonomy, and provided information and knowledge sharing between all business units, requiring the collaborative participation of their managers. This unit enabled quick and comprehensive response to customers' needs, at an early stage, through a unique communication channel representing all companies of the business area.

Another aspect of this Group's structure is its degree of decentralization, delegation of authority and responsibility, which has been encouraged over the last five years, as mentioned by the CEO in his first interview, diverging from the more centralized structure of previous years, and particularly felt at middle management level. He also stated that given the current growth rate of their business, decentralization and delegation are key factors for success; “to build a team you can't centralize, because if you do so you limit the capacity of your business to grow”.

¹⁸ Redware's General Manager

¹⁹ CEO

An example of this evolution is given by the accounts of one business unit General Manager. Up to a few years ago, this executive had himself a centralizing approach to management, but with adequate support and coaching²⁰, this manager developed a new perspective on business, starting to consider it as “his own, and not only the shareholders”. His entrepreneurial potential was unleashed, freed from the duties of daily problem- and conflict-solving tasks. Today this executive runs the operation with a team of seven managers, having more precious time to focus on business opportunities and development.

Additionally, horizontal information networks across business units are in place, such as the informal Excel spreadsheet application called “business pipeline”; it is “an opportunity database” as stated by the CEO. It registers contacts, opportunities, business proposals, ongoing negotiations and other such relevant details. All managers are responsible for the information they insert there, including forecasts and appraisals on opportunities, and they are assessed for it.

Over the course of the in-depth interviews, all participants mentioned the informal nature of processes and also of the organization’s structure. Inclusively, the Chairman stated that “in Reditus, we must keep the current level of informality and flexibility, while operating in this business of intense rotation of solutions and products”.

The organization’s **culture** has evolved since the 2003 reorganization, as mentioned by all participants. From a centralized decision-making culture, decentralization is now encouraged and fostered, as previously mentioned. Top management provides support to innovative thinking from managers, and encourages it. The CEO recalls the support given to business unit managers in the process of changing the centralized decision-making culture that previously existed. Additionally, this executive mentions the critical role of intuition, self discretion and proactiveness, based on individual and collective experience and observation, in the process of decision-making, once all analytic tools have been used, managers are expected to incorporate personal judgment, their feelings and experience into their appraisal of business opportunities. Past experiences constitute a knowledge-base, however empirical, that should be valued and applied to the management context. The CEO notes that intuition rests upon observation, and that the former cannot exist without the latter. Another

²⁰ CEO

participant²¹ mentioned that his own proactive approach to business benefited from a management course he completed recently. It led to a permanent focus on change initiatives by intentionally “leaving the comfort zone, even if incurring in riskier actions. There has been good return from this.” He warns middle managers that when processes have been stabilized and things are “calm”, this should be the alert to call for change. In his IT Infrastructure business unit, which operates in a somewhat mature sector, middle managers are required to participate in problem-solving and be change-oriented, even in existing projects, and competition between them is encouraged.

At Reditus, all managers know implicitly that their collaboration in problem-solving is not only welcomed but, in fact, expected. A focus on customers is very present at this level, and Redware’s General Manager states that “decision-making, be it more or less complex, must always have the customer as its target”. In the process, there is room for creative thinking. For instance, in certain contexts like report meetings with top management, the Chairman provokes discussions on perceived common knowledge and facts taken for granted. He and others note that complex problems require new solutions, because otherwise they would not be complex problems altogether. During these discussions, conflicting, disruptive and creative thinking is motivated so as to induce proposals for solutions regarding new and old problems, with tolerance and open-mindedness, which is an attribute of brain-storming sessions. These formal and informal meetings provide the opportunity for top managers to share and discuss their views and ideas, validate them and obtain support for building up business propositions. Eventually, ideas obtain explicit support and resources through the appointment of specific task forces to assess and exploit their market potential.

Although accountability for outcomes is a given fact of the decision-making process, tolerance for failure also exists at top-management level; the Chairman stated that “when something doesn’t go well, we assume it collectively at board level and at top management level, in report meetings”. Another example of support from management is that when new business ideas are formalized at business unit level, a “project owner”²² is designated, allocating minimal resources for the project to kick off, be properly assessed and exploited.

As the CEO puts it “we are at war, and everybody knows they have to shout out loud when they see an opportunity”. He also mentions that losing business proposals without a proper

²¹ IT Infrastructures General Manager

²² Redware’s General Manager

explanation is not acceptable, even if it requires visiting clients to find out the reasons of failure and collectively address the issue. Also, at top management meetings, both the Chairman and the CEO try to encourage creative problem-solving: “why not do things this way or the other?”

Top and middle level managers feel the proximity, availability and flexibility of decision-makers. For instance, the CEO provides critical support to top-managers in their decision-making process in the shortest period possible. Another example of management support is given by Redware’s General Manager mentioning the creation, in his business unit, of the “Redteam”, a unit composed of senior managers that provided support on analysis and decision-making to other managers facing particularly difficult business or technical problems.

Other cultural aspects are visible in the organization’s approach to customers and the market place, as evidenced by what top managers think these relationships should be like. The CEO mentions that in services sectors, “companies have to be seen as up-to-date, informed and attractive, showing interest and representing innovation”. Also, threats in the market environment should be scanned for what they might represent as opportunities, “always trying to find a positive side.”²³

The organization’s **resources and capabilities** are exploited in both informal and formal ways. For example, the Chairman hosts informal reunions, called “orange juice with the Chairman”, where successful project teams are invited and encouraged to exchange their views of success factors, innovations in organization and product/services that they either employed or observed during their interaction with clients. This market intelligence is then disseminated by the Chairman, not only in subsequent reunions with project teams, but also at corporate level during informal and formal meetings.

Participants also mention the use of business consultants and close customers as a source of validation of new ideas and discussion about the potential of innovations, while these are still in the “project” phase, thus exploiting an available source of expertise in an informal way. A non-executive statutory body – the Strategy Council – later discussed in the sub-chapter of Organizational Learning, also provides a source of expert knowledge available to the firm.

²³ *Ibid.*

The CEO shows a particular concern about the issue of identifying talent within the organization's boundaries, at all levels. Talent must be identified and harnessed from the available human resources, because with talent comes innovation, leading to differentiation in the market place and thus providing better chances for success²⁴.

There is evidence that the existing **reward** systems encourage risk taking and proactive behavior. The mentioned business units are "Profit and Loss (P&L) driven"²⁵, under the direct responsibility of their General Managers. P&L management constitutes the basis for these top managers' assessment. As revealed by the CEO, this fact encourages them to embrace an entrepreneurial attitude, permanently fighting to improve their P&L. However, there are other performance assessment issues. For instance, business units implement Business Plans that include both quantitative and qualitative objectives and goals²⁶. Also, we already mentioned that executives are required to produce forecasts and assessments of business opportunities, and they are evaluated for its effectiveness²⁷.

The CEO reveals that top-managers appraisal and evaluation is an ongoing process, without formal appraisal meetings. Appraisal criteria are discussed in meetings concerning annual business objectives and goals.

As for other levels of management, there is great concern of recognizing proactive behavior that produces business leads and opportunities, such as collecting a business card from a potential customer, even if irrelevant for one's own business unit, and giving it to the potential beneficiary in the organization, even if belonging to another business unit. The rewards for these situations are not uniform, and vary in different business units, from pecuniary prizes to paid leisure activities. It is a concern that is currently being dealt with as the CEO explains.

2.3 Market Orientation

The analysis of this issue focuses on the three elements of MO behavior (Slater & Narver 1995; Kohli & Jaworski 1990) of market intelligence generation, dissemination and organizational responsiveness thereto.

²⁴ CEO

²⁵ *Ibid*

²⁶ Redware's General Manager

²⁷ CEO

Pertaining to “intelligence generation”, participants share strong agreement on the proposition that they meet their customers very often, and it was mentioned that the ever-changing nature of the market imposes the effort of meeting customers up to the limit of reasonability. “Relationship management with clients is paramount, even if results are not immediate” mentioned the Go To Market unit manager. Participants’ comments reveal their great concern about being close to their customers at all levels, be it decision-making, operational or managerial level. Participants often mentioned that they themselves and their teams “were permanently with clients”, “feeling their pains and living their development”²⁸, and given the nature of their market segments, very much dependent on Service Level Agreements and other efficiency indicators, quality assessment is a major concern.

They also agreed on the fact the group and their business units do not conduct market research at a desirable level, one of them stating that it is a well-identified gap, and that more internal and external information sources should be obtained. In the absence of a formal Marketing Department structure, all participants mentioned that in-house market research is conducted in an informal, unsystematic way. It would be considered beneficial if systematic procedures were established for that purpose.

Detection of changes in customers’ product preferences and fundamental shifts in industry tend to be quickly noticed, although it is not a consensual opinion. This was the case of the IT Infrastructure business unit manager, which had a neutral opinion on this issue, neither agreeing nor disagreeing.

Nevertheless, one person²⁹ stated the absolute relevance of this issue to their business survival, by understanding the effect of environmental changes on customers.

Regarding the “intelligence dissemination” throughout the business area, their answers tend to agree mostly in the strong opinion that information about important market facts pertaining to customers is quickly disseminated within and between their business units, and market trends are discussed in formal and informal meetings. Their comments corroborate this, but reveal a certain degree of informality in the process of intelligence dissemination. Routines exist but specific rules, or procedures, seem somewhat scarce. For instance, the discussion of market trends and developments may occur whenever deemed suitable, during monthly report

²⁸ Redware’s General Manager

²⁹ Go To Market Manager

meetings. But meetings with that specific and sole agenda are not scheduled. However, during the mentioned meetings, open discussions are promoted as well as contributions from all participants. The discussion of customers' needs between and within business units occurs whenever managers find suitable, and they are specifically oriented towards sharing their views on the subject. However, business units do not have formal marketing departments, where such structured discussion could occur. On this issue, the IT Infrastructure business unit manager tends to disagree that customers' future needs are discussed across business units by marketing personnel, which may be explained by an eventual less significant level of marketing competences existing in this technological business unit.

Nevertheless, these and other marketing functions are carried out by managers and by the "Go To Market" unit, albeit in a less formal fashion. Important facts and changes in the market place are speedily brought into the group and shared. But data on customer satisfaction is disseminated between business units on a less regular basis, with the dissenting opinion of the IT Infrastructure business unit manager; he was resolute in stating that data on customer satisfaction is regularly disseminated across his business unit.

As for the "responsiveness" dimension, the strongest agreement of responses lie on the questions pertaining to customer needs and preferences, and the level of responsiveness their business area and business units have in searching and reacting to those needs. This level of alertness and responsiveness is consensually considered to be very high. Comments from participants agree that focus on customer needs and adaption to change is very intense within the group. The focus on customer satisfaction and attention paid to responding to complaints are priorities. Also, discussions on developments, trends and opportunities in the market place occur frequently, but not systematically.

Less intense agreement and opinions, although positive, were given to questions relating to coordination between business units in responding concertedly to customers' changing needs. Some referred the informal nature of these coordination efforts and that the absence of procedures to this effect could lead to inefficiencies.

Concluding, participants' opinions clearly show the existence of a relevant degree of Market Orientation (MO) in this organization, with differences in opinions but clearly convergent on that observation. It must be considered that the existence of MO in a given organization is not a question of being "either present or absent" (Kohli & Jaworski 1990, p.6) but rather a question of a degree on a continuum.

One of the major characteristics of this organization's MO is the mix between formal and informal processes for generating, disseminating and responding to market intelligence. The degree of informality might not hinder the MO, as per Jaworski and Kohli (1993, p.65) suggestion that:

Although formalization and departmentalization do not appear to affect a market orientation, it would seem that the content of formal rules, rather than their mere presence, is a more important determinant of market orientation.

We also observe that the degree of MO differs between business units. This can be explained by the nature of each one's specific market and its environment and maturity. The Infrastructure Outsourcing business unit's market is characterized by a greater focus on technological issues, which may explain the eventual lesser capacity, comparing with the other business units, of responding quickly to shifts in their industry and inter-business unit discussions on future customer needs.

It is particularly relevant to mention the importance given to these behavioral dimensions of MO by the corporation's top management. Both its chairman and the CEO for Outsourcing Services business area affirm their intention of fostering and promoting Market Orientation within their organization, providing top management support to the adoption of such organizational behaviors.

2.4 Entrepreneurial Orientation

It is also important to characterize the EO of this organization in order to better understand and describe the impact from marketing processes resulting from the MO/EO interface.

For this purpose we considered EO's three behavioral dimensions of innovativeness, risk-taking and proactiveness (Morris *et al.* 2002). Again, we used a questionnaire to contextualize and facilitate participants' discussion of this subject. A second section of the interview asked participants to comment on 7 statements concerning EO's three dimensions.

Answers typically converged over the first six questions, concerning innovativeness and proactiveness, but were less in agreement in what concerned the last 3 questions pertaining to risk-taking.

The opinions stated can be summarized as follows, considering each EO dimension.

In what concerns "innovativeness", three out of four participants agree that there is a balance between top management's inclination towards marketing stable, tried and tested solutions, with incremental innovations, and the pursuance of technological leadership, with dramatic

improvements and radical innovations. Notwithstanding operating in the IT sector, certain solutions of traditional and proven nature are preferred, whenever they serve and fully satisfy customers' needs and maximize the cost/benefit relationship. Also, technology that has already been tested will be chosen if it responds adequately to what is required, taking into consideration economical and financial aspects. This was particularly evidenced by the IT Infrastructure business unit manager.

All participants agree that many new lines of services were marketed in the past 5 years, balanced between dramatic and minor changes to service lines. Some mention that in the BPO sector changes have recently been more dramatic than in other sectors, where innovations developed "from scratch" were regularly introduced in the market over that period.

On the other hand, the IT Infrastructure business unit manager mentions that, in their market segment, there have not been any "fracturing changes for the last 10 years", but instead there are new needs found every day that require improvements in service, product and commercial approaches. This business unit is, by the nature of its market segment, very aware of technological innovation but the issue of reliability of technological solutions is a major attribute in this segment. Notwithstanding, in the BPO business unit, several innovations have been taking place on services marketed. Its company, Redware, has been recently introducing the concept of Business Transformation Outsourcing (BTO), which, on top of operating efficiently the process handed over by clients, seeks, induces and promotes changes and improvements to the very process that was outsourced.

As for "proactiveness", participants generally agree that their organization tends more to initiate actions in response to competitors than the opposite. And they unanimously agree that, more often than not, they introduce innovations – service, business model and others – before competition does. Participants mentioned that copying good solutions from competitors may be a "good and wise idea". But they also mentioned having been "first movers", with innovations having been introduced in the Portuguese market by all their business units before competitors did, including multinational IT corporations. Some Reditus' innovations were copied by these corporations. The opinion of some is that Reditus tends to be more on the innovation side than on the copying side. This is evidenced by the statement that they have "more managers of new things than managers of existing things"³⁰. Proactive behavior is

³⁰ CEO

promoted amongst managers, stimulating the search for opportunities and innovative solutions.

There was consensus amongst participants that changes in the market might be perceived as opportunities, despite the problems those changes may pose in the short run. Examples were mentioned, such as the existing financial/economic crisis eliciting new approaches to customers' needs. Also mentioned were the "H1N1" influenza virus and its effect on Human Resources (HR) management, requiring contingency plans for outsourced processes. New market needs are regularly identified, and they tend to be perceived more like opportunities than threats.

Creativity is fostered and promoted, down the hierarchical chain to intermediate levels and middle managers. Also, proactive behavior is encouraged at middle management level in what concerns the relationship with customers, promoting alertness to new needs and preferences.

Additionally, given the nature of the business environment, where competitors can sometimes be suppliers and also partners on the same customer's project, open conflict is avoided, and a posture of "removing them out of the way"³¹ was mentioned to be preferred to "demolishing competitors", as proposed in question #6 of the EO questionnaire. Here, participants' opinions converged on equidistance between "avoiding competitive clashes" and "very competitive" posture, as suggested by the same question. Notwithstanding, some participants noted they possessed, at a personal level, very competitive natures and approaches to business.

In the last section of the questionnaire, opinions regarding the "risk-taking" dimension of EO where less convergent.

The CEO expressed the opinion that top managers had a somewhat greater inclination towards high risk projects. The IT Infrastructure manager, whose business unit operates in a more mature market environment than the others, mentioned a "more conservative" orientation, preferring lower risk projects and greater control of the risk factor. The remaining opinions were equidistant between low and high risk projects. Again, the same pattern of opinions was evidenced relating to top managers preferences between incremental behaviors in exploring the environment versus bold, wide ranging actions. Finally, this divergence in opinions was more explicit in the remaining issue. Whereas the IT Infrastructure manager's

³¹ Go To Market Manager

opinion favored a slightly more cautious “wait and see” posture in decision-making involving uncertainty so as to mitigate risks, the three remaining opinions agreed on preferring slightly more aggressive postures to maximize success probabilities.

This perceived difference between what the participants think of the propensity for risk-taking in their organization could reflect their own personal attitude towards risk-taking. Comments made on questions and on statements of the second section corroborate this suggestion.

Nevertheless, all participants mentioned that in decision-making processes with a degree of uncertainty, due consideration of risk (impact, cost and other factors) is common practice. However, risk-taking is very present; aside from taking adequate risk mitigating actions and validating decisions at the adequate hierarchical level, whenever top managers believe projects will work, corroborated by their management team’s opinion, they are encouraged by the CEO to go forward. Decision-making is encouraged when they believe actions will work and not only when they are “very certain that they will work”³², as one of the interview statements proposed.

At corporate level, risk-taking is also evident, as shown by the recent decision and concretization (in 2008) of the acquisition of a major Portuguese IT group, namely “Tecnidata, S.A.”.

We can conclude, along with what is suggested with the organizations’ Market Orientation, that opinions indicate the presence of an Entrepreneurial Orientation permeating the organization, particularly at top and middle level management.

Participants characterize the EO of their organization as being proactive and innovative, suggesting that, at corporate level and in the Services Outsourcing business area, this organization is more entrepreneurial-oriented than conservative-oriented. Even considering the less agreeing opinions on all three dimensions stated by participants, Lumpkin *et al.* (1996) suggest that entrepreneurial firms do not necessarily have to score high on all three dimensions or on any particular dimension. We can conclude that these top managers collectively manifest this “propensity to proactively engage in product [and service] market innovation by being first to market with new products, technologies, or processes so as to identify and exploit environmental opportunities” (Chadwick *et al.* 2008, p.65/66).

³² EO questionnaire, section B) question #5

As mentioned by the CEO, currently this corporation is balanced between risk management on one hand, and proactiveness and leadership for business change, on the other.

Conclusions can also be drawn on the effects of external environment and firm-specific factors on the MO/EO interface.

Participants mention differences in specific market environments of their business units. Particularly concerning the IT Infrastructure business unit, its manager clearly mentioned differences in maturity and stability, and its influence on a comparatively less risk-taking approach to the market, as well as a greater preference to avoid competitive clashes and an inclination for gradual, incremental approaches to innovation, suggesting that, in these specific market conditions, the risks inherent to extreme entrepreneurial behavior “may not be commensurate with the rewards” (Morris *et al.* 2002, p.13).

But the market environment of other business units, particularly in BPO, was mentioned to be characterized by high levels of demand uncertainty, technological turbulence and competitive intensity; evidence collected from the interviews show the effect these market conditions have on the organization’s preference and relevance given to relationships with customers and alertness to competitors and other stakeholders. Also, actions pertaining to dissemination of intelligence and to collective response to market opportunities were mentioned to have been stimulated and greatly influenced by this dynamic nature of the market, to which Reditus’ own strategic approach contributed as a motivating factor and a market driver for innovation³³. Additionally, entrepreneurial behavior, on an individual and collective level, was mentioned to have been prompted by these specific market conditions, which required proactiveness, a focus on innovation and a propensity for calculated risk-taking.

Ireland *et al.* (2009) suggest certain attributes of organizational contexts will encourage individual and collective entrepreneurial behavior. Characteristics of the organizational structure and elements of culture, resources and systems facilitate the translation of the CEO’s entrepreneurial strategic vision into the organization’s processes and behaviors and cultural norms.

