Chapter 6

Closing the Window

6.1. WINDOW OF OPPORTUNITY

6.1.1. Introduction

The window of opportunity is the amount of time entrepreneurs have to get their business idea to market before someone else acts on the same idea. If competitors have already had the same idea and gotten their product to the market first, that window of opportunity has slammed shut.

Wickham uses a metaphor to explain the entrepreneurial process. Metaphors are ever present in communication and represent an attempt to illuminate an idea by drawing attention to something it is like. The "window of opportunity" is a metaphor used to give form to the process of identifying, evaluating and exploiting a new business opportunity.

According to Wickham, the first stage in this metaphor is described as a solid wall representing the competitive environment the entrepreneur seeks to enter. The wall is solid due to the competition from established businesses. However, established businesses leave gaps that present the window of opportunity for the entrepreneur to exploit. The window of opportunity consists of five stages:

1) **Seeing the Opportunity:** Scanning for new opportunities.
2) **Locating the Window:** Positioning the new venture.
3) **Measuring the Window:** What the potential venture is worth.
4) **Opening the Window:** Gaining commitment.
5) **Closing the Window:** Sustaining competitiveness.

6.1.2. Seeing the Opportunity: Scanning for New Opportunities

The first task of the entrepreneur is to scan the environment and find out where the gaps, or windows, are. This involves scanning the solid wall presented by existing players to find the windows and spot the gaps in what they offer to the market.

The process demands an active approach to identifying new opportunities and innovating in response to them. Although every opportunity is different in details, there are some common patterns in which opportunities take shape. It is found that the majority of opportunities are recognised in connection with a specific problem or need that has been identified among customers.

6.1.3. Locating the Window: Positioning the New Venture

Positioning the venture means locating it in relation to a market gap such that it can exploit that gap in a profitable way. The entrepreneur develops an understanding of where the window is located. It requires an understanding of both the positioning of the venture and how the venture can position itself relative to the existing players in the market.

This involves developing an understanding of where the window of opportunity is located. It demands an understanding both of the positioning of the new offering in the marketplace relative to existing products and services and of how the venture can position itself in the marketplace relative to existing players to take best advantage of the opportunity presented. Organisations with typical entrepreneurial characteristics engage in activities of exploration of ideas to renew strategies, work methods, processes and even products, in the renewal phase.

6.1.4. Measuring the Window: What the Potential Venture is Worth

This step involves evaluating the opportunity and recognising the potential it offers for creating new value. Measuring the window also demands that the entrepreneur develop an understanding of the risks the venture might encounter.

Measuring refers to quantification of the opportunity in financial, risk and return terms. It also determines the resource requirements to successfully start and operate the venture.

The design phase of the entrepreneurship process requires evaluating the market opportunity to determine its potential for success. This involves separating the market opportunity into its component parts, investigating the possible causes or the nature of the opportunity, and generating and examining solutions that can be used to satisfy the unfulfilled market need.

This business development phase has a number of tasks, *inter alia*:

1) Conducting market potential studies,
2) Evaluating markets,
3) Undertaking basic research,
4) Preparing feasibility studies,
5) Determining capital requirements,
6) Forecasting sales,
7) Communicating through internal publications,
8) Appraising attitudes, and
9) Developing new products and improving existing products.

The above indicates the complexity of the factors impacting on the success of a business. The entrepreneurial tasks will now be investigated to ensure an integrated understanding of creativity and innovation on the multi-faceted aspects of entrepreneurship.

6.1.5. Opening the Window: Gaining Commitment

Opening the window refers to turning the vision into reality and actually starting the new business. This is about acting on the opportunity. The commitment of stakeholders is crucial in this stage. Starting the business gives the entrepreneur the opportunity to move through the window.

Opening the window represents the start-up phase of the venture. Moving through the window means developing the business and delivering new value to customers. Selecting a well-defined customer segment enables the business to focus limited resources to concentrate its efforts and to defend it against competitors.

