

Social and Institutional Barriers to Market Entry

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Keywords:

Economic Development, Opportunity Recognition, Sociological Theory, Market Entry

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Abstract

This theory-development paper proposes a two-stage framework for examining deterrents to market entry. We argue that the decision to enter a new market is a clear example of a firm's decision to exploit an opportunity. We propose that managers take into account barriers beyond those cited in structural analyses of markets (*e.g.*, scale economies, intensity of rivalry, power of suppliers, power of buyers, and availability of substitutes), and that these barriers often deter the entry of potentially-viable competitors into markets. Further, we argue that these frictions to entry are widespread, but receive less attention because they are harder to value in most product markets. The paper first proposes a framework and then uses urban new markets to illustrate the ideas proposed. The final section of the paper proposes directions for future research.

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Entrepreneurship theorists concern themselves with important questions about the evaluation of business opportunities. How is an opportunity evaluated? Why do some entrepreneurs see business opportunities in a market where others do not?

Structural approaches to market entry analysis focus on the economic and technical features of markets. The use of structural analysis and frameworks has been a prominent movement in the field of strategy, and to a lesser extent, entrepreneurship (Bernheim & Whinston, 1990; Chen & MacMillan, 1992; Hamel & Prahalad, 1990; Porac & Thomas, 1990; Porter, 1980, 1981, 1985; Zajac & Bazerman, 1991). Structural theory and research have a broad base in the practical sphere as well. Porter's book Competitive Strategy (1980) is required reading in the majority of MBA and undergraduate business programs (Hammonds, 1990).

The variables of interest in what are frequently called competitive-advantage approaches can be grouped into two categories: those that capture the economic features of a market (concentration ratios, scale economies, learning curve effects, competitive response); and those that operationalize the technological characteristics of a market (intellectual property, R&D concentration, rate of technical change).

When applied to the entrepreneurial strategy to enter a market, these approaches have taken the view that firms (and their owners) will enter markets where analysis shows that their economic and technological advantages outweigh potential disadvantages. They imply that if a firm executive or entrepreneur can bring economic or technological advantage into a market, then entry will follow. We

argue that, in practice, others factors can dramatically influence market entry decisions even when technical or economic advantages pertain.

While the strengths of structural approaches are evident, their limitation as a metaphor for the entrepreneurial decision-making process lies in their market entrant bias. Because structural analysis relies only on firms that have chosen to compete in a market, it does not capture firms that chose not to enter markets.

Another influential body of research has focused on the individuals involved in opportunity exploitation, examining the heuristics, biases and information of individuals to determine whether those who enter into entrepreneurship are different from their peers. The owner-demography approach, extensive in entrepreneurship (Low, 2001), and to a lesser extent strategy (Hambrick, 1987; Michel and Hambrick, 1992) is limited as well, because it assumes that access to opportunities is evenly distributed across all individuals in a society. They imply that if a firm executive or entrepreneur has a psychological bias toward entering a market, despite firm-level or market-level considerations, then entry will follow.

As recommended by Shane & Venkataraman (2000) and Venkataraman (1997), our interests lie in examining how the intersection of opportunities and individuals leads to opportunity exploitation. We focus on entry barriers because they represent the “dark” side of the analysis of an opportunity. Barriers, in addition to advantages, are important criteria evaluated by entrepreneurs when analyzing a market as an opportunity.

Market Entry and Opportunity Exploitation

Market entry can involve the de novo (startup) firm, the expansion into a new product market, or the entry with existing products into a new geography. All are examples of new opportunity creation and are the end product of considerable planning, analysis and assembly of resources. Our focus on the process of market entry is, to a degree, a response to calls to expand the definition of entrepreneurship beyond the arena of firm startup (Shane & Venkataraman, 2000).

The concept of barriers to entry is well documented in the literature of economics and strategy. As early as 1907, economists John Bates Clark wrote about keeping “potential competition” at bay. Bain (1957) coined the term “barriers to new competition” in the seminal work on the subject. Scherer (1980), Porter (1980) and others have clearly stated the importance of five barriers to entry in business strategy: capital requirements, cost advantages, switching costs, distribution access and proprietary assets. These barriers are easily quantifiable.

