

CH 1 and 2 Recognizing opportunities and idea generation

Entrepreneur

1. **Definition:** process where individuals pursue opportunities regardless of how much money they have.
2. **Process:**
 - a. Decide to be entrepreneur
 - b. Develop successful business idea
 - c. Move from idea to launching the firm
 - d. Manage and grow firm
3. **Reasons:**
 - a. Pursue their own idea
 - b. Be their own boss
 - c. Make money
4. **Personal traits**
 - a. Passion
 - b. Product/customer focus
 - c. Tenacity despite failure
 - d. **Execution intelligence:** management team has to be focused enough not to be distracted, while at the same time flexible enough to respond to the market
5. **Core traits before opening the business**
 - a. Prior industry experience
 - b. Cognitive factors
 - i. Idea recognition
 - ii. Entrepreneurial alertness: Ability to see opportunities without deliberate research
 - c. Original idea
 - d. Social network
 - i. Strong ties
 1. Likeminded people
 - ii. Weak ties
 1. Better for business partners and workers
 - e. Creativity: Creativity is the process of generating a novel or useful idea
6. **Myths**
 - a. Born not made
 - b. Gamblers
 - c. Young
 - d. Money motivated
 - e. Love spotlight
7. **Entrepreneurial Firms**
 - a. Proactive
 - b. Innovative
 - c. Risk taking
8. **Conservative firms**
 - a. Wait and see approach
 - b. Less innovative
 - c. Risk averse
9. **Types of start up firms (3)**
 - a. Salary substitutes firms
 - b. Lifestyle firms
 - c. Entrepreneurial firms: Provide products or service to the market, seizing an opportunity regardless of resources owned
10. **Opportunity:** An opportunity is a favourable set of circumstances that creates a need for a new product, service, or business.
11. **Opportunity characteristics**
 - a. Attractive
 - b. Timely
 - c. Durable
 - d. Adds value
12. **How to find opportunities**
 - a. Observe trends: economic forces, social, techno, political
 - b. Find a niche
 - c. Solve a problem

13. Trends (PEST)

- a. Political
 - i. Laws and regulations
- b. Economic
 - i. Innovation
 - ii. Job creation
 - iii. Spending patterns
- c. Social
 - i. Demographic changes
- d. Technological

14. Creative techniques for idea generation

- a. Brainstorming
- b. Focus group
 - i. A gathering of five to ten people, who have been selected based on their common characteristics relative to the issues being discussed
- c. Research
 - i. Library research
 - ii. Internet research
- d. Customer advisor boards
- e. Day in the life research

15. Creative Process

- a. Preparation
- b. Incubation
- c. Insight
- d. Evaluation
- e. Elaboration

16. Protecting ideas from being stolen

- a. Be put in a tangible form such as entered into a physical idea logbook or saved on a computer disk
- b. The idea should be secured
- c. Avoid making an inadvertent or voluntary disclosure of an idea

Creative destruction: Entrepreneurs develop new products and technologies that over time make current products and technologies obsolete, creative destruction stimulates economic activity.

Corridor principle: which states that once an entrepreneur starts a firm, he or she begins a journey down a path where “corridors” leading to new venture opportunities become apparent.

After opportunity is good → Feasibility Analysis

Opportunity → Entrepreneur

CH 3 Feasibility analyses

First screen template of feasibility (4):

Timing/Feasibility analysis is the process of determining whether a business idea is viable.

Product/service:

1. Desirability (create concept statement)

- a. First
 - i. Should be sure that the product or service is what prospective customers want.
 - ii. Does it make sense?
 - iii. Are there any fatal flaws?
 - iv. Does it take advantage of an environmental trend, solve a problem, or take advantage of a gap in the marketplace?
- b. Administer a Concept Test
 - i. One-page description of a business that is distributed to people who are asked to provide feedback on the potential of the business idea

2. Demand (buying intentions survey, research on buyer behaviour)

- a. Administer a Buying Intentions Survey
 - i. It consists of a concept statement or a similar description of a product
- b. Conduct Library, Internet, and Gumshoe research
 - i. Gumshoe Research: Ask people what they think about your product or service idea

Industry/market:

1. Industry attractiveness (Research)
 - a. Attractive
 - i. Young
 - ii. Fragmented
 - iii. Growing
 - iv. Has must have products
 - v. Not dependant on raw mat prices
2. Market attractiveness (Research)
 - a. Large enough for the proposed business but is yet small enough to avoid attracting larger competitors.

