

## EIGHT WAYS TO EXPAND YOUR BUSINESS

This tool reveals the major advantages and disadvantages of eight methods for entering into a new business or expanding an old one. This tool is often used in conjunction with "New Market Entry Strategies."

Entry Strategy	Major Advantages	Major Disadvantages
Internal Development	<ul style="list-style-type: none"> <li>▪ uses existing resources</li> <li>▪ avoids acquisition cost</li> <li>▪ (especially if unfamiliar with product/market)</li> </ul>	<ul style="list-style-type: none"> <li>▪ time lag</li> <li>▪ uncertain prospects</li> </ul>
Internal Ventures	<ul style="list-style-type: none"> <li>▪ uses existing resources</li> <li>▪ may keep talented entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>▪ mixed success record</li> <li>▪ can create internal stresses</li> </ul>
Acquisitions	<ul style="list-style-type: none"> <li>▪ saves calendar time</li> <li>▪ overcomes entry barriers</li> <li>▪ problem of integrating two organizations</li> </ul>	<ul style="list-style-type: none"> <li>▪ costly – usually results in the purchase of redundant assets</li> </ul>
Joint Ventures or Alliances	<ul style="list-style-type: none"> <li>▪ technological/ marketing</li> <li>▪ can exploit small/large firm synergies</li> <li>▪ distributes risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ potential for conflict in operations between firms</li> <li>▪ danger of value of one firm reduced over time</li> </ul>
Educational Acquisitions	<ul style="list-style-type: none"> <li>▪ provides window and initial staff</li> </ul>	<ul style="list-style-type: none"> <li>▪ risk of departure of entrepreneurs</li> </ul>
Venture Capital and Nurturing	<ul style="list-style-type: none"> <li>▪ can provide window on new technology or market</li> </ul>	<ul style="list-style-type: none"> <li>▪ unlikely alone to be a major stimulus of firm growth</li> </ul>
Licensing from Others	<ul style="list-style-type: none"> <li>▪ rapid access to technology</li> <li>▪ reduced financial risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ will lack proprietary technology and technological skills</li> <li>▪ will be dependent upon licensor</li> </ul>
Licensing to Others	<ul style="list-style-type: none"> <li>▪ rapid access to a market</li> <li>▪ low cost/risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ will lack knowledge/control of market</li> <li>▪ will be dependent upon licensee</li> </ul>

Source: Adapted from Edward B. Roberts and Charles A. Berry, "Entering New Businesses: Selecting Strategies for Success," *Sloan Management Review*, Spring 1985, pp.3-17.