

10: Strategic Entrepreneurial Growth

EN 5106 – Fundamentals of Management and
Entrepreneurship

Level III - Semester 5

Overview

- Strategic entrepreneurial growth involves the deliberate and planned expansion of a business with the aim of achieving sustainable success.
- This growth goes beyond the spontaneous development often associated with startups and requires a strategic mindset, careful planning, and effective execution.
- Entrepreneurs seeking strategic growth need to navigate various challenges and capitalize on opportunities while maintaining a focus on long-term objectives.
- The different strategies that can be adopted for strategic entrepreneurial growth will be discussed here.

Intended Learning Outcomes

At the end of this lesson, you will be able to;

- Outline entrepreneurial strategy development and some of the benefits of strategic planning.
- Differentiate among the five stages of a typical venture life cycle : Development, Start-up, Growth, Stabilization and Innovation or decline.
- Identify different strategies that can be used to develop the products and markets of an entrepreneurial venture.

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10.1 Entrepreneurial Strategy

- A growing venture experiencing rapid expansion, characterized by continuous growth in staff and market operations, will encounter the necessity to formalize its strategic processes.
- As the world progresses and transforms, there is a pressing need for a revitalized approach to entrepreneurial strategy in the modern era.
- As of now, Sustainability ought to be intricately integrated into the foundation of an entrepreneurial company's strategy from the very start.
- Developing a Strategy involves,
 - Development of strategic plans for the efficient handling of opportunities and threats, considering a venture's strengths and weaknesses.

10.1 Entrepreneurial Strategy Cont...

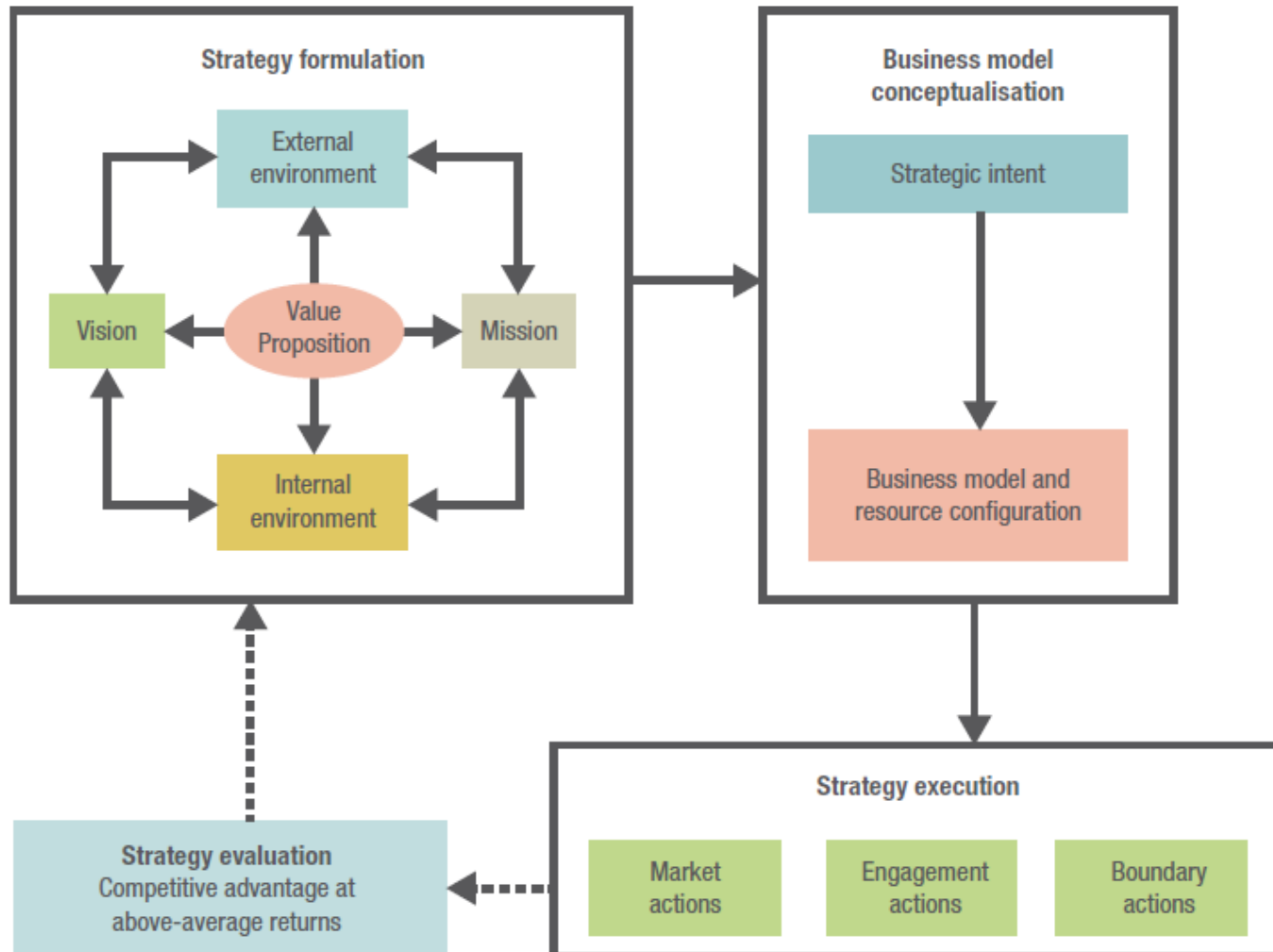
- Mintzberg and Quinn in the entrepreneurial context defined Entrepreneurial Strategy as;
 - “A design or plan that integrates an entrepreneurial team’s intent into goals, policies and action sequences to build a cohesive business model. ”
- A strategically devised plan aids in mobilizing and acquiring resources, enhancing team capabilities, offsetting inherent weaknesses, foreseeing environmental changes, predicting adaptive moves from intelligent competitors, and establishing an organization with a distinctive and sustainable stance.
- The primary benefit of strategic planning lies in fostering strategic thinking among business owners.

