Entrepreneurial Strategy:
Generating and Exploiting New Entries

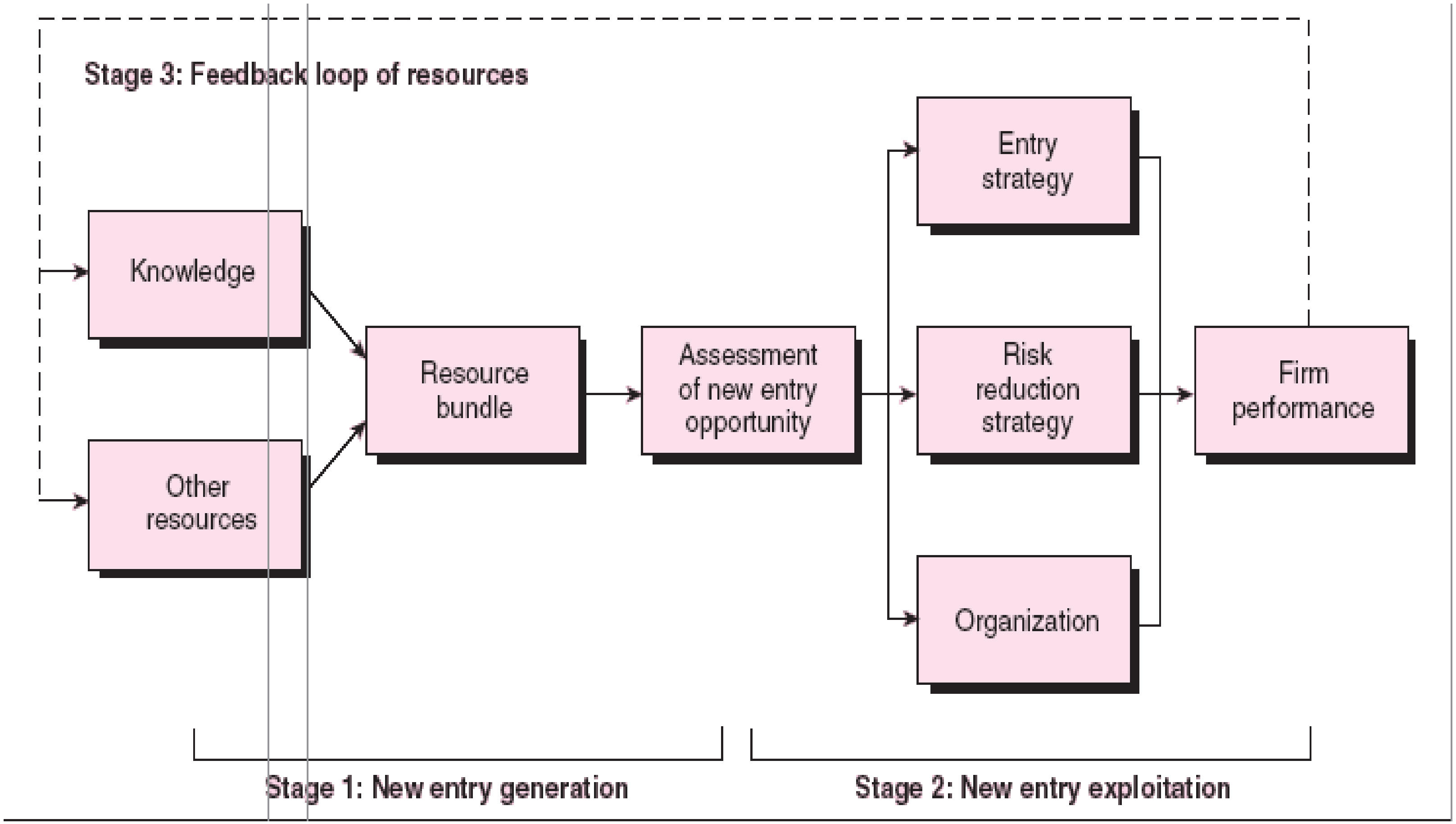
New Entry

New entry refers to:

- Offering a new product to an established or new market.
- Offering an established product to a new market.
- Creating a new organization.

Entrepreneurial strategy – The set of decisions, actions, and reactions that first generate, and then exploit over time, a new entry.