All the required tasks necessary to make the selected innovation a reality need to be undertaken. Entrepreneurs must learn to understand the needs of their customers, to rationalise them and to distinguish them from each other. Satisfying a need represents an end and there are a number of means by which to achieve the end. Having decided which particular needs of the customer they will satisfy, the entrepreneur must decide the means, or technology that they will adopt in order to do so.

6.1.6. Closing the Window: Sustaining Competitiveness

The final stage is closing the window. Once the window has been opened and the entrepreneur has moved through it, it must be closed in order to keep the competition out. If the entrepreneur moves through successfully and he or she is able to keep others out, it means that a long-term sustainable competitive advantage for the business has been created. The window does not stay open forever.

Closing the window means creating a long-term sustainable competitive advantage for the business as a basis on which the entrepreneur can build the security and stability of the business and use it to earn long-term rewards. During this stage a continuous exploitation must take place of opportunities as they arise.

When the first person makes a move, the window opportunity diminishes because someone else has then closed it. The window is open for only a short period of time. The opportunity or opportunity opening has a time limit in which the entrepreneurs have to take hold thereof. The growth of any market means that an opportunity arises at a certain time and as growth increases it becomes satisfied and the opportunity possibilities decrease. The length of time that the opportunity is 'open' is thus very important.

The entrepreneurs must decide what type of competitive advantage they aim to pursue, e.g.:

1) Offering the customer at a lower price, that is better value for money, differentiating the offering through its features or performance.
2) Differentiating the offering through service.
3) Differentiating the offering through branding.
4) Differentiating the offering through brand imagery, i.e., building in associations that address social and self-developmental needs as well as functional needs.
5) Differentiating through access and distribution that is by giving the customer easier more convenient access to the offering.

Challenges of Sustaining Competitiveness

The challenges of sustaining competitive advantage are as follows:

1) **Inertia:** The inertia argument is that companies find it difficult to change their strategies and structures in order to adapt to changing competitive conditions. It includes:
   i) An organisation's capabilities contribute to inertia, because they are difficult to change. Changing capabilities would require a redistribution of power and influence among the key decision-makers, and therefore will be resisted. Turf battles may result.
   ii) Thus, capabilities can provide competitive advantage and also competitive disadvantage.

2) **Prior Strategic Commitments:** A company's prior strategic commitments not only limit its ability to imitate rivals but may also cause competitive disadvantage. IBM, **for example**, had major investments in the mainfràme computer business, so when the market shifted, it was stuck with significant resources specialised for that particular business: its manufacturing facilities were geared to the production of mainframes, its research organisation was similarly specialised, and so was its sales force. Because these resources were not well suited to the newly emerging personal computer business, IBM's difficulties in the early 1990s were in a sense inevitable. Its prior strategic commitments locked it into a business that was shrinking. Shedding these resources was bound to cause hardship for all organisation stakeholders.

3) **Icarus Paradox:** The *Icarus* paradox is based on the Greek myth of *Icarus*, who made himself a pair of wings from wax and feathers, then flew so well that he went too close to the sun, melting the wings and plunging to his death. The paradox is that his greatest asset, his ability to fly, caused his demise. It is argued that the same paradox applies to many once successful companies. According to **Miller**, many companies become so dazzled by their early success that they believe more of the same type of effort is the way to future success. As a result, they can become so specialised and inner-directed that they lose sight of market realities and the fundamental requirements for achieving a competitive advantage. Sooner or later, this leads to failure.

Ways to Sustain Competitiveness

Firm can acquire a sustainable competitive advantage in many ways:

1) **Human Capital Resource:** Human Capital offers solutions and strategies to help companies invest in employee skills and talent, so as to create successful company that is a great place to work. Becker, G.S., also held this view. For most firms, human capital is one of the largest investments, and it represents one of the most difficult management challenges.

