Abstract. In any national economy entrepreneurial entry serves to transform and revitalize markets and industries, thereby enhancing their competitiveness. Existing empirical research suggests that the pre-entry knowledge of the market and the entrepreneur’s prior practical and managerial experience will influence the new venture’s chances of survival and its future growth. The current paper emphasizes the key role that the entrepreneur has on the market entry as this entry influences business survival, growth or exit. In the paper we seek to better understand the relationship between the pre-entry knowledge and experience and the new venture’s success, by performing an in-depth analysis of the specialized literature. We argue that the pre-entry knowledge should be assessed against three key perspectives: (1) personal characteristics of the entrepreneur, (2) knowledge about the business activity, the market and the industry, and (3) resources at entrepreneur disposal. Also, the pre-entry experience can contribute to development of three categories of skills in an entrepreneur, such as: (1) functional skills – ability to perform various managerial functions, (2) relational skills – ability to work with external actors, and (3) resource management skills – ability to effectively identify and allocate scarce resources.

Keywords: business entry, entrepreneurial company, pre-entry-planning, pre-entry knowledge, pre-entry experience.

CHALLENGES OF ENTERING THE BUSINESS MARKET: THE PRE-ENTRY KNOWLEDGE AND EXPERIENCE

Carmen Monica PĂUNESCU
The Bucharest University of Economic Studies, Faculty of Business Administration
2-2A Calea Grivitei, 010701, Bucharest, Romania
e-mail: carmen.paunescu@fabiz.ase.ro

Management & Marketing
Challenges for the Knowledge Society (2013) Vol. 8, No. 1, pp. 63-78
1. Introduction

The current business environment goes through turbulent and dynamic changes, with companies entering and exiting various industries at an alarming rate. Now with the global economic crisis, it has been more than obvious that it is important to invest in the entrepreneurial culture of a country that leads to creation of new businesses with the potential to transform and rejuvenate the national economies. Therefore, entrepreneurship is viewed as the engine for economic growth and vitality of the large society as a whole. One important particularity of this subject comes from the fact that there is no universal entrepreneurship recipe. When studying the various cases of successful entrepreneurs we can find many similarities, but also many differences from one person to another. There are many variables included in this equation that different experts still continue to argue over (e.g., Mitton, 1989; Chell et al., 1991; Kamineni, 2002). These aspects have been proven to influence the behavior and the decisions of entrepreneurs. Certainly, there are both success and failure stories in every situation.

One of the most important factors of growth and development of all industries and economies around the world was the process of companies entering and leaving the business market. The biggest effect that this factor had on market performance has focused on productivity and market structure. There is a lot of knowledge in terms of entrepreneurship input and output activities, their variability in time and connection to various industries and their influence on the processes of change in the economy (Carree and Thurik, 2002; Aghion et al., 2004; Thurik et al., 2011; Tanțău and Mateeșescu, 2012). Even if the entering and exiting processes are influenced by various factors, the most important part of them is the person behind these processes – the entrepreneur. There is little information in the literature about the main player of great caliber.

Looking at both the Romanian and the international business environment, we observe some very strong examples of unique companies that started doing business in a different way, which proved to be a very successful one. The creative entrepreneurs behind those businesses turn problems into opportunities, bringing added value to market and making an impact through innovation. Like Drucker (1993, p. 45) stated, “entrepreneurs always search for a change, respond to it and exploit it as an opportunity”. Innovation became a competitive tool of entrepreneurs, a mean by which they exploit problems and change as opportunities. This was easily noticed during the last years when, even though passing through economic crises, certain companies benefited from their opportunities, not obstacles.

Entrepreneurship also creates the opportunity for the business owner to make a contribution. Most new entrepreneurs help the local economy (local communities in which they are present) by engaging suppliers, customers, employees, creating demand, shaping behaviours or influencing market trends and generating cash flow. A few of them bring an impact to the large society as a whole, through their innovations. Therefore, everything the entrepreneur does has as a final purpose the long term
sustainable development of the company, the higher level of satisfaction of all the stakeholders involved, whether they are customers, employees, shareholders or suppliers, the achievement of profit and the feeling that in the end, the entrepreneur has done something to help the community.

