

Innovation, New Market and Governance Choices of Entry: The Internet Brokerage Market Case

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Abstract:

This paper investigates the case of market entry strategies following the introduction of a disruptive innovation. Recognizing that market entry strategies have been envisioned in the literature as a discrete phenomenon, we develop an empirical framework that portrays these strategies as a capability building process. Three organizational modes are integrated into our model: acquisition, alliance, and market transaction. We compare the first two with the third one and we test our model in the setting of the online brokerage industry by using a sample of 897 moves made by 98 firms over a seven-year period (1994 to 2000). We built this dataset by collecting secondary data. This research suggests that firms' modes of entry can be differentiated along factors specific to market timing as well the degree of specificity of targeted capabilities. This paper shows that, surprisingly, market transactions are used to access specific capabilities. It means that external sources can be used when firms face a make-or-buy decision in the aftermath of technological change. Alliances appear to play a limited role while market transactions are widely used. By suggesting that the entry into a new industry is not a discrete phenomenon, our research should lead the path to additional research on this topic.

Keywords: Innovation, Market Entry, Capabilities, Firm's boundaries