

# **Strategic Entrepreneurship: Entrepreneurial Opportunities, Competitive Advantage and Entrepreneurial Economies**

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# **Importance of Entrepreneurial Activity**

## **New Business Creation**

**GEM Estimates that in 2003 472 Million  
Entrepreneurs Started 305 Million New  
Firms on a Global Basis**

**Entrepreneurial Actions by Established Firms  
(e.g., Innovation)**

# **Importance of Entrepreneurial Activity**

**(Cont'd)**

## **Job Creation**

### **China**

**83 Million New Jobs Created Annually by  
New Startup Firms**

### **U.S.**

**10.5 Million New Jobs Created Annually  
by New Startup Firms (Adjusted for  
Population Size)**

# **Importance of Entrepreneurial Activity**

**(Cont'd)**

**New Businesses Create Five New Jobs to Every One New Job Created by Established Entrepreneurial Firms**

**Carl Schramm, President of the Kauffman Foundation (U.S.) Argues that “New Firms Are the Engines of Innovation”**

- **Entrepreneurship, Not Large Established Firms, Is the Reason for Strong Economies**

- **Building Entrepreneurial Economies**

**There is a Positive Relationship Between Total Entrepreneurial Activity in a Country and Its Growth in GDP (GEM)**

# **Firm Growth and Profitability**

**The Top Growth Companies “Have Made Themselves Indispensable to Customers by Extending Inventive New Services” (*Business Week*, 2003)**

**The Top Growth Companies Are Characterized as “Nimble,” Making “Quick Turnarounds” and Placing an “Emphasis on Innovation”**

**While Older Firms Have More Resources for Growth, Younger Firms on Average Are More Profitable**

**The Most Successful Growth Firms Take Bold, Aggressive Actions and Grow Organically (Innovation)**

# Strategic Entrepreneurship

**Firms Create Value by Identifying Opportunities in the Market (or a New Market) and Developing Competitive Advantages to Exploit Them**

**Small and New Ventures Are Often Effective at Identifying Opportunities but Less Effective at Gaining and Sustaining a Competitive Advantage**

**Larger Established Firms Frequently Are Better at Developing a Strategy to Gain a Competitive Advantage But Less Effective at Identifying New Opportunities**

**Both New Ventures and Established Firms Must Practice Strategic Entrepreneurship—Integrate Entrepreneurial and Strategic Perspectives**

# **Polaroid**

**Polaroid Was a Leader in Its Industry and Among the Top 50 Firms in the U.S.**

**In 2001, Polaroid Filed for Bankruptcy**

**Polaroid's Competitors Developed Digital Imaging Technology and It Could Not Respond Rapidly Enough**

**Polaroid Didn't Identify and Exploit New Opportunities**

# **Priceline.com: Entrepreneurial Company**

**Company Was Founded in 1996 Using a “Reverse Auction” System to Allow Customers to Name Their Own Price to Buy Surplus Airline Seats**

**On Any Given Day, Major Airlines Had Flights With Empty Seats—500,000—a Perishable Good**

**Ticket Sales Launched in 1998 and 10,000 Airline Tickets Were Sold in First Six Weeks**

# **Priceline.com: Entrepreneurial Company**

**(Cont'd)**

**Had \$1.2 Billion in Revenue in 2000**

**In 1999, Its Stock Price Reached a High of \$162.00/Share. By the End of 2000, Its Stock Price Was \$1.06/Share**

**Competition—Travelocity.com; Microsoft Expedia; SkyAuction.com; Hotwire; Orbitz.com**

# Strategic Entrepreneurial Actions

❑ **Developing an Entrepreneurial Mindset**

❑ **Managing the Resource Portfolio**

▪ **Bundling Resources**

▪ **Leveraging Resources**

❑ **Building Entrepreneurial Networks**

❑ **Encouraging Creativity and Innovation**

❑ **Engaging in International Entrepreneurship**

# Entrepreneurial Mindset

➤ **Passionately Seek New Opportunities**

➤ **Pursue Opportunities and Act on Them**

➤ **Pursue Only the Best Opportunities—Be Selective and Disciplined**

➤ **Emphasize Execution (Be Adaptive)**

➤ **Engage the Energies of Everyone to Exploit the Opportunity**

# Opportunities

**Be Open to New Opportunities**

✓ **Think Outside the Box**

**Build an Entrepreneurial Climate**

✓ **Willingness to Reinvent the Business**

**Develop Portfolio of Opportunities**

✓ **Make the Portfolio Dynamic**

# Identifying Opportunities

## Cinemex

**In the Early 1990s, Many of the Movie Theaters in Mexico City Were in Bad Physical Condition and Unprofitable**

**Three Harvard Classmates Perceived an Opportunity and Founded Cinemex in 1994**

**They Developed a Business Plan and Obtained Venture Capital From J.P. Morgan**

**With \$22 Million in Capital, Cinemex Built Attractive Theaters in Mexico City**

## Identifying Opportunities (Cont'd)

### Forest Labs

**Forest Labs Ranked #1 in *Business Week's* 2003 Top 50**

**Forest Labs Identified an Opportunity: Foreign Drugmakers With Valuable Products but Without Access to the U.S. Market**

**Forest Labs Licensed Promising Drugs From Midsized Foreign Pharmaceuticals**

**After Licensing the Drug, Celexa (antidepressant), It Negotiated a Strategic Alliance with Warner-Lambert for Co-promotion (Sales \$1.4 Billion)**

# Managing Resources

- ❑ Identifying and Evaluating Current Resources

- ❑ Changing Resources

  - Deleting Resources

  - Adding New Resources

  - Developing Current Resources

- ❑ Bundling Resources—Creating Capabilities

- ❑ Leveraging Capabilities

# Managing Resources (Cont'd)

**❑ To Gain a Competitive Advantage, Resources/Capabilities Must Have the Following Characteristics**

**▪ Valuable**

**▪ Rare**

**❑ To Sustain a Competitive Advantage, Resources/Capabilities Must Have the Following Additional Characteristics**

**▪ Difficult to Imitate**

**▪ Nonsubstitutable**

# **Successfully Managing Resources**

**Dell Has Overtaken and Is Beating Rivals with Its Effective Indirect Sales and Service Quality (Capabilities)**

**While Industry Sales Fell by 9%, Dell's Sales Grew by 14%**

**Dell is Moving into New Geographic Markets (e.g., China) and Related Product Markets (e.g., Printers, Hand-held Computers, Cash Registers)**

# **Successfully Managing Resources**

**(Cont'd)**

## **Telefonica**

**Expanded Operations into 14 Countries in Europe, Latin America and North America**

**Its Market Capitalization is Larger than Its Peer Telecommunications Firms in Europe**

# **Innovative Companies**

**Samsung Completed a Rapid Turnaround with Efficient Management of Resources and an Emphasis on Innovation**

**Samsung Has Become the Benchmark for Excellence in Making and Marketing Things People Want to Own**

**Samsung has 16 Research Centers, 10 Distributed Across the Globe. It Employs 19,700 Researchers, 34% of Its Employees**

**Cemex Has Expanded Internationally with Operations in Four Continents**

**Emphasizes Continuous Innovation and Providing Novel, Client-Focused Solutions Using Its Know-How and Know-Why**