

## CHAPTER 1 – Introduction to Entrepreneurship

**Corporate Entrepreneurship:** process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services. Transforming an idea by assembling all resources into a viable business.

### Why become an Entrepreneur?

- Desire to be **own boss**
- Desire to pursue **own ideas**
- Financial **rewards**

### 4 Characteristics of Successful Entrepreneurs

Characteristic	Description
<i>Passion for the Business</i>	Belief that <u>business will positively influence</u> people's lives
<i>Product/Customer Focus</i>	Most entrepreneurs are <u>craftspeople at heart</u>
<i>Tenacity Despite Failure</i>	Ability to <u>persevere through setbacks and failures</u> , regardless if 1st or 100th time doing it
<i>Execution Intelligence</i>	Fashion a solid business <u>idea into a viable business</u>

### 4 Common Myths

Characteristic	Description
<i>Entrepreneurs are born not made</i>	About life choices and personality (risk takers, persuasive, promoter, outgoing...)
<i>Entrepreneurs are gamblers</i>	Moderate risk takers
<i>Entrepreneurs are motivated by money</i>	
<i>Entrepreneurs should be young, strong and energetic</i>	Could be strong = strong reputation in business world, mature, track record of success
<i>Entrepreneurs love the spotlight</i>	

### Changing demographic of entrepreneurs

- Business owner increases in...
  - ...Women
  - ...Minority
  - ...Senior
  - ...Young

### Types of Start-Up Firms

Type	Description
<i>Salary-Substitute</i>	Provides owner <u>similar income level</u> to what would be earned in conventional job
<i>Lifestyle</i>	Provides owner opportunity to <u>pursue particular lifestyle</u> and make a living at it
<i>Entrepreneurial</i>	Bring new products/services to market by <u>creating/seizing opportunities</u> regardless of current resources

## Impact of Entrepreneurial Firms

Impact on...	Description of impact
<i>Economic</i>	<ul style="list-style-type: none"> <li>• <u>Innovation</u> → Process of creating something new</li> <li>• <u>Job Creation</u> → Small business create majority of new jobs on annual basis</li> </ul>
<i>Society</i>	<ul style="list-style-type: none"> <li>• New products &amp; services to enhance health &amp; productivity, entertainment, etc.</li> </ul>
<i>Large Firms</i>	<ul style="list-style-type: none"> <li>• Producing products to help larger firms become more efficient and effective</li> </ul>

## Entrepreneurial Process

1. **Deciding** to become an entrepreneur
2. **Developing** successful business **ideas**
3. **Moving** from an **idea** to an entrepreneurial **firm**
4. **Managing** and **growing** the entrepreneurial **firm**

## CHAPTER 2 – Recognizing Opportunities and Generating Ideas

### Opportunities

- Favorable set of circumstances that creates a need for a new product, service, or business
- VS an idea is a thought, impression, notion
- 4 Qualities are...
    1. ...**Attractive**
    2. ...**Timely**
    3. ...**Durable**
    4. ...**Anchored** in product/service/business OR **adds value** for buyer/end user

### 3 Ways to identify Opportunities

#### 1. **Observing Trends - PEST ANALYSIS**

Trend	Description	Example
<i>Economic Forces</i>	<ul style="list-style-type: none"> <li>• Help determine areas for new start-ups and to avoid</li> </ul>	<i>Weak economy favors start-ups that help consumers save money</i>
<i>Social Forces</i>	<ul style="list-style-type: none"> <li>• Alter how people/business behave and set priorities</li> <li>• Opportunities to accommodate changes</li> </ul>	<i>Aging population, increased diversity, increasing focus on wellness &amp; health</i>
<i>Technological Advances</i>	<ul style="list-style-type: none"> <li>• Often creates business opportunities</li> <li>• Once created, products often emerge to advance it</li> </ul>	<i>Computer industry, internet, biotechnology, digital photography</i>
<i>Political Action &amp; Regulatory Changes</i>	<ul style="list-style-type: none"> <li>• Provide basis for opportunity</li> <li>• Company created to help others comply with law</li> </ul>	<i>Environmental protection laws → environmental focused law firms</i>

#### 2. **Solving a Problem**

- Simply involves **noticing a problem** and finding a way to **solve it**
- Can be pinpointed through **observing trends**, using **intuition**, **serendipity**, or **change**
- Many companies started by someone with a problem in their own life and using as business opportunity