Entrepreneurial Strategy: The Generation and Exploitation of New Entry Opportunities



Generation of a New Entry Opportunity

Resources as a Source of Competitive Advantage

- Resources are the basic building blocks to a firm's functioning and performance; the inputs into the production process.
  - They can be combined in different ways.
  - A bundle of resources provides a firm its capacity to achieve superior performance.
- Resources must be:
  - Valuable.
  - Rare.
  - Inimitable.

Generation of a New Entry Opportunity (cont.)

Creating a Resource Bundle That Is Valuable, Rare, and Inimitable

- Entrepreneurs need to draw from their unique experiences and knowledge.
- Market knowledge - Information, technology, know-how, and skills that provide insight into a market and its customers.
- Technological knowledge - Information, technology, know-how, and skills that provide insight into ways to create new knowledge.

Generation of a New Entry Opportunity (cont.)

Assessing the Attractiveness of a New Entry Opportunity

- Depends on the level of information and the willingness to make a decision without perfect information.

Information on a New Entry

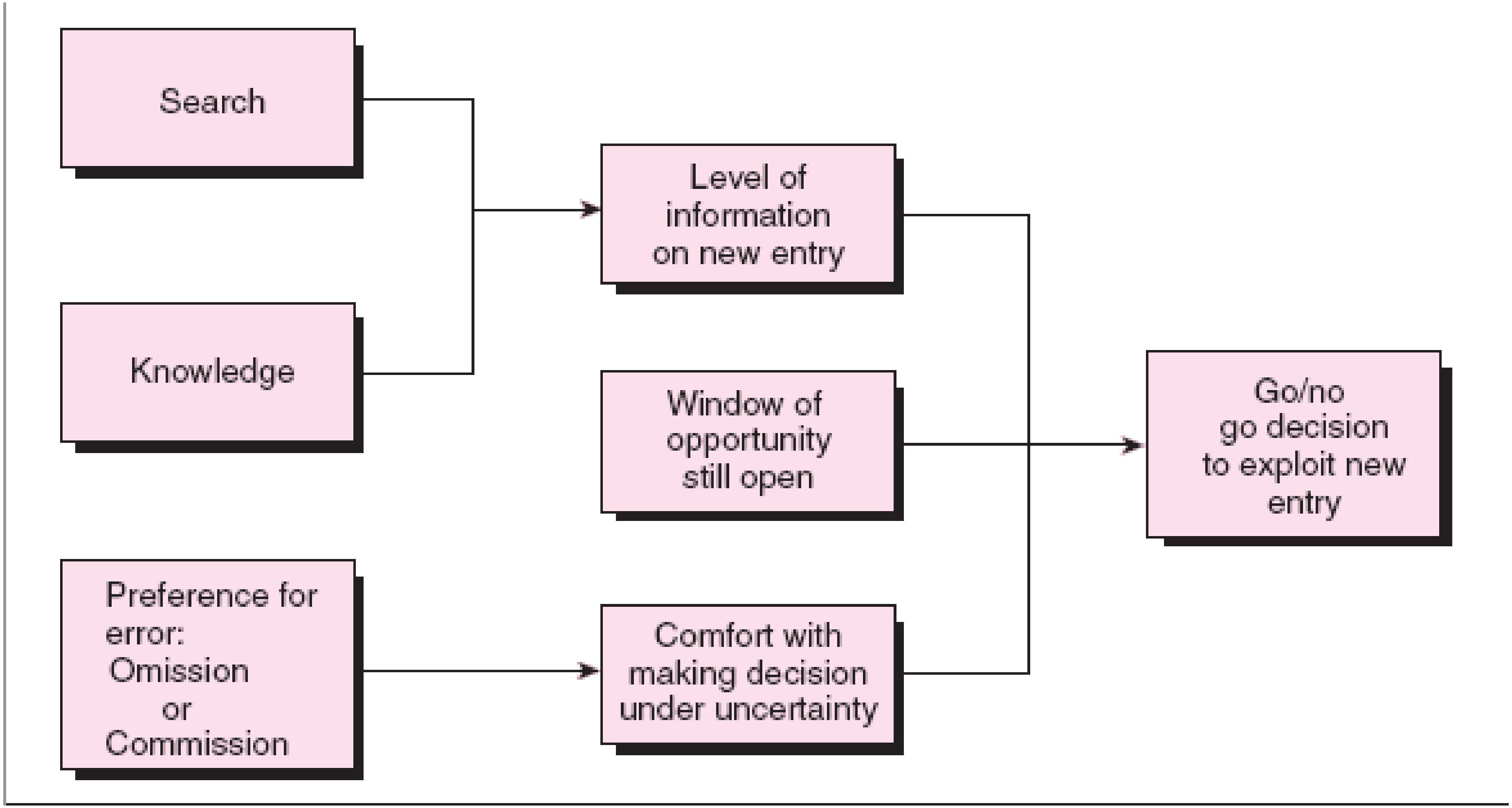
- Prior knowledge and information search
  - More knowledge ensures a more efficient search process.
  - Search costs include time and money.
- The viability of a new entry can be described in terms of a window of opportunity.