Now we should not fall in the misconception of thinking that “everyone who starts a new business is being entrepreneurial” (Drucker, 1993, p. 12). An entrepreneur brings innovative tools to generate creative solutions which deal with unmet market needs and creates a new type of value for the customer. According to Wikipedia, this new type of value can emerge from new and different combinations between the three factors that describe goods from the economic point of view: raw materials, physical and mental labor and capital (money). Innovation means doing things differently, but also doing things better. So, the highlight is on the product quality and on the customers’ satisfaction, because even if it is important to pay attention to certain aspects involved in running a business, such as management, marketing, finance, these do not generate any results if the company doesn’t have good quality products, that do not satisfy the customers’ expectations. Entrepreneurs must focus on creating products or services that satisfy the uncovered needs of the customers.

There are certain patterns describing entrepreneurial companies, certain key factors regarding the way the companies do business that set them apart from traditional, conservative ones. All companies follow a certain business model. But there are a few, world known, famous companies that have a unique, creative and performing business model. Those are the companies that bring real contributions to society, companies that last during crises and that transform any market issue into an opportunity, and companies that take care of and satisfy the interests of all their stakeholders. Such companies, like Apple, are companies led differently, companies that organize themselves and their interactions with customers and suppliers in unprecedented ways (Gambardella and McGahan, 2010). Their business model is different, their leadership approach is different, the person behind the company is different. It is called the “entrepreneurial model” and it seriously influences innovativeness and the overall performance of the company (Nybak and Hansen, 2008).

At the beginning of their existence, entrepreneurial companies are endowed with pre-entry knowledge and management experience through the human and social capital of their founder(s). Current empirical research suggests that these intangible assets influence significantly the firm’s success rate and increase the firm’s survival (Dencker et al., 2009). However, the mechanisms underlying this relationship have yet to be fully explored and understood.

The human capital of the entrepreneur, his or her pre-entry knowledge and experience in the business market have a direct impact on the performance and organizational learning within the company, leading its entrepreneurial success (Dencker et al., 2009; Unger, 2011). Early stage business planning and product/service design and engineering are also influenced by the entrepreneur’s traits and his/her personal way of doing business (Kumul Guler and Tinar, 2009).
In this respect, the current paper emphasizes the key role that the entrepreneur has on the market entry as this entry influences business survival, growth or exit, compared with the actual productivity the company has on the market. It also explains the importance of pre-entry knowledge and experience in the entrepreneurial process, for start-ups, before entering the market. Furthermore, in the paper we try to define an entrepreneurial model for companies which will help them recognize its benefits. However, it is important to understand where the entrepreneurial way of leading the company fits in the wider business picture, where profits are the ones that count. Every business wants to have higher and higher profits, so they cannot ignore these key factors that help them gain long term performance and financial growth.

The remainder of this paper is structured as follows. The coming section presents the research approach. Next section tackles a theoretical approach on the concept of entrepreneurial company, different views and the positive impact an entrepreneurial model has on the business. The following section argues in favor of the importance of pre-entry knowledge and experience in the entrepreneurial process and explains the role and content of pre-start-up business planning.

The conclusion drawn at the end comes as a reinforcement of the arguments presented in the body of the paper, restating the benefits, for the entrepreneur, of understanding the importance of pre-entry knowledge and practical and managerial experience in the entrepreneurial process.

2. Research outline

To reach the above mentioned purpose, two major objectives are settled. The first objective is to develop an understanding of how entrepreneurial models are built within companies, what key sides of the business they relate to and what specific features of the way a company is led are changed, once the entrepreneurial thinking spreads. In order to reach this objective the main research method employed was extensive literature review in the field. Various scientific articles on the subject have been studied, from both academic and business literature, articles that highlighted the differences between the conservative companies and the entrepreneurial ones. In addition, some profiles of companies that are considered entrepreneurial have been analyzed, by exploring their official web pages; these were companies from different fields of activity: IT, retail, and manufacturing.