Participants have given evidence of an organizational culture that values innovation and change which, along with other firm-specific factors of the current organization, and

³³ CEO

concurrently with market environment conditions of this business area, appear to affect the MO/EO interface.

At the same time, evidence from the interviews suggests there is a relationship between the environmental factors and the mentioned firm-specific factors, particularly in what concerns organizational structure. The most visible evidence of this is given by the creation in 2003 of the Go To Market unit, specifically created to explore opportunities across the three business units. This unit has suffered adjustments in its responsibilities and duties, since its inception. It has affected the way the organization manages its commercial relationships with the market, and its structure and relevance seems to be dependent on the degree of competitiveness of the market.

3. Organizational Learning and Opportunity Recognition processes

This chapter focuses on collected data and evidence required by the discussion of the second proposition of this study, which is:

Proposition 2

The marketing processes of Organizational Learning and Opportunity Recognition, resulting from the MO/EO interface, capture the attributes of both strategic Orientations and are innovative and opportunity driven.

3.1 Description of marketing processes

These two processes are complementary and intertwined in the evidence collected, since they represent **what** and **how** it is done, in what concerns marketing processes and their antecedents of MO and EO, respectively. One example of this complementarity would be the routine embedded in sales representatives in detecting new needs whenever they meet customers, which is part of the process of generating intelligence; but how exactly would a sales representative identify new needs other than those explicitly presented by customers? Specific signals, behaviors or opinions from customers concerning new opportunities will probably be subjective, requiring interpretation from the employee. Even if some opportunities may be identified as a result of pragmatic analysis or other formal procedures, other pieces of intelligence will be passed on into the organization only if deemed to constitute some sort of opportunity. Alternatively, this capacity to identify new needs will require a level of alertness, self discretion and judgment which an effective Market Orientation alone would not warrant. This is where Entrepreneurial Orientation helps us understand the specific set of organizational behaviors needed to identify, assess and exploit business opportunities, at the various hierarchical levels of organizations.

Organizational Learning

Although the process of gathering marketing information pertaining to “exogenous factors that influence those needs and preferences” of customers (Kohli *et al.* 1990, p4) includes formal procedures at corporate level, it is suggested that this process is generally of an informal nature throughout the organization, with non-systematic (even if effective) means of generating intelligence on the market in which it operates. This is done despite the absence of a formal Marketing department. The fact that market intelligence is generated by individuals at several levels of business units and at corporate level suggests the need for specific and

systematic mechanisms that ensure relevant information is collected and adequately disseminated throughout the organization, generating coordinated organizational response.

The overall approach to marketing at corporate and business unit level, as evidenced by all participants, is focused on fostering and developing relationships with customers and stakeholders, from a mutual benefit perspective. In what concerns stakeholders, they are a major source of intelligence generation and dissemination, as well as a major channel for market responsiveness actions. There is a non-executive statutory body, at corporate level, that provides first-hand, high quality market intelligence of strategic nature. It is the Strategic Council, comprising 5 top-ranking experts from academia, management consulting and law firms. The Council convenes twice a year and its members sporadically meet with business units' top managers, and this is actually a formal process of internalizing relevant market intelligence within the organization.

Another formal process of exploring stakeholder relationships, with the intent of generating market intelligence, is by hosting events such as the "Reditus Forum". This occurs twice a year, and includes highly influential managers and experts from suppliers, customers and academia, who participate and discuss selected themes of great relevance for the IT market. This Forum is an open channel for intelligence sharing and for corporate communications with the market place, promoting credibility, reputation and networking, enhancing what some of our participants³⁴ called "capillarity effect" in this relationship with stakeholders, establishing far-reaching communication channels at all levels of customers and of other relevant stakeholders.

From corporate to business unit level, the organization shows an orientation towards actively seeking market intelligence, in a "militant fashion, of both macro and micro"³⁵ nature. Much of this is done in an informal, routine-based fashion, dependent on individual effort and judgment, but later subject to evaluation and assessment of individual performance. These routines are a consequence of the mentioned orientation towards seeking market intelligence, and are a subject of tactical and operational discussions at management meetings.

One of such informal routines, previously mentioned, is carried out by the chairman himself, and consists of inviting successful project teams for an "early morning orange juice with the

³⁴ Chairman, GTM Manager and InterReditus General Manager

³⁵ Chairman

chairman”³⁶. An open discussion on the specific project merits is encouraged, and views on innovative approaches are shared. In subsequent meetings with other successful teams, these views are shared, discussed and disseminated, whilst discussing new ideas brought forward by these latter teams. This enables new procedures and routines, as well as opinions on customer development, to be shared, tested and given a chance of being put to good use by the organization.

From an institutional point of view, Reditus has another stake in the market place, having been one of the founding members of the Portuguese Outsourcing Association, which includes major competitors, both national and multinational operating in the country. At a time when market forecasts point to dramatic expansion in the outsourcing sector, with new players coming into the market, this Association wants to promote a Charter of good practices, recognizing companies that abide by that Charter. Ultimately, this would enable customers to differentiate quality in competing firms and integrate that information into their decision-making processes.

At the business area level, there are also formal events designed to build up relationships with stakeholders, pursuing objectives of a tactical nature and trying to enhance the mentioned “capillarity” effect. These events are half-day workshops, hosted by Reditus, focused on operational subjects, such as “IT Security” and “Services Outsourcing”, and various stakeholders are invited to be speakers (management and law consultants, suppliers, business partners and customers), promoting credibility, relevance and usefulness of these gatherings. In one interview it was mentioned that, as confirmation of their credibility, these workshops attract great interest in the market place, disputing the agenda of other important business events. Naturally, the participation of employees in these meetings and discussions with stakeholders enhances dissemination of market intelligence within the organization and enables reflection about current responsive actions to customer needs and competitors’ actions.

There are other sources of market intelligence routinely used. Under the responsibility of the area’s CEO, management, strategy and IT consultancy reports are considered especially

³⁶ Chairman

relevant. One report, produced three years ago by a leading strategy and management consultancy firm, is used as the basic framework for strategic decision-making. This report provided an in-depth analysis on the market and on Reditus positioning, as well as on development opportunities and strategic options. It is regularly discussed and updated at business units' top management level. Relevant market information is sourced from other credible consultants and specialized media, and top management is involved in this activity. All pertinent information is collected and processed by the CEO, who later presents it and promotes discussion amongst top management in formal meetings, with the specific intent of reviewing the market positioning of the group.

Especial attention is paid to other reputed sources, such as relevant business partners and suppliers which include corporations like "IBM", "HP", "Microsoft", "SAP", "Dell", "Outsystems", amongst others. These companies have marketing departments that systematically process market information and reflect it in their communications and commercial channels. Reditus takes this opportunity of benefiting from other firms' market analysis, cultivating a close relationship and attending their commercial and technical workshops and other promotional events. This also feeds into the aforementioned information collection and processing routine. Also, the fact that a few major competitors are, eventually, also their suppliers and partners in certain projects, provides some foresight into what the competition is doing and planning to do.

Last, but by no means least of all market information sources, Reditus focus extensively on the relationship with customers, at different hierarchical levels including decision-making, administrative and operational. Intelligence on customer needs, preferences, strategies and resources is an ongoing concern, and the organization is permanently in contact with its customers. This closeness enables Reditus to tap into other competitors' moves and innovations, given the fact that customers may have more than one IT supplier, and some willfully share that information. Again, comments referring "capillarity and alertness" were made.

During periodic meetings with project team leaders, each customer's market potential is discussed, and stimulus is given to the proactive and systematic identification of business opportunities by operational staff. Team leaders are asked to pay special attention to what customers are buying from their competition, what needs they manifest, and what actions and

development plans they have. The CEO mentioned that employees with higher levels of formal education tend to appreciate this stimulus better and act more proactively. Vertically, all employees are informed about the need to pass on business leads into the organization. Although with differences in degree, all participants mentioned that technicians and commercial representatives have embedded in their routines the practice of actively being alert and enabling information to flow from them up to managerial levels.

From these sources, strategic and tactical decisions are made at the appropriate hierarchical level, in order to “react in accordance with Reditus portfolio, and adapt it if need be”³⁷. Several times the expressions “react to customers” and “adapt our portfolio” were mentioned by participants.

When these strategic and tactical decisions are made, they are converted into “service instructions” and formally disseminated throughout the organization.

In what concerns generation, dissemination and response to business opportunities, there is a formal structure, created for that purpose, which is the aforementioned “Go to Market” (GTM) unit. Its purpose is to provide a view of the whole business picture, identifying opportunities in cross-selling of services and IT solutions between all business units. Currently, this unit has three specific objectives: promoting cross-selling within business unit companies, between companies of different business units and the creation of new integrated solutions based on the group’s portfolio, which includes the newly acquired IT corporation “Tecnidata”.

This organization has its own group of sales representatives, with adequate training and expertise for the commercial representation of the group’s portfolio to customers and prospects. It has a flat structure, with close connections across all business units.

For purposes of information exchange and dissemination, a client database was created – the abovementioned “business pipeline” – using common spreadsheet software, where all data pertinent to customers and prospects is introduced by managers. Consistency and updating verifications are assumed by the GTM manager, and this tool enables business unit managers to detect, verify, assess and plan responses to eventual business opportunities they may detect in other areas and segments. This “pipeline” is also fed with information obtained from external sources. All relevant information, down to simple business card details obtained by

³⁷ CEO

any employee in their dealings with prospects or customers, is inserted in the database. Typically, it registers everything from the first meeting with prospects, to opportunity qualification, business and sales proposals and forecasting.

Simultaneously, each business unit has its own Sales Plan (by year, semester or quarter) where target segments or clients are selected. A matrix of target vs. service/solution is also produced. This formal planning is also shared between all business units, enabling all to identify business leads and opportunities, and also promoting joint business proposals.

In the case of “Integrated Business Support” business unit company Redware, the level of specialization and expertise required from sales representatives is relatively high, in order to match that of customers in this segment, and so this business unit has got its own commercial structure. This does not occur with the other business units; here, the main sales function is carried out by the GTM sales representatives.

Opportunities – and relevant response plans – that result from these processes are discussed at operational coordination meetings, involving top management and the area’s CEO. One major concern in response planning, as evidenced by participants, is to replicate successful solutions to new or existing customers. Twice a year, top managers and the CEO meet to discuss budgets and assess results; during these meetings, market trends and strategic business opportunities are formally discussed. A relevant comment on GTM’s usefulness in promoting cross-selling between business units is revealed by the CEO’s estimate that the market potential of the current customer-base, considering the current portfolio and if cross-selling opportunities were fully exploited, would double the current turnover.

In order to ensure that relevant intelligence receives due consideration while being disseminated between departments – and specifically between business units – some degree of formal procedures should exist, according to all participants’ opinions. This would maximize the usefulness of dissemination, and reduce the probabilities of information being discarded prior to its proper assessment in the right context or with adequate expert knowledge to fully understand its usefulness, reach and scope. Other formal meetings between top managers and the CEO include weekly meetings for discussion of marketing and commercial issues. Once a month, this group meets to discuss monthly results and business forecasts.

Aside from the mentioned periodic meetings (such as report meetings) and other procedures and routines, informal “lobby talk”³⁸ occurs extensively within the organization. The fact that top managers have a common focus and approach to customers and the market ensures that everyone participates actively – and effectively – in those informal meetings.

Summing up, it is clear from participants’ accounts that this organization has multiple sources of market intelligence, which are actively worked upon by means of formal and informal processes. These wide-ranging sources are proactively sought after, and relevant resources are allocated for that effect, such as in the case of the mentioned non-executive statutory body “Strategy Council” and the Forums. Marketing processes follow the precepts of the Marketing Concept and of MO (Slater & Narver 1995), which require a focus on customers and competitors for intelligence generation; but they do much more than that, broadening the scope of information sources to encompass many other stakeholders. That enables the discovery of latent needs, new customers and innovative new products/services and opportunities in new markets.

Actions of intelligence dissemination are well established and responsiveness planning and implementation involving coordination between business units is also being actively pursued. However, the CEO states that there is a need for a more systematic process of identification of market trends, and for the subsequent information processing and decision-making on “internal trends” to be followed and applied. This would enable “higher, better and quicker growth of business”³⁹. It is evident from the participants’ opinions that, in this organization, the use of market research to determine customer needs is not systematic, but rather sporadic. However, there is an explicit process of gathering market information through active networking, both of a personal and inter-organizational nature. This type of learning process is normally adopted and preferred by entrepreneurs (Stokes 2000, p.12).

Opportunity Recognition

Opportunity recognition and exploitation are at the essence of entrepreneurial behavior (Ireland *et al.* 2009, p.27) and we will now proceed to present the participants’ accounts on processes of identifying sources of potential profit and of assessment and exploitation of such

³⁸ CEO

³⁹ *Ibid.*

opportunities. We will focus the analysis on elements of proactiveness, innovativeness and risk-taking.

At corporate level, relevant strategic opportunities are taken up as the CEO's responsibility, who then promotes the discussion and assessment of their potential in formal and informal meetings with top managers. Part of these meetings is left open for unstructured reflection and problem solving. The Chairman induces discussions that challenge the *status quo*, with tacit permission to explore unorthodox solutions. Two notes were made by the Chairman on this subject: "in Reditus we hate *yes-men*" and "complex problems require uncommon solutions, otherwise they would not be problems". At corporate and business units' top management level, not only new business and opportunities are discussed but also business lost to competitors, in what might be considered a learning exercise, although it is not a formal process in itself.

The CEO himself spends time every day to speak to customers, exchange information on development plans and market intelligence. He mentions a continuous process of "listening" to the market, from various sources, formal and informal, on an institutional and personal level (including colleagues, friends and partners), after which top managers will process information by means of "personal reflection, feeling and experience". Although unwritten, these routines are encouraged down to the project managers' level and sales representatives at the Go To Market unit, and were summarized as follows⁴⁰:

"Listening;
Awareness of the several sources of information;
Proactive alertness;
Building value-creation solutions."

This represents entrepreneurial attributes applied to processes of organizational learning, as a means to increase its potential and the scope of the intelligence gathered.

We have already mentioned that Reditus created in 2004 a new unit called Go To Market, with the purpose of promoting BPO services and identifying cross-selling opportunities between business units. In the present context, we should refer the risk-taking nature of that

⁴⁰ CEO

initiative. In fact, at that time resources were scarce. Recruitment had to be restricted to internal sources, and extensive training was required to operate in the BPO market, particularly pushing for an innovative model of BPO services, without prior relevant market references in that segment. As mentioned by the CEO, the perceived risks involved were so high that a rational analysis alone prevented him from deciding to go forward. “It was a gut decision”, he mentioned. It was a case of proactively seeking and exploiting an innovative service, with considerable risk taking, based on rational decision-making alongside with entrepreneurial strategic vision.

Managers are required to incorporate personal discretion and experienced-based intuition into their decision-making process, as mentioned by the CEO. But he encourages strategic vision and anticipation. Thinking two or three moves ahead, like in a chess game, requires good understanding of the business success factors, in order to fully appreciate what is at stake. For instance, the threat of “H1N1 influenza virus” on BPO services – which heavily depend on the human resource factor – requires service providers to duplicate venues and operational and management teams. But it should also be seen as an opportunity⁴¹. Not only is there a potential for supplying more BPO services, in order to duplicate existing services deemed critical by customers, but also this duplication means an opportunity for these operations to be located away from the customer’s offices. This fact would decrease the customer’s perception of control over operations, and increase its perception of dependence. This confers stability to BPO contracts, as mentioned by its General Manager. So this chain of events is proactively sought after, with some degree of foresight.

Yet another example of the efficiency of proactive behavior is given by the following account by Redware’s General Manager. One software technician of ReditusII – the IT Consulting business unit software company – passed on to Redware – the BPO company – the business card of an executive from a major distribution company. The exploration of that business lead, coming from an employee of another company within the group that, with self discretion, interpreted that business possibility as being an explicit opportunity, resulted in Redware being awarded with a new CRM⁴² project by that customer. This was not a single occurrence; other examples were given of opportunities being identified by personnel from

⁴¹ Redware’s General Manager

⁴² Customer Relationship Management

different companies which pass them on – generally via the Go To Market unit – resulting in opportunity exploitation. “IT Infrastructures” business unit manager mentions the case of a technical supervisor that identified, at a major customer, an opportunity for BPO services which had nothing to do with his work. This was possible because, aside from top management encouraging such behavior, “all [relevant] employees have general knowledge about the operation of the other business units in the group, facilitating the identification of opportunities relevant for them”, the CEO notes.

Other aspects of entrepreneurial behavior characterize the organization’s approach to customers and the market place, as evidenced by what top managers think customer relationships should be like. The CEO mentions that in services markets, “companies have to be seen as up-to-date, informed and attractive, showing interest and representing innovation”. Also, threats in the market environment should be scanned for what they might represent as opportunities, “always trying to look on the positive side.”⁴³ Redware’s General Manager also mentions that management teams are always on site managing operations, and “living the customers’ evolution, feeling their pains. Whenever customer pains end and positive things happen, we live it with them”. He adds that this closeness results in good reputation, which is spread throughout the customer’s organization by word of mouth. An additional comment on the required attitude towards making business with customers stated: “in BPO services, you must be “married” to your customer in order to have success”. These attitudes require self-discretion, proactiveness and the eventual assumption of individual risks, related with the amount of time (which is a resource) allocated to specific relationships in detriment of others. One aspect mentioned several times by participants is the closeness to customers, practiced with tenacity and perseverance, and all managers mentioned, in different ways, their wish that the client perceives the commercial relationship as evolving “from supplier to partner”. Expressions such as “partner”, “complicity”, “learning together” and “involvement” with customers were often used during the interviews. Also, participants mentioned that in new segments it is possible to “look at the customers’ business as our common business”, as opposed to traditional segments – such as banking – where this type of relationship is not encouraged with customers.

On the other hand, it was mentioned that, although opportunities are proactively identified and exploited, it is done in an informal way; notwithstanding its effectiveness, relying mostly

⁴³ Redware’s General Manager

on personal attitudes and behaviors, it should also be progressively formalized, by a more formal process of qualification of opportunities at the corporate level.

Proactive behavior seems to be encouraged at all levels, as shown by the example of sales representatives which are constantly encouraged to cultivate relationships with customers and prospects, even if enduring long periods of unsuccessful efforts. They must be creative in finding reasons for contacting clients, and seize every opportunity to be with them, as mentioned by the GTM manager. This customer intensity works at other levels, however, not only involving supervisors, technicians and sales representatives. We have already mentioned the CEO's daily routine of keeping contacts with clients. The organization has a specific intent of providing closeness between decision-makers and customers, passing on the sense of proximity and ensuring that Reditus interlocutors are responsible and able to decide. This situation contrasts with what happens with major business competitors, such as multinational corporations, where specific decisions frequently need to be taken at higher levels of the hierarchy, levels which are not close to customers⁴⁴.

The sharing of resources between business units in the pursuit of business opportunities is evidenced by the example of a specific BPO project, under the responsibility of Redware. Its General Manager mentions that this was a new business venture for them, innovating with a specific service with a new major customer in a new market segment, with all the associated risks involved. He explains how the operation was built by using the "hair of the dog", i.e. sharing resources with another Group company from the "IT Consulting" business unit, namely ReditusII⁴⁵. The whole project required testing, and Redware employed the services of a ReditusII's expert, offering to pay half his salary. The result was the correct identification of operational requirements at Redware, whilst opening a communication channel between both companies, enabling adequate commitment of resources in ReditusII to promote the development of software applications relevant for that common purpose.

In another example, the GTM manager mentions that specific projects must finance themselves, and sales must precede capital expenditure. Again, growing with the "hair of the dog" was mentioned.

⁴⁴ Chairman

⁴⁵ ReditusII is a subsidiary of Reditus Group

The sharing of resources is also evidenced by other companies profiting from Redware's reputation and notoriety in the market place. Joint business proposals are encouraged between business units, and they appear as a Redware proposal whenever deemed beneficial. Another type of resource from within the Group is used in favor of its subsidiaries; because it is a listed company in the stock exchange, this reduces customers' risk appraisal of doing business with Reditus companies⁴⁶.

Additionally, as mentioned by the CEO, the fact that the Reditus corporation is a public company listed in the main stock exchange index PSI20 enables a specific approach to customers using arguments such as "in times of crisis, smaller competitors might not be here tomorrow, whereas Reditus will surely be"⁴⁷.