Organizational: has sufficient management expertise, organizational competence, and resources to successfully launch a business.

1. Management prowess (evaluation grid)
 - a. The passion that the sole entrepreneur or the founding team has for the business idea
 - b. The extent to which the sole entrepreneur or the founding team understands the markets in which the firm will participate.
2. Resource sufficiency (non financial) sufficiency (equipment, land)
 - a. Entrepreneur has sufficient resources to launch the proposed venture
 - b. List the 6 to 12 most critical nonfinancial resources that will be needed to move the business idea forward successfully

Purpose: A preliminary financial assessment is sufficient.

Financial:

1. **How much cash do we need to launch (Research):** actual budget should be prepared needed to generate the first \$1 in revenues
2. Examine financial performance of similar companies (Research)
3. Overall financial attractiveness (Research)
 - a. Steady and rapid growth in sales during the first 5 to 7 years in a clearly defined market niche.
 - b. Ability to forecast income and expenses with a reasonable degree of certainty.
 - c. Internally generated funds to finance and sustain growth
 - d. Availability of an exit opportunity for investors to convert equity to cash

Primary research is research that is collected by the person or persons completing the analysis.

Secondary research probes data that is already collected.

Showing a preliminary description of a product or service idea, called a **concept statement**

Industry/target market feasibility is an assessment of the overall appeal of the industry and the target market for the product or service being proposed

First Screen worksheet is that it draws attention to issues like this one and forces the founders to think about alternatives

If a business idea cuts muster at this stage, the next step is to complete a business plan.

If all is good after feasibility (**all need to be good**) we proceed to BUSINESS PLAN

CH 5 and 6 Industry/competitor analysis and Business Model

Industry: group of firms producing a similar product or service

3 Questions:

1. Is the industry accessible—in other words, is it a realistic place for a new venture to enter?
2. Does the industry contain markets that are ripe for innovation or are underserved?
3. Are there positions in the industry that avoid some of the negative attributes of the industry as a whole?

Factors:

1. Firm-Level Factors
 - a. Firm's assets, products, culture, teamwork among its employees, reputation, and other resources
2. Industry-Level
 - a. Factors include threat of new entrants, rivalry among existing firms, bargaining power of buyers, and related factors

Industry analysis techniques: Is business research that focuses on the potential of an industry.

1. Detailed trend analysis

- a. PEST analysis
- b. Business trends
 - i. Environmental
 1. Include economic trends, social trends, technological advances, and political and regulatory changes
 - ii. Business Trends
 1. Profit Margin
 2. Innovation
 3. Costs

2. Industry profitability (PORTER → TTRBB)

- a. Threat of substitutes
- b. Threat of new entrants (barriers of entry, capital requirements)
- c. Rivalry among existing firms
 - i. Number of firms
 - ii. How different are they
 - iii. Growth rate
 - iv. Level of fixed costs
- d. Bargaining power of supplier
 - i. Supplier concentration
 - ii. Switching costs
 - iii. Attractiveness of substitutes
 - iv. Threat of forward integration
- e. Bargaining power of buyers
 - i. Buyers group concentration
 - ii. Buyers costs
 - iii. How different is the product from the competition
 - iv. Threat of backward integration: when buyers enter supplier's industry

Type of industry

- Emerging
 - First mover advantage
- Fragmented (high rivalry usually)
 - Many firms of equal size
- Mature
- Declining
- Global
 - Industry that is experiencing significant international sales

Barriers of entry:

- Economies of scale
- Product differentiation: existing firms have a strong brand
- Capital requirements
- Access to distribution channels
- Government and legal barrier

Non Traditional Barriers of entry:

- Strength of management team
- First mover advantage
- Passion of the team
- Unique business model
- Internet domain name
- Inventing a new approach to an industry

After this industry analysis: **Should I enter this industry?**

Competitor analysis → Type of competitors

1. **Direct:** identical or similar products
 - a. Competitive intelligence
 - i. *Research*
 - ii. *Websites*
 - iii. *Conference, trade shows*
 - b. Competitive analysis grid
 - i. *Can help a firm see how it stacks up against its competitors identify its primary sources of competitive advantage*
2. **Indirect:** close substitutes products
3. **Future**

Business Plan: Serves as an ongoing extension of feasibility analysis. Asks the question, "Does this business make sense?"
Focuses attention on how all the elements of a business fit together and constitute a working whole
Articulates a company's core logic to all stakeholders, including the firm's employees.

Value Chain: string of activities that moves a product from the raw material stage, through manufacturing and distribution to the end user.

By studying a product's **value chain**, an organization can identify ways to create additional value and assess whether it has the means to do so.
Focuses attention on how all the elements of a business fit together and constitute a working whole.

Describes why the network of participants needed to make a business idea viable are willing to work together

Business concept blind spot, which prevents a firm from seeing an opportunity that might fit its business model. (XEROX)

Cost leadership strategy strive to have the lowest costs in the industry, relative to competitors

Resource leverage: managing its resources to start new projects

Supply chain management: coordination of the flow of all information, money, and material that moves through a product's supply chain.

2 Fatal flaws →

- A complete misread of the customer
- Utterly unsound economics

Business Model →

1. **Definition:** A firm's business model is its plan or diagram for how it competes, uses its resources, structures its relationships, interfaces with customers, and creates value to sustain itself on the basis of the profits it generates.
 - a. Plan for how it competes
 - i. **1 Core strategy:** how a firm competes relative to its competitors.
 1. *Mission statement: why its exists?*
 2. *Product market scope: what are the products and for whom it is?*
 3. *Basis for differentiation: how unique it is?*
 - b. Uses its resources
 - i. **2 Strategic resources**
 1. *Core competencies (what does the company do really well)*
 2. *Strategic assets: patents, brands, plants, equipment*
 - c. Structures its relationships
 - i. **3 Partnership network**
 1. *Suppliers*
 2. *Partners*
 3. *Any other key relationships*
 - d. Interfaces with costumers
 - i. **4 Customer interface:** The way a firm interacts with its customer hinges on how it chooses to compete
 1. *Knowing your target customer*
 2. *Fulfilment and support (the channel, how does it get to the customer)*
 3. *Pricing structure*
 - e. Creates value to sustain itself and create profit
 - f. Extension of feasibility analysis
 - g. Shows how a business fit together
 - h. How networks work together
 - i. Articulates core logic

Business model can emerge from value chain (main, primary, secondary)

CH 9 The team

We have done the business model, but who is going to do this with the entrepreneur?

New-Venture Team: group of founders, key employees, and advisors that move a new venture from an idea to a fully functioning firm.

A skills profile: chart that depicts the most important skills that are needed and where skills gaps exist in a new firm.

Pitfall of using a team to start →

- The team members may not get along
- If 2+ people start a firm as "equals," conflicts can arise when the firm needs to establish a formal structure and designate one person as CEO
- If the founders of a firm have similar areas of expertise, it can be problematic

Entrepreneurs with experience in the same industry → as their current venture will have a more mature network of industry contacts and will have a better understanding of the industries.

Networking is building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to a firm

Skills profile is a chart that depicts the most important skills that are needed and where skills gaps exist.

Signalling: Well-known and respected board members bring instant credibility to the firm.

A **board of advisers** can be established for general purposes or can be set up to address a specific issue or need.