The second objective is to emphasize the importance and need of pre-entry knowledge and experience and of development through learning for start-ups. We analyze the role of the pre-start-up knowledge about the business activity, the market and the industry and also the importance of practical and management experience of the entrepreneur before entering the market. There are some managerial tools referred to in the paper that an entrepreneur should use to examine the market and to establish the methods that he/she wants to use in order for his/her company to survive and growth. For reaching this objective the same research method has been employed, meaning secondary data analysis. The data were collected from research articles,
Challenges of entering the business market: The pre-entry knowledge and experience

websites, public records and reports of the entrepreneurial companies, published interviews and social media.

In the content of the paper we provide the entrepreneurs with some suggestions on how to get better informed before entering a market, about the importance of pre-start-up planning, about what a person should know regarding the market and industry he or she plans to enter and about type of experience that should be previously acquired.

3. Entrepreneurial models for companies

The new company’s entry mode, which alternates between creating a new venture and taking over an established business, is directly connected with the entrepreneurial model the company chose to adopt. When it comes to relating to their company, one of the most important tasks entrepreneurs have to accomplish is to state precisely how their business will interact with suppliers, customers and other partners. This is how “entrepreneurs often try to find fundamentally new ways of doing business that will disrupt an industry’s existing competitive rules, leading to the development of new business models” (Ireland et al., 2001, p. 53). According to Miller (1996), the two defining characteristics of the business model for an entrepreneurial company are “efficiency” and “novelty” that have proven to be of great impact upon a company’s success and growth.

An entrepreneurial business model based on “efficiency” focuses on ways of developing the business operations and transactions in a highly efficient manner, aiming to reduce the operations and other business costs for all the parties involved. An “efficiency” entrepreneurial model of a company relies more on imitating what other businesses on the market already do, but in a more efficient and healthy way (low costs, less resources, less time, etc.).

On the other hand, the entrepreneurial model centered on “novelty” settles new ways of doing business between various participants present on the market. The “innovation” entrepreneurial model of a company can be achieved by defining new channels of distribution, by creating business partnerships between parties not linked before, by entering new markets or targeting new customers, by introducing new products and services, or new sales and marketing strategies. Those companies make use of the available resources in a more creative manner and rely on the customers’ willingness to appreciate the innovative outcome and pay extra for it.

An entrepreneur cannot run his/her business by both models since innovation attracts higher costs for design, development and implementation that contradicts with the philosophy of the efficiency entrepreneurial model. However, the both models are highly valued and exploited by entrepreneurial firms as they offer valid alternatives for value creation under uncertainty (Aldrich, 1999).

To describe the entrepreneurial model of a company, Covin (1991) refers to eleven variables that are directly linked to the entrepreneurial – traditional dimension
Management & Marketing

of the company (Table 1). These variables relate to decisions in finance, marketing and operations areas. They are emphasized differently in an entrepreneurial firm vs. a conservative one, the differences being highlighted in the companies’ strategies and performance as well.

Table 1

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Traditional companies</th>
<th>Entrepreneurial companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial decisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External financing</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies access credits more openly, accept the idea of debts easier and live up with the possible risks involved;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– there is a crucial necessity for the business development;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– this is a in hand solution for sustaining innovative behavior.</td>
</tr>
<tr>
<td>Customer credit</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– to gain customers, companies rely on their innovative products and services as part of their product differentiation strategy and as competitive advantage.</td>
</tr>
<tr>
<td><strong>Marketing decisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer service and support, warranties</td>
<td>Low to average</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies help the customers to get familiarized with their new, innovative products and to easily learn how to use them;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies work towards eliminating the customer’s fear of buying unknown products or services;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies offer superior warranties.</td>
</tr>
<tr>
<td>Know-how</td>
<td>Existent</td>
<td>Continuously improved</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies permanently scan the environment for ideas of innovation and market trends</td>
</tr>
<tr>
<td>Advertising</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies invest more in communicating their existence, attributes and benefits of their new, revolutionary products to the potential customers.</td>
</tr>
<tr>
<td>Product range</td>
<td>Wide</td>
<td>Wide, constantly improved</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies offer a wider product range because they would constantly come up with something new on the market.</td>
</tr>
<tr>
<td>Pricing strategy</td>
<td>Low-price strategy</td>
<td>High-price strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies offer higher prices in exchange for the differentiated products they offer (competition is not yet encountered, growing market)</td>
</tr>
<tr>
<td><strong>Operations decisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product quality</td>
<td>Low to average</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– companies compete proactively on the market by emphasizing the higher quality of the products.</td>
</tr>
</tbody>
</table>
Challenges of entering the business market: The pre-entry knowledge and experience