Another resource put to good use is the quality and customer satisfaction assessment. In this service sector, quality assessments are always present. The sharing and validation of quality and customer satisfaction assessments is seized as an opportunity to meet the client, jointly interpreting results and institutionalizing them, with obvious results in relationship appraisal.

Other available resources are proactively used to mitigate risk and validate business ideas and projects. At the corporate level, new projects are presented to management consultancy firms and their input is requested; still in the project phase, these ideas are also shared with customers with whom they have close relationships, so as to obtain different opinions and points of view. Redware's General Manager mentions that in mature relationships with stable service contracts with certain customers, change is stimulated. At the beginning of each year, brainstorming sessions eventually occur with these customers, in order to explore new needs and innovative solutions.

In fact, one major characteristic of the Reditus innovative market approach, as commented by all participants, is what seems to be a non-disruptive approach. When discussing business propositions pertaining to BPO with customers, Reditus approach is "we'll do it [the process] exactly like you do it"⁴⁸, lessening the initial risk of disruption of the customer's process. Major competitors have a different approach; first they propose reengineering the process in question, thereby reducing their own risk of compliance. Upon acceptance, they then assume the customer's process. Reditus approach is more flexible, and preferred by the clients'

⁴⁶ Redware's General Manager

⁴⁷ CEO

⁴⁸ Chairman

operations departments. “Whilst major competitors sell PowerPoint presentations to management, operations departments want to buy from us”, notes the Chairman. Redware’s General Manager mentions that this approach is riskier, like “taking the bull by its horns”, assuming the client’s process as it is, in its own location. But this more flexible approach decreases the customer’s resistance to change. Once the relationship has matured, confidence levels rise and the process may now be relocated to Reditus offices. This results in more responsibility for Reditus, but also in greater dependency, conferring stability to contracts in the long run. Also, stronger relationships with customers, based on mutual trust, facilitate the BTO approach, whereby Reditus suggests process transformation and innovations, either by improvement or reengineering.

Another most relevant aspect is the fact that major corporations like IBM and others convey greater perceptions of dimension, responsibility and tangibility to the marketplace. This enables them to sell projects on the basis of business proposal presentations (such as “PowerPoint presentations”, as mentioned). Reditus, on the other hand, and despite the fact of being a relevant competitor, has a different stance in the market. As a result, top managers are encouraged to propose riskier proposals that in turn reduce the client’s risk in decision-making. The model involves proposing a “pilot”, or a prototype, enabling initial assessment prior to final investment decisions by the client.

These “pilot” projects are generally non-binding to customers, posing an explicit risk of failure with total loss of resources applied. At this phase, it might be requested from the customer to share resources, such as sharing a project manager. Subsequent audits and assessments result in commissioning the service or losing the project. As with prototypes, the Go To Market manager speaks of a situation where, in software application development, ReditusII spent two weeks developing a prototype. If it proved to work according to what was proposed, the customer would award the project to ReditusII. “There is a propensity for risk-taking, in a controlled way”, he notes. The project was successful.

From another point of view, organizational innovation is mentioned as pivotal in proactive exploitation of opportunities. It is the case of the development, by another “IT Consulting” business unit company, of an “intelligent” software application – the “GO/2” – that interprets data, key performance indicators and suggests courses of action, thus liberating managers

from those interpretative tasks. This enables managers to focus on operations and their customers' needs as well as on the identification of opportunities⁴⁹.

There is a change oriented attitude. "Most of the times, what is already established will not solve new problems satisfactorily. We have to think "innovation", and this is increasingly present in our approach", says the Go To Market manager. However, despite existing formal incentive to innovation with an annual innovation prize, the CEO notes that this formal process has not produced relevant results.

Another example of organizational innovation is represented by the introduction – first among its competitors – of new methodology of "agile software development" that allows for rapid delivery of high-quality software and an approach very much in line with customer needs⁵⁰. And innovation in services includes the very recent virtual desktop technological solutions for contact center operators as well as the highly significant and important BPO services model, of which Reditus (through its affiliate company Redware) was one of the pioneers in Portugal. This model, characterized by innovation, risk-assumption and commitment, offers its customers a variable cost solution, with high levels of accountability and deep involvement in the customers' process, regulated by well defined Obligations Level Agreements. This, as mentioned by Redware's General Manager, enables learning and identification of new opportunities for process development and reengineering in collaboration with customers.

Innovation can be applied to every aspect of business, it what concerns the relationship with customers and stakeholders; an example of this is the idea of producing a small plaque for desktop adornment, internally called "tombstone"⁵¹, which mentions successful projects and is offered to customers' project managers and top management. This is a mark of the relationship, an artifact representing the service provided, intended at reinforcing the merit of customers' decisions of choosing to do business with Reditus.

From the evidence collected, it seems that Reditus marketing processes of Organizational Learning and Opportunity Recognition capture the attributes of both MO and EO and are innovative and opportunity driven, as the proposition suggests. However, this seems to be

⁴⁹ Redware's General Manager

⁵⁰ Refers to software development methodologies based on iterative development and collaboration between cross-functional teams

⁵¹ Chairman

particularly true in what concerns the BPO business unit, which apparently generates more business opportunities for other business units than the opposite. BPO services appear to be driving the market with innovation, with marketing processes of entrepreneurial nature which may be synthesized using Morris *et al.* (2002, p.5) Entrepreneurial Marketing definition as the

Proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation.

The informal and formal mixed nature of marketing processes seems to produce effective results, judging on participants' accounts. However, they have mentioned the need for greater formality, which, as would be expected from informal processes, might indicate that these managers feel the processes in place are far from producing exhaustive results, particularly in intelligence generation. On the other hand, what is done, in that respect, seems to be done with high level of entrepreneurial behavior, as per the accounts of participants.

3.2 Outcomes of marketing processes

This chapter focuses on collected data and evidence required by the discussion of the third proposition of this study, which is:

Proposition 3

These innovative marketing processes leverage on product/service and/or market innovation to achieve favorable market positions, outmatching competition in acquiring and retaining customers.

We have already mentioned, based on participants' accounts, several business opportunities that were exploited due to Reditus organizational behaviors of proactiveness, innovativeness and risk-taking, in various forms and degrees.

Another example of this was mentioned by the IT Infrastructure business unit General Manager; using the mentioned "capillarity" of connections with customers and encouraging alertness in operatives and project managers, as well as maintaining a direct channel back to decision-making levels whereby information can flow, has resulted in early identification of new needs. This early warning allowed for the preparation of service extension proposals to cover those emergent needs. These proposals of service extension happened before the customer decided to formalize the new need, with the ensuing preparation of specifications and invitations to bid to different competitors. This way, it was possible to anticipate and service those needs, preventing competition from learning about this new business

opportunity and bid for it. “This can only be achieved through close interaction and proximity at many hierarchical levels”, he notes.

In what concerns the identification and exploitation of business opportunities with new customers, there are other sources that can help describe and corroborate the description of the processes by which this organization learns about the market environment and exploits the opportunities suitably identified. Specifically for this purpose, two external sources of evidence were made available, which permitted better understanding about the actual outcomes of the organization’s marketing processes and the use of innovation when exploiting opportunities. These sources were two of Reditus’ reference customers. They are mainly Redware customers for BPO (and BTO) services, but other business units have also a stake in the business, having sold services either exploring cross-selling opportunities or integrating Redware’s services.

One of these customers requested not to be named in this report. It operates in distribution and retailing of electric goods and electronic equipment in medium sized stores, and is part of a major distribution corporation in Portugal. For the purpose of this report it will be named “EX”.

The other is the Portuguese branch of the well-known Vodafone Corporation.

We will now proceed to present a brief description of each project, followed by the report on these customers’ opinions and views.

Description of projects and customers representatives’ accounts

“VODAFONE” COMPANY⁵²

The service provider contract with Reditus affiliate company Redware was celebrated in 2006, which happened to replace a previous service provider. Vodafone was already experienced in outsourcing back-office administrative and call-centre processes. The previous provider was considered competent in operating call-centers and still continues to provide that service. However, its operation of back-office processes was not up to Vodafone’s standards. After a long process of benchmarking and consultations in the market place, during which Vodafone learned about Redware via other business references, they decided to ask for

⁵² Based on interviews with Reditus’ participants and Vodafone Director of Business Support Operations

proposals from a shortlisted group of suppliers, which included Redware. During that process, Vodafone⁵³ felt a very strong proximity from Redware. Even before the contract was awarded, Redware discussed aspects of the business process in question, manifested concern about changes affecting Vodafone's operation, with "proactiveness and flexibility". Redware's top management showed involvement and commitment with this new venture, and Reditus CEO continues to follow up this contract. There was "understanding of Vodafone's needs and the personal relationship still distinguishes them, along the hierarchical chain".

After due planning and training, Vodafone decided to replace the existing supplier without a transition period, in what was called a "big bang" transition. Redware was supposed to replace the previous supplier, secure the operation and minimize any transition disturbance to this critical business process. They assumed the risk, adapting to that difficult requirement from their customer.

Discussions between technical and commercial teams are of an open nature, and Redware has adopted Vodafone's quality management processes "not because of passivity, but out of involvement, which gives stability to the relationship", Vodafone's representative notes. He adds that **flexibility** is probably the main attribute of Redware's approach to this contract, and that Redware and Reditus distinguish themselves by "permanently seeking for business leads". More than commercial aggressiveness, "they show commercial shrewdness, conveying confidence, flexibility and adaptation to change". Not only do they innovate, they are capable of adapting to their customer's innovation. This includes implementing an innovative technology-based Business Portal for back office contract management between Vodafone, its agents and clients, and also developing a pilot to test new solutions of virtual desktop, enabling operators to work in remote locations thus reducing infrastructure costs. This involved dealing with a new set of formal problems, such as employee contractual terms, which Redware is involved in understanding and finding solutions thereto.

From Reditus perspective, Vodafone considers them to be a "strategic partner"⁵⁴. Responsibilities are well defined by an Obligation Level Agreement, and there is a common interest that unites them, which is Vodafone's own business. "In more traditional segments, it is very difficult to arrive at this stage with customers", Redware's General Manager notes. This relationship enabled Redware "to learn a great deal about this specific business, and so

⁵³ Vodafone Director of Business Support Operations

⁵⁴ Redware's General Manager

has Vodafone”. Because they knew so much about Vodafone’s business, Redware was able to identify an opportunity for process transformation, based on a new software application. They proposed reengineering Vodafone’s workflow concerning contract management with clients and agents. Employing and sharing resources from other business units, Redware tested a pilot for a new Business Portal that integrated management of contracts in Vodafone’s workflow.

“EX” COMPANY⁵⁵

This project started in early 2008. Currently, Reditus operates EX’s customer care contact centre, including inbound and outbound operations⁵⁶.

EX’s quick business growth led its top management to consider outsourcing its contact centre operation, prompted by mounting costs with space, human resources and management’s opportunity cost. After an internal analysis of their operations, using best practices from North American and European markets as benchmark, they invited three competitors to bid for the outsourcing of an inbound operation process. Reditus was included due to a previous business contact concerning another company of EX’s parent corporation, from which resulted favorable references. There were two main decision factors: cost and organizational structure suitable to ensure future support to international development of operations. Formally, Reditus’ listing at the Portuguese Stock Exchange in its main stock index PSI20 warranted for its dimension, continuity and tangibility, reducing EX’s risk perception related to Redware’s proposal. However, Reditus distinguished itself by other attributes, even prior to submitting their proposal. They presented themselves with a partnership approach, as if they were another link in EX’s value chain⁵⁷. They visited EX and showed strong commitment, involvement and interaction. Other competitors did not care to visit EX, at that stage. Reditus’ proposal revealed this commitment and ensured future cooperation, and the project was awarded to them. In early 2008, serving as a test, they outsourced the process of inbound calls for support of delivery of goods to clients. By December 2008 all inbound call operations, previously executed by EX, were outsourced to Redware. EX was aware of the risks involved with outsourcing its processes and the eventual impact on service levels and the relationship

⁵⁵ Based on interviews with Reditus’ participants and EX’s Contact Center Manager

⁵⁶ An inbound call is one that is initiated by a customer to a contact center. An outbound call is one initiated from a call center agent to a customer, with purposes of telemarketing, verification services and others.

⁵⁷ EX’s Contact Center Manager

with their clients. And EX was also aware⁵⁸ of Reditus' high risk assumption, given the fact that this was a new service for them, of a magnitude they had not experienced before. Even though, this risk assumption transmitted confidence to EX, conveying perceptions of future stability.

Redware is the Group's sole formal interlocutor with EX for this business, despite the fact that ReditusII and InterReditus also intervened in this commercial relationship. Other channels of contact are established, between EX's top management and Reditus' CEO. Redware is considered a business partner, flexible, competent and innovative. Currently, EX is establishing its operations in Spain, and Redware has already started providing contact centre services in Spanish, from Portugal. The business turnover of this operation overcame initial estimates, and EX forecasts there is still margin for growth and mutual growth opportunities. They count on this partnership in their strategic plans to extend operations to Europe and beyond.

Other perceptions concerning Reditus' approach and attributes include a very high level of **flexibility** and **adaptation**, example of which is the adoption and sharing of EX's quality assessment process, despite having their own process. Also, Reditus accepts quality control of its operations by an external party, using "mystery calls" to contact centers.

This flexibility was also shown by its capacity to correct inefficiencies, particularly relating to operations being understaffed, as a result of inexperience in these processes⁵⁹. EX considers Redware (or Reditus, for that matter) to be "constantly" looking for improvement in processes, seeking new business opportunities on which they can collaborate. When questioned, EX rates Reditus' proactiveness as "very good, in seeking to improve and anticipate EX's future needs." They are also "strong in their vision of future innovations" but "less strong in developing and implementing technological innovations".

From Reditus perspective, it represented a new challenge for Redware, both in the type of service provided and in the segment where EX operates. Traditionally, BPO customers belong to financial services and telecommunications segments. Technological innovation was employed in the form of a new software application – internally developed by ReditusII – instead of using existing software. This investment enabled Redware not only to serve EX explicit needs, but also to offer new features and benefits which were highly relevant for

⁵⁸ EX's Contact Center Manager

⁵⁹ *Ibid.*

management control of operations. The investment made in this software application is paying off, as it is being sold to other customers and enabling further development and diffusion in the marketplace. Another innovative approach was the investment in a test project with InterReditus, using an IT solution to test a new call-center service providing technical support for EX's clients, which resulted in dramatically reducing visits to shops for that purpose.

From Reditus point of view, this customer considers them to be a business partner, sharing business information as much as possible in order to explore future projects together. This was also made possible⁶⁰ as a result of the strong involvement of Redware's top management and of Reditus' CEO.

Conclusions from customers representatives' accounts

The accounts from both customers' representatives converge in several points, in what concerns the organizational behavior of Reditus and its team – particularly, but not limited to, Redware.

There is evidence of specific dimensions of Entrepreneurial Orientation and of Market Orientation being responsible for Reditus' efforts in achieving success with these customers and also in managing the commercial and technical relationship, identifying and exploiting new opportunities resulting thereof.

Both projects exhibit similarities all over their cycle, from pre-proposal interaction to relationship management. Apart from Redware, two other business units are involved; "IT Infrastructures" with InterReditus and "IT Consulting" with ReditusII. Redware's project manager is the same for both customers. Several levels of the organization, both at corporate and business unit level, participated in formal and informal ways in the development of these business opportunities. Both projects required and resulted in technological and organizational innovation, as well as in service innovation. From the customers' perspectives, the most noteworthy characteristics of their relationship with Reditus are presented in the following two-column table 3.

The information is organized by marketing processes of Organizational Learning and Opportunity Recognition and by a third entry concerning Innovation.

⁶⁰ Go To Market Manager

	Vodafone	EX
Organizational Learning	<p>Very flexible.</p> <p>Top management commitment.</p> <p>“They wear our shirt and colors”.</p> <p>Concerned with changes in processes affecting customer’s business.</p> <p>“Proximity” relationship.</p> <p>Strategic partners.</p> <p>Commitment.</p>	<p>Interaction, proximity and involvement pre-contract.</p> <p>Very flexible, adapt to requirements.</p> <p>More than a supplier, they presented themselves as a partner, a link in our value-chain.</p> <p>Stability of contract.</p> <p>Partnership.</p>
Opportunity recognition	<p>Develop innovative solutions with other business units in Reditus group.</p> <p>Adaptable to customer’s processes, including Quality processes.</p> <p>Assume risks, such as sudden replacement of previous service provider.</p> <p>Test innovations in non-binding “pilots”.</p> <p>Constantly seeking for business leads</p> <p>Proactive, shrewd and inspiring confidence.</p>	<p>Adopt customer’s quality assessment process.</p> <p>[Reditus Corp.] being listed in the Lisbon stock exchange warrants dimension and conveys perception of diminished risk.</p> <p>Capacity to support future international development.</p> <p>“They assumed high risk, as they didn’t have expertise in contact center operations this big.”</p> <p>Allocated personnel during a 4 month period to learn and test operations, sharing cost with EX.</p> <p>They constantly search for process improvement and new business areas for collaboration.</p> <p>Very high level of proactiveness. They suggest and prompt for new needs.</p>
Innovation	<p>Innovate and adapt to customer’s innovation.</p> <p>Developed and implemented technology-based solution for Vodafone’s clients and agents, reengineering workflow.</p> <p>Currently exploring other service innovations.</p>	<p>Developed software application to support their operations serving explicit and latent needs.</p> <p>Strong vision in suggesting current and future innovation.</p> <p>Adapted service to Spanish reality.</p>

Table 3 - Customers' comments on marketing processes

Conclusions can be drawn on the reasons why these customers’ contracts were awarded to Reditus Group. On one hand, elements of customer centricity, with interaction, involvement from top management, flexibility and adaptation to requirements were mentioned as

paramount. However, given the customers' specifications, the capacity for innovation does not seem to have been a key factor in awarding contracts to Reditus Group, in both cases.

On the other hand, elements of entrepreneurial orientation seemed to have contributed to that initial success. It was the case of investment of time and other resources to proactively assess and exploit both opportunities at an early stage. A significant effort was put into understanding the customers' requirements, which inclusively contributed to the clarification of those specifications, prior to submitting its bids and proposals. This early stage involvement was a key factor in their customers' decisions. Other elements of tangibility, dimension and legitimacy were also considered, as one would expect in customers of this size and relevance in their respective markets.

Other conclusions may be drawn, however, in what concerns the development of the commercial relationship. The capacity to adapt, the proximity of the relationship and the proactiveness of searching for business leads were mentioned as positive attributes of Reditus' companies. Also, in the case of EX, their perception of the risks assumed by Redware strengthened the perception of stability of the contract. In both cases, Reditus' commitment contributed to this perception. Additionally, Reditus' orientation towards innovation was mentioned by both customers as being evident, with a permanent focus on the identification of new needs and preferences. This resulted in service innovations, which Reditus approached in a collaborative way, testing their proposed solutions in a non-binding environment. It can be concluded that the proactive nature of the relationship with their customers, in conjunction with Reditus' leverage on innovation, suggests the likely outcome of customer retention, which is confirmed by their own comments. Also, a distinctive positioning was achieved with these clients, and this is also quite evident from the participants' accounts.

In what concerns this study's third proposition, Reditus' leveraging on innovation seems less related with the successful process of acquiring these two new customers. However, it appears to play a critical role in their retention as customers and in the strengthening of commercial and institutional relationships.

As for Reditus' marketing processes, it seems likely that their entrepreneurial nature was, and is, critical for success in both acquiring and retaining these two important customers.

CHAPTER V – CONCLUSIONS

The rising importance of Marketing Management in a context of high uncertainty and market volatility is highlighted both in Marketing and Entrepreneurship literature. The study of the interface between Market and Entrepreneurial Orientations (MO/EO) and its outcomes as marketing processes (Schindehutte *et al.* 2008; Hills *et al.* 2008; Morris *et al.* 2002) provides an alternative approach which, leveraging on innovation, is deemed more adequate in certain market contexts exhibiting high turbulence, uncertainty and competitive hostility. This alternative approach has been linked in literature (Schindehutte *et al.* 2008; Zahra 2008; Miles & Darroch 2006) with the achievement of improved firm performance and conquest and renewal of competitive advantages.