10.1 Entrepreneurial Strategy Cont...

- Entrepreneurial Strategy development includes developing
 - Vision
 - Mission
 - Strategic Goals
- It involves a series of interconnected steps aimed at formulating, implementing, and adapting strategies that align with the unique challenges and opportunities faced by entrepreneurial ventures.
- There is full set of commitments, decisions and actions required for a business to achieve competitive advantage and earn above-average returns known as the Entrepreneurial Strategy process.

10.1 Entrepreneurial Strategy Cont...

- Entrepreneurial Strategy Process



10.1 Entrepreneurial Strategy Cont...

- Entrepreneurial Strategy process is a cyclic process.
- There are four components included as:
 - Strategy Formulation
 - Business Model Conceptualization
 - Strategy Execution
 - Strategy Evaluation
- As the fifth component the evaluation of the previous components takes place and continues the cycle.

10.1 Entrepreneurial Strategy Cont...

- There are 5 basic steps in any strategic planning and development process.
 1. Analyzing internal and external environment (Strengths, (weaknesses, opportunities, and threats.)
 2. Developing comprehensive long-term and short-term strategies (Such as; vision, mission, strategic intent, objectives, business model design, budgets, and policies)
 3. Executing the strategic plan (by resource acquisition, engaging in market entry activities, and establishing procedures, alliances, partnerships, and supplier relationships.)
 4. Assessing the performance of the strategy in comparison to strategic intent and desired returns.
 5. Implementing follow-up actions based on continuous feedback to ensure the ongoing effectiveness of the strategy.