We argue that these barriers do not tell the whole story. In practice, sociological factors about a market influence an entrepreneur’s decision to enter. These factors are often overlooked or not addressed by structural analysis because they are not easily measured.

As we discuss later in this paper, there are other types of barriers to market entry beyond the economic and the technological. In our framework, these other barriers to market entry are especially salient in the inner city context.

From a theoretical perspective, our framework has three benefits. First, our framework accounts for both firm entry and firm deterrence. Models have generally focused on firm entry alone. Second, we propose new factors that enter into market entry decisions, even when decision-makers have evidence of economic and technological advantage. Third, our framework proposes that firms will

engage new opportunities (markets) when both firm-level and market-level factors are complementary; and that market entry is an interactive process in which firm-level factors, individual factors and market structures each play roles.

Structure of the paper

The remainder of our paper has three parts. First, we describe our two-part framework for market-entry decisionmaking. Second, we use the urban new markets to illustrate the relevance of our model. Third, we note directions for future research.

The Market Entry Decision Process

Our model of market entry applies to both existing and de novo firms and focuses on the process of opportunity-creation in the form of new market entry. Our intent is to develop a framework that describes the process of market entry, rather than focusing on the outcome, final entry or non-entry into a market. Figure 1 graphically illustrates our framework. .

 Insert Figure 1 about here

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Population of potential markets. The economic environment is composed of a large population of potential markets for entrepreneurs seeking opportunities. The far left side of the figure represents the full population of potential markets for entry. There is considerable variation in this population on numbers of dimensions, and awareness of these opportunities is not evenly distributed.

Discovery stage. The first arrow represents the discovery stage. Casson (1982: 121) reminds us that the entrepreneur searches for opportunities in the business environment based on a wide range of

background information from their own experience and from intentional searches. These personal experiences form the basis of the entrepreneurs perception of an opportunity, and influence whether an opportunity is discovered. In the discovery stage, a range of potential markets for entry are identified and defined. The basis for the variance in market identification is discussed in many organizational theories: bounded rationality, perceptual-screens and psychological bias (March and Simon, 1958; Busenitz & Barney, 1994; Hambrick and Mason, 1984); informational and social networks (Aldrich and Zimmer, 1986; Geletkanycz and Hambrick, 1997); level of executive discretion in an industry (Finkelstein & Hambrick, 1990; Abrahamson & Hambrick, 1997). Our discovery phase recognizes that each of these factors play a role in opportunity identification, and that only certain firms will be identified.

Evaluation stage. The second arrow represents the evaluation stage. Once identified as a potential market for entry, entrepreneurs begin the process of evaluating the attractiveness of each market for entry. This smaller set of “identified” markets are evaluated strategically: What are the benefits of going after this opportunity? Do I have the resources to take advantage of this opportunity? What are the risks? Are there any barrier to my exploitation of this opportunity?

We argue that once a market is identified, it is the perception of entry barriers to that new market that influences decisions to enter. As discussed above, the strategy and entrepreneurship literature has described the influence of economic and technological considerations in this stage. We expand the list to include institutional and social factors, which we describe in greater detail in the next section. We also recognize that this process is iterative, with entrepreneurs returning to the discovery stage if none of the markets under evaluation prove attractive for entry.

Actively pursued market set. The far right represents the set of attractive markets. After the discovery and evaluation stage, as smaller subset of the original population of markets are deemed viable for entry. These markets are considered active targets for entry and effort begins to leverage these opportunities.

Barriers to Market Entry

Why aren't all viable opportunities pursued by all entrepreneurs? Structural theories, would suggest that if the factors for advantage are available in a niche, some entrepreneur will rise to address the market opportunity. Competitive advantage comes from an analysis of the market and one's competitors. This approach assumes that the entrepreneur has already entered the market. Using structural analysis we can not explain the non-entry of firms into viable but novel markets.

Neoclassical economists have no room for the opportunity seeking entrepreneur in their models because the market is at equilibrium or near equilibrium at all times. Using neo-classical economic theory it is difficult to explain the reason that viable markets are not entered by firms with economic and technological advantage. Generally, these theorists argue that informational asymmetries are responsible when viable opportunities are left unexploited.

