

## **STRATEGIC ENTREPRENEURSHIP: A CASE IN THE BRAZILIAN AUTOMOBILE INDUSTRY**

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## **ABSTRACT**

This work addresses an entrepreneurial phenomenon of strategic administration within the automobile industry: the creation of the automaker Troller Veículos Especiais (TVE). The case study at hand is justified by the positioning of this company around two market niches and its relative success in an industry characterized by few and powerful players. Our aim was to analyze the entrepreneurial and strategic process of discovering opportunity, the analysis used for internal and external factors, and the adoption of its strategic positioning in exploring two automobile market niches: in the B2B market, vehicles adapted to specific operational functions; and in the B2C, off-road vehicles with a strong appeal to consumers' life styles. This case study allowed us to visualize the challenging path of a genuinely Brazilian small company in a sector dominated by large multinational groups, besides demonstrating decision-related dilemmas and aspects related to managerial creativity.

**Key-words:** Automobile industry. Case study. Strategic entrepreneurship. Discovery theory. Strategic positioning.

## EMREENDEDORISMO ESTRATÉGICO: UM ESTUDO DE CASO NA INDÚSTRIA AUTOMOBILÍSTICA

### RESUMO

Este trabalho trata de um fenômeno empreendedor sob a ótica da administração estratégica na indústria automobilística: a criação da montadora Troller Veículos Especiais (TVE). O objetivo é investigar o processo empreendedor e estratégico de descoberta de oportunidade, a análise de fatores internos e externos empregada, e a adoção de seu posicionamento estratégico na exploração de dois nichos no mercado de veículos automotores: no mercado B2B, em torno de veículos adaptados a funções operacionais específicas; e no mercado B2C, em torno de veículos jipe com forte apelo ao estilo de vida do consumidor. Este estudo de caso permite visualizar a trajetória desafiadora de uma pequena empresa genuinamente brasileira em um setor dominado por grandes grupos multinacionais, além de evidenciar dilemas decisórios específicos e aspectos relativos à criatividade gerencial.

**Palavras-chave:** Indústria automobilística. Estudo de caso. Empreendedorismo estratégico. *Discovery theory*. Posicionamento estratégico.

## **1 INTRODUCTION**

From the academic viewpoint, entrepreneurship can be defined as the analysis of how, who, and with what effects the opportunities for creating future goods and services are discovered, evaluated, and exploited<sup>1</sup> (Shane; Venkataraman, 2000).

The competitive scenario of the 21st century is to a great extent shaped by new technologies, and globalization is strongly influenced by uncertainty (Hitt et al., 2001; Malecki, 1997; Aloulou; Fayolle, 2005). Uncertainty conditions evidence an increase in management risks, a growing difficulty in making predictions, the dilution of frontiers between companies and industries, the emergence of new structural forms, and innovative managerial mindsets (Hitt et al., 2001; Kuratko; Audretsch, 2009).

Due to this competitive scenario, the synergy between entrepreneurship and strategic management has been increasingly explored in the academic milieu, based on the concept of strategic entrepreneurship (Companys; McMullen, 2007; Ireland, 2007; Kuratko; Audretsch, 2009; Patzelt; Shepherd, 2009; Ramachandran et al, 2006; Steffens et al, 2009). Strategic entrepreneurship represents the action of simultaneously engaging in the search for opportunities and competitive advantages for devising and implementing entrepreneurial strategies that create wealth (Hitt et al., 2003, p. 416). Despite not being a recent concept (Murray, 1984; Verstraete, 2002), the field of strategic entrepreneurship is still in a development phase, with no clear research paradigm (Ireland, 2007; Kraus; Kauranem, 2009).

Under a case study approach, this article focused on the conception and structuring of an automaker in Brazil's northeastern region, using the above-mentioned theory. The goal of the research was to investigate the process of opportunity discovery, how potential strengths and weaknesses of the business venture were identified in its initial stage, and the strategic positioning of the company within an industry characterized by few and powerful players.

