

To Capture Profits: When and How to Formulate Speedy vs. Deliberate Decision Strategy

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What entrepreneurial decision strategy is necessary to navigate unknown environment?

Entrepreneurs venture into unknown, and thus accurate information on the future market where they will be acting is often limited. Thus, a rapid decision-making strategy is generally considered a good decision strategy because it allows entrepreneurs to take actions first and then use the feedback and information that come after the relevant actions. For example, entrepreneurs may quickly create a beta version of new product that only has core features and then collect feedback from early users to update and develop the product.

However, this “act and see” type of entrepreneurial strategy does not always end up capturing profits although this kind of entrepreneurial strategy is found to be necessary in order to navigate yet unknown future environments. One of the reason behind this is that early customers that entrepreneurs collect feedback from do not necessarily represent the future customers who will actually purchase and use the product created.

Then, what other entrepreneurial decision strategies can be helpful in capturing profits?

Hence, a “search and act” type of entrepreneurial strategy, a more rational approach, might be crucially needed to increase profits. Although there are not always much accurate information about the future market, there can also be some circumstances where rough estimates about the future environment can be knowable. Entrepreneurs can employ systematic search tools such as Artificial Intelligence to obtain helpful information when crucial information about the focal market emerges and/or when potential products or services developed by entrepreneurs are taking shapes.

But, when does each strategy work better and how?

Yet, a critical question is when “search and act” strategy works better than “act and see” type of strategy. To investigate this important question, I conducted two studies. First, I have drawn the prior findings from the published empirical papers and have tried to generalize them. Second, I have used a computer

simulation method to study when and how each strategy can increase the fit between new products/service created by entrepreneurs and the market under which they act.

According to the preliminary results, the results are as follow: (1) when information about the future environments where they will be acting is very limited, an “act and see” type of strategy works better in capturing values. In addition, prior work experience enhances the effectiveness of this type of decision strategy. (2) When important information about the focal market is disclosed and/or when potential products or services developed by entrepreneurs are taking shapes or when the focal environment is too complex (i.e., there are more factors to consider and there is a crucial demand of a sophisticated product/service), a “search and act” type of strategy help increasing profits. Additionally, the formal education (or formal knowledge) helps effectively formulate this “search and act” entrepreneurial strategy.

To summarize, it is better to formulate different decision strategies contingent upon the types of environments entrepreneurs face in order to capture profits, and each strategy needs different types of knowledge for its effective execution. Over the entrepreneurship journey, entrepreneurs might encounter various environments. Hence, entrepreneurs should try to interpret, infer, or select the main characteristics of the focal markets where they are going to act and then build an appropriate entrepreneurial strategy and the adequate knowledge that match well with these environments, which will crucially help capturing profits.

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