10.2 Entrepreneurial and Strategic Actions

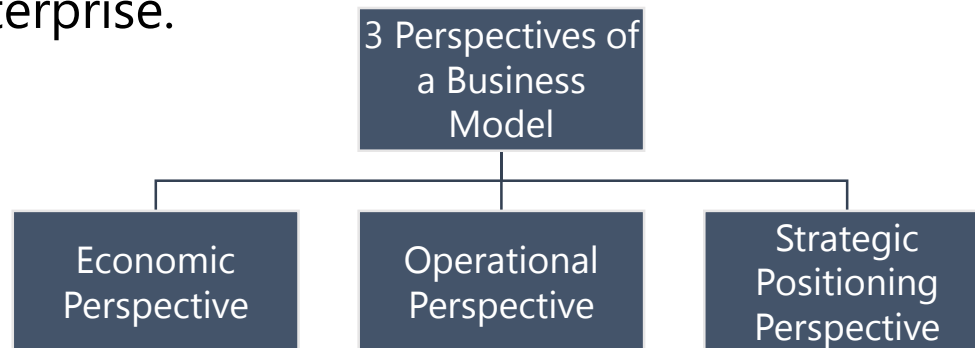
- Entrepreneurship and strategic management are dynamic processes focused on the performance of a company.
- They are designed to establish a new market or competitive position for the business with the aim of generating profit.
- Entrepreneurship Vs. Strategic Management:
 - While entrepreneurship focusses on creating a new product strategic management calls for exploiting competitive advantages.
 - While Strategic management is for managing the existing strategy of the company, entrepreneurship looks for new operable strategies that are more competitive.

10.2 Entrepreneurial and Strategic Actions Cont..

- The relationship between the Entrepreneurial actions and Strategic actions lies within the common domains they work on including:
 - Innovation
 - Networks
 - Internationalization
 - Organizational learning
 - Top management teams and governance
 - Growth

10.2 Entrepreneurial and Strategic Actions Cont..

- Creating a Business model is a crucial step in any entrepreneurial venture.
- A business model is the conceptual framework that outlines how a company creates, delivers, and captures value.
- It encompasses the fundamental aspects of a business's operations, including its products or services, target customer base, revenue sources, cost structure, and overall strategy.
- The business model serves as a blueprint for how the various elements of a business interconnect to form a sustainable and profitable enterprise.
- There are three perspectives to look at when designing the business model of an enterprise.