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<sup>1</sup> "The scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited."

The justification for this case study was motivated by its uniqueness in Brazil's automobile industry: a business venture idealized and established through the mobilization of 10% national capital, whose fruits yielded considerable popularity in the segment of off-road vehicles. Hence, it is an exploratory work. Another justification regards the theoretical field underlying the case. The absence of a defined research paradigm makes it important to systematize research that can contribute to its delimitation or the exploration of new possibilities of approach. In addition to that, cases like this have practical relevance insofar as they invite entrepreneurs and agents to reflect upon possible efforts that can steer their organizations to a desired position.

## **2 METHOD**

The qualitative approach used in this study seems to be a habit in social sciences and relies fundamentally on observing individuals in their territories and interacting with them in their own language and on their own terms (Kirk; Miller, 1988, p. 9).

Following this line of thought, we performed a case study that does not refer specifically to a methodological choice, but to the choice of a specific phenomenon to be examined (Godoy, 2006; Morgan; Smircich, 1980; Stake, 1994, p. 236).

Despite deficiencies inherent in this approach, such as the difficulty in making generalizations, abnormality of the research unit in relation to similar ones, and underestimation of design criteria (Gil, 1988, p. 60), the case study can be a small part of a larger study or a small step toward wider generalization, although generalization should not be emphasized during the research (Stake, 1994, p. 238).

The choice of a case study reflects the researcher's preference to approach one phenomenon or various phenomena, especially when he/she wishes to understand a situation in depth and detail, within its context and in a holistic manner, by emphasizing its meaning for the various parties involved (Godoy, 2006, p. 119; Patton, 1990, p. 54). Hence, the analysis unit of the case was a process of discovering an opportunity and the resulting set of managerial actions, also delimited by the time interval 1997-2006. Among the various data

collection possibilities in the qualitative research (Yin, 2001), we opted for a semi-structured interview, which was possible with one founding partner of the company and a project consultant directly involved in the process of formation of the business, besides a secondary survey of articles and periodicals in various web sites.

The interview is an important way to collect information due to the complexity of the subject; it provides the ability to “understand the meaning that the respondents ascribe to questions and situations regarding the theme of interest” (Godoy, 2006, p. 134); it is used in “collecting descriptive data in the language of the subject, allowing the researcher to develop an idea about the way the subjects interpret aspects of the world” (*idem*); and it allows the possibility to capture behavioral and attitudinal observations about the interviewee (Cervo; Bervian, 1978; Morgan; Smircich, 1980).

Concerning the secondary survey, we obtained more thorough details about relevant facts from the history of TVE, from its foundation to its operationalization and the moment of its sale to Ford Motor Company Brasil Ltda.

### **3 LITERATURE REVIEW**

As a process, entrepreneurship focuses on the identification of market opportunities and the creation of a set of resources through which these opportunities can be explored (Ireland et al., 2001). In practice, this phenomenon requires a creative and proactive approach in relation to challenges, tasks, obstacles, and opportunities.

#### **3.1 ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT**

One of the theoretical foundations of entrepreneurship is provided by Schumpeter (1950), whose thought focused on the influence of the entrepreneur’s role in the capitalist system. Schumpeter (1950) ignores the condition of competitive markets, common in economic analysis, and elucidates the dynamics of the marketing process, characterized by a destructive creation in which new combinations are responsible for economic development, progress, and innovation. Hence, the entrepreneur is seen as an innovator and a leader,

because he or she is in charge of directing the production means to new markets and becoming a pioneer in them (Boettke; Coyne, 2003). The soul of entrepreneurship is thus the manager's ability to destroy extant structures in order to move the economic system forward.

