

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

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.