   These are resources that are directly related to the personnel make-up of the company. Companies today are not just looking for ordinary employees; they are looking for experienced employees, with better judgment, intelligence, and a team player who can effect positive changes within the company. In the 1980's Chrysler Motor Company was in trouble and found the answer in the person of Lee Iacocca – former president of Ford Motors, who twice rescued Chrysler Corporation from the brink of bankruptcy. Companies must be willing to invest in their employees' progress, by providing adequate training and also creating a positive conducive environment to work.

2) **Physical Capital Resources:** Companies must be willing to invest heavily in latest equipment, plants, and technology to facilitate quick production process. All these can only be possible if the firm is financially sound.

3) **Organisational Capital Resources:** This includes the administrative aspect of the company. How does the company plan, control, inter-departmental relationship and coordinate all activities within the company and the environment.

4) **Organisational Culture:** Globalisation has changed the traditional ways of doing business. Today, many companies find themselves in a totally different culture. To this end, companies are now must understand the culture, society, and government within which they operate.

5) **Corporate Entrepreneurship:** This is the ability of an organisation to regularly introduce new products or enter new markets, by navigating its current environment, and to the organisation's creation and exploitation of new product-market arenas, respectively. It has long been recognised as a potentially viable means for promoting and sustaining corporate competitiveness.

6.2. MAINTAINING COMPETITIVE ADVANTAGE

Competitive advantage allows the maintenance and improvement of the enterprise's competitive position in the market. Nike is a good example of a company that has a sustainable competitive advantage. Others include Rolex (high-quality watches), Nordstrom department stores (service), and South-West Airlines (low price). Without a competitive advantage, target customers do not perceive any reason to patronise an organisation instead of its competitors. The notion of competitive advantage means that a successful firm will stake-out a position unique in some manner from its rivals. Imitation of competitors indicates a lack of competitive advantage and almost ensures mediocre performance.

Moreover, competitors rarely stand still, so it is not surprising that imitation causes managers to feel trapped in a seemingly endless game of catch-up. They are regularly surprised by the new accomplishments of their rivals.

Companies need to build their own competitive advantages rather than copy a competitor. The sources of tomorrow's competitive advantages are the skills and assets of the organisation. Assets include patents, copyrights, locations, and equipment and technology that are superior to those of the competition. Skills are functions such as customer service and promotion that the firm performs better than its competitors. **For example,** Travelocity is known for the ease of its online travel reservation system. Marketing managers should continually focus the firm's skills and assets on sustaining and creating competitive advantages.

Remember, a sustainable competitive advantage is a function of the speed with which competitors can imitate a leading company's strategy and plans. Imitation requires a competitor to identify the leader's competitive advantage, determine how it is achieved, and then learn how to duplicate it.

Ways to Maintain Competitive Advantage

While maintaining a sustainable competitive advantage is not easy, the following will help ensure to get and remain ahead of the field:

1) **Establish Brand Loyalty:** Customers will often remain with a brand they have loyalty towards, even though the company does not offer the cheapest or most effective product. Focus on building strong relationships with the customers and delivering a great customer experience and service.

2) **Patent the Product:** There has been a lot of debate recently about the true value of a patent. While patents are not a 'cure all', they are an important weapon in an entrepreneur's competitive advantage arsenal.

3) **Continually Innovate:** Customers like updates and upgrades. Keeping the product fresh and compatible with the market place (particularly if software), is essential.

4) **Hire 'Connected' Team Members:** If the market includes large companies and government departments, connections to key individuals within these organisations can dramatically accelerate the ability to meet and secure contracts. Try to have at least one member on the team who is 'connected'.

5) **Use Long Term Contracts and Incentives:** This step has to be executed carefully, as it can backfire. If one can establish a long term contract with the customer, then clearly they are less likely to switch to a competitor. If one can only offer long terms contracts, however, and the competitors are offering short terms contracts, then one can likely to lose business.