#### 3. **Finding Gaps in the Marketplace**

- Often created when product/service is **needed by a specific group** of people
  - Not a large enough market to be of interest to mainstream retailers/manufacturers
  - Represents potentially viable business opportunity

## 4 Personal Characteristics of the Entrepreneur

Characteristics	Description
<i>Prior Experience</i>	<ul style="list-style-type: none"> <li>Helps recognize business opportunities</li> <li>Working in industry allows individual to spot underserved market niche</li> <li>Allows building of network of social contacts</li> </ul>
<i>Cognitive Factors</i>	<ul style="list-style-type: none"> <li><b>Potentially innate skill</b> → “Sixth sense” to see missed opportunities</li> <li><b>Entrepreneurial alertness</b> → Ability to notice things without engaging in deliberate search</li> </ul>
<i>Social Networks</i>	<ul style="list-style-type: none"> <li>Extent and depth of social network affects opportunity recognition</li> <li><b>Strong-tie relationship</b> → frequent interaction, formed between like-minded people</li> <li><b>Weak-tie relationship</b> → infrequent interaction, formed between casual acquaintances (best for new ideas)</li> </ul>
<i>Creativity</i>	<ul style="list-style-type: none"> <li>Process of generating a novel or useful idea</li> <li>Opportunity recognition is in part creative process...               <ol style="list-style-type: none"> <li>Preparation → 2. Incubation → 3. Insight → 4. Evaluation → 5. Elaboration</li> </ol> </li> </ul>

## Techniques for Generating Ideas

Technique	Description
<i>Brainstorming</i>	<ul style="list-style-type: none"> <li>Generate large number of ideas and solutions quickly, in a group of people</li> <li>No Criticism, freewheeling and leap-frogging encouraged, session should move quickly</li> </ul>
<i>Focus Groups</i>	<ul style="list-style-type: none"> <li>Small group of people selected based on common characteristics relative to issue discussed</li> <li>Overseen by moderator</li> <li>Useful in generating new business ideas</li> </ul>
<i>Library &amp; Internet Research</i>	<ul style="list-style-type: none"> <li>Browsing trade journals/industry reports can generate new ideas</li> <li>Access to industry reports and search engines</li> </ul>
<i>Other</i>	<ul style="list-style-type: none"> <li><b>Customer Advisory Board</b> → customers who meet regularly to discuss needs, wants, problems</li> <li><b>Day-In-The-Life Research</b> → Employees spend a day with a customer</li> </ul>

## Encouraging New Ideas

- Establish **focal point** for ideas
    - Idea banks
    - Appoint someone in charge of collecting ideas
  - Encourage creativity** at firm level
    - Organizational, individual and supervisory level
-

## CHAPTER 3 – Feasibility

### Feasibility Analysis

- Process of **determining** whether a business **idea** is **viable** and **worth pursuing**
- **Timing** is **key**, conduct early on → Purpose is to **screen ideas**
- **First Screen** → Tool used to perform feasibility analysis

### FORMS OF FEASIBILITY ANALYSIS

Component	Purpose	Sub-Component	Description
<i>Product/Service Feasibility</i>	Appeal of product/service being proposed to see if this is what customers want	<i>Product/Service Desirability</i>	<ol style="list-style-type: none"> <li>1. Determine basic appeal of offering</li> <li>2. Administer <b>concept test</b></li> </ol>
		<i>Product/Service Demand</i>	<ol style="list-style-type: none"> <li>1. <b>Face-to-Face</b> with potential customers</li> <li>2. Use <b>online tools</b> to assess demand</li> </ol>
<i>Industry/Target Market Feasibility</i>	Appeal of industry and target market for proposed business	<i>Industry Attractiveness</i>	Young; Early life cycle; Fragmented; Growing; “Must have”; Uncrowded; High margins; independent from suppliers
		<i>Target Market Attractiveness</i>	Large enough for business but small enough to avoid competition
<i>Organization Feasibility</i>	Sufficient management expertise, organizational competence, and resources to successfully launch	<i>Management Prowess</i>	<ol style="list-style-type: none"> <li>1. Passion about idea and business</li> <li>2. Expertise and market knowledge</li> </ol>
		<i>Resource sufficiency</i>	List 6 of 12 most critical nonfinancial resources (office space, key management employees, IP protection) needed → if none, impractical to move forward
<i>Financial Feasibility</i>	Preliminary financial assessment	<i>Total start-up cash needed</i>	How much cash needed for first sale → Prepare budget to anticipate capital purchases/expenses
		<i>Financial performance of similar business</i>	<ol style="list-style-type: none"> <li>1. Consult detailed industry reports about trends and similar firms</li> <li>2. Observational research needed</li> </ol>
		<i>Overall Financial attractiveness of proposed venture</i>	<ul style="list-style-type: none"> <li>• Extent of business opportunity is positive based on estimate rather than actual performance</li> <li>• <b>Steady growth over next 5 years</b>; Recurring revenues; Reasonable income forecasts; Internally generated funds</li> </ul>