The Austrian approach to entrepreneurship is able to account for the story of market non-entry. It emerges from a strong critique of neo-classical economics (Kirzner 1997). In this critique, proponents of the Austrian approach argue that the neo-classical approach cannot accommodate entrepreneurship into its theories of equilibrium. Following the Austrian theorists Kirzner (1997) and Hayek (1945), we believe that markets are more often in disequilibrium than in equilibrium. Disequilibria in the economic, social and institutional environment lead to entrepreneurial opportunity. Alert entrepreneurs will

discover these opportunities more readily than those who are not alert. The Austrian approach to entrepreneurship is summarized by Shane in the following three points: 1) people can not recognize all opportunities; 2) information about opportunities determines who can become an entrepreneur; and 3) the process depends in factors other than people's ability and willingness to take action (Shane, 2000: 450).

This tradition of entrepreneurship is relevant to the analysis of markets where it is clear that equilibrium conditions do not exist. Consumer concentrations, available employee pool, social capital, supplier, business resources and development incentives are not evenly distributed in markets where the formal and informal economic systems co-exist. Principles of equilibrium, supply and demand often cannot be applied to the informal economy.

The Austrian tradition of entrepreneurship has implications for the market entry decision process (or opportunity evaluation). Our framework focuses on the entrepreneurial opportunity and not the individual entrepreneur. In doing so, our emphasis in this theory-building paper moves from explaining the traits and actions of the entrepreneur to explaining the characteristics and structures around the opportunity. As we consider the entrepreneurial opportunity, we highlight the factors that lead to market non-entry. To theorize about market non-entry is to theorize about the factors that prevent firms from entering markets. We argue that market entry decisions are based on factors of the market opportunity and not only dispositions of the entrepreneur.

To that end, barriers to market entry are not only a result of the economic structure of the market but also the social and institutional structures around the opportunity. These barriers are discussed at length in the next section.

Institutional and Social Barriers to Market Entry

Our proposed barriers are less manipulable by firms endogenous to the market. When discussed by many strategy scholars, entry barriers can be “erected” by a firm as a means to protect against future competition. Higher production volumes, intellectual property shields or acquisition for greater market share are all actions that a firm can take to make a market less attractive to future competitors. However, as Karakaya and Stahl (1991) argue that entry barriers may exist for firms entering new markets whether they were erected by competing firms or not. Institutional and social barriers cannot be erected or dismantled through the operational or economic actions internal to the firm.

Institutional Barriers

Institutional entry barriers involve norms, rules and values that contribute to the culture, order and practices of a market. They occur at multiple levels in a market (individual-, firm-, industry-level), and dictate the relationship between a firm and critical stakeholders in a market (consumers, community groups, suppliers, associations, financial institutions etc.).

In describing the new institutionalism in sociology, Ingram and Clay (2000) argue that institutions that form the basis of order and help to smooth interactions among actors. These institutions can be formal or informal. Our framework includes three forms of institutional entry barriers: formal, cultural and legitimacy.

Formal Institutional Barriers. Governmental systems, laws, financial markets, lending institutions are codified and formalized institutional structures that smooth the transactions between actors. Formal institutional barriers may deter entry to a market if the market does not have the

appropriate institutions to encourage entrepreneurial activity. For example, if the market opportunity is in a place where there is significant disorder and disregard for property rights, it may not be the most inviting market to enter. Some markets do not have active financial markets. For entrepreneurs engaged in commercial ventures, this may be disadvantageous for their firm.

Social order is maintained by a variety of formal institutions (police, government, law, etc.). When these institutions do not exist, entrepreneurial opportunity is stifled. Urban areas have suffered from decreases in social order. In *Fixing Broken Windows*, Kelling and Coles (1996:242) describe this problem,

Disorder demoralizes communities, undermines commerce, leads to abandonment of public spaces, and undermines public confidence in the ability of government to solve problems; fear drives citizens further from each other and paralyzes their normal, order-sustaining response, compounding the impact of disorder.