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Traditional companies</th>
<th>Entrepreneurial companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating efficiency</strong></td>
<td>Under control</td>
<td><strong>Lower</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– when competing on a market driven by technological changes and short product life cycle, were the differentiation is given by the innovation degree of products, the efficiency might be lower (McCarthy et al., 1987).</td>
</tr>
<tr>
<td><strong>Industry awareness</strong></td>
<td>Little knowledge</td>
<td><strong>High</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– external information must be gathered, trends must be analyzed (for example, in terms of customer preferences and events occurring in their field of action) and technological evolution of the competitors must be taken into account.</td>
</tr>
<tr>
<td><strong>External independence</strong></td>
<td>High (many suppliers)</td>
<td><strong>Low</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– dependency on a sole supplier to assure the constant viability of the company products.</td>
</tr>
</tbody>
</table>

Source: Adapted from Covin (1991).

Following the information presented in the table, it can be observed that the key aspects of entrepreneurial companies differ from the perspective of strategies implemented, whether it is pricing strategy, product strategy, market strategy or operations one. The main characteristics of the entrepreneurial companies are exemplified in terms of innovative, risk-tolerance and proactive behavior, supported by the more usage of external financing, by the more strongly emphasize on customer service and support, as well as the superior warranties offered. They also prove their character by the way they do advertising; by the way they build their pricing strategy and the wide portfolio of high quality products while paying constant attention to the industry trends and events. By implementing a higher price strategy, by offering innovative products of high quality, with superior warranties and great support, entrepreneurial companies prove to be more performing than traditional ones.

4. Pre-entry knowledge for new ventures

4.1. Pre-entry business planning

Pre-start-up planning is the process by which the entrepreneur, in order to exploit the opportunity, creates a vision for his business, develops its goals and objectives and designs the mechanisms to fulfill these objectives and identifies necessary resources that help him achieve the vision (Sexton and Bowman-Upton, 1991). This process includes collecting and analyzing data prior to the new business start-up, and then using the knowledge gained to develop the unique business model and further the business plan itself. Pre-start-up planning can range from no planning to the development of very comprehensive and detailed, long-term plans (Castrogiovanni, 1996; Delmar and Shane, 2003).

One stream of research, represented by proponents of business planning, argues that the pre-entry planning leads to faster and more effective decision making and allows for the discovery of potential obstacles and problems in business.
operations. It also provides concrete objectives aligned with organizational goals and makes it easier for these goals to be communicated to others, all these contributing to building a stronger capacity for the company of surviving within the industry (Delmar and Shane, 2003). Campbell (1988) argues that planning is particularly beneficial when the activities are performed in conditions of uncertainty where previous experience or information processing habits have no bearing on the end result. By systematically and carefully planning the business, the entrepreneur is able to collect the necessary information about the field, such as the knowledge resulted will help him better understand what is required of the business to be successful (Dean and Sharfman, 1996; Delmar and Shane, 2003).

Another stream of research, which covers the critics of business planning, argues that pre-entry planning detracts time, efforts and attention of entrepreneurs from more valuable tasks. Also, the value of knowledge acquired through business planning, particularly in uncertain environments or during crisis periods, may have a short shelf-life and that planning will constrain entrepreneurial alternative creation during decision making, even when changes in the environment require organizational adaptation or transformation (Bird, 1988; Mintzberg, 1994; Bhidé, 2000). Planning may also discourage creativity and initiative, by focusing attention and efforts in companies on particular outcomes and established paths to achieve those outcomes (Mintzberg, 1994).