Guidelines to set a board of advisers →

- A board of advisers should not be organized just so a company can boast of it.
- To be compatible and complement one another in terms of experience and expertise
- When inviting a person to serve on its board of advisers → explain individual the rules in terms of access to confidential information.

Build a team →

1. Heterogeneous (diverse)

a. Tend to be more effective

2. Homogenous (similar)

- a. There is a liability of newness for both Hetero and Homo
 - i. Adjust to roles
 1. Skills profile chart
 - ii. No track record
 - iii. May not get along

3. Team is made of:

- a. Founders
 - i. Education
 - ii. Experience or industry experience
 - iii. Ability to network
- b. Key employee
- c. Board of directors
 - i. Legally required to have one in a corporation
 1. Inside directors: also an officer in the firm
 2. Outside directors: not employed by the firm
 3. Appoint officers
 4. Declare dividends
 5. Oversee company affairs
 6. Elected by shareholders
 7. Must meet 3-4 times a year
 - ii. Singling: when someone who is successful joins the board
- d. Board of advisers (not mandatory for a company)
 - i. Provide guidance
 - ii. Legitimacy: makes the company more credible
- e. Lenders: not just for money, they can provide guidance and information
- f. Investors
- g. Other professionals: lawyers, accountants, business consultants (paid, non-paid) etc.

CH 10 Financing

The team is in place, now we need money!!! Lots of money \$\$\$\$

Financing and funding→

1. Reasons

- a. Cash flow challenges
- b. Capital investment
- c. Lengthy product development

2. Sources

- a. Personal funds
- b. Creative sources
 - i. Leasing
 - ii. Grants programs: provide cash grants to entrepreneurs who are working on projects in specific areas
 - iii. Strategic partners
- c. Family and friends
 - i. Request should be presented in a businesslike manner, just like one would deal with a banker or investor
 - ii. If a loan → promissory note should be prepared, with a repayment schedule
 - iii. Only ask those who **have** money to lend or invest
- d. Bootstrapping (share office space, minimize personal expenses), save every cent
- e. Crowdsourcing
- f. Equity and debt
 - i. **Steps to raise it (3)**
 1. Know how much is needed
 2. Determine the type of financing
 3. Develop strategy for engaging potential investors or bankers
 - ii. Equity: best for a unique idea, niche market, high growth
 1. *Angels: invest personal capital*
 2. *Venture capitals: they fund less companies per year than angles*
 3. *IPO: easy to attract high quality business partners and customers*
 4. **Grants: needs explanation**
 - iii. Debt: best if strong CF, low leverage, good management, good BS
 1. *Banks*
 2. *Financial institutions*
 3. *SBA Guaranteed Loans Vendor Credit*

An **elevator speech** is a brief, carefully constructed statement that outlines the merits of a business opportunity.

Factoring: financial transaction whereby a business sells its accounts receivable to a third party, called a factor, at a discount in exchange for cash.

Peer-to-Peer Lending: financial transaction that occurs directly between individuals or peers.

Crowd funding: a form of raising money that takes place, usually via the Internet, where people pool their money to support a start-up

Burn rate: the rate at which it is spending its capital until it reaches profitability

Sweat equity: value of the time and effort a founder puts into a new venture

To have your **business plan noticed**, find someone who knows the **banker or the investor** and ask for an **introduction**.

The investors who invest in venture capital funds are called **limited partners**

The venture capitalists, who manage the fund, are called **general partners**

The investment bank acts as the firm's advocate and adviser and walks it through the **IPO process**. The most important issues the firm and its investment bank must agree on are the amount of capital needed by the firm, the type of stock to be issued, the price of the stock when it goes public.

SBIR Program is a competitive grant program that provides over \$1 billion per year to small businesses for early stage and development projects

STTR Program is a variation of the SBIR for collaborative research projects that involve small businesses and research organizations, such as universities or federal laboratories.

CH 12 Intellectual properties

Investors will ask: what do you own? Do you have any patents? And trademarks?

Intellectual Property: any product of human intellect that is intangible but has value in the marketplace.