As of the late 1990s, the complexity of organizational changes contributed to deepen studies and research not only in administration, but also in entrepreneurship (Sonfield; Lussier, 1997). In this area we may highlight three main lines of research: the creation of opportunities; the characteristics that differentiate individuals who discover these opportunities; and the ways of thinking and acting involved in the exploration of these opportunities (Cunha, 2007). These three theoretical strands define entrepreneurship as a dynamic process through which companies explore opportunities not yet identified or explored by others, driven by a behavior oriented to the incremental creation of wealth; entrepreneurship is thus directly related to economic opportunities (Ireland et al., 2001; 2003).

Entrepreneurial opportunities can be classified as objective situations which involve material resources and information, often widely available; but also as cognitive opportunities, i.e. subjective situations that require interpretative processes for the emergence of valuable relationships that have means and ends.

With regard to entrepreneurial behavior, five characteristics or variables can be evidenced, according to Sonfield and Lussier (1997): autonomy (independent action and self-direction); innovation (new ideas, experimentation, and creativity); risk acceptance (exposing oneself to uncertainty and mobilizing assets); proactivity (to act anticipating possible problems or needs); and competitive aggressiveness (competing in a superior manner either upon entering a market or by improving the competitive position). These characteristics supplement those exhibited by Shapero (1975): initiative; organization and re-organization of socio-economic mechanisms to turn resources and situations into something concrete; and the acceptance of the risk of failure, the main goal of which is adding value to some product or service (Shapero, 1975). The value added to a product or service, regardless of whether it is new or unique, should therefore be the higher objective around which the entrepreneur should secure and allocate the necessary resources and competences.

Nevertheless, in the view of Steffens et al. (2009), entrepreneurship, both in practice and in theory, has as a main success indicator the organization's growth, more so than the aggregation of value to products and services. On the other hand, strategic management, based mainly on the perspective of strategic positioning (Porter, 1985) and on the resource-based view of the firm (Barney, 1991; Wernerfelt, 1984), considers the build-up of competitive advantages and profitability vis-à-vis other competitors to be central measures of company performance. Within an increasingly complex, dynamic, and global context, in which the identification of and mobilization for exploring these opportunities emerge, company growth per se is not a reliable success indicator; one needs to also consider the addition of value to products and services, the long-term sustainability of the business, and its potential for profitability. Strategic management thus comes to assist entrepreneurship within a scenario marked by a dynamic global economy.

Strategic entrepreneurship integrates the perspective of opportunity with that of competitive advantage (Hitt et al., 2001), and according to this view companies should look for new ways of doing business and break industry-specific competitive rules, thereby leading to the development of new business models and creating new forms of competition. Consequently, both company growth and relative profitability are together relevant performance measures in the field of strategic entrepreneurship (Steffens et al., 2009).

Under the view of strategic entrepreneurship, according to Hitt et al. (2003, p. 480), actions should involve the creation of new resources or combinations of current resources into new forms for the development and marketing of new products, movements in new markets, and/or services to new customers. In addition to that, Murray (1984) states that they must gather the means through which an organization establishes or re-establishes its set of relationships with the environment in which it is inserted.

However, according to Murray (1984), entrepreneurial strategy is not always executed proactively. In a number of cases it emerges as a response to an organization's incapacity to adapt to its environment, evidenced by its low performance. Under these circumstances, it is necessary to restructure the relationships that contributed to the distance between strategy and structure,

thereby leading to a satisfactory harmonization between these two variables and the environment. This behavior is fundamental for companies to be able to combine their resources in an innovative manner, conquer new customers, or migrate to new markets.

Also according to Murray (1984), explicit or not, an organization's strategic action occurs when a set of relationships is established: internal and environmental processes involving input and output. This set defines not only an organization's scope of action, but also its roles and behavior. Thus, it chooses a strategic location in its environment, taking into consideration its customers, competitors, suppliers, and available technology, as well as its connections with the current dynamic structure of the environment—its cultural, psychological, political, legal, and technological bases.

Hence, strategic management principles recommend that enterprises establish and explore competitive advantages within a specific environmental context, whereas entrepreneurship fosters the search for competitive advantages based on product, process, and market innovations. Under this view, a new business venture is typically created to pursue market potential based on innovation (Kuratko; Audretsch, 2009).