## CHAPTER 4 – Developing an Effective Business Model

### Business Model

Firm’s **plan** for how it creates, delivers, and captures **value** for **stakeholders**  
 Integral to **firm’s ability** to **succeed** both in short and long term

Business Model	Description	Examples
<i>Standard</i>	Depict existing plans firms can use to determine how they will create, deliver and capture value	<i>Advertising; Auction; Bricks &amp; Clicks; Franchise; Freemium; Low-Cost; Manufacturer/Retailer; Peer-to-Peer</i>
<i>Disruptive</i>	Rare and impactful enough to disrupt or change way business is conducted in an industry or an important niche industry	<i>Direct-to-Consumer Consumer Sales; Online Text Ads on Search Engines; Software as Service; Cloud-based service to connect riders</i>

**Barringer/Ireland Business Model:** common set of attributes of a business model

Core Strategy	
<b>Business Mission</b> Spine of business	<b>Basis of Differentiation</b> Benefits and not features
<b>Target Market</b> Explicitly described	<b>Product/Market Scope</b> Markets to compete in

Resources	
<b>Core Competency</b> Valuable Rare Inimitable Non-sustitutable	<b>Key Assets</b> Physical, financial, intellectual, human

Financials	
<b>Revenue Streams</b> Basic inflow, outflow	
<b>Cost Structure</b> -cost-driven or value-driven -nature of business' cost - major cost categories	<b>Financing/Funding</b> Amount and where from?

Operations	
<b>Product (or service) Production</b> How is it produced?	<b>Channels</b> Distribution?
	<b>Key Partners</b> -joint venture -network -consortia -strategic alliances - trade associations

## CHAPTER 5 – Industry and Competitor Analysis

### Industry Analysis: group of firms producing a similar product/service

- Business **research** that focuses on **potential** of an **industry**
- Why is it important? If a new venture is possible in an industry a more in depth analysis is needed to learn the ins and outs. To determine if TM is feasible and favorable for new firm
- Three key questions: is industry accessible? Does industry contain markets underserved or ready to innovate? Are there positions that avoid the negative of industry?

### Porter's Five Forces

Force	Attractive	Unattractive	Description	Questions to Ask
<b>Threat of New Entrants</b>	High Barriers	Low Barriers	<b>Industry Barriers</b> 1. Economies of scale 2. Product differentiation 3. Capital requirements 4. Access to distribution channels 5. Cost disadvantages independent of scale 6. Government policy	<i>What are industry's barriers to entry?</i>
			<b>Entrepreneurial Barriers</b> 1. Strength of management team 2. First-mover advantage 3. Passion of management team and employees 4. Unique business model 5. Internet domain name 6. Inventing new approach to an industry	<i>Can entrepreneurial firm create any additional barriers to entry?</i>
<b>Supplier Power</b>	Low Power	High Power	<b>Suppliers are powerful when supplier...</b> 1. Industry is dominated by few 2. Products have high switching costs 3. Products have few substitutes 4. Poses credible threat of forward integration	<i>Do suppliers pose significant threat to firms in industry?</i>
<b>Buyer Power</b>	Low Power	High Power	<b>Buyers are powerful when...</b> 1. Buyers purchases large relative to seller's sales 2. Purchase accounts for significant fraction of industry sales 3. Buyer faces low switching costs 4. Products are undifferentiated 5. Buyer presents credible threat of backward integration	<i>Who are buyers?</i>  <i>Do they pose significant threat to firm?</i>
<b>Threat of Substitutes</b>	Low Threat	High Threat	<b>Substitute products/services are...</b> 1. With similar function that limit prices firms can charge 2. Improving price/performance trade-offs relative to present 3. Not similar products within an industry	<i>What are trade-offs between substitute?</i>  <i>Are they viable?</i>
<b>Competitive Rivalry</b>	Low Rivalry	High Rivalry	<b>Rivalry is assessed through...</b> 1. Number and balance of competitors 2. Degree of difference between products 3. Industry growth rate 4. Level of fixed costs	<i>What is intensity of rivalry amongst competitors?</i>