What intellectual property to protect:

1. **Question:** is directly related to the firm's competitive advantage?
2. **Question:** does it have value in the marketplace?

Intellectual property→

1. Definition:

- a. A product of human intellect
- b. Its intangible

2. Patents:

- a. Invention
- b. Innovation
- c. Grant from Fed. Government
- d. The right granted is only to exclude others from using your invention
- e. Requirements for obtaining a patent
 - i. Useful
 - ii. Novel
 - iii. Not obvious
- f. Types of patents
 - i. **Utility:** new machine or material composition (20 years)
 - ii. **Design:** new design in product (14 years)
 - iii. **Business method:** invention or process of doing business
 - iv. **Plant:** new variety of plants that can reproduce asexually (20 years)
- g. **Process to obtain patent**
 - i. Make sure the invention is practical
 - ii. Document when the invention was made
 - iii. Hire a patent attorney
 - iv. Conduct a patent search
 - v. File a patent application
 - vi. Obtain decision from U.S. Patent and Trademark Office

3. Trademarks:

- a. Logo
- b. Graphic, design
- c. Words
- d. Numbers
- e. Colors
- f. Sounds
- g. Shapes
- h. **Trade dress:** The manner in which a product is "dressed up" to appeal to customers is protectable. This category includes the overall packaging,
- i. Process to obtain a trademark
 - i. Select an appropriate mark.
 - ii. Perform a trademark search
 - iii. Create rights in the trademark
- j. Type of trademarks
 - i. Trademark: word, symbol, name (renewable every 10 years if still in use)
 - ii. Service mark: used to identify a service (renewable every 10 years if still in use)
 - iii. Collective mark: used by a cooperative (10 years.....)
 - iv. Certification mark: marks, words, names, symbols (10 years)

4. Copyrights: grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain the economic benefits from the work.

- a. Literary works
- b. Musical compositions
- c. Software
- d. Dramatic works
- e. Art, sculptures, choreographic works.
- f. **Copyright laws cannot protect ideas. CANNOT Trademark an IDEA**

Fair use→ which is the limited use of copyrighted material for purposes such as criticism, comment, news reporting, teaching, or scholarship

5. **Trade secret:** any formula, pattern, physical device, idea, process, or other information that provides the owner of the information with a competitive advantage
- a. Ingredients
 - b. Marketing plans
 - c. Lab notebooks
 - d. Product formula
 - e. Financial forecasts
 - f. How to protect trade secrets?
 - i. Restricting access
 - ii. Labeling documents
 - iii. Password
 - iv. Maintain log book for visitors, access to sensitive data
 - v. Maintain good overall security

Protect with IP audit → Why?

To determine whether its intellectual property is being properly protected.

To remain prepared to justify its valuation in the event of a merger or acquisition

1. Inventory of existing IP
2. Identify works in progress (documented)
3. Specify trade secrets + how they are they being protected

Protect using physical measures

CH 13 Growth

How to prepare for growth→

1. **Appreciate the Nature of Business Growth:** Not all businesses have the potential to be aggressive growth firms
2. **Stay Committed to a Core Strategy:** do not become distracted by every opportunity
3. **Plan for Growth:** develop a growth strategy

Pace of growth is the rate at which it is growing on an annual basis.