These are relevant considerations in analyzing new venture creation. In dealing with this type of analysis, a useful tool is evidenced by Sonfield and Lussier (1997): the entrepreneurial strategy matrix. Following the traditional structural model of strategic matrices for portfolio analysis, the main measurement variables of the entrepreneurial strategy matrix are innovation and the risk inherent to a new venture (Figure 1).

In it, innovation is defined as the creation of something new and different. Hence, the newer and more distinct or unique the product or service proposed, the higher its grade in the scale. The risk variable is defined as the probability of a relevant financial loss. Thus, the analysis of a new venture—be it a new company or a new venture by a corporation—can present four major profiles, represented by the four quadrants: high level of innovation/high risk; high level of innovation/low risk; low level of innovation/low risk; and low level of innovation/high risk.



<b>INNOVATION</b> (Creating a unique and different product/service)	<i>High</i>	<div style="background-color: black; color: white; padding: 2px; display: inline-block;"><b><i>I-r</i></b></div> High Innovation Low Risk	<div style="background-color: black; color: white; padding: 2px; display: inline-block;"><b><i>I-R</i></b></div> High Innovation High Risk	
	<i>Low</i>	<div style="background-color: black; color: white; padding: 2px; display: inline-block;"><b><i>i-r</i></b></div> Low Innovation Low Risk	<div style="background-color: black; color: white; padding: 2px; display: inline-block;"><b><i>i-R</i></b></div> Low Innovation High Risk	
		<i>Low</i>	<b>RISK</b>	<i>High</i>
		(Probability of major financial loss)		

**Figure 1: The Entrepreneurial Strategy Matrix**

Source: Sonfield and Lussier (1997)

One important aspect of this analysis, particularly in the current context of competition and rapid changes in the competitive environment in various industries, would be the influence of time on the risk variable. Strategic actions, evidenced by the relationships that organizations maintain with their environment (considering customers, competition, suppliers, and technological aspects) (Murray, 1984), can transform the perception of the risk, rendering it insignificant, because additional information or contingencies may make future scenarios more predictable.

Another aspect to be taken into account in the strategic analysis of a venture regards its current environmental structure and its dynamics, also considered by Murray (1984). In a country such as Brazil, for instance, regional markets present much asymmetry with regard to structure and dynamics. The cultural, psychological, political, legal, and technological bases described by the author can significantly influence the innovation variable, its perception and acceptance by a specific market, and its operational and economic feasibility (including from flaws in the legal/political system).

### 3.2 THE HISTORY OF TVE

TVE was founded in 1999 in the municipality of Horizonte, State of Ceará. The constitution of this enterprise resulted from the structuring and formalization of a modest workshop that, since 1994, had produced off-road vehicles in an artisanal fashion, assembling two or three vehicles per month with only ten employees.

Conducting operations in this small workshop required a significant amount of resources and after the production of forty-one prototypes its owner, Rogério Farias, started to look for a partner who would provide the necessary resources to leverage business operations. In 1996, Farias invited entrepreneur and friend Mário Araripe to form a partnership.

Although initially concerned about the feasibility of this venture, and because he did not have a great knowledge of the operations involved in assembling vehicles, Araripe would later be at the forefront of the important process of structuring a small assembly factory. Thus a change in positioning occurred through a process of opportunity discovery, evaluation, and strategic positioning, with efforts driven towards servicing a market niche as yet unexploited by the Brazilian automobile industry: that of 4x4 vehicles.

Soon after the completion of the cycle of development of new prototypes, still in 1997, TVE began producing its first and most important vehicles: T4 off-rovers, focused on a niche of consumers who valued performance as an attribute and presenting a strong appeal to the outdoor lifestyle. Thus, a series of strategic actions were employed aimed at enabling maximum exposure to the performance of this vehicle, aligning it with consumers' behavioral aspects, particularly with their lifestyle. These consumers are characterized by loyalty, with an age range between 35 and 55 years of age, mostly male, married, and with children.

