Look Before You Leap:  
Market Opportunity Identification in Emerging Technology Firms

Marc Gruber  
College of Management of Technology, Ecole Polytechnique Fédérale de Lausanne,  
Odyssea 2.02, Station 5, CH-1015 Lausanne, marc.gruber@epfl.ch

Ian C. MacMillan  
The Wharton School, University of Pennsylvania,  
407 Vance Hall, Philadelphia, PA 19104-6374, macmilli@wharton.upenn.edu

James D. Thompson  
The Wharton School, University of Pennsylvania,  
402 Vance Hall, Philadelphia, PA 19104-6374, jamestho@wharton.upenn.edu

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Abstract

Entrepreneurs play an elemental role in bringing new technologies to market. As technologies are often configurable to serve customers in a variety of different markets, entrepreneurs can identify multiple market opportunities prior to the first market entry of their emerging firms, and may thus have a choice of which market to enter first. The empirical results presented in this paper offer two new insights regarding this important early stage in new firm creation. First, they reveal that one key element that serial entrepreneurs have learned through prior start-up experience is to generate a choice set of alternative market opportunities before deciding which market opportunity to pursue in new firm creation. Second, the analysis indicates that entrepreneurs can derive performance benefits from the identification of a choice set of market opportunities prior to first entry, and that a positive, yet non-linear relationship exists between the number of market opportunities identified prior to first entry and new firm performance. The research literature has yet to acknowledge the notion of multiple opportunity identification prior to entry, and the related idea of selecting the most favorable market conditions for the creation of new technology firms. Data for this study comes from a sample of 83 technology ventures backed by venture capital.

Keywords: market opportunities; serial entrepreneurs; technological fungibility; new firm creation.