### Identifying Key Success Factors

Things a **company** must do to **be successful** in industry

Should not be generic; **specific to industry**

### 5 Industry Types and Opportunities Offered

Industry	Description	Strategy/Opportunity
<b>Emerging</b>	New industry in which standard operating procedures yet to be developed	<b>First-Mover Advantage</b> First company to establish a significant position in new market
<b>Fragmented</b>	Large number of firms of approximately equal sizes	<b>Geographic Rollup Strategy (Consolidation)</b> Firms start acquiring similar firms that are located in different areas
<b>Mature</b>	Industry experiencing slow increases in demand, numerous repeat customers and limited product innovation	<b>Process Innovation</b> <b>After-sale service innovation</b>
<b>Declining</b>	Industry that is experiencing a reduction in demand	<b>Leadership Strategy</b> Firm tries to become dominant player in industry <b>Niche Strategy</b> Focus on narrow segment of industry that might be encouraged to grow through product innovation <b>Cost Reduction Strategy</b> Achieving lower cost through process improvement

<b>Global</b>	Industry that is experiencing significant international sales	<u><b>Multidomestic Strategy</b></u> Compete for market share on country-by-country basis and vary product to meet demands of local market <u><b>Global Strategy</b></u> Use same approach in all foreign markets
---------------	---	--

## Competitor Analysis

Competitor Type	Description
<i>Direct</i>	Businesses offering identical or similar products
<i>Indirect</i>	Businesses offering close substitute products
<i>Future</i>	Businesses not yet in direct or indirect competition but could be at any time

### Purpose

**Understand** behaviors, strategies and position of major **competitors** (**competitive intelligence**)

Create **competitive analysis grid** to organize information collected

**Identify gaps** or **opportunities** through ideas for markets to pursue and primary sources of competitive advantage

---

## CHAPTER 8 – Assessing a New Venture’s Financial Strength and Viability

**Financial Management:** How a new venture tracks its financial progress through preparing, analyzing, and maintaining past financial statements

### Financial Objectives of a Firm

Objective	Description	Notes
<i>Profitability</i>	Ability to earn a profit	Many start-ups unprofitable in 1 <sup>st</sup> to 3 <sup>rd</sup> years Must remain profitable to be viable for owners
<i>Liquidity</i>	Ability to meet short-term obligations	Challenge is to keep enough money to meet routine obligations
<i>Efficiency</i>	How productively assets are utilized	How firm utilizes assets relative to revenue and profits ex: SouthWest airlines
<i>Stability</i>	Overall financial health of firm	Firm must properly manage debt (debt-to-equity ratio). Be liquid enough

### Process of Financial Management

Topic	Purpose	Sub-Topics	Description
<i>Financial Statements</i>	Assess if financial objectives are being met	<i>Historical</i>	Reflect past performance; quarterly/annually
		<i>Pro Forma</i>	Projections for future periods; planning tool
<i>Forecasts</i>	Estimate of firm’s future income and expenses. Based on industry averages	<i>Sales</i>	Projection of sales for specified period
		<i>Cost of Sales/Other</i>	Projection of costs; percentage-of-sales method
		<i>Pro forma Financial statements</i>	Preparation of pro forma helps a firm rethink strategies and make adjustments. Necessary if firm is seeking funding or financing
<i>Budgets</i>	Itemized forecasts of company’s income, expenses and capital needs	<i>Financial Planning</i>	Helps firm allocate funds required
		<i>Controls</i>	Helps firm set limits on expenses
<i>Financial Ratios</i>	Depict relationship between items on financial statements. Most practical way to interpret a firm’s historical financial statements is through ratio analysis	<i>Internal</i>	Assess financial performance of firm
		<i>External</i>	Comparing financial results to industry (benchmarks)

**Importance of Financial Management:** many experienced entrepreneurs stress the importance of keeping on top of the financial management of the firm.