However, and from an organizational behavior point of view, the Entrepreneurial Orientation and its interface with the Market Orientation depend not only on external market conditions but also on firm-specific factors that will affect the organization's capacity to integrate in its fabric the mentioned organizational behavior, translated into processes and routines.

These factors include existing entrepreneurial capital, dynamic capabilities for organizational adaptation and the organization's architecture (Ireland *et al.* 2009; Green *et al.* 2008). Despite the development of these concepts, we can find scarce empirical research on these innovative marketing processes that result from the mentioned MO/EO interface, which was the main reason for developing this research project. The focus of the present study lies on organizational processes that permeate and are embedded throughout the firm, and not on individual initiatives of entrepreneurial nature. As mentioned by Hill *et al.* (2008, p.106), "Entrepreneurial Marketing is not the direct consequence of specific managerial decisions but more the outcome of entrepreneurial processes and culture".

In the preceding chapter, we analyzed data and information collected from in-depth interviews and other secondary sources, according to the framework provided by the three propositions and the study's objectives. In general this specific case study context shows evidence of the previous propositions. Most relevant for the validity of these findings was the evidence provided by interviews with two of Reditus' reference customers, particularly in what concerns the outcomes and the characterization of Reditus' innovative marketing processes. Their opinions reveal that Reditus' marketing approach is explicitly innovative, proactive and risk-taking. Moreover, in line with the precepts of the Marketing Concept, these customers

believe that Reditus' relationship with customers and the focus on customers' needs is intense and systematic, despite the fact that they mention that these characteristics are not equally shared by all of Reditus' business units. However, they mention that these characteristics were critical in their selection of Reditus as their service provider, along with other risk-reducing factors such as organizational dimension and tangibility. In what concerns the continuity, stability and strengthening of the commercial relationship, these customers mentioned Reditus' capacity for innovation as a relevant decision factor. Globally, our findings are in line with Zahra's (2008, p.130) statement that

Market orientation ... can be a vehicle of opportunity identification. The ability to exploit the opportunity will rest on a firm's EO or its ability to be proactive, innovative, and risk-taking associated with such opportunities"

EO brings innovation to MO processes and enables a less technocratic approach, not restricted by formal planning and acting, such as in allocating resources for obtaining market intelligence from other sources than customers or competitors, which is what Reditus does.

The mentioned relationship between the MO/EO interface and both external market conditions and firm-specific factors was also analyzed in this study. On one hand, the nature of the IT market in Portugal in 2003 enabled the detection of an opportunity in BPO services, which led the current CEO to buy a shareholding stake and join Reditus' management team. On the other hand, the organization's structure changed in order to accommodate the new entrepreneurial vision into its processes and routines. These alterations also suggest that the organization adapted itself to the new decision-making style that characterizes top management following the 2003 restructuring efforts. This new style, according to the data collected, was more intuitive and decentralizing than technocratic or "heavily reliant on quantitative decision-making tools and characterized by research, systematic evaluation of alternatives, and formal reports" (Green *et al.* 2008, p.361). The organization's capacity to adapt to the entrepreneurial vision, showing less formal communication channels and greater sharing of information and knowledge, was evidenced in the participants' interviews. Green *et al.* (2008) suggest that this congruence between decision-making style and organizational structure positively affects "both an organization's recognition of the need to act and an organization's ability to act" (2008, p.361).

Entrepreneurial capital represented by Reditus leaders is embedded into the corporations' fabric by means of managerial processes. The degree to which this is achieved affects the corporation's capacity to employ the available resources to innovate and exploit market

opportunities (Schindehutte *et al.* 2008) and seek competitive advantage in the market (Miles & Darroch 2006).

Kohli *et al.* (1990) suggest that departmentalization and formalization are inversely related to intelligence generation and dissemination, but positively related to responsiveness, particularly to implementation of responsive actions. The current organizational structure and the resulting level of “informality and flexibility”⁶¹ are considered by the Chairman as adequate and required to successfully operate in this business sector, characterized by intensive rotation of market solutions and products. This supports the arguments and findings from the discussion on the first proposition, as it provides evidence of the effect that external market conditions have on the firm’s structure, whereas the proposition only explored the combined effect of those internal and external factors on the MO/EO interface.

Simultaneously, the level of informality might explain why participants generally pointed out that the departmental and business unit coordination is not a strong point of the organization, in what concerns responsiveness. This was also evident in the customers’ interviews. Furthermore, the participants’ opinion that levels of responsiveness are high although concerted coordination could improve may be examined at the light of responsiveness’s two sub-dimensions suggested by Jaworski and Kohli (1993); on one hand, we find the designing of the response, using market intelligence to develop plans. On the other hand, the implementation stage, with interdepartmental and business unit coordination that may be particularly required.

Eventually, an emphasis on establishing rules without proper concern about their effect might reduce the organization’s flexibility and capacity to adapt to external changes in the market place. However, it can be argued that a specific set of rules may facilitate this aspect of organizational learning. For instance, rules regulating the occurrence of periodic interdepartmental meetings across business units may indeed facilitate and improve intelligence dissemination.

Another relevant aspect of the organization’s architecture, besides the permeability of communication and informality of relationships between business units, is the fact that knowledge about each other’s products and services appears to be very high, from the participants’ accounts. This not only enables each business unit to represent each other’s

⁶¹ Chairman

interests in their dealings with customers but also facilitates the detection of business leads and opportunities between them. It can be said that for employees, the greater their knowledge about other business units' services, the lesser the risk for them in representing other business units' interests with their customers, even if that means overriding their own technical competencies, which are usually one's own "comfort zone".

It has been already mentioned that this large firm does not have a structured and formal Marketing department, neither at the Holding level nor at the business unit level. Nevertheless, it is clear from the interviewees' opinions that the marketing function is carried out at various levels within the organization. The only formal Marketing structure is the institutional communication office. All remaining strategic and operational marketing functions are carried out by non-marketing officials. Eventually, the perceived differences in the marketing approach of the different business units by the Reditus customers that participated in this study may be explained by the absence of a consistent and comprehensive Marketing Plan, with universal application throughout Reditus, both at corporate and at business unit levels.

1. Methodological limitations

The analysis of data and examination of practice problems within their own context justifies the choice of the inductive methodological approach for this research. In fact, given the state of the art of the concepts underlying marketing processes that result from the MO/EO interface, noticeably the Entrepreneurial Marketing concept, the inductive approach and the case study method is suggested (Yin 1994) as the most appropriate, because the object of the study is not only the phenomenon but also the context in which it occurs. Also, the intent was to describe the phenomena of marketing processes using the basic form of "how" and "why" questioning, for which case studies present a "distinct advantage" (Yin 1994, p.9) as a research strategy. However this qualitative methodological approach focused on one large firm faces some limitations, such as:

- i) The most relevant limitation of the case study method is that its findings cannot be generalized to populations or universes, but only to hypothetical propositions (Yin 1994, p.10). Additionally, being a single case study, it will not benefit from greater insights that multi-case designs provide, which enables the evidence from an overall study to become more "robust" (Yin 1994, p.45).
- ii) Carson and Coviello (1996) mention that "the fact that the entrepreneurial process involves changes of stage, discontinuities, and dynamic, holistic processes suggests that

studies of these processes should be longitudinal in character", and this is not an attribute of the present study, for that matter.

iii) On the validity of the findings, it was possible to include the participation of two reference clients, which have commercial relationships with all three business units, even if the services provided are formalized into contracts via the BPO business unit. However, additional external sources of evidence would increase the case's validity, particularly if including customers that had greater interaction with business units other than the BPO business unit.

iv) The internal sources of evidence only comprise participants from top managerial positions, failing to obtain middle and low hierarchical observations and opinions about organizational processes.

2. Suggestions for further research

With direct implications on the managerial point of view, further research on certain issues is suggested, as follows.

First of all, this specific firm has an organizational structure that, given its size, is probably unexpected. Despite being relatively large, it does not have a formal Marketing Department. It was established⁶² that in this context, the firm's level of informality is more adequate to the specific IT market context, and therefore it would be interesting to explore the effects of establishing such a Marketing Department. Would the required formalization of the Marketing function be restrictive of the above mentioned level of informality? Is this level of informality generally adequate, or is it adequate to the decision-making style of top management and the dynamic capabilities of the firm? Additionally, would formal marketing strategic planning resolve certain issues such as the different perceptions that customers have about business units' approaches to the market?

Moreover, the findings of this study may enable the generation of hypotheses for future research, particularly on the relationships between the following phenomena:

- Organizational architecture and the degree of an organization's Entrepreneurial Orientation;

⁶² Chairman

- The organizational “informality” and decentralization of decision-making and the perception of control and efficiency by organization members at different hierarchical levels;
- The balance between allocation of resources to the exploitation of current entrepreneurial opportunities versus its allocation in search for future entrepreneurial opportunities.

Finally, it is our belief that the field of Marketing Management would greatly benefit from general research developments on the operationalization of the underlying concepts of entrepreneurial marketing processes, such as the interface between Market and Entrepreneurial Orientations, the measurement of the degree of entrepreneurialism of marketing processes, and the causal relationships between organizational innovation and market outcomes.

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ANNEX 1 – IN-DEPTH INTERVIEWS

REDITUS Group, “Outsourcing Services” Business Area
Chief Executive Officer, Mr. Miguel Ferreira
Integral transcript of 1st interview

Description of the Services Outsourcing market in Portugal and brief history.

Clearly, the market isn't mature. The IT services and business process outsourcing market is not a mature market. It is still a developing market, still growing and it's a clearly fragmented market. We have several types of market fragmentation. First we have a group of small or medium sized companies, up to 5 million of Euros, which represent a significant segment of the market that, according to an IDC⁶³ research, must be around 30 to 40 % of the market. Then we have the big players, and we have a curious thing: there are clients or potential clients that have shared services, provided by shared services units, which absorb part of a market that could theoretically be provided for by IT suppliers. This has been a characteristic of this market – either technologies or outsourcing – which has been developing for 20 years now, and it is clearly identified with the emergence, first, of personal computer technologies, and then of networks, and with the economic development verified in the country, having been necessary to increase companies' productivity, these required computerization and automation of business processes that has been one of the drivers of this development. Companies grew, became bigger and more complex, as well as the market, and it could not be done just by increasing human resources, but also by improving business processes, with increased efficiency and automation, based on better information systems. Initially, the developmental model was the classic one, this is, the client acquires capacity and manages the technologic capacity. Then they started noticing that this had very high costs, and it posed an updating problem as well, since technologies are somehow dynamic and are permanently in evolution. When the client acquires that asset, if he does it on his own, the time required for absorbing the new technologies is longer than if he used an IT partner.

So the first initiative was the client acquires the assets, recruits people to work in their staff and make the process, let's say, internally. For the IT supplier, its role will be of a onetime seller; it sells the system, sells the equipment and hardware and then the client proceeds on his own. Years later, when the client feels the technology is not adequate anymore, he goes back to the market and buys a new version, a new technology, whatever. This presented a very high possession cost, and a very high maintenance cost – which is the cost of ownership – and therefore a new philosophy started emerging. Initially, the client would share, that is, would reduce the number of internal resources committed but keep owning the assets and, let's say, subcontracting parts of the project to IT suppliers, so that it could benefit from new technologic evolution and processes, etc. It was verified as well that this way, even reducing somehow the ownership costs of the systems, the client was repeating and duplicating his work, having to teach the provider his business process, his business model, how it worked, etc. Each time there was a change, the story would repeat itself. So this new philosophy started to appear, where the customer started to look at his information systems component as an utility, this is, instead of

⁶³ IT market research and consultancy firm

buying the assets, incurring in CAPEX⁶⁴, and investing in people and head count and management costs etc., it would try to agree with IT providers a different perspective; not buying infrastructure, not buying a solution, but buying a service, with an attached level of service, with certain quality requirements, and it would pay according to the availability of that capacity and to those levels of service.

That's where the first generation of outsourcing services began. We're talking about 5 or 6 years ago when it started on a more pressing way, and very connected to infrastructures more than to applications' component. And the model somehow brought gains that clients were waiting for, in some cases more successfully than others. The same concept also evolved with the applications' component, therefore requiring payment for active users, and for maintenance as well.

That was the second generation of outsourcing services, where besides infrastructures it started to include the application component. As a function of the various economics cycles that are increasingly shorter between expansion and contraction, what happened was that clients verified they had to reduce even more their ownership costs and reduce even more CAPEX investments. So a new tendency started showing that was: besides infrastructure and information systems, customers also looked at outsourcing certain business processes which are essential but that don't have a critical contribution to the value-chain of what they produce – such as accounting services, human resources systems, administrative management of contracts with the client. These are all functions they could not stop having but that in their value-chain are functions that don't contribute to the formation of the perception of value by their final client.

For that perception of value contributes essentially the capacity of creating new services and products, innovation, the management of brand and marketing in terms of the market, the managing of distribution channels and product placement and management of price and production costs. All other tasks, in function of economic cycles, have seen a tendency to outsourced them, and why? Because quantities of sold services or products have big oscillations in function of market fluctuations and so if I, client, have a very rigid structure I will have, at best, some difficulties in responding to those fluctuations and, in the worst case scenario, I may not be able to survive because I don't have the capacity to keep incurring in those fixed cost.

So this new concept of outsourcing includes infrastructures, includes information systems, includes the processes and includes the people that operate them. This started 10 or 15 years ago very intensively in Anglo-Saxon markets and started to reach other countries, namely Portugal, more recently, approximately five years ago.

What is the big advantage adding to the others? I already passed over the CAPEX, I have the technological component more under control because it is assumed by the provider, I have other services outsourced, but I don't have transactional processes outsourced. By outsourcing business processes, I can include a transactional service, this is, I may convene with my outsourcing provider the achievement of minimum quantities sold, which are at the threshold of a "close the door" situation. I set up a contract with him and pay him as a function of my production. For example, if I make more insurance policies or more credit contracts or more cell phone sales contracts, I'll pay more. But if the market contracts I'll pay less. Within certain margins, unit prices don't even change.

⁶⁴ Capital expenditures

If by chance there's a market campaign where there's an excess in production, I may have to pay lower unit prices. If the opposite happens, I may have to pay a minimum, but it will be less than if owning my own fixed structure. The great concept of BPO (business process outsourcing) is that it aggregates these four components – infrastructures, software, processes and people – and the transactional issue as well. And I will pay as a function of usage within a certain band, Service Level Agreements and quality levels. So I, the customer, have a package of 7 things included in services outsourcing.

Why did we opt to engage in this? Reditus had passed through a restructuring and recovering phase and needed to get back into the market and develop its business. We did an analysis of our market positioning and we could have decided to operate on the preceding outsourcing generation, which was just the supply of infrastructures and software based in SLA's and quality, based on costs. We understood we would face very difficult competitive issues, because there were already other players in the market much further ahead than Reditus. So we decided to make a big leap, that was "we're not going to compete on something that clients our competition can outmatch us and we're going to lose", but let's introduce this concept or let's potentiate this concept and achieve a differentiating factor, not comparable, and serve a need that clients have, which is still not properly explored in this country. And in fact it was a success. That was what allowed us to create a business area that, in our portfolio, currently generates around 15 million Euros in terms of BPO but which then induces some tenths of millions Euros on sales of applications and infrastructures. The capacity of analyzing the market and that entrepreneurial spirit of introducing a new concept in the market was in fact what allowed us to achieve differentiation. At the time when we introduced the new concept, some of our competitors minimized this positioning of ours because they didn't understand the concept. But it's curious to see that those same companies that minimized our positioning are now trying to serve this market with this kind of offer.

Was that innovative in Portugal?

Yes, mostly because we are a Portuguese company, and because at the time those with capacity for this approach were not exploiting it – we talk about Accenture, IBM, Deloitte, etc. Accenture and IBM were not exploring it at all; IBM was exploring infrastructures but not business processes, and Accenture had the know-how but wasn't exploring it, and Deloitte was exploring it only at accounting and human resources level.

It's interesting how a latent and potential opportunity – probably very visible – was not exploited at the time...

...because "necessity makes the artist". Those competitors had their own market share and customers and were comfortably seated on their share of business. We had the necessity to develop, and survive and expand which the others didn't. So we had to fill in the gap. What motivated us to go forward was the fact that we understood that there was that latent need in the market, and that our competitors were "comfortable" with their business models and we noticed there was a possibility here and a differentiating factor. And it worked and is still working and it has been encouraged and developed. This is our market environment and how we reached this point we are at. From here on there are other questions and issues. We'll have to move on from a process outsourcing to a transformation outsourcing. What is this? It's not only replicating, doing better, quicker and cheaper the customer processes but also introducing improvements to the processes themselves that allow them to be cheaper and more efficient. And also providing the transformation on the customers' side, on the way he organizes his own business processes.

Is this a tendency already identified?

Yes, it's a very clear tendency.

Is it a tendency other providers are already following, or is it an opportunity identified by you, generically?

It's both. In more mature markets than ours, it's a tendency clients and competitors already recognize. In our market, it's an opportunity identified by us because we're already doing the BPO and because clients, still with very few exceptions, don't go through an outsourcing process which includes transformation [of processes]. This is due to perception of risks, for not knowing the provider, and for other reasons. We already have customers of Process Outsourcing going back 5 years, so those customers don't have to explain to us their business processes, we know about them as much, or more, than our customer does. So we can identify required improvements that the customer can't, because he is already "removed from the problem". What we see is that we have this capability, so we're going to explore it and develop it and make it into a new dynamic development. Our competitors in Portugal are doing less than us and still have to go through that learning period about business processes of customers.

Including majors, the multinational competitors?

Despite the majors' business being a little different, since if they need to use that approach they ask an expert to come in and replicate the "thing" in this market. But we have a differentiating factor on our approach to customers; while Majors' approach is to let the client know he has been doing things wrong for 20 years, using a PowerPoint presentation to tell them they should do things differently, we say, "we'll start by doing it exactly as you do, and only then we proceed to transform and improve [processes]". It's more of a partnership, and don't judge how the customer has been doing. We proceed by adhesion and together we build something that is different.

Majors adopt a rupture approach, and often that is not pleasant to customers, particularly in our culture. Probably in the United Kingdom or the United States those things are already part of life and markets are very big and people have mobility etc. If the customers' project manager doesn't "like" the supplier, he can change and go work elsewhere... here there aren't so many work opportunities and so people are afraid of losing control of "things". They prefer a partnership approach in order to develop the business process.

Can you describe the environment 5 years ago, when you decided to make that leap, relatively to 3 variables: the organization's proactiveness and your own, innovation (already mentioned) and in terms of risk management (would you prefer a "miss the boat" or a "sink the boat" posture)?

Proactiveness was complete, because we had to do a thing called evangelizing the market. Reditus represented an obvious advantage – that's what attracted me to come in and participate as a shareholder, because I was having similar ideas for several years – because it had already experience in what we call a PSO (process service outsourcing) with a service of outsourcing of data entry, data registry and similar processes. When Reditus was created, in the 1960's, it provided bureau services, consisting on producing computer programs adding the operators that introduced data in perforated cards which were processed with those programs producing paper lists with tons of data no one would read. So there was already a culture of data processing services in here, which is interesting. And it already had some call-centre customers with data registry services. Secondly, there were already customers of generic IT services with whom Reditus had good referrals and that were already mature for a presentation of this sort of services, where a trusting relationship with such customers would be enough to provide credibility to this new service. But we had to evangelize customers, so that the model could evolve to a business model and not merely a data entry and process model, and also to evangelize the customer so that the management of processes would be handed over to us, and that some issues related with technology

had to be ours as well. The evangelization process had this purpose. When you're in that evangelization process, "you should put your money where your mouth is"! We had to have a risk taking attitude and so we "took the boat and risked sinking it". But for that we need to have some good lifeboats and vests, and wait that someone listens to our help request, our SOS!

Were there risk dilution mechanisms?

It was a total risk assumption. The company didn't even have mechanisms or capacity to spread risk. The risk it was assuming was really "sink the boat" risk, this is, if something would go wrong, there would be no turning space. It was an assumed risk taking attitude.

Wasn't there partnership with clients, when there was innovation?

