

- **Opportunity Recognition:** What ideas for new business activities are actively discussed in your work environment? Could you apply the four characteristics of an opportunity to determine whether they are viable opportunities? If no one in your organization is excited about or even considering new opportunities, you may want to ask yourself if you want to continue with your current firm.
- **Entrepreneurial New Entry:** Are there opportunities to launch new products or services that might add value to the organization? What are the best ways for you to bring these opportunities to the attention of key managers? Or might this provide an opportunity for you to launch your own entrepreneurial venture?
- **Entrepreneurial Resources:** Evaluate your resources in terms of financial resources, human capital, and social capital. Are these enough to launch your own venture? If you are deficient in one area, are there ways to compensate for it? Even if you are not interested in starting a new venture, can you use your entrepreneurial resources to advance your career within your firm?
- **Competitive Dynamics:** There is always internal competition within organizations: among business units and sometimes even individuals within the same unit. What types of strategic and tactical actions are employed in these internal rivalries? What steps have you taken to strengthen your own position given the “competitive dynamics” within your organization?

summary

New ventures and entrepreneurial firms that capitalize on marketplace opportunities make an important contribution to the U.S. economy. They are leaders in terms of implementing new technologies and introducing innovative products and services. Yet entrepreneurial firms face unique challenges if they are going to survive and grow.

To successfully launch new ventures or implement new technologies, three factors must be present: an entrepreneurial opportunity, the resources to pursue the opportunity, and an entrepreneur or entrepreneurial team willing and able to undertake the venture. Firms must develop a strong ability to recognize viable opportunities. Opportunity recognition is a process of determining which venture ideas are, in fact, promising business opportunities.

In addition to strong opportunities, entrepreneurial firms need resources and entrepreneurial leadership to thrive. The resources that start-ups need include financial resources as well as human and social capital. Many firms also benefit from government programs that support new venture development and growth. New ventures thrive best when they are led by founders or owners who have vision, drive and dedication, and a commitment to excellence.

Once the necessary opportunities, resources, and entrepreneur skills are in place, new ventures still face numerous strategic challenges. Decisions about the strategic positioning of new entrants can benefit from conducting strategic analyses and evaluating the requirements of niche markets. Entry strategies used by new ventures take several forms, including pioneering new entry, imitative new entry, and adaptive new entry. Entrepreneurial firms can benefit from using overall low cost, differentiation, and focus strategies although each of these approaches has pitfalls that are unique to young and small firms. Entrepreneurial firms are also in a strong position to benefit from combination strategies.

The entry of a new company into a competitive arena is like a competitive attack on incumbents in that arena.

Such actions often provoke a competitive response, which may, in turn, trigger a reaction to the response. As a result, a competitive dynamic—action and response—begins among close competitors. In deciding whether to attack or counterattack, companies must analyze the seriousness of the competitive threat, their ability to mount a competitive response, and the type of action—strategic or tactical—that the situation requires. At times, competitors find it is better not to respond at all or to find avenues to cooperate with, rather than challenge, close competitors.

SUMMARY REVIEW QUESTIONS

1. Explain how the combination of opportunities, resources, and entrepreneurs helps determine the character and strategic direction of an entrepreneurial firm.
2. What is the difference between discovery and evaluation in the process of opportunity recognition? Give an example of each.
3. Describe the three characteristics of entrepreneurial leadership: vision, dedication and drive, and commitment to excellence.
4. Briefly describe the three types of entrepreneurial entry strategies: pioneering, imitative, and adaptive.
5. Explain why entrepreneurial firms are often in a strong position to use combination strategies.
6. What does the term *competitive dynamics* mean?
7. Explain the difference between strategic actions and tactical actions and provide examples of each.

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key terms

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application questions & exercises

1. E-Loan and Lending Tree are two entrepreneurial firms that offer lending services over the Internet. Evaluate the features of these two companies. (Fill in the table below.)
 - a. Evaluate their characteristics and assess the extent to which they are comparable in terms of market commonality and resource similarity.
 - b. Based on your analysis, what strategic and/or tactical actions might these companies take to improve their competitive position? Could E-Loan and Lending Tree improve their performance more through co-opetition than competition? Explain your rationale.
2. Using the Internet, research the Small Business Administration's website (www.sba.gov). What different types of financing are available to small firms? Besides financing, what other programs are available to support the growth and development of small businesses?
3. Think of an entrepreneurial firm that has been successfully launched in the last 10 years. What kind of entry strategy did it use—pioneering, imitative, or adaptive? Since the firm's initial entry, how has it used or combined overall low-cost, differentiation, and/or focus strategies?
4. Select an entrepreneurial firm you are familiar with in your local community. Research the company and discuss how it has positioned itself relative to its close competitors. Does it have a unique strategic

advantage? Disadvantage? Explain.

ethics questions

1. Imitation strategies are based on the idea of copying another firm's idea and using it for your own purposes. Is this unethical or simply a smart business practice? Discuss the ethical implications of this practice (if any).
2. Intense competition such as price wars are an accepted practice in the United States, but cooperation between companies has legal ramifications because of antitrust laws. Should price wars that drive small businesses or new entrants out of business be illegal? What ethical considerations are raised (if any)?

Company	Market Commonality	Resource Similarity
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E-Loan

Lending Tree

Company	Strategic Actions	Tactical Actions
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E-Loan

Lending Tree

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