Some entrepreneurs will not consider these markets because they do not believe there is business opportunity there.

Cultural Barriers. Cultural entry barriers are informal institutions. Language, slang, dress and etiquette are often critical to a firm's success in securing stakeholders goodwill and trust. Cultural norms are the attitudes, beliefs, and expectations about behavior in a market. These forms of cultural capital (Bourdieu, 1984; Coleman, 1990) can take many forms: language, slang, dress, etiquette, legends, and even superstitions.

Cultural barriers have been addressed in the international business literature (Karakaya and Stahl 1991). The interactions between businesses and residents of an emerging market are full of unspoken norms and rules. These institutions are clearer to those who are embedded within the institutional structure (the culture) than to those outside of it. Understanding these institutions is critical

for business success. The lack of mutual understanding may pose a serious entry barrier to the entrepreneur.

Legitimacy Barriers. Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). While the physical process of entry may be similar for each type of firm, legitimacy pressures from important stakeholders for or against entry may create differences in the motivation to enter a market. We argue that legitimacy pressures in regard to market entry are greater for existing firms than startup firms. Startup entrepreneurs enter markets relatively unencumbered of institutionalized pressure to appease distant and varied external equity holders. We see at least two forms of legitimacy pressures that may play a role in market entry: taken-for-grantedness and sociopolitical legitimacy.

“Taken-for-grantedness” is a form of legitimacy in which the increasing incidence of a form of behavior increases the expectation that all firms will exhibit such behavior (Hannan and Freeman, 1986). Pressures for taken-for-granted behavior from constituents encourage mimetic and institutional isomorphism, in which firms engage in various activities because leading or similar competitors have exhibited those behaviors (DiMaggio and Powell, 1983). Institutional isomorphism theory has generally been applied to firm organizational structure and acquisition behavior (Aldrich and Baker, 2001).

We argue a) that taken-for-grantedness pressures may also play a role in market entry decisions and; b) that pressures for “taken-for-grantedness” legitimacy are greater for existing firms than for new startup firms. For example, as the number of leading U.S. automobile manufacturers offering SUVs (Sport Utility Vehicles) increases, pressures for the remaining firms to offer these models increases.

However, an entirely new entrant to the U.S. market should face fewer expectations that an SUV would be a component of their model offerings.

Pressures for or against market entry for important interest groups can play significant roles for firms. Sociopolitical legitimacy is the acceptance by key stakeholders (consumers, stockholders, employees, the general public, etc.) that an activity is morally and legally appropriate. As with taken-for-grantedness legitimacy above, we argue that these sociopolitical legitimacy pressures are greater for existing firms than startup entrepreneurs. If we borrow from the SUV example offered above, we can imagine a situation where companies might be discouraged to offer SUV models. Many environmental and safety awareness groups believe that the proliferation of SUVs in the U.S. market is detrimental. The protest and legal activity against SUVs that some of these groups engage may discourage some companies from offering SUV models, even when their increasing popularity among the general public is clear. We also recognize circumstances where companies are encouraged to enter markets under pressure from constituent groups. The NAACP met with Entertainment industry executives to discuss ways to increase the diversity in the film industry, to include the type of actors in those films (Schlosser, 2001).

Table 1: Examples of Institutional Entry Barriers

Institutional Entry Barriers	Examples of Institutional Entry Barriers
Lack of knowledge of local norms, values and culture	<ul style="list-style-type: none"> • Knowledge of cultural holidays and celebrations
Lack of social order	<ul style="list-style-type: none"> • Significant criminal activity • Abandoned housing (“broken windows”)
Lack of government/quasi-government “attention” that creates an “environment for business”	<ul style="list-style-type: none"> • Lack of significant business presence and low self employment
Lack of active financial markets	<ul style="list-style-type: none"> • Redlining of neighborhoods • Inactive banking community

Lack of constituent legitimacy for entering the market	<ul style="list-style-type: none"> • Societal pressure for non- entry/entry into the market
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Social Barriers

Social entry barriers involve the web of social relationships that exist within a market. These inter-firm, employee-employer, formal-informal and other firm-resource relationships are embedded in the underlying social structure of a market. There are at least five categories of social networks that may present barriers to firm entry: business owners, business organizations, civic organizations, political infrastructure and attractive labor markets.