As such, pre-start-up planning provides entrepreneurs with an opportunity to collect and consider valuable information which supports their decision to enter a particular market. Also, it helps them to establish and prioritize the actions they need to take in order to create and grow their ventures. However, as argued above, empirical evidence on the effect of planning on new venture survival is conflicting and further investigation is needed.

4.2. Pre-entry knowledge of the market

The pre-entry knowledge represents the knowledge an entrepreneur should have before entering the market. A number of studies sustain the idea that a firm’s pre-entry knowledge and practical experience enhance its long-run performance and survival (Agarwal et al., 2004; Delmar and Shane, 2006; Franco and Filson, 2006; Dencker et al., 2009). This is explained by the fact that new entrants with prior experience and knowledge about the market are better suited for the industry in question, they can better react to unexpected changes and can faster adapt to dynamic trends in the industry. As such, they are more likely to succeed on the long-term.

Franco and Filson (2006) have shown that start-up companies whose founders had previous industry knowledge and who decide to use product/service diversification survive longer than companies without relevant experience. Going one step further, Delmar and Shane (2006) argue that the pre-entry knowledge of the market and the entrepreneur’s experience in the industry provide him with the necessary information about competition, niche markets, customer preferences,
Challenges of entering the business market: The pre-entry knowledge and experience

product quality, pricing and promotion, supply chain issues, employment practices, industry rules and norms, which help the entrepreneur in his decision of entering the market.

As such, the pre-entry knowledge should be assessed against the following three main areas: (1) personal characteristics of the entrepreneur, (2) knowledge about the business activity, the market and the industry, and (3) resources at entrepreneur disposal (Figure 1). The major part of this knowledge is to be gained through formal or informal education, by taking specialized courses in business and economics. Also, the knowledge can be acquired from the external environment in which the entrepreneur lives, through interaction and communication. Websites, books, industry reports, local authorities, personal views, and the social media are other sources of reliable information that an entrepreneur can use and exploit to self-create.

![Figure 1. Areas of pre-entry knowledge](image)

The pre-entry stage of the entrepreneurial process requires the entrepreneur to develop his capacity to build intellectual, financial, structural and social capital in order to start the business successfully. The most basic traits of an entrepreneur include the opportunity seeking, pro-activeness, the risk preference, initiative taking, creativity, innovativeness, leadership, problem solving and motivation (Kamineni, 2002; Kumul Guler and Tinar, 2009). Brixy et al. (2008) found that the level of education, the readiness to take risks, and role models are the most important determinants during all phases of the entrepreneurial process. Going even further into the entrepreneur’s characterization, we should mention his/her drive for starting a business and the commitment towards seeing it succeed, while at the same time, maintaining the core values of the company and impacting positively the community.

Santarelli and Vivarelli (2007) argue that since entrepreneurs are very heterogeneous then the entry of new ventures is heterogeneous, favouring innovative entrepreneurs endowed with “progressive motivation and promising predictors of better business performance” (p. 476). Other main characteristics of an entrepreneur, which shape his/her character, personality and behaviour, include: responsible, hard
worker, flexible, follows through with ideas, optimistic, perceptive, self-confident, determined, high degree of energy, innovative, independent, ability to anticipate needs, effective communicator, responsive to criticism, able to take the lead, learn from mistakes and self-directed (Mitton, 1989; Chell et al., 1991).

Second of all, the pre-entry stage of business activity requires the entrepreneurs to get informed about the characteristics and trends of the industry in which they will operate, about the market features and its dynamics, about the customers’ behaviours and changes in these behaviours. They should also know how to manage human resources in that particular field of activity and how to efficiently govern the large organization as a whole. Also, the entrepreneur should understand entirely his business operations. This means for an entrepreneur to have basic financial competences, understand and interpret different statistics, and have legal and policy competences. Going even deeper, the entrepreneur should understand the existing market, its history, the market size and segmentation, the buyers’ behaviour, the technology, the available products/services, the possible competitors, their strengths and weaknesses and only then should move on to developing his/her business idea. This pre-entry knowledge is essential for an entrepreneur as it influences in a significant way the business success and long-term survival (Dencker et al., 2009). That is why learning is widely acknowledged as being a critical issue for new or existing companies, one that determines their development, growth, ability to compete, in a word, their success (Hatch and Dyer, 2004).