6) **Changes in End Market:** The demand for products, concern for the way they are produced (natural/organic, sustainable, ethical, fair trade) and operational characteristics (branding, quality, customer service, price) change, often with startling rapidity. Value chain actors must establish multiple sources of market information that include feedback from end markets and proactive market research so that they can adapt their strategies as market demands change and new market opportunities arise.

7) **New Constraints and Opportunities:** Addressing key constraints and upgrading products and/or processes can give rise to new opportunities or impediments, aggregation points and leverage sources.

8) **Internal Dynamics:** Industries must identify internal constraints to competitiveness such as the use of predatory practices or a lack of quality control resulting in low quality products. Developing means of regulating through industry standards and codes of conduct and by encouraging self-certification can help industries prevent and address these types of problems.

6.3. THE CHANGING ROLE OF THE ENTREPRENEUR

6.3.1. Introduction

Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct. A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the entrepreneurs and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities. For years, economists viewed entrepreneurship as a small part of economic activity. But in the 1800s, the Austrian School of Economics was the first to recognise the entrepreneur as the person having the central role in all economic activity.

Because it's entrepreneurial energy, creativity and motivation that trigger the production and sale of new products and services. It is the entrepreneur who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs.

Entrepreneurs seek disequilibrium–a gap between the wants and needs of customers and the products and services that are currently available. The entrepreneur then brings together the factors of production necessary to produce, offer and sell desired products and services. They invest and risk their money–and other people's money–to produce a product or service that can be sold at a profit.

More than any other member of our society, entrepreneurs are unique because they're capable of bringing together the money, raw materials, manufacturing facilities, skilled labor and land or buildings required to produce a product or service. And they're capable of arranging the marketing, sales and distribution of that product or service.

Entrepreneurs are optimistic and future oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit. They're fast moving, willing to try many different strategies to achieve their goals of profits. And they're flexible, willing to change quickly when they get new information.

Entrepreneurs are skilled at selling against the competition by creating perceptions of difference and uniqueness in their products and services. They continually seek out customer needs that the competition is not satisfying and find ways to offer their products and services in such a way that what they're offering is more attractive than anything else available.

Entrepreneurs are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible. They create all wealth, all jobs, all opportunities, and all prosperity in the nation. They're the most important people in a market economy–and there are never enough of them. Entrepreneurship is not static. New ventures grow through transitional stages and are eventually harvested. Entrepreneurs must transition from their roles of micromanagers to strategic managers.

Most important and most challenging for the founding entrepreneur is coping with crucial transitions and the change in management tasks from doing, to managing, to managing managers.

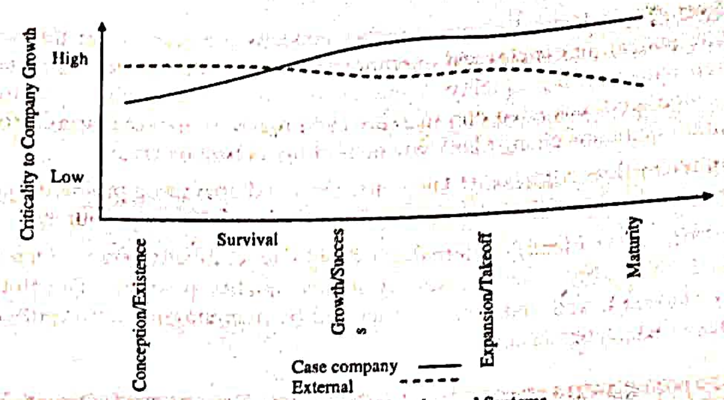

Figure: People, Planning and Systems

6.3.2. Stage I: Existence

In this stage the main problems of the business are obtaining customers and delivering the product or service contracted for. Among the key questions are the following:

1) Can entrepreneur get enough customers, deliver our products, and provide services well enough to become a viable business?
2) Can an entrepreneur expand from that one key customer or pilot production process to a much broader sales base?
3) Does he/she have enough money to cover the considerable cash demands of this start-up phase?