Clients are very "selfish"! Why did they go along with it? Because it was a good business opportunity, the risk for them was small because they gave us things, at an initial phase, very little and very controlled and if something would go wrong they would internalize it again. The price, the value for money, was very interesting for them. For us it was exactly the opposite; we didn't have much room on the economic profitability perspective and if that really didn't go well, we would sink the boat. We were completely "walking on the wire"!

It went well. Obviously we had lessons to learn – I can say our first outsourcing, of mortgage credit, took a year and a half to be tuned up. The last mortgage process we implemented, in a month and a week was online and working.

With a close relationship with the client?

Of course, complete! Involving a lot of discussing.

Who was the first client?

On that area the first client was [major Portuguese bank]. And it was the first big project. We had smaller things, on "M" bank we had account openings, we have balance sheet databases in insurance companies etc., we had various things of that nature, but smaller. The first big contract was that, that took a year and a half and almost half of the contract to get it aligned. Because there the customer itself was learning, we were both learning. Just to say that concerning to the entrepreneurial spirit, it was complete and also total proactiveness.

And generically in the company?

Handled by me but totally supported by the company. I inclusively followed a strategy of "eating the hot soup by the edge". With hot soup you don't put the spoon in the middle, or you'll burn your tongue.

Whishing not to interfere with what was going on, we decided to reorganize and optimize services that already existed then a new area was created which, with some exaggeration then, was called Go To Market [GTM]. Basically, this interacted with all the areas to create this new service offer.

Was it almost like a project?

It was almost like a project, led by me, where I recruited internally as I didn't have the capacity to recruit externally. I was recruiting, training, with internal and external help, and built that service.

And training on these entrepreneurial areas, on these 3 variables we spoke about; a certain proactiveness, innovation, proximity with the client...?

Yes, but on the subject of risk, only myself and the then CEO could make decisions about it. Now, we had training in market exploration, customer management, relationship management, presentation techniques, sales courses, we had several courses. As we were getting more capacity, we were doing more training. And I started with a relatively big team, at the time I had 14 persons in the GTM structure, and today from those 14 only 3 are

left. I knew as well that the “mortality” rate would be high, when you start a new thing and build a new team – I interviewed dozens of the company staff for the selection – we know that, as in a naval battle, you don’t comeback with everyone, if you come back you’re ship is full of bumps, and here it was more or less the same thing. It was known that on this “battle” there would be desertions, and there were, people that gave up, that didn’t feel well facing a frenetic rhythm, and others had to be put out for not achieving the goals. Others were good values and competitors came and got them, everything happens, and you end up with a core team. At top level, Sérgio [Moraes] was already a director of the company and had the processing of data services and he adhered to this concept and today he is clearly the big boss of this area. We had to transform him from a manager, that was already a director in this company but that was fundamentally oriented to conflict management, day to day, into an entrepreneurial and extremely aggressive person in terms of business development, which is what he is today. For example, he was very centralizing and today he has a team of 7 business unit managers, and basically we had to potentiate what was his DNA on the sense of giving him that entrepreneurial spirit, of letting him feel that this was not my business, but his, and that the only thing I was doing there was helping him build a better business and for him to have the capacity to evolve. Curiously today we’re in a distinct phase – the phase of evolving to BPO – for which we need to review the very business model we’re working with now. And nowadays it is easier because it is himself that, with some encouragement, feels he has to give that step forward and evolve in that way. Basically what was done at the time, besides evangelization tasks, going to clients, presenting, making the business proposals’ models etc. was a little personal coaching as well, in a way he could become the big leader in that area, as he did. To build a team you can’t be centralizing, because if you are you have a limited capacity to grow your business. When I got to Reditus there was no middle management, zero. The CEO was in charge, and the sensible ones would obey! Today we have a top management team, including Tecnidata’s team, we’re talking about fifteen persons, and we have a middle management team. At the time I arrived we had a 14 million euro turnover, and last year we had 107 million. It’s work! If there was no middle management in the company we couldn’t be having this conversation because I would have to be tending to a customer or resolving an operational problem or taking care of a purchase... This is the spirit we try to impose. We have an organization of business units that are P&L driven, this is, each one of the business units’ manager has a P&L and answers for its results. That induces an entrepreneurial spirit, because people are permanently fighting to make an improvement on their P&L because they know that will affect their rewards directly.

How did you arrive at the Reditus universe?

I was looking to acquire a business or make a start-up of business of that nature. In the middle of that process I was getting away from a preceding one, my own, which I had sold. I wrote a letter to various business partners, I hired investment banking services as my advisors to buy in a business, and to help building a business on the financial side. There was a confluence, on one side this bank was the big Reditus partner in their restructuration and the CEO knew me from other situations. I was invited to come and meet with the CEO and he invited me to come “do that in here”. He understood the concept, as he has an entrepreneurial spirit as well, but my first reaction was not much on that line. Later the bank insisted on the merit of this idea. It was a confluence between my initiative of saying “I’m going to be in this market segment” with a proactiveness of the CEO and of Reditus, showing that “this may be what we need, we’re available to take the risk with you”, required to survive and evolve. The investment bank provided the adequate conditions so I could adhere to the process. I had big

hesitations on the matter, “go-don’t go”. Then, I was here some months as an administration assessor (4 months) to understand, to integrate and then I thought “It’s worth it”.

(To the decision) Personal beliefs versus in depth study?

Well, there was an in depth research, but at the end the decision was “I believe it”! If it was just by research, the risk issue was so high that it wouldn’t allow me to make a decision. If it was just for the financial and technical issues, I would say “leave the boat, it will sink”. There were still various [risk reducing] factors; the fact Reditus was a listed company, the fact of having the relationship it has with the investment bank, the fact of having other credible administration members in the Board, the fact I somewhat knew the CEO. I didn’t come in here mistaken, I knew what I could count on and the CEO knew as well, not at 100% or as much as we now today, but with a certain level of confidence. After research was done, risks identified, it was totally a “gut” decision. It’s worth it. All my friends at the time told me I was insane. Today some of them are jealous. But “no pain, no gain”!

How do you describe your business behavior relating to autonomy?

To give you a notion, I have another business I proposed to a group of partners, and at the second hesitation of them, it was over, I did it on my own. OK. I really like to have partners, I like to share, I am a team player, despite knowing that the captain is a lonely man, when that moment arrives, it’s a final call, you report only to God, right? So I really like to have a team and have partners and so on, but if I have the capacity... sometimes there’s no capacity, like there was another business I really would like to have done but had no resource for that, and couldn’t get them so I had to let go with great pity. But it’s just like that, you don’t have infinite capacity. For me autonomy is essential.

And capacity for innovation?

I already answered that, when I started we looked around, we had a technological portfolio, the market is in a certain stage, to compete in that market we’re not able and ready, so let’s have another approach, we move ourselves into another stage of that market.

Intuition versus observation?

There’s no intuition without observation. Forget it. Intuition is like saying, “he is very lucky, but luck requires a lot of work”. To be lucky you need to have opportunities, to have opportunities, you need to build them. It’s a little the binomial question intuition/observation. You need to observe a lot; you need a range of individual and personal experiences and case studies. That, for me, has been a wonderful way to learn and evolve, reading books, speaking with people that study cases, all of that is essential to take ideas from, and so there will only be intuition if there is a base of personal experiences. That question of the Midas touch doesn’t exist. Our life is not only made of successes, I had several failures in business. Once I heard the expression “A man without a past is a man without a future”. When speaking about intuition versus observation I would say you have to observe a lot to have intuition, if you have several experiences, you’ll have intuition. As the fisherman that warns us, on a sunny day, that we should bring a coat for the end of the day. We don’t believe and leave to the sea. Later the weather changes and it rains, and we ask ourselves, after all, is that intuition or a lot of observing together? It would be a lot of observing together and capacity to read and interpret. Probably when the sea is like that, the wind on a certain way, etc., the weather changes, probably fruit of several years’ observations.

The artificial intelligence systems are systems able to interpret and decide about new facts and get to correct decisions. But the artificial intelligence systems work with two things, in very simplistic terms: it’s a big

database of knowledge of similar things, and the second with decision trees, Bull's algebra. There's more but this is the base. It's a little like us, during life we see good things, bad things, a lot of experience and observations, and when we face new situations, sometimes in an intuitive way that we can't explain, we formulate an opinion and take sides about new things resulting from our knowledge and our internal decision tree. There are people with more ability to do it; it is just related with the innate characteristics of each one.

This innovating capacity, or innovating behavior, can it be learnt?

I think so. I think innovation does not concern only white gowns and laboratories. Innovation can be doing the same thing just in a different and better way. There are ways to teach people innovating processes. A way I use is the following. I identify a problem. Then I do a kind of funneling and throw ideas inside. They are possible solutions, some of them, as said in mathematics, possible and determined and undetermined. In Reditus we have as well possible and undetermined solutions, either because we don't have resources, or it is not legal, etc. So we throw ideas and select a group of two or three and then you do the inverse process, which is (at the end of the funnel) of implementing actions, to obtain the solution.

At the bottom there is the problem, is made the process of identifying n possible solutions, determined, undetermined, with or without restrictions, but as this is an innovation process you must have an open mind. After that you make a finer selection process and from there you'll see plans of action, being a part of the innovating cycle. Well it's possible to teach this. As for the quality and quantity it depends on the person, of her innate characteristics and fundamentally of her observation, of her life and experience. I think it's possible to teach people about how to structure a mental process that aims having a systemized approach to create solutions to problems. And creating solutions to problems is innovating. I was told a very interesting case, some years ago in an innovating process of EDP [energy utility] there were two winning projects. One of them was won by the accounting department because they remembered to do bimonthly billing (monthly before) saving some tens millions of Euros each year in paper and stamps. It's so simple, it's innovating! Instead of billing every month, they do it every two months. The price of stamps and paper is reduced to half, remarkable on a company as EDP with millions of clients. The other process that won was really a white gown project – a cycle of co-generation without CO2 emissions - clearly investigation and developing scientific innovation. Of course that the processes of creating innovation were different, the accounting one is more a problem of ideas and then a solution like Columbus egg, that later is said to be obvious, while the other demands scientific knowledge. But in terms of cycle, the same thing applies. I think it's possible to teach people to systematize and organize the innovation process. What you can't teach is experience, for example, a 25 years friendship takes 25 years to achieve! You can't replicate a 25 years friendship. It can even be more intense, but it's not a 25 years friendship, it's different!

We spoke already about risk taking, relating to the example of "sink the boat or miss the boat", relating to underperforming or missing the opportunity

In certain situations I prefer underperforming and taking the risk.

What about proactiveness and the disposition to influence the environment?

It's almost narcissistic, the question! I like to influence. Once I was giving an internal session of teambuilding, just at the beginning, and I said that if I had to draw a CEO, a top manager or a senior manager, drawing as a child, I would draw a person and then I would draw two big *Dumbo* ears, representing the ability to listen. Once again you can only influence if you listen, because you need to know what the worries of your troops are, what's in their souls, their fears, their desires, their aspirations, their motivations, so that you can influence them. You

can't influence them if you're not firstly predisposed to understand the environment. To influence you need to have a tuned and assertive communication. I think I can influence because I hear, or try to. Sometimes I may not be very patient, but I have to find the predisposition to listen what people have to say, to understand correctly their desires, expectations, fears, wants, etc., so then being able to act with that perspective. But that has to do with my leadership style; it doesn't mean it's the right one. I know other persons that have a completely directive leadership style, as a friend of mine who is partner and CEO of CG in Portugal. He is very funny person, but has a completely directive style. No employee is expected to give ideas! "To have ideas I'm here myself!" Everything marches on, in there... It's a successful company, market leaders. In fact I think it's fundamental to influence the environment; I like to take people to do things by will and not imposition.

Relating to the competitive aggressiveness

I'm going to answer in the following way: at weekends, I could stay home, with my children, but I'm racing cars, sprinting, I'm very competitive. Only when the engine blows or I can't really do it, I get uncomfortable as no one else. That has to do with the way I am and with what I apply to business, this is, I respect my rivals and really try to avoid to say bad things about them, regardless of what I think, because it has to do with "savoir faire" rules, that often are not respected by competitors but (in terms of competition) I will "bite" if I can!

In this competition issue, what do you think of the word legitimacy?

Unfair competition, tricks in the bad sense of the word, no! That turns against you, you must be competitive by positive factors, and you must dispute the market with fairness. Obviously in the business world sometimes there's no fairness. What I've been observing is that if you want to be in the Portuguese market in the long run it pays off having balance and fairness rather than being unfair, because all the cases I knew involving unfairness are no longer in the market. All people that somehow kept high aggressiveness levels but always trying to play by the rules, for better or worse, they survive!

Your training?

Degree in Mathematics, with two specializations in operational investigation and computing sciences. I have a post-degree in business management. I have attended dozens of training courses.

Business experience?

None, I'm learning everyday! I started working at my 2nd year in college, I was with IBM for about a year, and that's how I started. I worked in a company where I worked for others two more years and 4 years after starting my professional life I started my first business. Since then I've always own businesses. Ranging from pure entrepreneurial businesses by starting up ventures, creating employment, to other more opportunistic business ventures.

Besides that entrepreneurial experience, did you assume managing functions in all of them?

Yes, except in a case of a consulting company. Mr. Carlos O. had left a consulting firm, he wanted to create his own business, we knew each other, I gave him support but he was the one leading the project. I was a bit of a business angel, of business developer and tried to help him encouraging his team. Sometime later the project was mature enough and I stepped out. And the business keeps on going.

Finally, your influence on the company's competences, on its values and innovating culture. Considering the human resources, mainly managers, how can you describe their capacity, as an outcome of your influence of having a perspective into the future?

One thing is what you desire, the other is reality. What I always try to encourage and stimulate is that they don't look only to the floor in front of them, but try to look towards the horizon. It's like driving a car, you can't do it looking to the hood, and if a truck comes your way you'll only see it after you crashed. I always try to encourage people to balance between everyday short term tasks and the road they have to take to get to what is a bigger and designated goal. I always try that they see both, and that they always think in the everyday acts and its consequences, as a chess player. When you move the pieces you can't only see that next move. You anticipate your opponent's reaction, etc. The good players do that with 10 or 15 iterations and remember everything! But I'm not going to ask that. I ask them to see one or two moves ahead, to understand what options are the best or if they should make other options or take other perspectives. The problem is the availability people have to do that, because this takes time. When you are growing 30 or 40 % a year or you're managing profit margins on the edge, which is very much time consuming, you can't get out of the box and look forward. Sometimes it's even a question of physical impossibility, people get exhausted as well. What I try is that people have that capacity of projecting, looking forward, thinking about consequences of what they're doing, build a path they see, but sometimes it is not possible.

But are your ideas passing on to the team?

Yes, they are.

Influence on the capacity to recognize opportunities?

There's two types of influence: besides this mentioned procedural aspect, there's another approach I try to influence, which is posing hard questions. When they bring me "impossible" problems and similar situations I always try the "out of the box" approach to make them think that way. I think there's a good interaction in that aspect and that they somehow react well to the stimulus.

Curiously what they sometimes complain about, mostly the older ones, is that they miss the availability I once had, initially, for that kind of approach. They miss that stimulus.

Does that mean they wish for that availability?

Yes, somehow yes.

Can this be evidence of what you want for your team?

I say this because that's what they tell me! I wouldn't conclude that on my own.

Your influence on the tenacity with which opportunities are exploited?

It exists, more in some of them and less in others. As I said in Sergio's case, he can be relentless, he follows a lead, and never lets go. Others have a completely different perspective. They are less combative, with a different personal profile. Some are much less risk-taking, much more technocratic, much more secure. But their business is different. Anyway, I think tenacity depends on each one's characteristics and stamina. But I never accept that a business proposal is lost. It's almost a religious matter, if the customer says no, we go there and speak with him. Sometimes I know in advance there's nothing we can do, but it is just a question of making that additional effort to see if we can go a little bit further.

The capacity to leverage and combine resources (maybe GoToMarket is an example)

There we have a lot to evolve. We leverage and combine resources, as I just described, like the internal recruiting, we have been evolving that way. New services we create always involve multidisciplinary teams to create new things etc. That exists. But I think we have a lot to improve in the area of "talent management", more than HR management and skills. This company involves 1200, 1300, even 1500 people every month. This is the

“big numbers” theory; in 1500 persons there must be talent. I think we should have a process, and there are processes and technologies for that, of identifying more often talent and potentiate it because that would be good for the company in several aspects. On one side, workers loyalty would benefit and also showing that the company generates opportunities for them; on the other hand, regarding competitiveness, if you have talent, you have more innovation, more differentiation and thus more chances of being successful in the market and with customers. I think that is probably an area where we have a lot of development to do, even because the original company’s culture was not a delegation culture, but a centralizing one. It was not a culture of “you’re paid to think” but rather “you’re paid to do”. Here, those who appeared to do a lot of thinking were not well regarded. That cultural transformation has been under way for 5 years, and sometimes one can still feel the “old ways”. This is an area where, clearly, given the personnel we have, the differences between their backgrounds and the multiplicity of services we provide and technologies we dominate, we should have a greater capacity of identifying talent.

REDITUS Group

Chairman of the Executive Committee Mr. Frederico Moreira Rato

Partial transcript of interview

MO questionnaire, answers and comments

Direct answers to the questionnaire were not given. Instead, comments were made while mentioning some of the questions therein.

On question 1); of course, I strongly agree. At Reditus we try to anticipate customers' needs by meeting with them often, not only at purchasing decision-making level but also at strategic decision-making level. This enables us to internally prepare an adequate offer to those needs.

It has been our practice since the beginning, meeting with stakeholders.

We have two non-executive bodies which are very useful to our business. One is the statutory body Strategy Council. It includes one BCG⁶⁵ director, one Roland Berger director, 1 member from academia and one specialist in Labor Law. They meet twice a year and also individually with top managers, on a need-to basis. They bring market intelligence into the Group.

Another body is "Forum Reditus" which gathers 20 top influential people from suppliers, academia and clients. It convenes twice a year and it attracts great interest. Through it, we pass information concerning our Group out on to the marketplace. We establish capillary relationship with stakeholders and increase our capital of influence. Everybody participates with enthusiasm and this is very good networking.

We search, top-down, militantly and formally, for market information of micro and macro nature.

In Reditus, there must be the current level of informality and flexibility, while operating in this business of intense rotation of solutions and products.

The Portuguese market is fragmented; market share leaders are multinational IT companies with very strong Branding. In order to compete, while [for instance] IBM produces a PowerPoint presentation in their business proposals, we have to do a pilot test of the solution proposed, as a guarantee to the client that we have the capacity to do what we offer.

In Reditus we encourage the proximity between managers who are at decision-making levels and our clients; clients know that whatever is decided with their Reditus interlocutor, remains decided [and commits Reditus to the decision]. In the case of multinational corporations, decisions must escalate several levels, and clients' interlocutors are often below those levels.

Reditus [and personally the chairman] was involved in the creation of the Portuguese Outsourcing Association, which includes major competitors (Reditus, Glint, PT, Novabase) plus six multinational IT companies (Indra,

⁶⁵ BCG, Boston Consulting Group

The impact of MO and EO on innovative Marketing processes

Logica, IBM, Capgemini, Accenture, Deloitte). The idea is to produce a Code of Conduct for the industry, certified by seal of approval, meaning that companies to whom the seal was endorsed comply with the Code. This would mean that Reditus Seal would be equal to IBM's Seal, conveying that perception on to customers and stakeholders.

It is forecast an explosion in Outsourcing services, with new companies appearing, stemming from existing companies where managers decide to do it their way. With this Code of Conduct there will be a barrier to entry into the business and there will also be self regulation to ensure quality of services rendered to customers.

On question 7); at Reditus we have a monthly report meeting covering several issues, but also to provoke discussion on issues taken for granted. I encourage discussions, like, for instance, replacing the car fleet with bicycles, where and when adequate, in response to heavy city traffic. We question everything, informally.

From a formal point of view, we order regular market reports and studies from business consultancy firms like Roland Berger.

At Reditus we enjoy very much the controversy, at executive committee level. We hate "yes men". We provoke discussion even when we are not convinced of the idea we are arguing about.

When things don't go well, we assume it collectively, not only at the board of directors but also with colleagues at monthly report meetings. We stimulate the participation of everyone.