Information is communicated and resources are delivered through these networks. The lack of access to these social networks can be a significant deterrent to market entry, especially for new ventures (as Table 2 presents). It is well documented that the access to trust networks (Uzzi 1997), information, market knowledge, and other resources can enhance the survival (Burt 1992; Lincoln, Gerlach, Ahmadjian 1996; Ingram and Roberts 2000). The lack of such access may prove to be fatal for the firm steered into an unfamiliar market. When an entrepreneur is making the entry decision, and she does not have access to the network of actors in the target market, this poses a significant entry barrier.

A second example of social relationship networks that may present barriers is access to attractive labor pools. In structural analysis, labor has been treated as factor input into the production equation. Entrepreneurs who enters unfamiliar territory will tell you that identifying, recruiting and retaining workers is a major challenge. It is a challenge for many reasons: low-valued human capital

(Thurow, 1969); location mismatches (Porter 2000; Bates 1998); and lack of specific training. Labor and human capital are embedded in the social structure of a place. (Portes and Jensen 1989) When firms move into new markets where they have limited experience they may not know where to find their local workforce. By accessing the proper networks this barrier to entry can be overcome.

Table 2: Examples of Social Entry Barriers

Lack of access to local network of business owners	<ul style="list-style-type: none"> • Memberships in local business owners organization • Access to informal trust networks
Lack of access to local network of business organization and resources	<ul style="list-style-type: none"> • Relationships with local business development organizations • Relationship with local banking institutions
Lack of access to local networks of community-based and social organizations	<ul style="list-style-type: none"> • Relationships with faith based community development organizations
Lack of access to political infrastructure	<ul style="list-style-type: none"> • Relationships with local political figures
Lack of access to pool of labor and talent	<ul style="list-style-type: none"> • Relationship with workforce development organization

Entry and Non-Entry into Urban New Markets

Lagging economic conditions in urban areas have long been an issue of national interest. Understanding the reasons for uneven economic development and unequal wealth distribution has been at the forefront of scholarly, policy, and civil rights debate for much of this century. While being primarily associated with the United States, inner city-like conditions exist in urban centers across the globe. The combined problems of economic malaise, spatial and social exclusion have been found in a number of developed countries: England (Aldrich, 1979; 1989), France and Belgium (Wacquant, 1991), and Japan (Hane, 1982; Sanjek, 1990). A large body of research has noted the technological, economic,

and human capital benefits that have led to explosive growth in many regions (e.g., Silicon Valley in California, Route 128 in Massachusetts, Japan after 1980). Why have we been unable to explain or offer prescriptions for the economic ills in inner-cities? Why have these conditions persisted? Why haven't a larger number of entrepreneurs sought and exploited advantages in the inner-city niche?

Leading economists have argued that what appears to be disinterest in these neighborhoods is in fact a collective rational response to the economic and social conditions that exist there. Becker (1971) and Thurow (1969) have persuasively argued that these neighborhoods lack critical factor inputs for economic growth, and thus, are unattractive as sites for market entry.

Utilizing the competitive advantage models he made popular, Porter (1995) has argued that there are many economic benefits to inner-city locations, and specifies four advantages of inner-city locations: available labor, proximity to business centers, unmet local demand and integration with regional clusters. Recent studies have supported Porter's contentions, showing that while per capita income levels are low, aggregate income levels may be greater than surrounding suburban areas (Boston Consulting Group, 1998). If there are competitive advantages (structural) to inner-city locations, why have these advantages gone unnoticed, and why have these communities failed to attract the interests of a larger group of entrepreneurs? (or scholars?)

Leading sociologists might answer the question by arguing that socio-cultural processes, like large-scale in-group/outgroup exclusion, are responsible for the inner-city economic malaise. For example, Massey and Denton (1993) charted the patterns of residential segregation by race over the past century. They conclude that this exclusionary process is the primary cause of persistent areas of concentrated poverty (Massey, 1990). Frey (1985) and Holzer (1991) focused on inner cities' geographic exclusion from the expanding service sector of the economy.