The organisation is a simple one—the owner does everything and directly supervises subordinates, who should be of at least average competence. Systems and formal planning are minimal to nonexistent. The company's strategy is simply to remain alive. The owner is the business, performs all the important tasks, and is the major supplier of energy, direction, and, with relatives and friends, capital.

6.3.3. Stage II: Survival

In reaching this stage, the business has demonstrated that it is a workable business entity. It has enough customers and satisfies them sufficiently with its products or services to keep them. The key problem thus shifts from mere existence to the relationship between revenues and expenses. The main issues are as follows:

1) In the short run, can an entrepreneur generate enough cash to break even and to cover the repair or replacement of his/her capital assets as they wear out?
2) Can he/she, at a minimum, generate enough cash flow to stay in business and to finance growth to a size that is sufficiently large, given his/her industry and market niche, to earn an economic return on our assets and labor?

The organisation is still simple. The company may have a limited number of employees supervised by a sales manager or a general foreman. Neither of them makes major decisions independently, but instead carries out the rather well-defined orders of the owner.

Systems development is minimal. Formal planning is, at best, cash forecasting. The major goal is still survival, and the owner is still synonymous with the business.

6.3.4. Stage III: Success

In the Success Stage, the company has attained true economic health, has sufficient size and product-market penetration to ensure economic success, and earns average or above-average profits. The company can stay at this stage indefinitely; provided environmental change does not destroy its market niche or ineffective management reduce its competitive abilities. Organisationally, the company has grown large enough to, in many cases; require functional managers to take over certain duties performed by the owner. The managers should be competent but need not be of the highest caliber, since their upward potential is limited by the corporate goals. Cash is plentiful and the main concern is to avoid a cash drain in prosperous periods to the detriment of the company's ability to withstand the inevitable rough times. In addition, the first professional staff members come on board, usually a controller in the office and perhaps a production scheduler in the plant. Basic financial, marketing, and production systems are in place. Planning in the form of operational budgets supports functional delegation. The owner consolidates the company and marshals resources for growth. The owner takes the cash and the established borrowing power of the company and risks it all in financing growth.

6.3.5. Stage IV: Take-off

In this stage the key problems are how to grow rapidly and how to finance that growth. The most important questions, then, are in the following areas:

1) **Delegation:** Can the owner delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex enterprise? Further, will the action be true delegation with controls on performance and a willingness to see mistakes made, or will it be abdication, as is so often the case?
2) **Cash:** Will there be enough to satisfy the great demands growth brings (often requiring a willingness on the owner's part to tolerate a high debt-equity ratio) and a cash flow that is not eroded by inadequate expense controls or ill-advised investments brought about by owner impatience?

The organisation is decentralised and, at least in part, divisionalised usually in either sales or production. The key managers must be very competent to handle a growing and complex business environment. The systems, strained by growth, are becoming more refined and extensive. Both operational and strategic planning is being done and involves specific managers. The owner and the business have become reasonably separate, yet the company is still dominated by both the owner's presence and stock control. This is a pivotal period in a company's life. If the owner rises to the challenges of a growing company, both financially and managerially, it can become a big business. If not, it can usually be sold—at a profit—provided the owner recognises his or her limitations soon enough. Too often, those who bring the business to the Success Stage are unsuccessful in Stage IV, either because they try to grow too fast and run out of cash (the owner falls victim to the omnipotence syndrome), or are unable to delegate effectively enough to make the company work (the omniscience syndrome).

It is, of course, possible for the company to traverse this high-growth stage without the original management. Often the entrepreneur who founded the company and brought it to the Success Stage is replaced either voluntarily or involuntarily by the company's investors or creditors.

6.3.6. Stage V: Resource Maturity

The greatest concerns of a company entering this stage are:

1) First, to consolidate and control the financial gains brought on by rapid growth and,
2) Second, to retain the advantages of small size, including flexibility of response and the entrepreneurial spirit.