One of these actions was the entry of the brand in sports rally competitions. These events gave some visibility to the vehicle both at national and international levels; in 2000, of twenty-three championship rallies held in Brazil, TVE's team won seventeen. In 2001, the year in which technical modifications were made to provide greater performance (gasoline engine replaced by a 2.8 MWM turbodiesel engine with 132 horsepower, later replaced by an MWM/International 3.0 electronically fuel-injected intercooled turbodiesel giving 163 horsepower), the team was runner-up in the Paris-Dakar Rally. These achievements showed the performance of the T4 and its competitiveness in relation to other brands already established in the 4x4 niche.

Despite having managed to insert the T4 off-roader into the market for end consumers, TVE progressively specialized in the production of special vehicles or vehicles for specific operations. Based on an idea of Mário Araripe's,

this initiative was aimed at forming the nucleus of the enterprise as a center of solutions for corporate customers, businesses, and government. This line included the creation of functional vehicles such as a military off-roader (the T4-M), fire cars, police cars, and models designed for operations in underground mines. The success of these vehicles was in large part due to an effort to integrate the end user to product engineering. A clear example of this relationship is an adaptation of the Pantanal pick-up, conceived together with a group of twelve employees from a power distribution company.

Despite the effectiveness of these efforts to position the venture in the Brazilian automobile market, their failure in the search for new investment partners prevented the leveraging of operations, forcing the partners to sell their assembly plant in the State of Ceará to the Ford Motor Company of Brazil in 2006.

## **4 RESULT ANALYSIS**

### 4.1 OPPORTUNITY IDENTIFICATION

The entrepreneurial action of structuring the company and its relationships was to a large extent due to the knowledge of Provisional Measure nº 1.532 of 13 of March of 1997, known in Brazil as the "Provisional Measure of the North and Northeast (MPNN)".

Fruit of the effort made by the parliamentary delegations from Brazil's North, Northeast, and Center-West regions, together with the executive authority to establish a special automotive regime for industries located in the estates of these regions, the MPNN was similar to the Automotive Regime of 1995 (Provisional Measure nº 1.024 of 13 June 1995), the aim of which was to reduce production cost in the sector, foster exports, improve the balance of payments in the medium and short terms, modernize production lines, and stimulate new investments in industrial parks. However, the policy for the North, Northeast and Center-West regions promoted even greater incentives than those given to industries in other regions.

According to Zauli (2000),

At first, the initial deadline for joining to the new special regime was March 31<sup>st</sup>, 1997. However, because until the beginning of this month only the Korean company Asia Motors had announced its decision to invest in the construction of a factory in the State of Bahia, the deadline for adhering to the special regime was established by the National Congress as May 31<sup>st</sup>, 1997 for assembling companies and March 31<sup>st</sup>, 1998 for auto parts companies. It was expected that, with this new deadline, other states in the process of negotiating with potential investors, particularly the State of Pernambuco, [...] had more time to attract other investments.

In force until the year 2010, this special regime's most important characteristic was the fiscal area:

- ✓ 100% reduction of the tax on imports of capital goods;
- ✓ 90% reduction of the tax on imports of inputs;
- ✓ 50% reduction of the tax on imports of vehicles;
- ✓ Exemption from the Industrialized Product Tax (IPI) on the acquisition of capital goods;
- ✓ 45% reduction of the IPI on the acquisition of inputs;
- ✓ Exemption from the Freight Surcharge for Renewal of the Merchant Marine (AFRMM);
- ✓ Exemption from Tax on Financial Transactions (IOF) on foreign exchange transactions to pay for imported goods;
- ✓ Exemption from Income Tax on profits from the business;
- ✓ Presumed credit of the IPI, with reimbursement in double of contributions such as the Contribution for the Social Integration Program (PIS) and the Contribution for the Financing of Social Security (Cofins), both levied monthly on the gross income from the sale of goods and services.