Generation of a New Entry Opportunity (cont.)

Comfort with Making a Decision under Uncertainty

- The trade-off between more information and the likelihood that the window of opportunity will close provides a dilemma for entrepreneurs.
  - Error of commission - Negative outcome from acting on the perceived opportunity.
  - Error of omission - Negative outcome from not acting on the new entry opportunity.

The Decision to Exploit or Not to Exploit the New Entry Opportunity



Entry Strategy for New Entry Exploitation

Being a first mover can result in a number of advantages that can enhance performance. These include:

- Cost advantages.
- Less competitive rivalry.
- The opportunity to secure important supplier and distributor channels.
- A better position to satisfy customers.
- The opportunity to gain expertise through participation.

Entry Strategy for New Entry Exploitation (cont.)

Environmental Instability and First-Mover (Dis)Advantages

- The entrepreneur must first determine the key success factors of the industry being targeted for entry; are influenced by environmental changes.
  - Environmental changes are highly likely in emerging industries.
- Demand uncertainty - Difficulty in estimating the potential size of the market, how fast it will grow, and the key dimensions along which it will grow.

Entry Strategy for New Entry Exploitation
(cont.)

- Technological uncertainty –
  - Difficulty in assessing whether the technology will perform and whether alternate technologies will emerge and leapfrog over current technologies.
- Adaptation - Difficulty in adapting to new environmental conditions.
  - Entrepreneurial attributes of persistence and determination can inhibit the ability of the entrepreneur to detect, and implement, change.

Entry Strategy for New Entry Exploitation (cont.)

Customers’ Uncertainty and First-Mover (Dis)Advantages

- Uncertainty for customers –
  - Difficulty in accurately assessing whether the new product or service provides value for them.
- Overcome customer uncertainty by:
  - Informational advertising.
  - Highlighting product benefits over substitutions.
  - Creating a frame of reference for potential customer.
  - Educating customers through demonstration and documentation.

Entry Strategy for New Entry Exploitation (cont.)

Lead Time and First-Mover (Dis)Advantages

- Lead time –
  - The grace period in which the first mover operates in the industry under conditions of limited competition.
- Lead time can be extended if the first mover can erect barriers to entry by:
  - Building customer loyalties.
  - Building switching costs.
  - Protecting product uniqueness.
  - Securing access to important sources of supply and distribution.

Risk Reduction Strategies for New Entry Exploitation

Risk is derived from uncertainties over market demand, technological development, and actions of competitors.

Two strategies can be used to reduce these uncertainties:

- Market scope strategies - Focus on which customer groups to serve and how to serve them.
- Imitation strategies - Involves copying the practices of others.

Risk Reduction Strategies for New Entry Exploitation (cont.)

Market Scope Strategies

- Narrow-scope strategy involves offering a small product range to a small number of customer groups to satisfy a particular need.
  - Focuses on producing customized products, localized business operations.
  - Leads to specialized expertise and knowledge.
  - Reduces some competition-related risks but increases the risks associated with market uncertainties.

Risk Reduction Strategies for New Entry Exploitation (cont.)

- Broad-scope strategy involves offering a range of products across many different market segments.
  - Opens the firm up to many different “fronts” of competition.
  - Reduces risks associated with market uncertainties but increases exposure to competition.

Risk Reduction Strategies for New Entry Exploitation (cont.)

Imitation Strategy

- Why do it?
  - It is easier to imitate the practices of a successful firm.
  - It can help develop skills necessary to be successful in the industry.
  - It provides organizational legitimacy.
- Types of imitation strategies
  - Franchising - A franchisee acquires the use of a "proven formula" for new entry from a franchisor.
  - "Me-too" strategy - Copying products that already exist and attempting to build an advantage through minor variations.