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START UP

Emerging enterprises: transformational leadership and customer-centric approaches

Research Objectives

Ananya Rajagopal's research explores entrepreneurship, international marketing, industrial marketing, sales, brand management, and research methodology.

Detail

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Bio

Ananya Rajagopal holds a PhD in Administration with a focus on Entrepreneurship and Marketing. She has ample work experience in financial industry. She has published two books, several papers in international refereed journals, book chapters, and research papers in many international conferences. She is Research Professor at Universidad Anáhuac México, México City.

Funding

Universidad Anáhuac México

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Personal Response

How would you like to see organisations using these findings?

Micro enterprises and start-up enterprises struggle to establish themselves in the market segments not only due to forces of industry attractiveness but also due to limited knowledge of leadership styles, employee engagement, and resources. Extrinsic factors such as market competition, consumer behaviour, servitisation, and distribution management pose an enormous challenge and are difficult to control. However, emerging enterprises can control intrinsic factors such as organisational design, employee-leader relationship, employee engagement and motivation, continuous improvement of internal processes, and innovation, to boost their organisational growth and performance. Such entrepreneurial outlook will lead to sustainable growth of the micro and start-up enterprises in emerging economies.



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Emerging enterprises

Transformational leadership and customer-centric approaches

Micro enterprises and start-ups enterprises (SUEs) are a critical part of the commercial environment and global business models in emerging markets. These enterprises have high growth potential by effectively administering their competitive advantages in a short period of time as compared to more established and bureaucratic organisations. However, many emerging organisations do not realise their full potential due to leader-centred myopic decision-making process. Ananya Rajagopal, PhD, Research Professor at Universidad Anáhuac México, México City, has conducted significant research into the transformational leadership style and collective decision-making that is required to unlock the entrepreneurial growth potential of SUEs. A customer-centric approach supported by innovation and technology is the path to success.

Micro enterprises and start-up enterprises (SUEs) play an essential role in our society. Their size and agility enable them to operate in a way that can be far more innovative and customer-centric in approach than is possible for more sizeable and established businesses.

Ananya Rajagopal, PhD, Research Professor at Universidad Anáhuac México, has conducted various research studies about the factors impacting the success of emerging organisations. She found that one of the most significant determinants of success is the transformational leadership capacity of the start-up's leader, and how far this leadership style fosters collaboration and collective decision-making.

ORGANISATIONAL DESIGN

The majority of SUEs begin as family businesses. Here leadership is very focused on one person or a small family group who own all the decision making, which can hinder strategic outlook and organic growth of the firm. These businesses, while innovative and agile, can struggle to expand their market share. Sometimes the only path to achieving growth appears to be through partnerships with businesses that have more established business structures and more substantial resources.

The organisation design of SUEs typically develops from the founder's vision. They often have limited capital for investment. On top of this, they usually have limited human resources available to implement the founder's strategy. They may not be able to attract employees with all the skills and experience that larger businesses have the resources to secure. Therefore, it can be challenging to run the company in a

way that is operationally efficient, and that maximises the available resources.

Professor Ananya Rajagopal recommends that SUEs should prioritise by focusing on improving their capabilities and competencies, as this will be a significant growth driver. The business must take a customer-centric approach when deciding which skills and competencies to prioritise; it must put the needs of the customer at the centre of all decision-making. There must be a regular flow of the 'voice of the customer' into the organisation.

LEADER-CENTRED VS COLLECTIVE DECISION-MAKING

Start-up enterprises typically have an organisational design that has a bias towards leader-centred decision-making, which can stunt entrepreneurial growth. It limits the value that each employee can contribute to the business as they are working in an environment where they are not empowered to contribute to the full extent of their abilities.

Professor Ananya Rajagopal's research has demonstrated that transitioning from leader-centred to more collective decision-making has significant benefits for customers, employees and the organisation's bottom line.

The leader's values and behaviours have a significant impact on how engaged the employees are with both the organisation and their role in its success. A transformational leadership style is one in which the leader is a great communicator, who fosters ideation and recognition, and supports the employees to build their capability. This leadership style encourages openness and collective decision-making while enabling the leader to maintain administrative control.

Professor Ananya Rajagopal's research found a clear relationship

between transformational leadership abilities, increased capability amongst employees and improved organisational performance.

CUSTOMER-CENTRIC APPROACH

When start-up enterprises begin their journey, it's common to focus on profits and growth. This focus can detract attention from the core purpose of the business, which is to add value to customers.