According to TVE's partners, the knowledge of the MPNN and the subsequent framing of the company under this regime, as well as the favorable exchange rate during 1996 and 1997—an important factor in enabling the imports of components—were fundamental to the entrepreneurial action. To a lesser degree, Araripe's entrepreneurial experience, Farias's technical experience in assembling automotive vehicles, the marketing surveys conducted with consumers, and the networking of both partners—through which informal advice was possible—were important in the discovery process, defining the feasibility potential of the venture.

According to these data, the case corroborates the discovery theory (Alvarez; Barney, 2007), in which, in a more latent manner, entrepreneurial action arises from exogenous competitive imperfections based on technological changes, consumer preferences, or other attributes in the context within which the industry or market exist (Kirzner, 1973: 10). The entrepreneurial action, in the present case, did not occur predominantly from the construction of such imperfections or competitive differentials, a situation in which an iterative learning process occurs, which can result in the formation of an opportunity (Alvarez; Barney, 2007).

Among the exogenous factors commonly addressed in the discovery theory, we can mention technological changes, political and regulatory changes, as well as social and demographic changes, events that can rupture the competitive balance existing in a market or industry, thereby forming opportunities. Also according to Alvarez and Barney (2007), in circumstances such as that of the case at hand, discoveries can be leveraged by a constant process of inquiry, during which entrepreneurs should consider aspects such as direction and duration, and relativizing modest local opportunities for production of new products or services, based on a more global search in which more substantial opportunities emerge.

#### 4.2 STRATEGIC ANALYSIS

After collecting information about the competitive environment (economic, institutional, and market) and receiving advisory help from a former executive of the automobile industry and a taxation specialist, steps related to opportunity discovery, a more specific analysis focused on business strategy, were able to be taken at a deeper level. Although it was not conducted using a formal analysis model, a fragmented strategic analysis was performed taking into account strengths, weaknesses, opportunities, and threats of the new venture, i.e. an analysis similar to the SWOT model. The data raised in the primary survey can be seen in Pictures 1 and 2:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Engineers' experience in automobile assembly</li> <li>- Engineers' business experience in various enterprises</li> <li>- Possibility of making a customized product</li> <li>- Differentiated aspects in product engineering</li> </ul>	<ul style="list-style-type: none"> <li>- Non-established brand</li> <li>- Absence of aspects related to excellence in manufacturing</li> <li>- Low credibility with consumers</li> <li>- Uncertain financial-economic feasibility at the outset of venture due to impossibility of scale (beginning of benefit awarding)</li> </ul>

**Picture 1: Strengths and weaknesses identified in relation to the new enterprise**

Source: Research data

OPPORTUNITIES	RISKS
<ul style="list-style-type: none"> <li>- 4 x 4 segment not yet explored</li> <li>- Benchmarking of marketing practices from firms such as Harley Davidson® and Caterpillar®</li> <li>- Being a small company allows direct contact with and better understanding of end consumers, and allows product improvements to be made more quickly; better understanding of needs and expectations of end consumers</li> <li>- With regard to the B2B segment, integration of clients in the development of the vehicle.</li> </ul>	<ul style="list-style-type: none"> <li>- Pressure from large assemblers (prices, marketing actions, etc.)</li> </ul>

**Picture 2: Opportunities and threats identified in relation to the new enterprise**

Source: Research data

According to primary research, the process of strategic analysis of the venture was not taken subsequent to the discovery of opportunity and verification of the feasibility of the venture, but taken in depth at a later stage. There is thus an iteration between the phases of business formation and operationalization. In addressing the relative strength of the venture, Araripe's entrepreneurial experience and Farias's automobile engineering experience, as well as their partners' networking, were essential aspects in structuring and driving TVE in its first years, including in relation to sales channels.