The corporation must expand the management force fast enough to eliminate the inefficiencies that growth can produce and professionalise the company by use of such tools as budgets, strategic planning, management by objectives, and standard cost systems—and do this without stifling its entrepreneurial qualities. A company in Stage V has the staff and financial resources to engage in detailed operational and strategic planning. The management is decentralised, adequately staffed, and experienced. And systems are extensive and well developed. The owner and the business are quite separate, both financially and operationally.
The company has now arrived. It has the advantages of size, financial resources, and managerial talent. If it can preserve its entrepreneurial spirit, it will be a formidable force in the market.

If not, it may enter a sixth stage of sorts: **ossification.** Ossification is characterised by a lack of innovative decision making and the avoidance of risks. It seems most common in large corporations whose sizable market share, buying power, and financial resources keep them viable until there is a major change in the environment. Unfortunately for these businesses, it is usually their rapidly growing competitors that notice the environmental change first.

6.4. EXERCISE

6.4.1. Multiple Choice Questions

1) **The metaphor 'window of opportunity' was coined by:**
   a) Beckham
   b) Wickham
   c) Robbins
   d) Maslow

2) **The __________ is a metaphor used to give form to the process of identifying, evaluating and exploiting a new business opportunity.**
   a) Competitive advantage
   b) Crowdsourcing
   c) Window of opportunity
   d) Competitor analysis

3) ________ is a solid wall representing the competitive environment the entrepreneur seeks to enter.
   a) Door
   b) Wall
   c) Shield
   d) Window

4) Which step is followed by measuring the window?
   a) Seeing the window
   b) Locating the window
   c) Opening the window
   d) Closing the window

5) "This involves developing an understanding of where the window of opportunity is located." This is done in which step?
   a) Locating the window
   b) Measuring the window
   c) Opening the window
   d) Closing the window

6) Firm can acquire a sustainable competitive advantage through:
   a) Organisational culture
   b) Organisational capital resources
   c) Physical capital resources
   d) All of the above

7) "Creating a long-term sustainable competitive advantage for the business as a basis on which the entrepreneur can build the security and stability of the business" means:
   a) Seeing the opportunity
   b) Measuring the window
   c) Opening the window
   d) closing the window

8) Start-up phase of the venture is represented in:
   a) Seeing the opportunity
   b) Measuring the window
   c) Opening the window
   d) closing the window

9) ________ also lets the entrepreneur develop an understanding of the risks the venture might encounter.
   a) Locating the window
   b) Measuring the window
   c) Opening the window
   d) Closing the window

10) Retirement or separation from careers in identified in
   a) Early career roles
   b) Mid-career roles
   c) Late career roles
   d) None of the above

11) Which of the following is a way to maintain competitive advantage?
   a) Product patent
   b) Establishing brand loyalty
   c) Continuous innovation
   d) All of the above

12) The ________ paradox is based on the Greek myth, who made himself a pair of wings from wax and feathers, then flew so well that he went too close to the sun, melting the wings and plunging to his death.
   a) Dark phoenix
   b) Icarus
   c) Iphigenia
   d) Hercules

Answer:

1) b	2) c	3) d	4) c	5) a	6) d
7) d	8) c	9) b	10) b	11) d	12) b

6.4.2. Short Answer type Questions

1) What is window of opportunity?
2) Describe gaining commitment and sustaining competitiveness stages of window of opportunity.
3) Write a note on measuring the opportunity window.
4) List the challenges of sustaining competitiveness.
5) What is meant by maintaining competitive advantage?

6.4.3. Long Answer Type Questions

1) Explain the stages of 'window of opportunity' in detail.
2) What is meant by closing the window? Also describe ways to sustain competitiveness.
3) What are the changing roles of an entrepreneur? Explain in detail.
4) Write a detailed note on ways to maintain competitive advantage.
5) Describe the various stages in the changing role of entrepreneurs.