- Keep good records

## CHAPTER 10 – Getting Financing or Funding

### Why Most New Ventures Need Financing or Funding

Reason	Justification
<i>Cash Flow Challenges</i>	Inventory must be purchased; employees trained & paid; advertising paid before cash generated from sales
<i>Capital Investments</i>	Costs of real estate, facilities, equipment typically exceeds firm's ability to provide funds for these on own
<i>Lengthy Product Development Cycles</i>	Some products under development for years before generate earnings; upfront costs often exceed firm's ability to fund these activities on own

### Alternatives for Raising Money for a New Venture

Alternative	When to Use	Method	Description
<i>Personal Funds</i>	Business has high risk with uncertain returns Weak cash flow Low-moderate growth High Leverage Unproven management	<i>Sweat Equity</i>	Represents value of time and effort that founder puts into new venture
		<i>Friends &amp; Family</i>	Usually second source of funds for many new ventures
		<i>Bootstrapping</i>	Reducing external financing need through creativity, ingenuity, thriftiness, cost cutting or any means necessary (ex: buy used instead of new, hire interns, minimize personal expenses)
<i>Equity Capital</i>	Business offers a high return Unique business idea High growth Niche market Proven Management	<i>Business Angels</i>	Individuals who invest their personal capital directly in start-ups High income and wealth, educated, successful entrepreneur, invest locally Investment of \$10,000 – \$500,000 Seek 30-40% annual growth
		<i>Venture Capital (VC)</i>	Investment by VC firms in start-up/small business with high growth potential Fund fewer than business angels; seek “home run” Invest later in life of business, and done so in portions (not all at once) Performing due diligence is key
		<i>Initial Public Offering</i>	First sale of stock to public; Mostly on NASDAQ (towards tech, biotech) <b>Reasons to go public (4)</b> 1. Raise equity capital 2. Raise firm's public profile 3. Enable investors to cash out 4. Growth using “authorized but unissued stock” for company acquisitions
<i>Debt Financing</i>	Business has low risk and more predictable return Strong cash flow Low leverage Audited financials Good management Healthy Balance Sheet	<i>Banks</i>	Risk averse, therefore focused on firms which meet criteria under “when to use”
		<i>SBA Guaranteed Loans</i>	Loans for small business not able to obtain credit elsewhere, useable for any legitimate business purpose
		<i>Other</i>	<b>Vendor credit</b> → postpone payment on good/service <b>Factoring</b> → Sell accounts receivable to third party at a discount for cash <b>Merchant cash advance</b> → Loan for future share of sales <b>Peer-to-peer lending</b> → Loan between individuals/peers
<i>Creative Sources</i>	Additional source of funding for any business	<i>Grants/Programs</i>	Private Grants: require a little detective work Government Grants (Small Business Innovation Research): Provides cash grants to entrepreneurs who are working on specific projects in specific areas
		<i>Strategic Partners</i>	Formed to share costs of product/service to gain access to particular resources, or facilitate speed to market
		<i>Crowdfunding</i>	Funding project through contributions by large #people <b>Rewards-based</b> Exchange money for type of amenity/reward <b>Equity-based</b> Exchange money for equity in business
		<i>Leasing</i>	Acquiring assets with very little/no down payment Modest down payment and monthly payments. At the end, stop, purchase or renew lease

## CHAPTER 13 – Challenges and Growth

### How to Prepare for Growth

Method	Notes
<i>Appreciate Nature of Business Growth</i>	Important realities: Not all Businesses have potential for aggressive growth Business can grow too fast Business success doesn't always scale
<i>Stay Committed to Core Strategy</i>	Do not lose sight of core strategy during growth Do not pursue every opportunity for growth presented. Stay in path
<i>Plan for Growth</i>	Establish growth-related plans Determine what growth strategy will be Write a business plan

### 10 Warning Signs a Business is Growing too Fast

1. **Borrowing** money to **pay** routine **operating expenses**
2. Extremely **tight profit margins**
3. **Over-stretched** staff
4. **Declining** product **quality**
5. E-mail and text **messages** start going **unanswered**
6. Customer **complaints** are **up**
7. Employees **dread** coming to **work**
8. **Productivity** is **falling**
9. Operating in "**crisis**" **mode** becomes **norm**
10. People working with **financial structure** of business are **worried**