After start-up growth→

1. **Lifecycle stages (5)**
 - a. **Introduction:** Core strengths
 - b. **Early growth:** Sales, management formalization
 - c. **Continuous growth:** need experienced team members, develop relating products
 - d. **Maturity:** want to adapt to market, acquire firms, make partnerships, new products line
 - e. **Decline:** can be avoided
2. **Indications that growing too fast**
 - a. Activity quickens
 - b. Borrowing money to pay routine oper. exp.
 - c. Tight profit margins
 - d. Need resources for fast activities
 - e. Founders too busy
 - i. **Problems that emerge from these:**
 1. *Cash flow management*
 2. *Price instability*
 3. *Quality control falls*
 4. *Managerial capacity is low*
3. **Reasons to grow**
 - a. **Economies of scale:** increasing production lowers the average cost of each unit produced.
 - b. **Economies of scope:** when the scope of a firm's operations creates efficiencies.
 - c. **Want to be have market leadership**
 - d. **Influence, power, survivability:** bigger more influence
 - e. **Accommodate key customers**
 - f. **Want to retain talent:** people want to be in a company that is growing
4. **Challenges of growth**
 - a. **Managerial Capacity Problem:**
 - i. **Adverse selection** means that as the number of employees a firm needs increases, it becomes increasingly difficult for the firm to find the right employees
 - ii. **Moral hazard** means that as a firm grows and adds personnel, the new hires typically do not have the same ownership incentives as the original founders
 - b. **Day-to-Day Challenges:**
 - i. **Cash Flow Management:** requires an increasing amount of cash as it grows.
 - ii. **Price Stability:** if growth comes at the expense of a competitor's market share, a price war could ensue.
 - iii. **Quality Control:** quality control issues if a firm is not able to increase its resources to handle the extra work
 - iv. **Capital Constraints:** need money to pay day to day expenses
5. **Requirements for growth**
 - a. To be prepared
 - b. Good management
 - i. Increase is slowed by:
 1. Socialization of new managers
 2. Motivation
 3. Adverse selection and moral hazard
 - c. Understand issues surrounding growth
6. **Basic Growth model**
 - a. Entrepreneurial services: recognition of new market, new opportunities
 - b. Managerial services: routine functions of the firm
 - c. Firm growth

Growth requires forecasting→

Financial management questions asked:

- How are we doing? Are we making or losing money?
- How much cash do we have on hand?
- Do we have enough cash to meet our short-term obligations?
- How efficiently are we utilizing our assets?
- How do our growth and net profits compare to those of our industry peers?
- Where will the funds we need for capital improvements come from?
- Are there ways we can partner with other firms to share risk and reduce the amount of cash we need?
- Overall, are we in good shape financially?

Financial Management 2 activities (1,2)→

- 1. Raising money**
- 2. Managing finances to get the Highest return (objectives)**
 - a. Profitability: ability to make profit
 - b. Liquidity: ability to meet short term obligations
 - c. Efficiency: how effective its using its assets
 - d. Stability: Overall stability of the firm, particularly its D/E ratio
- 3. Historical Financial Statements and others**
 - a. Forecast
 - i. Sales
 - ii. Expenses
 - iii. Capital expenditures
 - b. Budgets
 - c. Financial ratios
 - d. Pro forma financial statements
 - i. Income Statements
 - ii. Balance sheet
 - iii. Cash flows

Financial Management process→

- 1. Preparation of historic financial statements**
 - a. Income statement: Reflects the results of the operations of a firm over a specified period of time. It records all the revenues and expenses for the given period and shows whether the firm is making a profit or is experiencing a loss
 - b. Cash flow: Summarizes the changes in a firm's cash position for a specified period of time and details why the changes occurred.
 - c. Balance sheet: snapshot of a company's assets, liabilities, and owner's equity at a specific point in time
- 2. Preparation of forecasts**: predictions of a firm's future sales, expenses, income, and capital expenditures
 - a. Expenses
 - b. Capital expenditure
 - c. Sales (based on)
 - i. Past sales
 - ii. Current prod. capacity and product demand
 - iii. Any factor that will affect prod. capacity and demand
 - d. Cost of sales: usually % of sales
- 3. Preparation of pro forma income statements** (*projections based on forecasts*)
 - a. Income statement
 - b. Cash flows
 - c. Balance sheet
- 4. Ongoing analysis of financial results**
 - a. Ration analysis
 - i. ROE, ROA, Profit margin, Current, Quick, D/E, D/A, etc.
 - b. Results vs planed
 - c. Results vs industry

CH 14 Growth strategies

How to grow? → 2 Strategies

Internal Growth: such as new product development, other product-related strategies, and international expansion