We push for decisions to be made, but only when there is a perspective of return on investment (financial or otherwise).

On question 8); the marketing function is dispersed, but on communication issues it is very formal, even if because Reditus is listed in the stock exchange.

We organize ten workshops per year, concerning useful issues to the industry and with the participation of outside speakers, such as of consultants and lawyers, people of great influence. They are capable of inducing favorable behaviors from managers in prospect customers.

In our internal meeting we also discuss business conquered, business lost and opportunities, such as the replication of successful solutions employed with other clients. We discuss the creation of task forces to exploit those opportunities, etc.

Our [corporate] brand is promoted in economy and financial media. Because of being a listed company, there is added concern about this promotion.

It is critical for us to create a Marketing decision center, to deal with issues such as corporate branding.

In successful projects, we produce little plaques called "tombstones" to highlight our successes with customers. These plaques mention the project and the customer names, and are offered to customers' managers.

We also produce framed photos of our workshops' speakers, with the Reditus brand, and offer it to those participants.

EO questionnaire, answers and comments

On Part B, (INOV), (RISK) and (PROACT).

The impact of MO and EO on innovative Marketing processes

We are permanently trying to find out how things can be done differently, instead of “by the book”. On these creative discussions, “nonsensical” arguments are accepted and encouraged, enabling free and creative solutions and opinions to be expressed. I love when that happens.

A complex problem requires uncommon solutions; otherwise it would not be a complex problem.

Our approach to customers [referring to BPO] is “we do it exactly like you do”, without disrupting your process during implementation. Whilst an IT multinational “sold” “PowerPoint” presentations to management, customer’s Operations department would prefer buying from us. One year after our successful bid, and assuming the customer’s process, it would be the customer himself to suggest alterations, acting as a “change agent”.

We are constantly reflecting about new business opportunities, such as assuming the process of customers and buying their technology, with the intention of replacing it in the future with our own technology.

We talk about and discuss our innovative ideas with our business consultants, and then we ask our closest customers for their opinion on that regard. We are not afraid to discuss everything.

In search for innovative solutions, we have an informal routine. I am personally involved, as it is an “early morning orange juice with the chairman”. It consists of inviting successful project teams for an informal meeting, early in the morning. There, I encourage an open discussion of the specific project merits, and views on innovative approaches are shared. In subsequent meetings with other successful teams, these original views are shared, discussed and disseminated, whilst discussing new ideas brought forward by these latter teams. This enables new procedures and routines, as well as opinions on customer development, to be shared, tested and given a change of being put to good use by the organization.

**REDITUS Group, “Outsourcing Services” Business Area
Chief Executive Officer, Mr. Miguel Ferreira
Partial transcript of 2nd interview**

MO questionnaire, answers and comments

1) 5 2) 2 3) 1 4) 5 5) 1 6) 4 7) 3

8) 4. We don't have a proper marketing department with marketing staff.

9) 5 10) 4

11) 1. Informal and casual conversations by the coffee machine are an efficient way of disseminating information.

12) 2 13) 1 14) 5

15) 4. It happens between business units

16) 5

17) 4. Again, it also happens between business units.

18) 1 19) 2 20) 5

I would say that our capacity of “organizational learning” would be ranked 4 on a scale of 1 to 5. The only problem with this is that we are permanently listening to customers; we have the practice of always responding to customers, we react to competition... The only thing we don't have is a systematic market research activity. The last formal market research study we have is 2.5 years old and was done by Roland Berger [management consultancy firm]. We update it on an *ad hoc* basis. It is a strategic component that should be better formalized and systematized.

We get together with customers very frequently, we are permanently with them. That is where we get information from, relating to market trends and customer needs. Based on that information, we prepare our product and service portfolio. The question is that this approach leads us to a reactive situation. If only we could collect information in a systematic way, from customers and other stakeholders, process that information and establish internal trends, we could increase growth, faster and better.

EO questionnaire, answers and comments

Part B

(INOV)

1). I think we are more inclined towards valuing creative new solutions.

2). It is my wish!

(RISK)

3). I am totally against that statement. It is contrary to our practice, at the moment. We are balanced between risk management and being proactive and valuing leadership for change. We are more inclined towards initiatives for change than to risk management. I usually say there are two types of managers; managers of new things and managers of existing things. We have more managers of new things.

4). It is not true.

5). In that statement, I would replace “if they are very certain” with “if they believe”.

(PROACT)

6). Yes, it is like the current crisis, for us. It made us go out there, gaining more market share, telling customers that we are here to stay, whereas their suppliers might be at risk. This crisis is also an opportunity.

7). It is true; we talk more about opportunities than about problems.

Description of organizational marketing processes

Organizational learning and opportunity recognition

We have both processes of Organizational Learning and Opportunity Recognition, but both need increased formality. They depend on individual capacities. Obviously, these issues are discussed and worked on actively. But we haven't got a written procedure or a given methodology, these things are done informally.

The gathering of market information has got several different sources. About two years ago, Roland Berger produced a market study. It provides analysis on competition, on our positioning and on development opportunities. Prior to that, another similar document had already been produced by me [CEO]. The mentioned study serves as basis for our discussions on these issues. It has been periodically reviewed by us, in internal meetings. Other market information is sourced from other consultants such as Gartner, IDC and others. All this information is collected, processed, and a benchmark is produced for purposes of our positioning. This is done by the CEO, but every top manager is responsible for gathering market information. Then the CEO assumes the dissemination and discussions on this issue. Other information sources are our partners, such as HP, Microsoft, SAP, Dell, Outsystems, IBM, etc. They have these processes systematized and their corporate communication and commercial channels provide good evidence about market trends and the outcomes of their market analyses. We attend all their workshops and seminars in order to collect that information.

Yet another source is our customers. We meet them to learn what they want to do and to exchange information on the market. I talk to customers on a daily basis. Conversations with customers have specific dynamics, because they are in contact with our competition and that is a source of information on market innovations. So we have a continuous process of listening to the market and to various stakeholders, and then we include our own personal reflections, our feeling and our experience.

In a nutshell, instead of formal processes, I encourage listening, awareness of the various sources of market information, and a proactive attitude and alertness to build value propositions. This includes business unit managers and GoToMarket sales representatives. After we discuss our options, decisions are made and converted in “service orders”.

In what concerns stimulus to innovation, we have an innovation prize, but I don't think it produces the expected results. In periodic meetings down to the project managers' level, the innovation issue is discussed, and each customer's potential is analyzed. We encourage the detection of concrete business opportunities. We find that this proactive attitude is more easily adopted by managers who have higher levels of formal education. When we have a new service, we stimulate all managers to ask their customers about their interests. In the services sector, one has to be seen as up-to-date and interesting by customers, showing concern and innovativeness. This requires training of our staff.

So I conclude that Organizational Learning processes are less formalized than Opportunity Recognition processes.

In what concerns Opportunity Recognition, we ask our employees to identify what our competitors are doing, what needs the customer shows, what is their development plan, etc. so we can react accordingly with our portfolio. We have an Excel software application, called Pipeline, that registers information like the first visit to customers, qualification of opportunities, proposals, ongoing negotiations, and results. It is an opportunity database. It has two levels of responsibility. There is one database manager that verifies if everything is integrated and valid. Simultaneously, all managers are responsible for the information they insert, including the forecast and appraisals on opportunities, and they are assessed for it. The information in the database is discussed in operational coordination meetings. If all cross selling opportunities between business units were to be exploited, we estimate our turnover would double in three years. New market opportunities' potential is discussed by the CEO and business unit managers.

We have to use informal networks in order to detect opportunities, such as colleagues, friends, partners, clients, all based on relationships.

Vertically, all employees are informed about the need to identify and report on business leads.

“We are at war”, everyone knows they must shout out loud whenever they spot an opportunity.

The GoToMarket unit provides a perspective of the whole “forest” of market opportunities, and each company has got its own structure to exploit any given opportunity. This GoToMarket unit has got a new perspective after the acquisition of Tecnidata [IT company]; looking for cross selling opportunities between Reditus and Tecnidata, overlapping and in different areas, and also to propose new solutions based on the Groups' portfolio.

REDITUS Group
“Go To Market” Unit
Manager Mr. Jorge Lobo
Partial transcript of interview

Personal details:

Joined Reditus and the Go To Market unit in November 2007, coming from an executive commercial career in the IT sector.

MO questionnaire’s answers and comments

1) 5. It has to be much more than one visit per year Customers develop needs anytime in the middle of the year, so.... We have to be always in contact, bringing them to workshops, attending product and service presentations, on a regular basis. Unsuccessful commercial visits of last year must be mandatorily repeated next year. Contacts with customers and prospects must be regular, despite unsuccessful attempts.

The type of commercial contacts varies between much focused on customers’ needs and of relational nature, with prospects. Managing relationships is capital; if this year it doesn’t produce results, next year it will. There can never be lack of justification for visiting customers or prospects. The opportunity of visiting them must be pursued, even with justifications like debits, general information, etc., and more than once a year.

2) 2. We do a lot of internal market assessment, although not in a structured way. We should collect external information on a more regular basis, like from business consultants, in order to consolidate and validate internal information.

As for the formalization of that process of internalizing market information, we are establishing a market information knowledge-base. We list every market interaction, each opportunity. It is still not available for transverse use by business units. Anyway, some degree of formalization is required. There is market information circulating in an informal way; it is shared not as the result of a specific procedure, but as a routine. The next phase would be to “formalize informality”.

3) 2. No, no, no. we are not slow to detect changes, from various sources and in different ways.

4) 4. Quality procedures are formalized. We assess quality of services more than once a year. Sometimes, the outcomes of those processes are even shared with customers.

5) 1. This is our life. We have been adapting our offer in BPO and IT Infrastructure services to what the market requires. If we were slow doing it, we would be out. Our business is growing, so we must be listening well to what the market is saying. Today, we have Agile Methodology software development with large interaction with customers, based on up-to-date technologies.

6) 4. We could do it more often. One example concerns laws and regulations on the use of external databases in call center services. We don’t have a formal procedure for learning about new laws beforehand; this could prove to be another commercial tool. But we are alert, and we learn about new laws when they become public.

7) 4. We have commercial meetings every Monday. But we don’t discuss tendencies on those meetings. But all units in Reditus Group discuss trends, etc., in an informal and formal way, ongoing. But generally they are not included in permanent meeting agendas. These agendas are related to last week’s results, objectives for

next week and month. But if during a visit to a customer I identify an unmet need, I interact immediately with the units concerned. Scheduled and formal discussions and brainstorming on the issue of trends and development are worthless. We do it on a “need-to” basis, whenever we feel we should do it.

8) [No answer]. We don't have a consolidated marketing function, in what concerns complementarities between BPO and IT Infrastructures. Each team works autonomously and some overlapping work is assumed by the Go To Market unit. An organization such as ours already deserved a “real” marketing manager”, one who knew the market and its tendencies, bringing information and intelligence inside the Group. Like the Sales Director, this Marketing Director should work outside, and not from his desk.

Reditus still closes on itself, not communicating to the marketplace what it does and what its successes are. It should make itself known to those who are not familiar with the IT sector. For instance, the CEO of a major building society did not know the brand “Reditus”.

9) 5. Yes, in both formal and informal ways. Sometimes, even before the market learns about it, because we are close to customers supplying different services (BPO, software, infrastructure). Therefore, we collect information from various sources inside the customers' organization. In Reditus business units are not isolated, there is sharing.

10) 3. Not in every hierarchical level. It doesn't always happen. There are no formal procedures that make it happen, so it may not happen.

11) 2. No, no, no. Sometimes it even happens that someone will say “yesterday I visited this customer and I saw one of your competitors there, doing whatever.” This sharing will happen informally. We have a software platform in Excel that enables this sharing of information, but we don't have a CRM [Customer Relationship Management] system. Informally, we talk to one another.

12) 1. No, it would only happen once. In a multinational IT corporation it could happen, because changing the price on a business proposal is difficult. Here, I speak directly with the CEO. There is flexibility and quick response.

13) 1. We cannot do it and we do not do it.

14) 5. It is done on a regular basis, always.

15) 4. For instance, currently, we are all discussing IT global outsourcing opportunities.

16) 4. If it is a good customer, we will know immediately. If I learn about it today, I will respond tomorrow.

17) 4. We try to do it . For sure, there are failures in coordination because there are no formal procedures for that. There is still a way to go in that direction. Now with Tecnidata [recently acquired IT company] we have two commercial teams. We have an Excel application that we feed with market data, with established routines but without formal documented procedures. Sometimes there are mistakes, like two different sales representatives calling on the same customer because of information mistakes.

18) 1. No!

19) 2. Well, we never have a “great marketing plan”.

20) 4. It is so.

EO questionnaire's answers. Comments on questions were provided afterwards.

Part A

The impact of MO and EO on innovative Marketing processes

- 1) 3. It depends on business units. When we decided to innovate in the “software factory” structure [IT Consulting business unit] we employed existing technology, instead of developing our own technology. It depends. There is a tendency to think that in IT there is always a propensity for technological leadership, but it depends on the specific situation. We may employ traditional solutions, provided they meet our needs.
- 2) 5. There are new business areas where we are innovating and creating new solutions. For instance in the banking sector, shifting from the service of home lending into debit recuperation.
- 3) 3. Both; we have implemented things from “scratch”, regularly.
- 4) 4. Most of the time we are proactive, doing things differently. We introduce innovations into the marketplace, even before IT multinationals do it, particularly in Portugal. But we also copy whatever seems like a good idea to copy.
- 5) 4. For instance, in Agile Methodology software we were the first. As in implementing projects in BPO virtual work stations. And in BPO itself, we were on the forefront of the market. The CEO is always encouraging different ways of addressing problems. After 18 months in Reditus, I recognize that it is innovative, differentiated and with a distinct positioning, although sometimes not very efficiently communicated.
- 6) 3. We have got to always “demolish competitor’s posture” but it doesn’t mean “bomb” them. We remove them out of the way. Sometimes we have business partners who happen to be competitors, like HP.
- 7) 3.
- 8) 4. We have to be proactive; one such example is the recent acquisition of Tecnidata [IT company].
- 9) 4. Caution is always necessary. Answer 5 on the scale may be the edge of the abyss. But generally, and depending on business units, we don’t have the “wait and see” posture. For example, our suppliers might develop technological innovations which we might not adopt at first instance, but when we feel the opportunity is right, we do adopt it. In this respect, we are never early adopters; it could be very risky doing so.

Part B

(INOV)

Most of the times, what is already established will not solve the problem. We have to think about innovating. This approach is increasingly in our style of doing business. We have an innovation prize, annually. There is incentive to innovation, in areas ranging from saving energy to technology.

(RISK)

Top managers make decisions based on assessments of risk, impact, cost, etc. If his team shares a belief in the project, the manager will decide to move forward. They don’t decide only when success is certain. But risk is a concern; for instance, in a specific project, we only purchased the first machine when we got the first order. We have to do it with the “hair of the dog”. Our approach, encouraged by the CEO, is to use the “pilot”, the prototype, which enables adequate assessment of outcomes prior to large scale investment on the specific project. We challenge the client to “waist” two weeks of their time, providing human resources to work with Reditus assessment of current operations, needs and requirements. After that, we make a non-binding service proposal, and we test it. We support that investment for two or three weeks, and then we assess it with the client. It might not produce any results, or we may win a contract.

In the “application development” segment, we have invested two weeks building a prototype. We showed the client that what we proposed in our PowerPoint presentation really worked. We had the client’s commitment that, if it worked under certain conditions, we would get the order. So we can see here a propensity for taking calculated risks. Even when success is not guaranteed, we take chances.

(PROACT)

Yes, we believe that market changes create positive opportunities, in all business areas. What happens is that we don’t always detect those changes, and it is our own fault. We look at market changes as opportunities. As for talking about problems, we should not forget to do it. Being proactive does not mean hiding problems. They are part of our activity.

Description of organizational marketing processes

Organizational learning and opportunity recognition

The Go To Market unit is a transversal unit to all business units, and its mission is to detect new business opportunities. We manage market information using a client database for contact management. This is shared by all business units, and it is used to contact customers and prospects for communicating events, workshops, sending mailings, etc.

This database is managed centrally by a manager. Data is fed into the database, even coming from customers’ business cards obtained by sales representatives. It is also fed by information obtained from external sources.

Simultaneously, each business unit prepares a Sales Plan, which must select specific targets, both segments and customers, defining specific actions for each target. A matrix target vs. product is produced, and this information is shared between all business units.

The cross selling activity saw an increase in 2007, enabling business units to identify opportunities in other business areas. Joint business proposals, between business units, are encouraged, and sales representatives are involved in this.

Some commercial structures require a degree of specialization, like the BPO in Redware. In IT Infrastructures that degree is not as demanding. But in BPO, specialization must match that of customers.

Another way of identifying opportunities is at technical workshops.

Outcomes of marketing processes

[Both contracts already existed when this manager joined Reditus.]

Vodafone is BPO customer for back- and front-office administrative processes.

Both Redware and Go To Market unit suggested to Vodafone the transformation of one of its processes, using a new application for a web portal. This would manage agents’ requests for contracts processing. These would be automatically integrated into Vodafone’s workflow. This opportunity was identified in the process of analyzing potential improvements to the service rendered. This innovation is a result of the new tendency of Business Transformation Outsourcing, of which Redware is a pioneer in Portugal. The concept used in this case is being implemented on other customers and prospects, and it distinguishes Redware’s positioning in the market. It gives additional arguments for contacting customers and talk about new services.

The impact of MO and EO on innovative Marketing processes

Concerning the other client [not to be named in this report, at their request], it is a contact center customer, dealing with all inbound and outbound traffic concerning customer care. Redware managed to up-sell the same service in Spanish language. The main innovation by Redware was the development of its own support application instead of acquiring one in the market. This was done by another Group's company, ReditusII (software factory). This customer benefits from the potential of this application, which exceeds the contractual requirements. It produces additional information regarding productivity indicators of telephone operators and other management data. This new software platform is in itself a new commercial tool at the disposal of the Group; it has already achieved bringing in new customers, which has prompted new developments to meet new needs, meanwhile identified in other customers. The next phase will be product enhancement, which is developing new features that we know customers want, or will want in the near future, even if not explicitly. New market segments are now at Redware's reach, in Services sectors, adding to the more traditional customer sectors of Banking and Telecom. This result is a mix of new features and services and commercial proactiveness.

There has been a strong interaction and relationship with customers. This, in particular, sees us as partners, as a company that can help improve their own business. For that, they pass on to us as much business information as possible.

There is complicity in the good sense of the word. And there is written evidence of that appreciation by the customer.

Today we already talk about joint projects, with the customer sharing what they want to do in the future, so as to find out how we can help or support in their development. Even though more than one of Reditus companies has worked with this customer, they prefer to have Redware as their interlocutor. There is a strong personal and corporate relationship, and in these business processes it has to be that way. There are other customers, in more traditional sectors, where Reditus (and the other affiliate companies) are seen as technology suppliers instead of business partners, such as with these two customers.

These two Redware customers have interaction with all units in Reditus' Outsourcing of Services business area. Redware's top management involvement in the Vodafone project enabled it to escalate from a mere contact center project. Also, its general manager and Reditus CEO managed to improve the relationship with that customer, from supplier to Vodafone partner.

**Business Unit “Integrated Business Support”
“Redware” General Manager, Mr. Sérgio Moraes
Partial transcript of interview**

Personal details:

Has been involved with Reditus for 15 years, 5 of which in InterReditus. For a short period, from 2000 to 2003, left the Group to work in project finance and start-up’s with “Novabase Capital”

After returning to the Group, he joined Redware which had only residual business activity, at the time. This included “application management outsourcing” services (currently operated by another business unit) and data entry services. Today, Redware services represent €16 M per year, not including turnover from the newly acquired IT Group “Tecnidata”

[Prior to discussing the proposed questionnaires, remarks and opinions on the business were offered.]