Also pointed out as strengths were the possibility of building a customer-focused business model, i.e. with a high degree of vehicle customization in its colors and available accessories, providing a wide range of combinations; and some aspects of vehicle engineering that allows incorporating accessories such as the snorkel, with which the vehicle (to a certain extent) is able to travel through

flooded areas without harming the engine—a performance differential vis-à-vis other vehicles in the same market niche. Thus a unique product was offered insofar as, due to the impossibility of economies of scale, efforts were able to be better driven towards understanding consumers' preferences, thereby providing value to products and services offered (Shapero, 1975).

In addressing the weaknesses of the venture, an important market variable inherent in companies in this segment would be the brand. Not having an established brand in the market, TVE's management directed more efforts to marketing, particularly to the consolidation of a brand that conveyed aspects of performance, quality, reliable manufacturing, but at the same time versatility, also exploiting the T4 as an urban vehicle. These marketing strategies, according to the partners, allowed them to exploit a market niche more effectively, securing economic results sufficient to enable the venture for the middle term. Another aspect mentioned was the high value of immobilization of stocks that represented specific assets (Besanko et al, 2003, p. 128), a necessary risk for the economic sustainability of the assembler.

Unlike traditional assemblers seeking economies of scale, TVE's business strategies were orchestrated based on an approach more focused on the customer. Thus, another opportunity pointed out in reference to the venture was the benchmarking of marketing strategies and actions of two companies: Harley Davidson®, referring to the B2C segment and Caterpillar® in the B2B segment.

Despite the fact that it would be almost impossible for any of the traditional Brazilian assemblers to imitate or equal TVE's differentials, given the unfeasibility of the business model from their perspective, possible marketing actions on their part could certainly influence the behavior of TVE's target public, particularly because it was not yet a company consolidated within its industry, and with a product still in its maturation phase. This situation was cited as a possible threat.

#### 4.3 POSITIONING

In relation to strategic positioning, TVE focused on two segments (B2C and B2B) which, albeit different, aligned perfectly with the business model based on customer relationships.

In both segments, a key step would be brand building. In the B2C segment, in particular, brand-related actions were based on a similar, but older, vehicle, the Willys Jeep from the Willys Overland do Brasil automaker, but incorporating contemporary and differentiated elements. The new off-roader would have a modern architecture and at the same time comfort, technology, and robustness, so as to associate the image of a sporting vehicle with a sophisticated means of urban transportation. Thus, after the completion of the cycle of development of new prototypes, still in 1998, the production process of the first T4 models began.

The best way to promote the Troller brand, in the partners' view, would be by entering it in sports competitions, national and international. Based on these competitions, the proposal for the T4, grounded in performance and robustness, could be promoted to a specific public, furthering recognition of the product as a 100% Brazilian vehicle. Specialized communication media such as magazines and automobile bulletins, also according to the partners, were important sources for promoting the performance and attributes of the T4, consolidating the brand with its target public even further.

With regard to customer relationships, TVE has a different configuration from other automakers. Dealerships (totaling 20 across the country) are structured based on a different concept, like an extension of the automaker, so that strategic marketing actions could be closely monitored by the partners. Among the marketing actions developed by TVE at point-of-sale, for instance, are the organization of social events on weekends for customers and owners of the vehicle, as well as trail expeditions organized by a dealership in Fortaleza, Ceará. Drawing on qualitative surveys conducted with customers, it was possible to verify, according to Mário, that the acquisition of a T4 was the beginning of a bond, drawing customers into a community where they could obtain information, and also a lifestyle, through which they could meet other individuals who shared the same values.

Thus, TVE devised a different distribution channel aimed at creating a specific community, sharing common ideas and interests, as a way to attract visibility to itself. Likewise, the creation of events such as the Troller Cup in 2003 enhanced the possibility of creating a space to integrate customers, the company, and even the community.



Concerning the B2B segment, focused on special vehicles, TVE developed projects based on the modification of vehicles, to meet specific requirements of companies and the government.

