The Essential Drucker, Chapter 12
ENTREPRENEURIAL STRATEGIES

In this chapter, Peter Drucker presents four different entrepreneurial strategies. He starts pointing out that entrepreneurial strategies are as important for any business as entrepreneurial management is. He states that despite this fact there is almost no discussion about entrepreneurial strategies, despite their distinctive influence to the success of any business.
Drucker distinguishes between entrepreneurial management, that is, practices and policies within the enterprise, and entrepreneurial strategies, that is, practices and policies outside. "Outside the enterprise" is understood as the marketplace the firm operates in.
The author proposes four specific entrepreneurial strategies:
1. "Being fustest with the mostest"
2. "Hitting them where they ain't"
3. Finding and occupying a specialized "ecological niche"
4. Changing the economic characteristics of a product, a market or an industry

The way Drucker calls these four strategies is evidently very methaphorical, almost a bit poetical, and it already gives an implicit, summed up explanation what these strategies are about.
The author then goes into details and special characteristics of each of these strategies, with special focus on risks and opportunities. He supports his conclusions with a lot of examples from economic life, namely the success stories or failures of often well-known enterprises.
One might easily find that the way corporations behave in the marketplace can be compared to the way animals behave in "wild" nature, as expressions like "finding an ecological niche" may suggest. Indeed, this interpretation is endorsed by the way Drucker describes the features of these strategies, sometimes, he even explicitly draws that comparison to biology.
We will now have a closer look at each of the four strategies.

"Being Fustest with the Mostest"

As the naming suggests, this strategy is mainly defined by trying to become the unchallenged leader in an economic field.
Drucker observes that this is sometimes seen as the only entrepreneurial strategy, and he states that this view is false. Indeed, he sees it not even as the dominant entrepreneurial strategy. He considers this strategy to carry the biggest risks and demanding massive resources, even though it is highly rewarding when successful.
Drucker points out that "Being Fustest with the Mostest" must aim at creating something truly new, something truly different. But if one has established such a new product in the market, the strategy is far from being over. Drucker explains that the real effort behind this idea is just starting to begin.
The entrepreneur now has to make sure he stays the unchallenged leader in this economic field. This requires that he has to make his product or his process obsolete before a competitor can do it. Work on the successor of the successful product has to start immediately, which means that the research budget must be higher after the original innovation has been established than before.
Furthermore, the entrepreneur who has attained leadership has to be the one who systematically cuts the price of his own product or process. Otherwise, he may provide the possibility for competitors to follow up with imitated products, who could benefit from high prices.

Drucker ends by concluding that "Being Fustest with the Mostest" is much too risky and much too difficult to be used for anything than major innovations, even though it is highly rewarding when successful.

Creative Imitation / "Hit them where they ain't"

This strategy is somehow a consequence of the risks the "Being Fustest with the Mostest" strategy we've just considered carries. In essential, it means that one does not innovate a new product from scratch, but instead trying to exploit the potential opportunities of an innovation someone else has made, but was not able to profit from it so far. Being successful in "Creative Imitation" means that one understands better what the innovation represents than the people who actually made it.
This strategy aims at market leadership, too, but it is much less risky than the first strategy. If the new product is already known, it is much easier to find out what customers buy and how to fit their specific needs.
The main risk with this strategy - besides misreading the trend in the market - is to offer too many products for too specific needs, resulting in a hard to manage, segmented market.
This strategy requires that the true, origine innovator of a new prodcut fails at placing his product successfully at the market, tailored to customers' specific needs. But economic practice shows that this is often the case, so the strategy of "Creative Imitation" is a promising one.

Entrepreneurial Judo

The basic, popular idea behind Judo is to try to use one's contrahent's power against himself. As Peter Drucker shows in his book, this principle might also be transferred to economic life. The concept is to try to prevail in a market others created or would be fit to supply much better, but simply don't care about it. Peter Drucker states that this opportunity arises mainly in two situations: with corporations who spurn innovations out of arrogance (they think the new product or service is not good enough for their enterprise), or with corporations who try to get just the high-profit part of a market.
Entrepreneurial Judo aims at entering a market where the established leaders do not defend it or simply do not care about it. It also intends leadership in a market, but it does not challenge the leaders where they are aware of competition, but in areas where they do not care what's going on.

Finding and occupying a specialized "ecological niche"

In contrast to the strategies presented earlier, this one does not aim so much at leadership or dominance of a market, but rather at control. It tries to obtain a practical monopoly in a small area. Companies referring to this strategy will therefore remain relatively small and unknown to a broader public. The main idea behind this strategy is to offer a product that is essential, but nevertheless offers no incentive for others to compete.
There are three possible ways of applying this strategy:
The Toll-Gate Strategy: This means an entrepreneur tries to find a product that is essential to some bigger, complex process, but does not represent a big part of the whole thing. The market for this product must be so small that whoever enters it first preempts it.
Such toll-gate positions are not easily to find. Furthermore, there is almost no chance for a company to grow or increase its business.
The Specialty Skill Strategy: Somehow similar to the first strategy, one would aim at occupying a certain field of the market, but not so much because it is too small for more than one enterprise, but because it requires very specialized, very unique knowledge no others are likely to have or to achieve.

This means, a business occupying a specialty skills niche must constantly work on improving its own skill, making sure no runners-up will enter the stage. Another problem might result from the fact that the occupant of a specialty skills niche is dependent on somebody else bringing his product to the market, as this product is only a component of some bigger product. Another danger is that the specialty skill ceases being special and becoming universal knowledge.

The Specialty Market Strategy: This strategy is very similar to the previous one. The difference is that it is not built around a product or service, but a specialzed knowledge of a market. The entrepreneur thus tries to place a more or less common product on a very special market, meeting specific customers' needs that are not as common as the product itself might be in the overall market.

This strategy has the same limitations as the specialty skills strategy. The greatest threat is its success, because when the market one occupies becomes a mass market, it is - however complex and difficult to understand it might be - not special any longer.

Changing the economic characteristics of a product

The former strategies always aimed in some way at introducing an innovation to the market. This last big strategy simply takes an old, well known product and tries to position it on the market as something different and knew, when there is acutally no physical change to the product.

There are several ways of applying this strategy, each of them tries to create new customers for an existing product. By the way, creating customers is the core concern of any business.

Creating Customer Utility: This strategy works by enabling customers to do what serves their purpose. The main element of this strategy is some additional service that is offered with the product that meets specific customers' needs.

Pricing: This strategy tries to price different components of a product in a way that is accepted by customers. It is not so much about cutting the overall price of a product, but about thinking how the price should be divided among its components. Thus, the price of a component needn't always resemble the actual manufacturing or other costs associated with it, but the value it presents to the customer.

The Customer's Reality: This strategy focuses on selling a product in a way it fits into the customer's world, and not in a way that resembles the manufacturer's point of view. This might concern pricing (as mentioned above), but sometimes it might just be enough to think of services or product packages appealing to potential customers.

Delivering Value to the Customer: Similar to other strategies, one should focus on what delivers value to the customer rather than what is product to the manufacturer.

Drucker describes it in simple words: "What the customer pays for each piece of the product has to work out as X dollars for us. But how the customers pays depends on what makes sense to him. It depends on what the product does for the customer. It depends on what fits his reality. It depends on what the customer sees as value".

On 28 pages, Peter Drucker gives an impressing overall view on what he calls "entrepreneurial strategies". The fact that he presents his theses in a very pracitcal and easy to follow way shouldn't disguise reasoned concepts that are substantial to these strategies.