Yet, arguments relying solely on bias and discrimination do not seem sufficient either. We draw from Granovetter's (1985; 1992) pathbreaking work on embeddedness in economic markets to explain the relevance of our proposed barriers to entry. Granovetter argued that neither the "undersocialized" purely economic account of market behavior, nor the "oversocialized" purely social-structural served scholars of market behavior. The undersocialized approach assumes that all actors will resort to profit-maximizing, interest-seeking behavior when indicators suggest a profit opportunity. The oversocialized approach assumes that human action is completely influenced by social cues, like the opinions of others, norms, and obligations.

Economic and technological advantages are embedded in a social and institutional frame. Our explanation for market entry, like Granovetter's "sociology of economic life" assumes that economic and technological benefits present in a market will not be sole considerations in a market entry. Accordingly, negative or positive social cues will influence, but not determine market entry decisions absent structural considerations.

We use what have been called urban new markets to illustrate the effectiveness of our framework because they provide stark contrasts in terms of economic, technological, social, and institutional factors. The range of terms associated with these communities is illustrative of the salient features of these communities. Scholars have written about inner cities (Porter, 1995), "distressed" and "disadvantaged" neighborhoods (Kasarda, 1993), "slums" (Jacobs, 1961) "ghetto areas" (Aldrich, 1973; Bates, 1993), "ethnic enclaves" (Portes and Zhou, 1992), the "underclass" (Myrdal, 1962; Jencks, 1991; Katz, 1993; Sugrue, 1996), and even "America's untapped new markets" by President Clinton (Broder, 1999).

New Urban Markets. We provide clarity by presenting a categorization of urban new markets, and then use these categories to illustrate differences in the barriers to entry of each market.

Ethnic markets. Consumer markets composed of ethnic minorities we term ethnic markets. Ethnic markets are not geographically or economically bound, and are determined by the spending power of an ethnic group. Consumer markets composed of Chinese- or Cuban-immigrants would constitute ethnic markets, with particular habits, practices, language, and customs a market entrant would need to know prior to targeting these groups as consumers.

Ethnic economy. Light and Karageorgis (1994: 648) explain that an ethnic economy “exists whenever an immigrant or ethnic minority maintains a private economic sector in which it has a controlling ownership stake.” Ethnic economies are distinguished from ethnic markets in that the ethnic group under consideration holds significant ownership of the firms operating in an economic space. Examples of ethnic economies include Jewish diamond merchants, Indian-immigrant motels, and Korean-immigrant grocers or dry cleaners. Ethnic economies are characterized by the high trust within ingroups that facilitates economic transactions. Potential new entrants from outside the ethnic group would not generally be able to rely on such ethnic solidarity, and have difficulty securing critical resources.

Ethnic enclave economies. Portes and his colleagues have developed a definition that applies the ethnic economy term to a geographical area (Portes and Sensenbrenner, 1993). Ethnic entrepreneurs locate business in geographic areas where co-ethnics are densely clustered. While there may be an ethnic market composed of Chinese-immigrant consumers, this consumer market is not the same as predominantly Chinese-immigrant neighborhoods. “Chinatown” in New York, San Francisco or other cities may have many Chinese consumers, yet Chinese Americans live throughout these cities. Two well-

documented examples of this concept in action are Miami's Cuban "Little Havana", and New York's Dominican Washington Heights. Entering an ethnic enclave economy combines many of the challenges of entering an ethnic market (e.g., understanding consumer behavior, habits and needs) and entering an ethnic economy (e.g., accessing social networks and civic organizations that support business in the community).

Inner-cities. While associated with ethnic neighborhoods, inner-cities are urban neighborhoods characterized by high unemployment and high poverty. While these neighborhoods have high concentrations of ethnic minorities and immigrants, when compared to suburban neighborhoods, it is the neighborhoods economic conditions and not the demographic makeup that determines their inner-city status. Market entry into an inner-city neighborhood may involve a host of challenges: lacking business institutions, social disfunction, ethnic cultural needs and habits, fractious political climate, lacking financial markets, locating appropriate labor. Legitimacy concerns may encourage or discourage entry into an inner-city neighborhood because of the unemployment and poverty present there. For example, banks may be encouraged to locate branches in inner-city neighborhoods, while athletic shoe companies may receive scrutiny for selling shoes in inner-cities.