In business, decisions, more or less complex, cannot be made without having the customer as its final target. BPO processes have great impact on customers. Major IT service providers [Reditus’ multinational competitors] start by reengineering the customer’s processes, thereby reducing their own risk and only then they assume the outsourcing of those processes. In Reditus we assume it outright; first, we take the customer’s process as it is, operating it in his own location. This way, with flexibility, we remove the customer’s resistance to change. When the relationship is mature, the “umbilical cord” is cut, that is, the customer’s process is moved from the customer’s location on to Reditus offices, which means taking full responsibility for the process. With this dependency from customers, contracts tend to be more stable. Also, in these situations and regarding critical areas, customers have more than one BPO supplier.

Business Transformation Outsourcing means changing, or reengineering, the process with or without changing technology. Economical crisis must be taken advantage of, because it also represents opportunities. For the banking industry, this crisis meant diminishing home loan credit processes, but on the other side, it also meant increasing debt recovery processes. This required new competencies from Reditus. We must always look at the positive side, because threats may become opportunities.

The Go To Market unit focuses on cross selling among business units, but it has little impact on BPO business unit. It has greater impact on other business units.

Redware has 4 vertical sub-units; Banking1, Banking2, Telco and Contact Centers. This last one is a product segment, whereas the first three are market segments. Each management team is always on the terrain, managing operations e finding new business opportunities. They “live” the client’s developments and evolution. They are “at” the client’s facilities. Reditus staff feels the client’s “pains”; when pain ends and “negative” becomes “positive”, we experience that with the client. In big organizations, if we deliver good quality, that builds reputation which is spread via word of mouth inside the client’s organization, bringing new business opportunities. We are placing our bet in the expansion to Spain, where there is growing demand for BPO and BTO. We are 30% cheaper than competition, there.

Another example of an opportunity is “archiving services”. Net margins are low, but it is an “anchor” upon which we can deliver additional services at lower costs. We have our own contact center platform, developed internally, and called REDBOX, which integrates with customers’ information systems.

MO questionnaire's answers. Comments on questions were provided afterwards.

- 1) 3 2) 3 3) 2 4) 4 5) 2 6) 3 7) 4 8) 4 9) 4 10) 3 11) 3 12) 3 13) 2 14) 4 15) 3
16) Not applicable, due to the fact that those contracts are generally of multi annual nature.
17) 4 18) 2 19) 2 20) 3

Up to now, Reditus operations have been concentrated in different companies, organized in business units. However, despite the fact that BPO clients know Reditus, they mention Redware as their service provider. For these clients, Redware has greater notoriety. But it is a concern.

The group has an excellent strategist, who is a creator and an innovator.

The Chairman is very active in innovation. For instance, he organizes meetings called "orange juice with the President" where he meets with successful project management teams and encourages discussion on innovative solutions. This way, ideas and innovations are transferred between teams.

EO questionnaire's answers. Comments on questions were provided afterwards.

Part A

- 1) 2 2) 4 3) 3 4) 3 5) 4 6) 3 7) 3 8) 3 9) 4

Part B

(INOV)

In cases where we have stable, mature contracts, it is us who stimulate change to the customer's processes. At the beginning of each year, we do formal brainstorming meetings, which we then try to do again with the client.

Our Business Plan includes quantitative and qualitative objectives and goals.

In our operations, for 1.000 employees we need 100 management positions of different sorts. We have an innovative software application, the GO/2. It provides a technology-based, intelligent system that enables managers to concentrate on operations. The application focuses on interpreting data and key performance indicators as well as suggesting orientations and courses of action. This way, managers can be more aware of the process and its possible developments and improvements, as well as to detecting business opportunities.

(RISK)

We rely on external business consultants for business risk assessment, but only to a certain extent. We have to look forward, anticipating the business's maturity and decline stages.

(PROACT)

On question 6); of course, we have that culture that looks at market changes as possible opportunities.

On question 7); Well, growth of 30% p.a. means that the "train doesn't stop", always with people coming in (today they are 1.000 at Redware), but in the "locomotive" people come and go.

At Redware, top management meetings include 5 managers and me. There is an agenda, including issues like recruiting, reporting, operational problems, but, as I say, I also "scrub the floor". As general manager, I am at the forefront of operations, if need be. I try to manage in a very horizontal style. We are continuously looking for the best practices. People are alert to improvement opportunities, and they are proactive.

Description of organizational marketing processes

Organizational learning and opportunity recognition

Once a year, there is a management meeting, both at Redware and at corporate level) where the theme “new business opportunities” is discussed.

At Redware, we created the Redteam unit, made of senior managers, that provides assistance to other managers facing difficult operational situations. They analyze problems and suggest solutions to those managers. There is an explicit, albeit informal, orientation requiring everyone to contribute in suggesting alternatives and solutions to problems. New ideas are backed up and formalized by considering them as projects and nominating project owners.

As for generating market intelligence from sources like trade associations etc., we don't have much time left for that, but we select certain conferences and similar events which are very important for our business. Sometimes, we learn about new concepts by participating in those events, as was the case with the concepts of “off shoring” and “near shoring” [outsourcing geographically remote or close to customers]. Additionally, we participate in customers' commercial and marketing activities. We are very alert. We encourage relationships with customers so we can learn about their next moves.

Outcomes of marketing processes

Vodafone has been our customer for four years. There is a strong relationship. Without “marriage” there can be no success in BPO contracts.

We at Redware are pioneers in our approach to BPO, with variable cost per event, in how we take responsibility for the outsourcing, our reengineering of processes, our coaching of processes, the whole way we do it.

In fact, “reengineering” is our commitment for 2009. In 2008 it was “quality” and in 2007, “service levels”.

With Vodafone, at the beginning they went to check our business references elsewhere and, one year later, we won their bid for outsourcing of back- and front-office administrative processes, replacing another service provider. Nowadays, we are regarded as Vodafone's strategic partner.

We have launched a new Services Center in another city for these services, and Vodafone considers that project to be their own joint project with Redware.

It is going very well, and 1 week after inaugurating that services center, they were showing it to Vodafone Spain, during a formal visit.

In this case, contractual responsibilities are well defined, by means of an OLA, Obligation Level Agreement. But there is a common purpose, which is the purpose of their business. With the banking industry it is very difficult to reach that level of understanding with a customer.

Redware has learned a lot with Vodafone, but it is reciprocal. Naturally, good relationships and good practice depend on the people involved. With this customer we identified and pursued BTO (business transformation outsourcing) opportunities. Because we know so well their business, they asked us to do the reengineering of their agents' workflow. Another company of our Group, ReditusII developed the web portal, which was delivered by us, Redware. In this BTO project there is a designated “owner” [manager of the project] and one of his missions is to raise latent needs, even if there are no explicit needs at sight.

In other customers, like in [insurance company] Redware and ReditusII are screening for needs of this sort.

This BTO in Vodafone was built with the “hair of the dog”, meaning with our own internal resources. We had to test the outcome, so we shared the salary of one ReditusII technician; on one hand, he checked on the requirements from Redware’s perspective; on the other, he connected with ReditusII in their development of the application.

In these opportunities, the Go To Market unit is strictly commercial, passing business leads between companies. Commercial structures should be put together and developed according to, and fitting, the type of clients they want to serve. There are similarities between customers of InterReditus and ReditusII [“Outsourcing of IT Infrastructures” and “IT Consulting”]. But Redware’s are different. It is difficult for Go To Market unit to sell all three “things”. There should be direct commercial structures, in our case. The Go To Market is more adequate for selling InterReditus and ReditusII business solutions.

Concerning the other client [not to be named in this report, at their request], there has been one cross selling opportunity for a CRM [Customer Relationship Management] system in their parent company. A ReditusII technician brought us a business card of one manager in that parent company; that was our business lead.

Another example of scrutinizing the environment for opportunities is the service warning that the Bank of Portugal issued two years ago, concerning new requirements for banking operations. Data in clients will have to be much more comprehensive than it is now, sometime in the medium term. For banks to implement those new regulations will be a massive operation. Last January, we started studying the problem together with one of our customers in the banking sector. When we find a solution for that customer, we will be able to replicate that solution for any other bank. We were alert to this situation because in order to render services in processes outsourcing, we must have the same training as in the banking industry, either internal or benefiting from the banks’ training programs.

Another perspective on opportunities is the current social threat of the H1N1 influenza virus. We currently operate 700 services for customers. In face of this threat, we propose to scrutinize and select which operations are critical. Then we propose to operate those critical processes in two locations. It means duplicating those processes, in two different venues, investing in structure and HR. But it also is an opportunity to start customer’s operations in our own locations, where before was confined to the customer’s location. Once the threat is over, the client will have experienced seeing his operations run in our offices, which might facilitate his decision to allow for all outsourced processes to be displaced to our own locations.

We are always alert, trying to find opportunities by challenging and provoking people and situations.

Business Unit Outsourcing IT Infrastructures

“InterReditus” General Manager Mr. Vasco Vicente

Partial transcript of interview

Personal details:

After serving as Technical Manager in different companies, joins Reditus group in 1996, then going through a restructuring phase, to assist develop technological section of “Infrastructures” business area, up until 2001. In 2001 left group to join start up project in IT “security and safety” segment. In 2006 came back as InterReditus (IT Infrastructures) General Manager. Now responsible for business unit “Outsourcing IT Infrastructures” which includes companies like InterReditus and others of recently acquired IT group “Tecnidata”. Stresses relevance of past business experience, which was very rich in terms of management and personal development, and preparedness for new challenges.

MO questionnaire, answers and comments

- 1) 5. Constantly following and being near customers on various levels (commercial, technical, and management) is critical. Our practice is much more intense than 1 visit per year.
- 2) 2. Recognizing its importance, I say it’s a well identified gap and we don’t do it very much. We should use more external research made by consultants, etc.
- 3) 3. We have the practice of constantly listening to clients, of searching at different levels, and try to correspond to the needs we find.
- 4) 5. We exhaustively inquire and question, we permanently evaluate the quality of services we provide, systematically, down to the last end-user (terminal operator, e.g.)
- 5) 3. We try to be alert and we do internal reflection about competitors, partners, technology, etc. We devote some attention to it.
- 6) 4. We have permanent counseling from a law firm concerning contracting models with customers. We try to assess changes thereto, in legislation, regulations, etc.
- 7) 4. At least once a month there are discussions on a subject of that type.
- 8) 2. The involvement of Marketing has been very sporadic.
- 9) 4. Yes, there is a concern with sharing.
- 10) 5. It’s a critical subject, totally shared including operational teams. InterReditus operates 80% in services and 20% in products.
- 11) 2. No, we’re not slow doing it.
- 12) 1. We have response capacity, decision is fast.
- 13) 1. Not at all!
- 14) 4. It’s not a common practice, involving large teams. But we introduce a lot of changes and variations to respond to needs.
- 15) 4. Yes, clearly we have that practice.
- 16) It does not apply to us. We render services based on multi annual contracts. Under that framework, aggressive campaigns do not happen or do not produce results.
- 17) 3. There’s coordination but there’s room for improvement.
- 18) 1. Never, it is top priority.

19) 3. Clearly, it would be very useful but matters of culture, resources, means and current structure don't allow for more structured planning.

20) 4. We try to collaborate.

EO questionnaire, answers and comments

Part A

1) 3. They both exist! I'm more on the conservative side.

2) 5. Not only in this unit (more mature service cycle) but in the others it is clear.

3) 3. Aggregating all different areas. Far more on BPO. For us, there are now perspectives of creating ruptures in the short term.

4) 4. It has already happened; we've seen "Accenture" copying Redware's approaches to market. We're more inclined towards "initiation" than to "copy".

5) 4. Yes, although more on some areas than others.

6) 2. For those with merit there's always room. One of our biggest clients is a bank; they divided geographically between two suppliers, others and us. We have to collaborate on that field avoiding conflict whenever necessary.

7) 2. We assume more controlled risks.

8) 2. Maybe I'm the only one with this opinion but it's better to have gradual increments.

9) 2. Once again, I think we opt more for "wait and see" posture.

Part B

(INOV)

There's an appreciation of (we value) creativity, different ways of addressing customers' needs and operational problems and there's stimulus for intermediate levels to have an active role on creativity.

In this business unit we stimulate and provoke the several different management levels to contribute with ideas, to help solving problems and having innovation initiatives, even in existing projects. In this business unit, somewhat mature in its business cycle, there's some accommodation but we try to counter that tendency, even by promoting competition between them. We give due consideration to ideas but implement them with some deliberation, although unafraid that some of them will not produce any results.

(RISK)

This business unit is more traditional and there's some aversion to risk. But there are as well very quick processes of technological development, with an associated risk component.

In terms of company culture, we try to promote change, instilling behaviors in middle management that when processes are stabilized and tranquil, then it's a warning signal that we have to change. This has been a new approach, in the last two years. The management course I did in Nova University made me think about things, like getting out of comfort zone and have permanent initiatives for change. By association, risk increases. But there has been a good return on this approach.

(PROACT)

Issue 6) Over the last 10 years there have not been fracturing changes but there are new needs, everyday, and we feel they're much more opportunities than threats. Even H1N1, it's an opportunity to propose different services to solve customer problems.

Issue 7) If I were to rate from 1 to 5, I would give it a 3.

Description of organizational marketing processes

Organizational learning and opportunity recognition

It's a relatively weak area. We have an important client-base. We're present in some customers on a stable relationship and we use capillarity and radars for alertness, encouraging that information flows back to our management level. It's informal, with routines of operational staff, which share and bring back into periodical meetings. It's a clear intention, with good results, detecting and anticipating customer needs. More so, there are projects that clients don't even take to the market, inviting bids, because there has already been dialogue with us and we try to extend the current service to serve that specific need. This can only be achieved through close interaction and proximity at many hierarchical levels. Close relationships, based on customer evaluation of satisfaction, with results we "obligate" the customer to validate. This serves also as clues to detect new needs.

With new clients this process is weaker. We make target selection, based on solid references we have in several business sectors, and we try to replicate them in new business opportunities.

Outcomes of marketing processes

Vodafone are big clients of Redware. Vodafone has a contract with IBM for infrastructures, resulting from international contracts, so generally they are not at our reach. But there are a few opportunities for bidding to tenders, and we try to leverage and profit from Redware's references (Vodafone is one of the biggest clients). In a specific occasion, we learned about a tender through Redware, in a timely fashion. But we didn't win. That information came through GoToMarket unit during a weekly meeting of commercial nature.

The opposite had already happened, and frequently. We passed the BPO opportunity from customer Banco Popular, on to Redware. It was identified by a technical supervisor (nothing to do with his job). It was also shared through GoToMarket unit.

This happens because it is stimulated and encouraged and because everyone learns about each business units' operations and areas, enabling everyone to identify business opportunities for different areas.

Concerning the other client [not to be named in this report, at their request], Redware has a growing stake in that business. InterReditus participates via Redware, although it was a small project.

Generally speaking, in order to identify opportunities it is mandatory to have a direct presence and relationship with customers. In big clients, there are several different areas in which we're still not present. The general manager actively participates in this involvement with customers (in what concerns activity reports, quality assessment, etc).

In what concerns research for new opportunities, Tecnidata has a different level of maturity. They have a mandatory process of keeping the pipeline of opportunities with ensuing commercial actions on a systematic basis, led by a senior sales team. They detect and qualify each opportunity. There is a big investment on qualification of opportunities, with subsequent setting up of teams and resources to explore those opportunities. Qualification also makes possible for bad opportunities to be excluded.

We have our own people managing partnerships with HP [and other partners/competitors] to bring in and share knowledge and market information between our companies.

Reference client “EX” [alias, as per company request not to be named]

Contact Center Manager Mr. Luís Ferreira

Partial transcript of interview

Up to 18 months ago there was no outsourcing of operations.

Rapid business growth, with resulting costs of infrastructure and human resources, implied the need for outsourcing solutions.

Eighteen months ago, Reditus group started operating the call centre process for inbound calls, concerning delivery of goods to clients. It served as a test for EX to proceed with externalizing its call center. In December 2008, all inbound call's operation was outsourced.

EX's strategy, in this domain, is to outsource business processes regarding call center operation and back office tasks of business support. Also, this has developed into outsourcing to Redware processes concerning management and control of repairs.

First of all, the need for outsourcing was internally assessed without any external assistance or intervention. Following this, EX performed a market scanning looking for service providers and best practices, both in Europe and the USA. They used this research to benchmark and validate their own practices.

They decided to invite three Portuguese based suppliers to bid for this business tender. Reditus was already known to EX via a previous business reference from within EX's group, where InterReditus [Reditus group] had had a small help desk project, in 2002. The current project managers from Redware and EX are the same, after all those years. From that business contact derived a certain degree of trust and confidence.

There were two important choice factors, namely cost and guarantees of capacity to be associated with EX's international development and expansion. Reditus [Redware] provided that guarantee.

How did suppliers bidding for the tender approach this opportunity?

Some approached it as service providers, but Redware approached it using the concept of partnership. They are another link in EX's value chain. Redware is so involved that they can analyze, detect insufficiencies and propose improvements. They do this very well. This made all the difference because other bidders could not suggest that feeling from their proposals. Redware, in their proposal and upon its presentation, showed what they could help us with in the future. In the proposal phase, their interaction with us was far superior to others. We did not expect such involvement at that stage. Reditus had two interlocutors for this business proposal, then; Redware and InterReditus. Internally, it was decided to have just one, which became Redware. It was the only bidder that visited EX to learn about our company before submitting proposals. All this involvement was reflected in their proposal, distinguishing themselves from the other bidders, which were local branches of multinational corporations. EX expected greater involvement from the others.

For EX, the perceived risk of outsourcing these business processes was linked with:

- Losing contact with their clients;
- Achieving poorer service levels than their own, which were very good;
- Having trouble in accompanying international expansion of operations.

One of the conditions for awarding outsourcing contracts was the demand for EX's group supervision of the supplier's operating team, side by side with Redware's supervision, which was accepted. The contract includes penalties both for quantitative and qualitative underperformance.

The impact of MO and EO on innovative Marketing processes

As for international expansion and structural capacity of the winning supplier, Redware benefited from the fact that its parent company, Reditus, was listed in the Lisbon stock exchange main index, PSI20.

EX perceives risks taken by Redware as having assumed high risk, because they did not have experience in this sort of operations, neither in size nor in turnover. It means 2000 inbound calls 1500 outbound calls, which are operations with impact on clients. This risk assumption transmitted to EX confidence in the stability of this relationship. Before the beginning, Redware allocated its personnel to a training period of three to four months, sharing this cost with EX. Redware did not have previous experience in this type of service.

To EX, this outsourcing experience consisted in and required organizational innovation.

Redware [through another Reditus company] developed a new software application to support this outsourcing operation.

What communications channels are used?

There is communication between managers, supervisory teams and operations. However, formally, EX's contact center manager is the only interlocutor with Redware [and Reditus], enabling the control of this relationship.

In both companies, quality evaluation processes are identical, allowing for comparison of results. Redware was very flexible in adopting and sharing this quality evaluation process and also in accepting the existence of external control, with mystery calls.

Do you feel Redware's efforts to evaluate customer satisfaction (your own)?

Not systematically. This is a new challenge for Redware!

Another challenge would be the fact that their inexperience resulted in understaffing their operational management team, although it currently being corrected. In this we have to say they are flexible enough to correct what needs correcting.

New opportunities were made explicit by Redware intervention and suggestion. It was the case of replacing the use of SMS for contacts between EX and its delivery team. Redware supplied a software application integrating that process, which was very successful.

Another innovation, but this time motivated by EX, was a test implemented with InterReditus (represented by Redware) regarding a process of filtering and screening malfunctions in equipment. With the test, it was found that 30% of reported malfunctions were not real, and another 20% could be solved at shop counters, before sending equipment for repairs. This screening is made via the contact center. It reduces the current number of repair interventions from 400.000 to 200.000 per year.

Great strengths of Reditus are their constant search for:

- Improving processes
- New business areas in which they can collaborate

This characterizes two or three members of Redware's team. But regarding contact center operators, they don't wear Redware's shirt. And only one sleeve of EX's shirt! It must be related to the fact that these contact center operators have contracts as service providers to Redware.

In a nutshell, we assess Redware as follows:

Proactiveness: Very good, both in identifying possible improvements to current operations and in anticipating future EX needs.

The impact of MO and EO on innovative Marketing processes

Risk taking: not as good as proactiveness. Maybe they are less risk-conscious. They assumed risks, with less consciousness of its implications. But there were extenuating circumstances, this being a completely new operation.