In this niche, TVE worked closely with its customers in a joint project, directed to the specific needs of each one of them. One such example was conducted with a large mining company, which involved the adaptation of off-road vehicles and the incorporation of accessories specific to underground mining operations. Further examples include the configuration of 4x4 vehicles as police cars, of which more than 100 units were exported to Angola, and the adaptation of the Pantanal pick-up as fire and military vehicles. According to Araripe, the development of these different projects and their subsequent marketing, besides providing brand visibility for the B2B market and demonstrating quality and performance, reaffirmed these same values for T4 consumers.

One important differential aspect established by TVE in relation to this niche was the customers' proximity to product engineering, through which the firm was able to meet the customers' real needs. Another important aspect concerning the project regards the assembler's guarantee. TVE provided guarantees to all custom-designed vehicles, which according to Araripe was in many cases an important variable affecting corporate customers' purchasing decisions.

Despite the adoption of a strategic position based on the generation of value to the customer and on building relationships, the business model did not allow the reaching of a break-even point without taking into account the benefits of MPNN, a differing result from the initial action plan (annual T4 sales became stable around 900 to 1000 vehicles). This divergence, according to Araripe, was to a large extent attributed to the government's delay in awarding benefits, important guarantees for the operationalization of the assembler's activities. Although Araripe and Farias sought other partners to make medium- and long-term operation feasible, the need for a high degree of financial capacity and the perception of an unfavorable outlook in terms of revenue generation made them decide to sell their assembling company. TVE was purchased by Ford Motor Company of Brazil in 2006.

## **5 FINAL CONSIDERATIONS**

According to Frank Lasch, in Kuratko and Audretsch (2009), strategic entrepreneurship begins when the entrepreneur is less concerned with issues related to short-term emergence and survival than with those related to strategy development, success and marketing orientation among others. The analysis of this case study corroborates this consideration. Wide-ranging managerial aspects were emphasized much more by the managers in the process of business structuring, as evidenced by the survey, than issues or questions bearing only short-term implications.

The research allowed us to outline the process of strategic entrepreneurship, which was structured in three principal steps: discovery of opportunity for economic gains, strategic analysis of the business, and strategic positioning. These steps, as pointed out in the survey, are not necessarily successive, but iterative. However, the intensity of iterations is that which determines which step deserves more managerial emphasis in the process as a whole, to the point where a continual operational stage is reached, in which specific indicators of profitability, competitive advantage, and organizational growth can be established.

A positioning around two market niches after considering the industrial analysis (Porter, 1985) is evidenced in the case of TVE. However, the case points to the possibility of approaching multiple niches based on the mobilization of resources and competences. In this case, T4 vehicles focused on end consumers and the special vehicles designed for B2B commerce had as important resources (including financial resources) fiscal benefits; marketing information gathered in a quick and assertive manner together with their target public; networking; and as competences, a fast development of projects and entrepreneurial experience of the majority partner.

Still at a developing stage, the field of strategic entrepreneurship needs empirical contributions. According to Ireland (2007) and other authors, some important topics to be addressed in studies following this theoretical line are:

- ✓ Research design;
- ✓ Lack of comparisons between sector/industry

- ✓ Lack of socio-economic environment serving as important driver of entrepreneurship
- ✓ Under the RBV perspective, taking into account the interaction of resources as an entrepreneurial action.

This case study aimed to verify, despite the methodological limitations, how the phenomenon of strategic entrepreneurship permeated the formation of TVE, a remarkable case of joint effort around building a Brazilian brand of vehicles based on value delivery. We hope this analysis can serve as a comparison to other cases in the same industry, either at the national or international level, according to the considerations made by Ireland (2007).

Another research possibility based on this case would be the relationship between business networks and strategic entrepreneurship based on the investigation of influential variables; besides that, the relationship between competitive advantage and the discovery theory—i.e. how to make the phenomenon of opportunity discovery faster and less localized, one in which organizational networks, particularly among companies and research institutions, can profit from synergies.

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