Urban market. The urban market is a phenomenon facilitated by the export of urban culture – music, clothing, styles, values – to the consumer markets. The influence of the urban culture in media and fashion have been particularly visible in recent years. The urban market has no geographic boundaries, and may be composed of individuals from any demography. What links this market to the others is the centrality of the urban culture in influencing behavior among a large body of consumers, particularly youth. For some market entrants, the challenge of entering the urban market involves simply appropriating the culture of the inner-city for the larger marketplace, and does not involve opening or

purchasing businesses. As with inner-cities, legitimacy concerns may play a role. As Time-Warner music found, companies entering the highly-lucrative gangster rap market, received negative responses from some stockholders who felt the music's lyrics and culture were not morally acceptable.

The table below lists the urban new markets described above and notes barriers to entry in each. These urban new markets are frequently discussed synonymously. The table below illustrates the differences in these markets by noting the varied institutional/social barriers that must be overcome to enter each market.

Table 3: Institutional and Social Barriers to Urban Market Entry

	Ethnic Market	Ethnic Economy	Ethnic Enclave	Inner-City	Urban Market
Institutional Barriers					
Knowledge of norms, values, culture	R	R	R	R	R
Social order/disorder	N	N	N	R	N
Government support	N	N	N	R	N
Financial/resource markets	N	N	N	R	N
Legitimacy	?	N	?	R	?
Social Barriers					
Network of business owners	N	R	R	R	N
Network of business organization and resources	N	R	R	R	N
Networks of community-based and social organizations	N	N	R	R	N
Political infrastructure	N	N	R	R	N

Pool of labor and talent	N	N	?	R	N
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R=required, N=not required, ?=possibly required

As this chart illustrates, entering an inner-city is a task that involves overcoming a larger number of barriers than entering any of the other new urban markets. This is because the inner-city business opportunity is the most embedded in an institutional and social frame that presents barriers to market entry. This is not to suggest that these barriers cannot be overcome, but it does illustrate the deterrents to entering an inner-city market, relative to other markets.

Conclusion

In this paper, we have theorized new barriers to entry into market opportunities. Our framework is useful for both scholars of entrepreneurship and strategy. To theorize about market non-entry is to theorize about the factors that prevent firms from entering markets. The set of market entry barriers that prevent firms from entering are larger than those generally found in the literature. By theorizing additional barriers, we contribute to entrepreneurship theory by helping scholars rethink their conceptions of entry barriers to markets, generally and unusual markets like inner-cities specifically.

While we have chosen the domestic urban new markets as our context for illustration, our framework is useful in the international context as well. These social and institutional forces can be operationalized in the international/country risk frame. We invite scholars to apply these models to other contexts in market entry. For instance, we believe these models would apply to the market for cultural products in interesting ways. Are Asian-produced films, like the highly-successful Crouching Tiger;

Hidden Dragon, only preferred to Asian consumers? What are the barriers to film companies attempting to produce similar movies? We argue that many of the barriers we present in this paper would be applicable.

Another benefit of our model is that our proposed barriers are less manipulable by firms endogenous to the market. When discussed by many strategy scholars, entry barriers can be “erected” by a firm as a means to protect against future competition. Higher production volumes, intellectual property shields or acquisition for greater market share are all actions that a firm can take to make a market less attractive to future competitors. However, as Karakaya and Stahl (1991) present, entry barriers may exist for firms entering new markets whether they were erected by competing firms or not. Legitimacy, social and institutional barriers cannot be erected or dismantled through the operational or economic actions internal to the firm.

Because our entry barriers are often less quantifiable, they receive less attention in the practical and scholarly literature. However, we argue that these frictions are widespread in use. Institutional and social conditions of markets are considered explicitly and implicitly, and are important factors that explain the entry of firms into markets.

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