### Reasons for Growth

Reason	Justification
<i>Economies of Scale</i>	Increasing production lowers average cost of each unit produced
<i>Economies of Scope</i>	Scope (range) of a firm's operations creates efficiencies
<i>Market Leadership</i>	Firm holds #1 or #2 position in industry/niche market in sales volumes
<i>Influence, Power, and Survivability</i>	Larger business usually have more influence and power than smaller firms
<i>Accommodate Growth of Key Customers</i>	Firms compelled to grow to accommodate growth of key customer
<i>Attract and Retain Talented Employees</i>	Growth is primary mechanism to generate promotional opportunities for employees

### 5 Stages of Growth

Stage	Description	Key Success Factors
<i>Introduction</i>	Start-up phase where business determines what core strengths and capabilities are	Ensure initial product/service is right Document what works/doesn't work
<i>Early Growth</i>	Increasing sales and heightened complexity	Founder must work "on the business" rather than "in the business" Increased formalization must occur; develop policies & procedures
<i>Continuous Growth</i>	Business begins developing related products/services; need for structure/formalization increases	Toughest decisions during this stage Determine if current management team has experience and ability to take business further
<i>Maturity</i>	When growth begins to stall; business focuses on managing efficiently; less product development focus	Seek partnership opportunities for acquisitions/licensing deals If current products cannot sustain growth, begin developing "next generation" of products
<i>Decline</i>	Inevitable stage of business in long-run	Ability to avoid decline hinges on strength of leadership and ability to adapt over time

## Challenges of Growth

Category	Challenge	Description
<b>Managerial Capacity Problem</b>	<i>Managerial Capacity</i>	Firms are collections of productive resources organized in administrative framework. To recognize opportunities to grow Constrained by managerial motivation, socialization of new managers & “additional” challenges insufficient resources lead to bottleneck Increasing is expensive (hiring) and takes time (integration & training)
	<i>Administrative Framework</i>	<b><u>Entrepreneurial Services REQUIRES INCREASE IN...</u></b> Recognition of new market, product, and service opportunities which require substantial managerial capacity to be implemented <b><u>...Managerial Service TO ACCOMPLISH FIRM GROWTH</u></b> Administration of routine functions of firm and execution of new business opportunities
	<i>Additional</i>	<b><u>Adverse selection</u></b> Increasingly difficult to find right employees, place them in appropriate positions, and provide adequate supervision as the number of employees in firm increases <b><u>Moral Hazard</u></b> New hires may not be as motivated as founders to do more work & hours
<b>Day-to-Day Challenges of a Growing Firm</b>	<i>Cash Flow Management</i>	Firm requires increasing amount of cash as it grows
	<i>Price Stability</i>	Growth at expense of competitor’s market share; potential price war
	<i>Quality Control</i>	Increase in firm activity can result in quality control issues if firm cannot increase resources to manage extra work
	<i>Capital Constraints</i>	Ever-present problem for growing firms

## CHAPTER 14 – Internal and External Growth

### Internal Growth Strategies

- Involves **efforts** taken **within firm** itself, such as new product development, other product-related strategies, and international expansion

Advantages	Disadvantages
Incremental, even-paced growth Provides maximum control Preserves organization culture Encourages internal entrepreneurship Allows firms to promote from within	Slow form of growth Need to develop new resources Investment in failed internal growth strategy can be difficult to recoup Adds to industry capacity

Strategies	Components	Key Notes
<b><i>New Product Development</i></b>	Creation and sale of new products as means of increasing firm revenues	<b><u>Keys to Effective New Development</u></b> Find a niche and fill it Develop products that add value Get quality & pricing right Focus on specific target market Conduct ongoing feasibility analysis <b><u>5 Reasons New Products Fail</u></b> 1. Potential market overestimated 2. Product perceived too expensive 3. Product poorly designed 4. Product undifferentiated 5. Costs of developing product too high
		<b><i>Other Product-Related Strategies</i></b>
<b><i>International Expansion:</i></b> <i>international new ventures are businesses that, from their inception, seek to derive significant competitive advantage by using resources in multiple countries</i>	<i>Improving an existing product/service</i>	Increase revenues by increasing quality
	<i>Market Penetration</i>	Increase sales through greater marketing efforts or increasing production capacity
	<i>Extending Product lines</i>	Additional variations to appeal to more clients
	<i>Geographic Expansion</i>	Growth via expanding to additional locations
	<i>Exporting</i>	Producing product at home and shipping to foreign market
	<i>Licensing</i>	Firm grants permission to another firm to manufacture product for specified royalties/other payments
<i>Joint Ventures</i>	Establishment of a firm jointly owned by 2+ other independent firms	
<i>Franchising</i>	Agreement between franchisor (established business method and brand) and franchisee (independent owner)	
<i>Turnkey Project</i>	Country builds facility in another country, trains personnel and turns over keys to project when completed	
<i>Wholly Owned Subsidiary</i>	Manufacture in foreign country and establish permanent presence	