External Growth: making relationships with third parties, such as mergers, acquisitions, strategic alliances, joint ventures, licensing, and franchising

Growth strategies →

1. Internal

a. NPD- New product development

i. Advantages

1. Even-paced growth
2. Max control
3. Preserves organizational culture
4. Encourages internal entrepreneurship
5. Allows firms to promote from within

ii. Disadvantages

1. Slow form of growth
2. Need to develop new resources
3. Investment in a failed internal growth strategy can be difficult to recoup
4. Adds to industry capacity

iii. Key to new product development

1. *Find a niche*
2. *Product adds value*
3. *Get the quality and pricing right*
4. *Focus on a specific target market.*
5. *Conduct ongoing feasibility analysis.*

iv. If it fails, why?

1. *Inadequate feasibility analysis*
2. *Overestimating market potential*
3. *Bad timing*
4. *Doesn't add value*

b. Other product relating strategies

- i. Improving an Existing Product or Service: increasing the quality of an existing product or service.
- ii. Increasing Market Penetration: Increase sales with more marketing and/or with increased production capacity.
- iii. Extending Product Lines: Making additional variations of a product so it will appeal to a broader range of clientele.
- iv. Geographic Expansion: Growth via expanding to additional geographic locations

c. International expansion

- i. Exporting
- ii. Licencing
- iii. Joint Ventures
- iv. Franchising
- v. Turnkey project: contractor builds a facility in another country, trains the personnel, then gives the "key"
- vi. Wholly owned subsidiaries

d. Internet driven

2. External

a. Advantages

- i. Less competition
- ii. Access to proprietary products
- iii. Access to new markets
- iv. Access to established brand name

b. Disadvantages

- i. Top management incompatibility
- ii. Culture clash
- iii. Operation problems
- iv. Increase business complexity
- v. Loss of organization flexibility

c. Acquisition and mergers

- i. Expand product line
- ii. Access to distributor channel
- iii. Achieving competitive economies of scale
- iv. Candidates
 1. *Want them to be in growing industry*
 2. *To have some IP*
 3. *Good market position*
 4. *Reputation*
 5. *Good financials*
 6. *Open to be acquired*

d. Licensing

- i. The granting of permission by one company to another company to use a specific form of its intellectual property under clearly defined conditions.
- ii. **Technology Licensing:** proprietary technology that the licensor typically controls by virtue of a utility patent
- iii. **Merchandise and Character Licensing:** known trademark or brand that the licensor controls with a trademark or copyright

e. Strategic alliance: no new entity is created

- i. A strategic alliance is a partnership between two or more firms developed to achieve a specific goal
- ii. Strategic alliances tend to be informal and do not involve the creation of a new entity
- iii. **Technological Alliances:** Feature cooperation in R&D, engineering, and manufacturing
- iv. **Marketing Alliances:** match a company with excess distribution capacity with a company that has a product to sell

f. Joint venture: pool resources and make a something new together

- i. An entity created when two or more firms pool a portion of their resources to create a separate, jointly owned organization
- ii. A common reason to form a joint venture is to gain access to a foreign market
- iii. **Scale Joint Venture:** Firms work on a single point in the value chain to gain economies of scale in production or distribution.
- iv. **Link Joint Venture:** Positions of the partners are not symmetrical, and the partners help each other access adjacent links in the value chain.

v. Advantages

1. Gain access to a specific resource
2. Economies of scale
3. Risk and cost sharing
4. Gain access to a foreign market
5. Learning Speed to market
6. Neutralizing or blocking competitors

vi. Disadvantages

1. Loss of proprietary information
2. Management complexities
3. Financial and organizational risks
4. Risk becoming dependent on a partner
5. Partial loss of decision autonomy
6. Partners' cultures may clash
7. Loss of organizational flexibility

g. Franchising

- i. Franchising is a form of business organization in which a firm that **already has a successful** product or service (franchisor) licenses its trademark and method of doing businesses to other businesses (franchisees).