Third of all, besides the personal traits and the knowledge about the business activity, the resources an entrepreneur has at his disposal are another important determinant for entrepreneurial success. The entrepreneurship literature divides these resources in three components (Hatch and Dyer, 2004; Cantner and Stuetzer, 2010): human capital, financial capital and social capital. Human capital provides the knowledge and skills to start a new venture, financial capital ensures the means to attract and obtain inputs and social capital offers the network necessary to acquire those resources that entrepreneurs do not possess. Block et al. (2010) argue that beyond the human and financial capital, a person’s risk attitude, innovativeness and perception of financial constraints of entrepreneurship also play important roles in entrepreneurs’ decision to start a new venture.

To examine the market that the entrepreneur plans to enter and to establish the methods and mechanisms needed to keep the new venture alive on long-run, the entrepreneur can use various tools. The most widely spread tools for market and industry analysis are: Porter analysis, PESTLE analysis and SWOT analysis.
Challenges of entering the business market: The pre-entry knowledge and experience

Porter’s five forces analysis is a framework for industry analysis and business strategy evaluation (micro-environment analysis) and helps understand the competition level for a market. Porter’s five forces include three forces from ‘horizontal’ competition: the threat of substitute products, the threat of existing rivals, and the threat of new entrants; and two forces from ‘vertical’ competition: the bargaining power of suppliers and the bargaining power of customers (Porter, 1980). The entrepreneur should understand and interpret correctly all of these forces as they help him see the dangers or opportunities of entering the market.

PESTLE analysis stands for “political, economic, social, technological, legal and environmental” analysis and describes a framework of macro-environmental factors which impact the business organization operations. A PESTLE analysis is a useful tool for understanding the ‘big picture’ of the environment in which an organization operates. Specifically a PESTLE analysis is a useful tool for understanding risks associated with market growth or decline, a new product or service, a new technology. The results of this analysis help new ventures to position on the market, to learn about its potential and trends and to decide future direction.

SWOT analysis is a tool for auditing an organization and its environment, internally and externally. It is the first stage of planning and helps entrepreneurs to focus on key issues, such as: strengths, weaknesses, opportunities, and threats (Hill and Westbrook, 1997). The internal and external business context analysis generally produce a large amount of information, and the SWOT analysis serves as a filter for unnecessary information and reduces it to a manageable quantity of key issues. The SWOT analysis classifies the internal aspects of the company as strengths or weaknesses and the external situational factors as opportunities or threats.

4.3. Pre-entry work and management experience

Both practical and management experiences can influence in a positive way an entrepreneur that wants to enter the market. These experiences come from previous jobs and take various shapes and contours: communication and networking skills, management skills, interpersonal skills, a broader perspective about the market, the appropriate use of leadership styles, handling personnel problems like conflicts and firings, the challenge of new and/or complex tasks or problems, the opportunity to learn and apply new practices, and the exposure to positive role models (i.e. Gelderen et al., 2006; Johnson et al., 2006;). As such, pre-entry experience can contribute to development of three categories of skills in an entrepreneur, namely: (1) functional skills – ability to perform various managerial functions (e.g. sales, marketing, finance, human resources), (2) relational skills – ability to work with external actors (e.g. employees, customers, suppliers, other partners), and (3) resource management skills – ability to effectively identify, allocate and manage scarce resources (Figure 2).
There is a clear indication that previous work experience has a significant and positive effect on the company’s success and survival on the long-run, as this indicates a clear direction for the organization (Dencker et al., 2009). An increase in the degree of previous experience, a good education, positive influences from family and friends, industry experience, all of these increase the likelihood of firm survival.

The theory of entrepreneurial entry (and exit) decisions introduced by Nocke (2006) explains that by knowing their own managerial talent, entrepreneurs decide which market to enter, where markets differ in size or other features. Empirical evidence proved that those entrants that choose large markets where competition is intense are more efficient than those that select smaller markets.