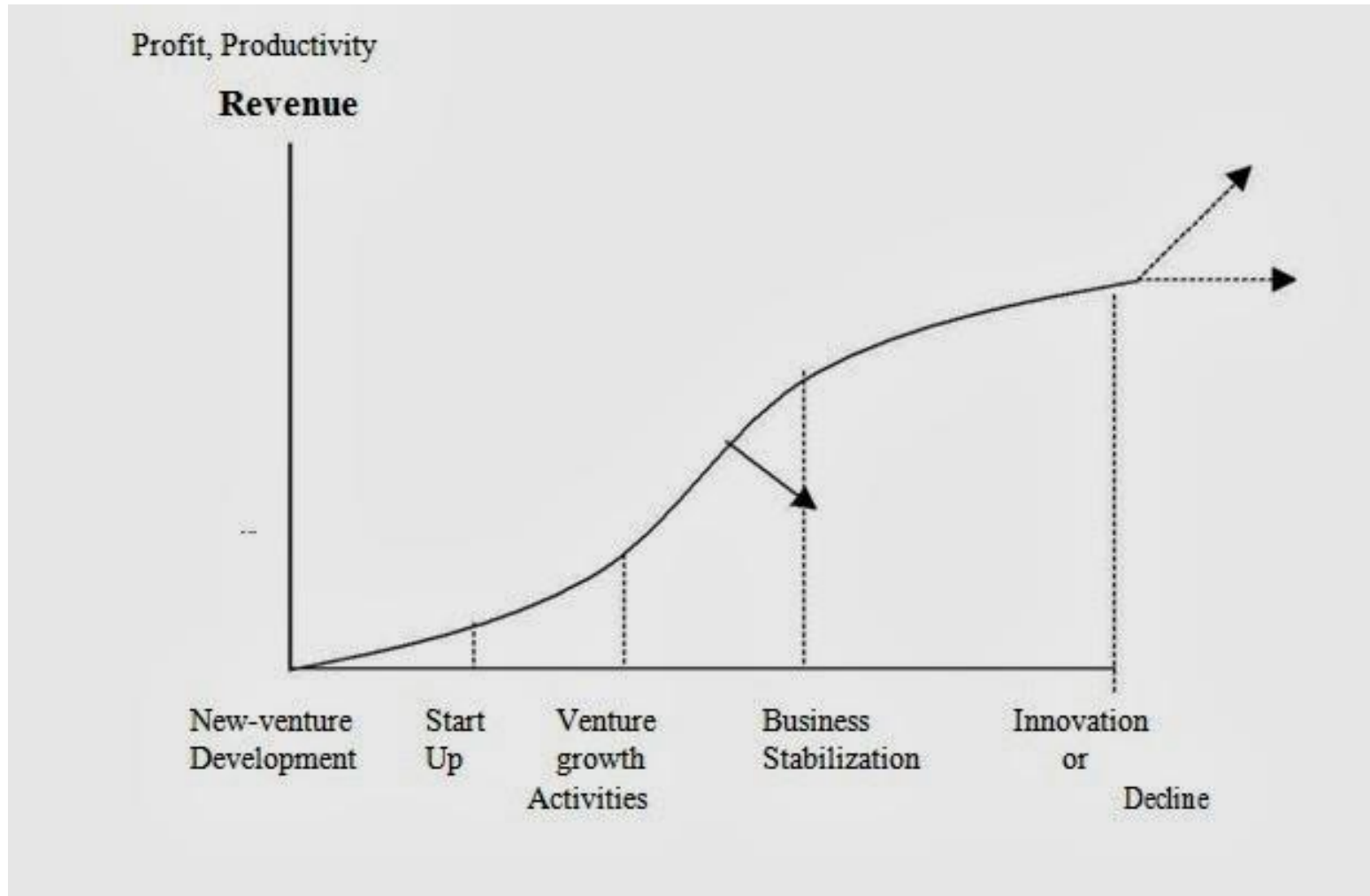


10.3 Growth Stages

- Managing entrepreneurial growth is a complex and dynamic process that involves navigating various challenges and opportunities as a business expands.
- Entrepreneurs must strategically plan and execute their growth strategies to ensure sustainability and success.
- The **life cycle stages of an enterprise** represent the various phases a business typically goes through from its inception to its eventual exit or transformation.
- These stages provide a framework for understanding the challenges, opportunities, and priorities that businesses face at different points in their development.

10.3 Growth Stages Cont...

- Life Cycle Stages of an Enterprise:



10.3 Growth Stages Cont...

- Life Cycle Stages of an Enterprise:
 1. New Venture Development: Comprises tasks linked to the initial development of the venture.
 2. Startup Activities: Establishing the groundwork that contributes to the formation of a formal business plan. This involves activities such as seeking capital, conducting marketing initiatives, and building an effective entrepreneurial team.
 3. Growth Stage: This phase introduces challenges that are more complex and significant compared to those encountered by the entrepreneur during the startup stage. Therefore, the growth stage signifies a shift from informal, individual leadership characteristic of entrepreneurship to a more formalized and team-oriented managerial leadership approach.

10.3 Growth Stages Cont...

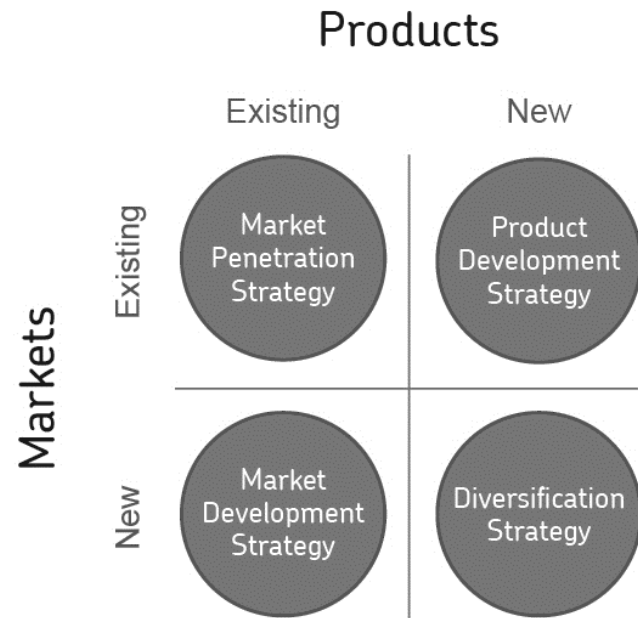
- Life Cycle Stages of an Enterprise Cont:
 4. Business Stabilization: In this phase, various changes typically take place, particularly with heightened competition. Sales often start to level off, prompting the entrepreneur to give serious thought on the future direction of the enterprise for the next three to five years. In this phase, innovation plays a crucial role in determining future success of the enterprise.
 5. Innovation or Decline: Enterprises that neglect innovation are destined for failure. Financially prosperous companies frequently seek to acquire innovative firms, ensuring sustained growth for themselves.