## External Growth Strategies

- Rely on establishing **relationships** with **third parties**, such as mergers, acquisitions, strategic alliances, joint ventures, licensing, and franchising

Advantages	Disadvantages
Reducing competition Gaining access to proprietary products/services Gaining access to new products and markets Obtaining access to technical expertise Gaining access to an established brand name Economies of scale Diversification of business risk	Incompatibility of top management Clash of corporate cultures Operational problems Increased business complexity Loss of organization flexibility Antitrust implications

Strategies	Description	Sub Component	Notes
<b>Mergers</b>  <b>Acquisitions</b>	Pooling interests to combine 2+ firms into one; Purchase of one firm by another	<b>Purpose of Acquisition</b> Expand product line Gain distribution channels Economies of scale	<b>Acquisition Process (9 steps)</b> 1. Schedule meeting with target firm's executives 2. Evaluate feelings about acquisition 3. Determine how to finance acquisition 4. Negotiate with target firm 5. Make offer 6. Develop non-compete agreement with key employees 7. Hire attorney to prepare closing documents 8. Explain situation of acquisition to all employees 9. Add acquired firm to organization
<b>Licensing</b>	Granting of permission by one firm to another to use specific form of its intellectual property under clearly defined conditions	<u>Technology Licensing</u>	Licensing proprietary technology that licensor typically controls by virtue of utility patent
		<u>Merchandise and Character Licensing</u>	Licensing of recognized trademark or brand that licensor typically controls through a trademark or copyright
<b>Strategic Alliance</b>	Partnership between 2+ firms to achieve specific goal, usually done on informal basis	<u>Technological Alliances</u>	Feature cooperation in R&D engineering, and manufacturing
		<u>Marketing Alliances</u>	Typically match a company with excess distribution capacity with company that has product to sell
<b>Joint Venture</b>	Entity created when 2+ firms pool portion of resources to create separate, jointly owned organization. Advantage: gain access to foreign market	<u>Scale Joint Venture</u>	Partners collaborate at single point in value chain to gain economies of scale in production or distribution
		<u>Link Joint Venture</u>	Positions of partners are not symmetrical, and partners help each other access adjacent links in value chain

### Advantages & Disadvantages of Participating in Strategic Alliance and Joint Venture

Advantages	Disadvantages
Gain access to a specific resource Economies of scale Risk and cost sharing Gain access to foreign market Learning Speed to market Neutralizing or blocking competitors	Loss of proprietary information Management complexities Financial and organization risks Risks becoming dependent on partner Partial loss of decision autonomy Partner's cultures may clash Loss of organization flexibility

## CHAPTER 20 – Intellectual Property

### 5 Basic Aspects of IP

Aspect	Description	Key Notes
<i>Patent</i>	Used to protect creation of innovative and new goods or method	Grants monopoly on production of good Only as good as its claim (what is disclosed) Must register for and takes time to put in place Valid for 20 years in Canada
<i>Copyright</i>	Registered and Used to protect any type of artistic work (written, audio, video...)	Need something original to apply for Writing Software code applies under copyright Free to register for and is immediate Other must pay you royalties to use the work Valid for life of owner + 50 years (after death)
<i>Trademark</i>	Used to identify brand and make link between it and product. To distinguish the goods and services of one person or organization from those of others in the marketplace	More based on customer (less creativity) More popular the company, more brand equity you have Can register based on product Valid for 15 years, renewable indefinitely
<i>Trade Secret</i>	Refers to formulas/recipes of goods produced by company	No limited time in trade secret Depends on how long company wants to protect information Use for something that cannot be patented
<i>Industrial Design</i>	Used to protect aesthetic design of a product	Can be registered as Trademark and vice versa Exclusive rights for 5 years, renewable for another 5 years Does not protect against others creating same product