Some researchers regard the work and managerial experience as an important factor in entrepreneurial success, particularly if the experience is in the specific industry sector of the business venture (Johnson et al., 2006; Parker and Van Praag, 2010). Lee and Tsang (2001) argue that most studies reported in the literature suggest a positive relationship between the entrepreneur’s prior experience and venture performance. Indeed, their research found that “achievement motivation, the personality trait which had greatest influence on venture growth, had a smaller impact on firm success than previous experience” (p. 600). A study conducted by Colette et al. (2004) showed that of all the personality traits included in their study, including internal locus of control, number of partners, networking activities, extraversion and education, the entrepreneur’s practical and managerial experience had the greatest effect on the firm’s growth variable.

However, there is limited empirical evidence to suggest that pre-entry industry experience (for example, experience in telecommunications) has a positive effect on firm survival across a variety of different other industries (for example, transportation, energy, pharmaceuticals etc.).

---

Figure 2. Pre-entry experience

- Ability to perform various managerial functions
- Ability to work with external actors
- Ability to effectively identify and manage scarce resources
Challenges of entering the business market: The pre-entry knowledge and experience

By transferring the previous work relation and experience towards a new venture, the entrepreneur strengthens the company, ensuring cohesiveness of its business operations. Also, the interaction with new sources of information (from friends, family, and other people) can influence an entrepreneur in a positive way, transferring more knowledge for the company’s interest (Timmermans, 2009).

5. Implications and conclusions

The paper findings are destined to be used, first of all, by prospective entrepreneurs as they advise them on how to be better informed before entering a market, about the importance of pre-start-up business planning, about what a person should know regarding the market – the pre-entry knowledge and what type of experience he or she has to acquire – pre-entry experience. Secondary, the paper advances the theoretical research in the field of pre-start-up business planning and new venture entry, by clearly delimitating between key concepts and by emphasizing the key role that the entrepreneur has on the market entry. However, further empirical evidence to substantiate our research findings is required.

A company led accordingly to an entrepreneurial model is more prepared to deal with the unexpected changes in its external and internal environment and is aimed constantly to influencing or transforming the business world in which it activates.

At their inception, new ventures are endowed with knowledge and experience through the human and social capital of their entrepreneur. Existing empirical research (i.e. Dencker et al. 2009) suggests that this pre-entry knowledge and experience will influence the company’s chances of survival and growth. However, the extent to which the entrepreneur’s pre-entry knowledge of the business activity and his pre-entry management experience influences the business success is difficult to be determined and needs further investigation.

In the paper we suggest that the pre-entry knowledge is to be assessed against three key perspectives: (1) personal characteristics of the entrepreneur, (2) knowledge about the business activity, the market and the industry, and (3) resources at entrepreneur disposal. Also, the pre-entry experience will contribute to development of three categories of skills in an entrepreneur, such as: (1) functional skills – ability to perform various managerial functions, (2) relational skills – ability to work with external actors, and (3) resource management skills – ability to effectively identify and allocate scarce resources.

Future research should further investigate the extent to which each one of the three pre-entry knowledge areas influences or determines the firm’s success on the long-run. It should also explore the degree to which the skills developed in the pre-start-up stage of the business increase the chances for survival of the new venture.
References


Aldrich, H.E. (1999), Organizations Evolving, Sage, Thousands Oaks


Challenges of entering the business market: The pre-entry knowledge and experience


77
Management & Marketing


About the author

**Carmen Monica PĂUNESCU** is a Full Professor at the Faculty of Business Administration from the Bucharest University of Economic Studies (ASE), Romania. Prof. Păunescu holds a PhD in Economics from ASE. Her qualification raise includes: University of Rome “La Sapienza”, Italy – 2002-2003, Government scholarship; Loyola University in New Orleans, USA – 2004-2005, Senior Fulbright Grantee, Harvard Business School, Boston, USA – EECPCL 2007; IMTA 2008, Bled, Slovenia and EEC 2009, Maastricht, Holland. Her research interests lie in the areas of organization’s maturity assessment, entrepreneurial management and leadership, social entrepreneurship, academic entrepreneurship, and women entrepreneurship.