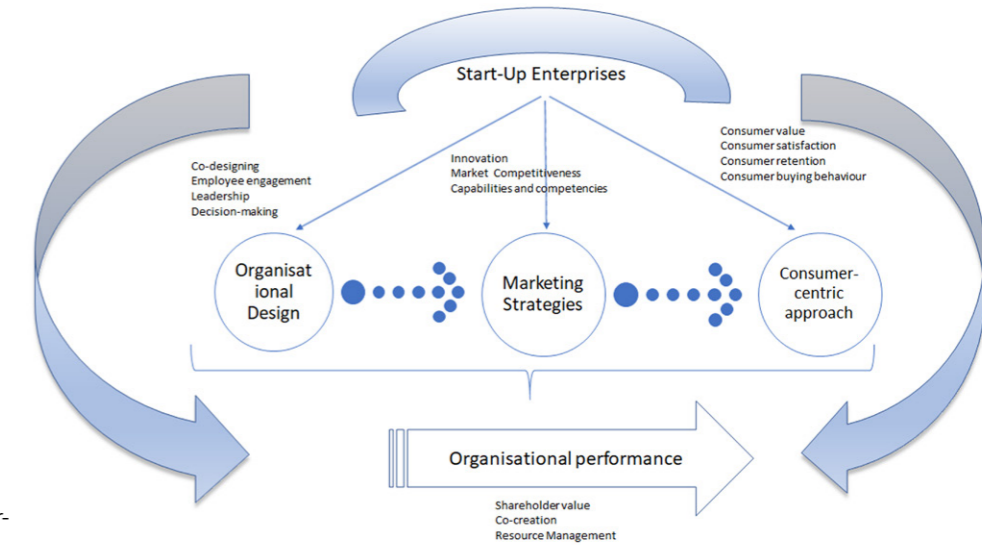
Professor Ananya Rajagopal cites the study by Martinelli and Tunisini (2019). They found that integrating a customer-centric approach into the DNA of the organisation is an effective way to add more value to customers. In every decision and action, the needs of the customer must take precedent over other objectives. This customer-centric approach, in turn, leads to higher demand and more repeat business, because products, services and marketing messages fully align with what the customers want and need.

SUEs with their smaller size and more flexible structures have the advantage of being close to the needs of their customers, and they can fill these needs quickly. In comparison, larger and more established businesses can be bureaucratic and slow in responding to customer needs. There are just too many organisational layers and processes to navigate.

Transformational leaders who want to create a sustainable business model must ensure that their key performance indicators include measures of customer satisfaction and loyalty; not just merely profits and market share.

EFFECTIVE MARKETING STRATEGIES

Professor Ananya Rajagopal has conducted extensive research into the marketing strategies of SUEs and found that they are often lacking. While SUEs are effective at finding a niche target market, their leadership usually lacks the skills to grow or to even maintain their market share over time. To increase their competitiveness, transformational leaders must prioritise innovation and technology. An SUE's small size gives it the perfect



Dimensions of entrepreneurial growth and performance.

environment to co-create new products, services and marketing messages with employees and customers. This employee and customer-centric approach enables them to be more price-competitive while also developing real fans in their employee and customer bases who feel invested in the SUE's success.

Highly engaged customers will often be willing to act as endorsers for the business in social media channels, which sparks a 'me-too' feeling

crowdsource ideas and co-create the SUE's next innovations.

ENTREPRENEURIAL GROWTH THROUGH ALLIANCES

Transformational leaders can harness their innovation and technology, as well as their cost-efficiency to attract strategic alliances with other businesses and other customer segments, leading to long-term sustainability and entrepreneurial growth. Many successful SUEs become product, innovation and technology suppliers to much larger enterprises.

Start-up enterprises typically have an organisational design that has a bias towards leader-centred decision-making, which can stunt entrepreneurial growth.

amongst potential customers who can relate to the stories from real people who are 'just like them'. It engenders a higher level of trust than traditional corporate marketing strategies. Today potential customers are looking for proof of where they should place their faith, in an online world that has so many options.

Today's transformational leadership focuses on expanding their reach through online marketing and in so doing, create online consumer communities who will contribute to crowdsourcing ideas and who will

Their competitive advantages fill in many of the gaps that larger business struggle to fill internally. In return, the SUE receives a significant step-up in their growth journey, by benefiting from the resources, and often more extensive customer base, of the more substantial business.

Finding out more

Professor Ananya Rajagopal covers her insights in more detail in her book, *Managing Start-up Enterprises* (Palgrave Macmillan) <https://www.palgrave.com/gp/book/9783030281540>.



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