10.4 Growth Options

- While every company aspires to use the innovation, flexibility, and creativity seen in giant companies like Apple, Google, Amazon and Meta, there are numerous new restaurants, internet businesses, retail stores, and high-tech ventures that, despite attempting to be innovative and exhibit entrepreneurial characteristics, have ultimately faced failure.
- Effectual Logic is a concept which emphasizes that entrepreneurs, instead of relying solely on predictions for planning, leverage their existing resources, networks, and expertise to explore and create new opportunities.
- In doing so, the actions and interactions of the entrepreneur with stakeholders and adapting to emerging possibilities are continued.

10.4 Growth Options Cont...

- The Ansoff Product Matrix:
 - It is a strategic tool that businesses use to analyze and plan their product and market growth strategies.
 - It charts the degree of technological innovation incorporated in the product on the x-axis and the degree of market novelty on the y-axis.
 - There are four strategies incorporated with the Ansoff Product Matrix.
 - Market Penetration
 - Product Development
 - Market Development
 - Diversification



10.4 Growth Options Cont...

10.4.1 Market Penetration

- Aimed at increasing the market share of existing products or services within the current market.
- This strategy involves selling more of the existing offerings to the current customer base or expanding the customer base within the same market segment.
- The primary goal of market penetration is to boost sales and capture a larger share of the market by leveraging the familiarity of existing products or services.
- Strategies Used:
 - Aggressive marketing
 - Competitive pricing
 - Loyalty programs
 - Product bundling
- Example: A well established smartphone company aiming to increase its market penetration by selling more of its existing smartphones to its current customer base or by attracting new customers within the same market segment.

10.4 Growth Options Cont...

10.4.2 Product Development

- Creating and introducing new products or services to existing markets.
- This strategy is characterized by innovation and the expansion of a company's product portfolio within its current market segment.
- The primary objective of product development is to meet changing customer needs, enhance the overall product offering, and capitalize on existing market relationships.
- Example: A food and beverage company launching a new flavor or variant of an established product.

10.4 Growth Options Cont...

10.4.3 Market Development

- Involves introducing existing products or services to new markets.
- This strategy aims to expand the customer base by entering new geographical areas or reaching untapped customer segments.
- Market development is characterized by a focus on finding and capturing new opportunities outside the company's current market.
- Example: A fashion retailer that expands its presence from domestic markets to international markets by opening stores in new countries.

10.4 Growth Options Cont...

10.4.4 Diversification

- A strategy that involves introducing entirely new products or services to new markets.
- Unlike market penetration, market development, or product development, diversification represents a more radical and high-risk approach.
- It aims to explore opportunities outside the company's current offerings and markets, often venturing into unfamiliar territory.
- Example: A technology company that, traditionally focused on software development, enters the hardware market by introducing a new line of electronic devices.

Summary

Entrepreneurial Strategy

- The need to formalize the entrepreneurial strategic Process
- Entrepreneurial Strategy Development Process

Entrepreneurial Strategic Actions

- Entrepreneurship Vs Strategic Management
- Domains of Entrepreneurial Strategic Management

Growth Stages

- Life Cycle Stages of an Enterprise (New Venture Development, Startup Activities, Growth Stage, Business Stabilization, Innovation or Decline)

Growth Options

- Market Penetration
- Product Development
- Market Development
- Diversification