

Entrepreneurship 11



Preparing for and Attaining
Growth: Strategies for Building
Lasting Success

11-1

“What is the most rigorous law of our being? Growth. No smallest atom of our moral, mental, or physical structure can stand still a year. It grows—it must grow; nothing can prevent it.”

--Mark Twain

11-2

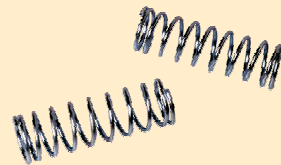
Why New Ventures Seek Growth

- Economies of scale
 - Variable costs
 - Fixed costs
- Market leadership
- High profitability
 - Scalable business model

11-3

Size and Survival

- Financial resources to absorb unexpected shocks
- Influence and power



11-4

Gazelles

- New ventures that grow rapidly
- 80% annual growth in sales over at least a three-year period



11-5

Limits on Growth

- Managerial capacity is stretched
- Challenged to manage an expanded range and number of products or services
- Growth comes at a significant cost

11-6

Characteristics of High-Growth Ventures

- Characteristics of the founders
- Attributes of the company
- Business practices
- Human resource practices

11-7

Founder Characteristics

- Passion
- Tenacity
- Growth vision
- Challenging goals
- Self-efficacy
- New resource skill



11-8

Company Characteristics

- Value rapid growth
- Form relationships with other companies
 - Reduce costs
 - Move to market more quickly
 - Gain knowledge
- Plan for growth

11-9

Business Practices

- Create unique value for customers
- Superior products
- Innovation



11-10

Human Resource Practices

- Hire selectively
- Offer meaningful incentives
 - Profit sharing plans
 - Bonuses
 - Stock option plans

11-11

Internal Strategies for Encouraging Growth

- New product development
- Improve existing products or services
- Expand market penetration or move into new markets
- Go global
- Adopt innovative business practices



11-12

Going Global

- Use personal contacts
- Use the Internet
- Consider legal issues
- Consider cultural factors



11-13

New Product Development

- Focus on current markets
- Develop related products or services
- Price the products right
- Maintain quality

11-14

External Strategies for Encouraging Growth

- Mergers and acquisitions
- Licensing intellectual property
- Strategic alliances
- Joint ventures



11-15

Mergers and Acquisitions

- Merger—two independent companies become one, often with the same name
- Acquisition—one company purchases another

11-16

Licensing

- Technology licensing—granting the right to use knowledge contained in a utility patent (patent for a specific kind of product)
- Merchandise and character licensing—granting the right to use a recognized trademark or brand

11-17

Strategic Alliances and Joint Ventures

- Strategic alliance—partnership between two or more companies formed to attain a specific goal
 - Technological alliance
 - Marketing alliance
- Joint venture—new business entity created by two or more companies

11-18