Innovativeness: lesser of the three [dimensions]. Their vision in suggesting current and future innovation is strong. But their capacity to transform their vision into reality, I rate negatively.

Their vision is in sync with EX's. But conception is less strong. They showed difficulties implementing and developing the technology they suggested to us. For instance, the software that supports call center operation began functioning in July despite the deadline of February. Maybe this was due to difficulties in managing their own technological suppliers.

There is margin for growth and opportunities for mutual growth. For example, we have started working together one year ago with Portugal in mind. After six months we were thinking Iberian Peninsula. Now we're thinking Europe and not excluding other places. The initial estimates for business turnover were exceeded.

We have decided that we only want to work with one supplier for this expansion project, because it enables better management and control in different countries. Even for contingency plans, such as those regarding H1N1 influenza virus, we want to work with the same partner.

Reference client “VODAFONE”

Operations Unit, Business Support Director, Mr. António Veiga

Partial transcript of interview

This partnership with Redware lasts for three years, already.

Four years ago, Vodafone came on the market selecting suppliers and asking for tenders regarding the outsourcing of back office administrative processes. These included contracts with private and professional clients, and direct requests from clients.

We had already experience in dealing with suppliers of outsourcing services, and Redware was the third such firm. The relationship with the firm that supplied those services, at the time, was not too close, and not regarded as a partnership. They were good with call centers but [inefficient] with back office processes. However, they had been providing those services for a few years, at the time. Vodafone’s request for tenders served as a benchmark to assess and validate the services provided by that supplier, particularly in what concerned cost structure and quality. After four or five months, we had a shortlist of possible suppliers, which included the previous supplier and Redware. It was a difficult selection process for us.

In November 2006 we had no previous knowledge of Redware. We learned about them via informal feed-back from some of their clients. We looked for market references of Services Outsourcing in the Portuguese market, and we came across some of Redware’s customers.

By the time we had them included in our shortlist, we were already experiencing their strong approximation to us, which lasted for the whole process. Even before being awarded the contract, they discussed specific details of the process with us, showing proactiveness and flexibility. They also showed concern about the change we would experience, and were available to discuss all aspects with us.

Other aspects were important in the decision of awarding them the contract. There was an explicit commitment from Redware’s top management [including Reditus CEO], and they distinguished themselves for their relationship skills with our team, for incorporating specific details in their proposal during discussions before any decision was made, and because there was a special “chemistry”, not only of commercial nature but also regarding the level of involvement they showed in this project.

Even nowadays, their CEO keeps track of this project.

The previous supplier was awarded the contact centre contract, but the back office process outsourcing was awarded to Redware. After the decision was made, we faced a problem. We needed to change suppliers’ teams, and we could either phase-out one team while phasing-in the other team, or we could have a “big bang” solution, replacing one for the other at once. This was a risky situation, because the previous team was discouraged and Redware’s team was motivated, and the transition had to be smooth and prepared well in advance. So, with our supplier – and partner to be – Redware we decided for the “big bang” solution. Transition and training of the new team was carefully prepared, and when it happened it went well.

Another evidence of Redware’s flexibility was shown when they decided to adopt our quality management system. Not because they are passive, but because they felt the need to improve their own, and took the chance to get even more involved with us, adopting ours. This sort of situation confers stability to relationships and contracts between firms. And they even adopted the regulations for penalties we use internally with our own staff.

The impact of MO and EO on innovative Marketing processes

The nature of the relationship between managers of both companies is very open and frank. Discussions are open, and personal relationships are cultivated. Redware's General Manager knows about operational details and is very involved. There is a good environment, which goes down the hierarchical chain. At Vodafone, we have the habit of involving operational teams in communication and dealing with suppliers. Redware accepted that model of communication.

In what concerns innovation, Redware managed to supply a new and efficient Portal for Vodafone's agents. Instead of using a less efficient mail-box to exchange information, like contracts with clients, agents can now connect with us using a web Portal, which introduces these communications directly into Vodafone's workflow. It has been under tests for three months, and working well, with 65 agents using it. What made this possible was that we learned about Reditus competencies in the required IT technology via Redware's General Manager. So Redware got us in touch with their InterReditus colleagues, who built up a solution and proposed doing a "pilot", a test to see if their solution would work. Although we had an excellent relationship with them, we preferred that Redware assumed the project, and so the contract was established with Redware.

We felt that InterReditus, competent as they are, is more of a "technological" company, with a more formal approach. Redware is more focused on customers.

So when Reditus opened their new Services Center in a remote city in Portugal, where conditions were particularly appropriate for recruiting and operating Vodafone's processes, we felt a strong commitment even from Reditus CEO, who personally got involved in searching for the best solution.

Another aspect of innovativeness is Redware's Business Transformation Outsourcing approach. Evidence of this is the mentioned new agent's Portal.

In fact, this supplier distinguishes itself for constantly looking for business leads. More than commercial aggressiveness, they demonstrate shrewdness, which generically extends to everyone in their team. This inspires trust, and shows flexibility and adaptation to change. They wear Vodafone's "shirt". And besides being able to innovate, they have the ability to adapt to their customer's innovations.

Yet another example is given by the following situation; we had the idea of creating virtual workstations, or "telework", so that operators could work from home-based desktops. This would reduce location and nonattendance costs. But this was a new challenge, because it entailed implementing secure communications and implied new problems concerning specific labor and contractual issues affecting Redware's operators. Anyway, Redware prepared a "pilot" which was put in place and worked very well.

So in a nutshell, we can say that there is a very good institutional, operational and personal relationship. The growth of our commercial dealings "validates" this bet we made a few years ago, when we selected Redware as our service provider.

ANNEX 2 – QUESTIONNAIRES AND SCRIPTS

Script 1. Description of environment / market factors

Focused interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
	X				

Please describe briefly the market where your “Services Outsourcing” Business Area operates, in what concerns:

- Type and characteristics of services provided and satisfaction of clients’ needs;
 - Characteristics of competition, geographical origin, size, market share;
 - Competitive dynamics, competitiveness, rivalry, obstacles to new entrants into the business sector;
 - Client segments, its evolution, bargaining power and decision process.
 - Expected evolution in competitive structure, in clients’ needs and in client segments.
-

Script 2. Description of firm specific factors: Entrepreneurial Capital

Focused interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
	X				

References:

Lumpkin and Dess (1996); Dess and Lumpkin (2005)

Erikson (2000)

Stevenson and Jarillo (1990)

Human and social entrepreneurial characteristics

A) Individual Entrepreneurial characteristics

2) Please comment the following concepts and statements, illustrating what you consider to be your typical behavior in business:

Autonomy

The ability to pursue opportunities despite organizational constraints and control of resources.

Innovativeness

Willingness to depart from existing technologies or practices and venture beyond the current state of the art. Intuition or observation?

Risk taking

Taking a stand in favor of a strategic course of action without knowing the outcomes (financial, personal).

How do you mitigate risks?

Trade off between “sink the boat” (underperform) and “miss the boat” (miss opportunity).

Proactiveness

Taking initiative by anticipating and pursuing new opportunities. Disposition to take action, and influence your environment.

Competitive aggressiveness

Propensity to challenge competitors, reacting or responding to outperform industry rivals. New ideas and ventures require empowerment and legitimacy.

3) Considering the characteristics mentioned in the previous question, please summarize your:

- a. Education
- b. Business experience
- c. Functional knowledge of management
- d. Entrepreneurial experience

B) Influence upon the firm’s competencies, values and innovation culture

1) Considering your firm’s human resources, can you describe and comment their:

- Capacity to envision future
- Capacity to recognize opportunity
- Capacity to pursue and mitigate risks
- Capacity to leverage and combine resources
- Tenacity in exploiting a given opportunity

2) How do you influence your firm’s competencies and values described above?

Script 3. Characterization of strategic Market Orientation / MO Questionnaire

Semi-structured interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
X	X	X	X	X	

Please comment each of the following sentences and mark your preference on the scale provided:

Intelligence generation

-
1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 2. In this business unit, we do a lot of in-house market research.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 3. **REV** We are slow to detect changes in our customers’ product preferences.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 4. We poll end users at least once a year to assess the quality of our products and services.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 5. **REV** We are slow to detect fundamental shifts in our industry (e.g. competition, technology, regulation).
Strongly disagree 1 2 3 4 5 *Strongly agree*
 6. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.
Strongly disagree 1 2 3 4 5 *Strongly agree*

Intelligence dissemination

-
7. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 8. Marketing personnel in our business unit spend time discussing customers’ future needs with other functional departments
Strongly disagree 1 2 3 4 5 *Strongly agree*
 9. When something important happens to a major customer or market, the whole business unit knows about it in a short period.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 10. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis
Strongly disagree 1 2 3 4 5 *Strongly agree*
 11. **REV** When one department finds out something important about competitors, it is slow to alert other departments
Strongly disagree 1 2 3 4 5 *Strongly agree*

Responsiveness

-
12. **REV** It takes us forever to decide how to respond to our competitors’ price changes
Strongly disagree 1 2 3 4 5 *Strongly agree*
 13. **REV** For one reason or another, we tend to ignore changes in our customers’ product or service needs.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 14. We periodically review our product development efforts to ensure that they are in line with what customers want.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 15. Several departments get together periodically to plan a response to changes taking place in our business environment.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 16. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately
Strongly disagree 1 2 3 4 5 *Strongly agree*
 17. The activities of the different departments in this business unit are well coordinated
Strongly disagree 1 2 3 4 5 *Strongly agree*
 18. **REV** Customer complaints fall on deaf ears in this business unit.
Strongly disagree 1 2 3 4 5 *Strongly agree*
 19. **REV** Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion
Strongly disagree 1 2 3 4 5 *Strongly agree*
 20. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.
Strongly disagree 1 2 3 4 5 *Strongly agree*
-

Script 4. Characterization of strategic Entrepreneurial Orientation / EO Questionnaire

Semi-structured interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
X	X	X	X	X	

A) Please comment each of the following sentences and mark your preference on the scale provided:

In general, the top managers of my firm (holding and/or affiliate company) favor...

- | | | | | | | |
|--|---|---|---|---|---|--|
| 1. A strong emphasis on the marketing of tried and true services | 1 | 2 | 3 | 4 | 5 | A strong emphasis on R&D, technological leadership and innovations |
|--|---|---|---|---|---|--|

How many new lines of services has your firm (holding and/or affiliate company) marketed in the past 5 years?

- | | | | | | | |
|--|---|---|---|---|---|---|
| 2. No new lines of services | 1 | 2 | 3 | 4 | 5 | Very many new lines of services |
| 3. Changes in service lines have been mostly of a minor nature | 1 | 2 | 3 | 4 | 5 | Changes in service lines have usually been quite dramatic |

In dealing with its competitors, my firm (holding and/or affiliate company)...

- | | | | | | | |
|--|---|---|---|---|---|--|
| 4. Typically responds to actions which competitors initiate | 1 | 2 | 3 | 4 | 5 | Typically initiates actions which competitors then respond to |
| 5. Is very seldom the first to introduce new services, administrative techniques, operating technologies, etc. | 1 | 2 | 3 | 4 | 5 | Is very often the first to introduce new services, administrative techniques, operating technologies, etc. |
| 6. Typically seeks to avoid competitive clashes, preferring a “cohabitation” (live-and-let-live) posture | 1 | 2 | 3 | 4 | 5 | Typically adopts a very competitive “demolish competitors” (undo the competitors) posture |

In general, the top managers of my firm (holding and/or affiliate company) have...

- | | | | | | | |
|--|---|---|---|---|---|--|
| 7. A strong proclivity for low risk projects (with normal and certain rates of return) | 1 | 2 | 3 | 4 | 5 | A strong proclivity for high risk projects (with chances of very high returns) |
|--|---|---|---|---|---|--|

In general, the top managers of my firm (holding and/or affiliate company) believe that...

- | | | | | | | |
|---|---|---|---|---|---|--|
| 8. Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behavior | 1 | 2 | 3 | 4 | 5 | Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm’s objectives |
|---|---|---|---|---|---|--|

When confronted with decision-making situations involving uncertainty, my firm (holding and/or affiliate company)..."wait and see" posture...

- | | | | | | | |
|--|---|---|---|---|---|--|
| 9. Typically adopts a cautious, “wait and see” posture in order to minimize the probability of making costly decisions | 1 | 2 | 3 | 4 | 5 | Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential |
|--|---|---|---|---|---|--|

B) Please comment the following sentences:

(INOV)

1. “When it comes to problem solving, we value creative new solutions more than the solutions of conventional wisdom.”
2. “Top managers here encourage the development of innovative marketing strategies, knowing well that some will fail.”

(RISK)

3. “We value the orderly and risk-reducing management process much more highly than leadership initiatives for change.”
4. “Top managers in this business unit like to “play it safe.”
5. “Top managers around here like to implement plans only if they are very certain that they will work.”

(PROACT)

6. “We firmly believe that a change in market creates a positive opportunity for us.”
 7. “Members of this business unit tend to talk more about opportunities rather than problems.”
-

Script 5. Description of organizational marketing processes

Focused interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
	X	X	X	X	

References:

Matsuno *et al.* 2002

With the intent of understanding how the unit of analysis (holding, GoToMarket and “Services Outsourcing” companies) promotes Organizational Learning and Opportunity Recognition, please describe these processes (from a formal and informal perspective). Answer the questions after reading the generic definition of both processes:

Organizational Learning:

- *Generating market intelligence (customers needs, competitors, environment)*
- *Disseminating it throughout the organization (sharing and spreading)*
- *Responsiveness to market intelligence (timely reaction to customers needs and competitors' actions)*

How does your firm generate market intelligence regarding customer needs, disseminate it internally and induce organization-wide response to it?

Opportunity Recognition:

- *Identification of sources of profit potential (market imperfections, unarticulated needs)*
- *Assessment of opportunities (resources needed, viability, potential, value creation)*
- *Exploitation of opportunities (risk management, operations, new services and markets)*

How does your firm act to identify opportunities? How does it assess and exploit those opportunities?

Script 6a. Outcomes of marketing processes concerning specific projects

Focused interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
	X	X	X	X	

Note:

Requires previous selection of two projects, concerning two different clients, where innovative marketing processes resulted in specific recognition and exploitation of opportunities.

1. Please identify the projects previously selected in what concerns the basic nature of the service, the client and the opportunity it represented for the organization.
 - a. Project “A”:
 - b. Project “B”:

2. Please describe both projects, each one in chronological sequence, in what concerns:
 - a. Recognition of opportunity
 - i. When and how did the organization start discussing this opportunity?
 - ii. Was it in line with previous planning and strategic orientations?
 - iii. Was this opportunity identified as a result of: Formal planning and discussion? Formal processes of identifying opportunities? As a result of an informal business lead? Other?
 - b. Assessment of opportunity
 - i. Did this opportunity require innovative solutions for specific problems? Please explain.
 - ii. What resources were allocated to study its potential and viability, development and implementation? Were external expertise and resources used to develop the solution?
 - c. Exploitation of opportunity
 - i. Was the solution developed specifically for one client, or was there intention of generalizing it for the market, at that early stage?
 - ii. What were the risks involved in the process? Were there any risk minimization procedures, such as “testing”, “sharing of resources”, “involving the client in the development”, or others?
 - iii. Characterize the commercial process with the client, regarding: Understanding client’s specific needs; Risk-management concerning commercial terms and conditions; Other aspects.
 - iv. Describe procedures concerning the assessment of client satisfaction, value-creation, and identification of new opportunities resulting thereof with same client/new clients.
 - d. Conclusions
 - i. What type of innovation came out of the exploitation of this opportunity? Please describe it.
 - ii. Did this opportunity result from innovative business processes? Please describe them.

Script 6b. Outcomes of innovative marketing processes / REDITUS customers

Focused interview

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager	“Reditus” reference customers
					X

1. Please describe this project, in chronological sequence, in what concerns:
 - a. Identification and learning of explicit and latent needs
 - i. Briefly explain the specific project.
 - ii. Was it an explicit need or a latent, unnoticed or unarticulated need?
 - iii. If latent, how did it become an explicit need? Internally, motivated by the supplier or as a result of mutual collaboration?
 - iv. How were the specifications formalized? With the suppliers’ help? By internal formalization procedures? Please explain in greater detail.
 - v. Were there further development needs or emerging needs later on in the project? Were they triggered, in any measure, by the supplier? By other interlocutors from the supplier?
 - vi. Who were the suppliers’ interlocutors? In which phase of the process?
 - b. Assessment of solution proposed
 - i. What were the main factors that contributed to the final decision?
 - ii. What were the risks involved in this project, affecting your organization? How were they managed?
 - iii. Was the solution adopted considered to be an innovation? Incremental or radical?
 - c. Conclusion
 - i. Please describe any procedures carried out by the supplier concerning the assessment of client satisfaction, value-creation, identification of new needs resulting thereof
 - ii. In this specific project, what innovative characteristics did you find:
 - iii. In the service supplied;
 - iv. In the suppliers’ procedures regarding relationship management and the cycle of pre-sales, proposal, delivery and after-sales?
 - v. Please characterize the suppliers’ approach (each of the interlocutors) before and during the project in terms of their:
 1. Proactiveness
(Taking initiative by anticipating and pursuing new opportunities. Disposition to take action, and influence the environment)
 2. Risk management
(risk assessment, risk mitigation procedures, pursuing courses of action without knowing entirely the outcomes)
 3. Innovativeness
(Willingness to depart from existing technologies or practices and venture beyond the current state of the art)
 - vi. Do you have other comments you would like to offer, concerning the relationship with this supplier?

ANNEX 3 – MO AND EO QUESTIONNAIRES' RESULTS

MO Questionnaire results: characterization of strategic Market Orientation

Participants:

Chairman	CEO	“Go To Market” Manager	“Redware” General Manager	“InterReditus” General Manager
Not applicable	○	○	○	○

Intelligence generation

1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.

Strongly disagree 1 2 ③ 4 ⑤ *Strongly agree*

2. In this business unit, we do a lot of in-house market research.

Strongly disagree 1 ② ③ 4 5 *Strongly agree*

3. **REV** We are slow to detect changes in our customers’ product preferences.

Strongly disagree ① ② ③ 4 5 *Strongly agree*

4. We poll end users at least once a year to assess the quality of our products and services.

Strongly disagree 1 2 3 ④ ⑤ *Strongly agree*

5. **REV** We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).

Strongly disagree ① ② ③ 4 5 *Strongly agree*

6. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.

Strongly disagree 1 2 ③ ④ 5 *Strongly agree*

Intelligence dissemination

7. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.

Strongly disagree 1 2 ③ ④ 5 *Strongly agree*

8. Marketing personnel in our business unit spend time discussing customers’ future needs with other functional departments

Strongly disagree 1 ② 3 ④ 5 *Strongly agree*

9. When something important happens to a major customer or market, the whole business unit knows about it in a short period.

Strongly disagree 1 2 3 ④ ⑤ *Strongly agree*

The impact of MO and EO on innovative Marketing processes

10. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis

Strongly disagree 1 2 3 4 5 *Strongly agree*

11. **REV** When one department finds out something important about competitors, it is slow to alert other departments

Strongly disagree 1 2 3 4 5 *Strongly agree*

Responsiveness

12. **REV** It takes us forever to decide how to respond to our competitors' price changes

Strongly disagree 1 2 3 4 5 *Strongly agree*

13. **REV** For one reason or another, we tend to ignore changes in our customers' product or service needs.

Strongly disagree 1 2 3 4 5 *Strongly agree*

14. We periodically review our product development efforts to ensure that they are in line with what customers want.

Strongly disagree 1 2 3 4 5 *Strongly agree*

15. Several departments get together periodically to plan a response to changes taking place in our business environment.

Strongly disagree 1 2 3 4 5 *Strongly agree*

16. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately

Strongly disagree 1 2 3 4 5 *Strongly agree*

17. The activities of the different departments in this business unit are well coordinated

Strongly disagree 1 2 3 4 5 *Strongly agree*

18. **REV** Customer complaints fall on deaf ears in this business unit.

Strongly disagree 1 2 3 4 5 *Strongly agree*

19. **REV** Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion

Strongly disagree 1 2 3 4 5 *Strongly agree*

20. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

Strongly disagree 1 2 3 4 5 *Strongly agree*