## Family Business

### Formal Succession Process

#### Predictors of Succession Success:

1. Incumbent Attributes
  - a. Relationship between successor and incumbent
  - b. Incumbent motivation
  - c. Incumbent personality and needs
2. Successor
  - a. Motivation? Is the successor willing and committed?
  - b. Abilities? Decision making, experience, interpersonal skills?
3. Nurturing/development of successor
  - a. Training that successor went through? Career development, outside work experience
4. Family Dynamics
5. Hands Off/ Transition Process
  - a. Is there a shared vision?
6. Ground Rules
  - a. Successful planning, compelling vision of the future is necessary
7. BOD
  - a. Can be useful if it exists

### FOB Factors to Consider

Factor	Reasoning
<i>FOB Context</i>	Board of Directors (composition & frequency) Strategy and organizational culture & design Size, formalization & form of ownership Previous succession experiences
<i>Incumbent</i>	Relationship between incumbent and successor Incumbent motivation & willingness Incumbent personality & needs
<i>Successor</i>	Successor motivation (willing & committed?) Successor abilities (decision making, experience, interpersonal skills?)

## Other Factors to Consider

Factor	Reasoning
<i>Industry Context</i>	How has industry evolved & what type of management is needed? (competitive structure, regulations...)
<i>Social Context</i>	Cultural & social norms, estate division conventions, ethics, religion, laws...
<i>Family Context</i>	Family dynamics (type of relationships, values, openness...) Family influence on business decisions, commitment to business & importance of family funding Family council/meetings (frequency, mission, norms, rules, responsibilities, roles, privileges, rights)

## Entrepreneurship VS Social Entrepreneurship

### Social Entrepreneurship

#### Definition

- Addresses **social problems** or needs that are **unmet** by private markets or governments
  - Is motivated primarily by **social benefit**
  - Generally **works** with **market forces**

#### Components

1. **Social entrepreneurs adopt a business-like approach to social innovation.**
2. The primary difference however is not the nature of the entrepreneurial process itself, but rather the denomination of the rewards sought.
3. Therefore, social entrepreneurship maps into the traditional entrepreneurship process neatly.
4. Identifying a stable but unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity
5. Identifying an opportunity in this unjust equilibrium, developing a social value proposition
6. Forging a new stable equilibrium that alleviates the suffering of the targeted group

#### Forms of Social Entrepreneurship

Form	Focus	Nature of Action	Outcome
<i>Social Entrepreneur</i>	Takes direct action and generates new and sustained equilibrium	Direct	New equilibrium created and sustained
<i>Social Activist</i>	Influences others to generate new and sustained equilibrium	Indirect	New equilibrium created and sustained
<i>Social Service Provider</i>	Takes direct action to improve outcomes of current equilibrium	Direct	Extant system maintained and improved

#### Landscape of Social Entrepreneurship

- Includes following 6 categories
  1. **Starting new** product/service
  2. **Expanding new** product/service
  3. Expanding **existing activity** for new group of **people**
  4. Expanding **existing activity** for new geographic **area**
  5. **Acquiring** an existing **business**
  6. **Partnership** or **merger** with existing **business**

### Social Entrepreneurs

#### 7 Psychological Attributes

Attributes	Description
<i>Innovativeness</i>	Develop new ideas to meet specific challenges
<i>Achievement Oriented</i>	Set personal goals and track progress
<i>Independence</i>	Highly self-reliant and like working alone on their goals
<i>Sense of Control over Destiny</i>	Rarely see themselves as victims of their own environment
<i>Low Risk-Aversion</i>	Creative at finding ways to mitigate risk
<i>Tolerance of Ambiguity</i>	Particularly comfortable with situations that are not clear-cut
<i>Community Awareness and Social Concern</i>	See value in social rewards

#### 4 Distinct Entrepreneurial Types

Type	In Entrepreneurship	In Social Entrepreneurship
<i>Personal Achiever</i>	Innovates autonomously	Look to start social ventures
<i>Super-Salesman</i>	Innovates through service to others	Usually found in fundraising and innovate in ways they find donors
<i>Real Manager</i>	Manager from within an established organization	Takes established social enterprises to new heights
<i>Expert Idea Generator</i>	Relies on expertise and creativity for innovations	Make it possible to meet social missions in new and innovative ways

#### Why Should We Care?

- Entrepreneurship in general has experienced a significant growth in interest.
- The same can be said for social entrepreneurs and social entrepreneurship. It is distinct from social service and social activism, and should be defined differently and this will aid decision makers and those who wish to implement social change.