

Chapter # 14

"Accessing Resources for
Growth from External
Resources."

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Short Questions:

3. Joint Ventures:

→ A commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.

e.g:

BMW and Toyota co-operate on research into hydrogen fuel cells, vehicle electrification and ultra-lightweight materials.

4. Types of Joint Ventures:

- ⇒ Project-Based Joint Venture.
- ⇒ Functional-Based Joint Venture
- ⇒ Vertical Joint Venture.
- ⇒ Horizontal Joint Venture.

5. Acquisitions:

- ⇒ An asset or object bought or obtained, typically by a library or museum.
- ⇒ Business acquisition is a process of acquiring a company to build on strengths or weaknesses of an acquiring company.

②

6. Mergers:

- ⇒ A merger is similar to an acquisition but refers more strictly to combining all of the interests of both companies into a stronger single company.
- ⇒ Corporate strategy of combining different companies into a single company in order to enhance the financial and operational strengths of both organizations.

7. Pros & Cons of Acquisitions:

• Pros:

- ⇒ Quick to execute.
- ⇒ Preempt competitors.
- ⇒ Possibly less risky.

• Cons:

- ⇒ Disappointing results.
- ⇒ Overpay for firm.
- ⇒ Culture clash.
- ⇒ Problems with proposed synergies.
- ⇒ Optimism about value creation (hubris).

8. Leverage Buyout: The purchase of a controlling share in

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in a company by its management using outside capital, known as leveraged buyout.

⇒ It is a financial transaction.

e.g:

- Gibson Greeting Cards.
- Hilton Hotels and Safeway.

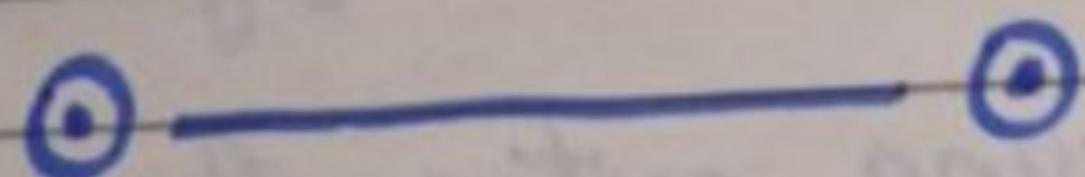
9. (a) Distribution Task:

⇒ The distribution of the goods to the customer can be divided into the physical distribution and the aspects of sales and marketing.

(b) Integration Task:

⇒ A number of services can be integrated and synchronized with the system by creating integration tasks.

⇒ Executing incoming tasks on a regular basis, find the scheduled task called process external integration tasks.



(4)

Long Questions

1. Write a note on growing business using external parties?

Business:

- => Any legal activity which is used to earn a profit, is known as business.
- => An organization or enterprise entity engaged in commercial, industrial or professional activities.

"A big Business Starts Small."

"A satisfied customer is the

best Business Strategy of all."

Growing Business using external Parties:

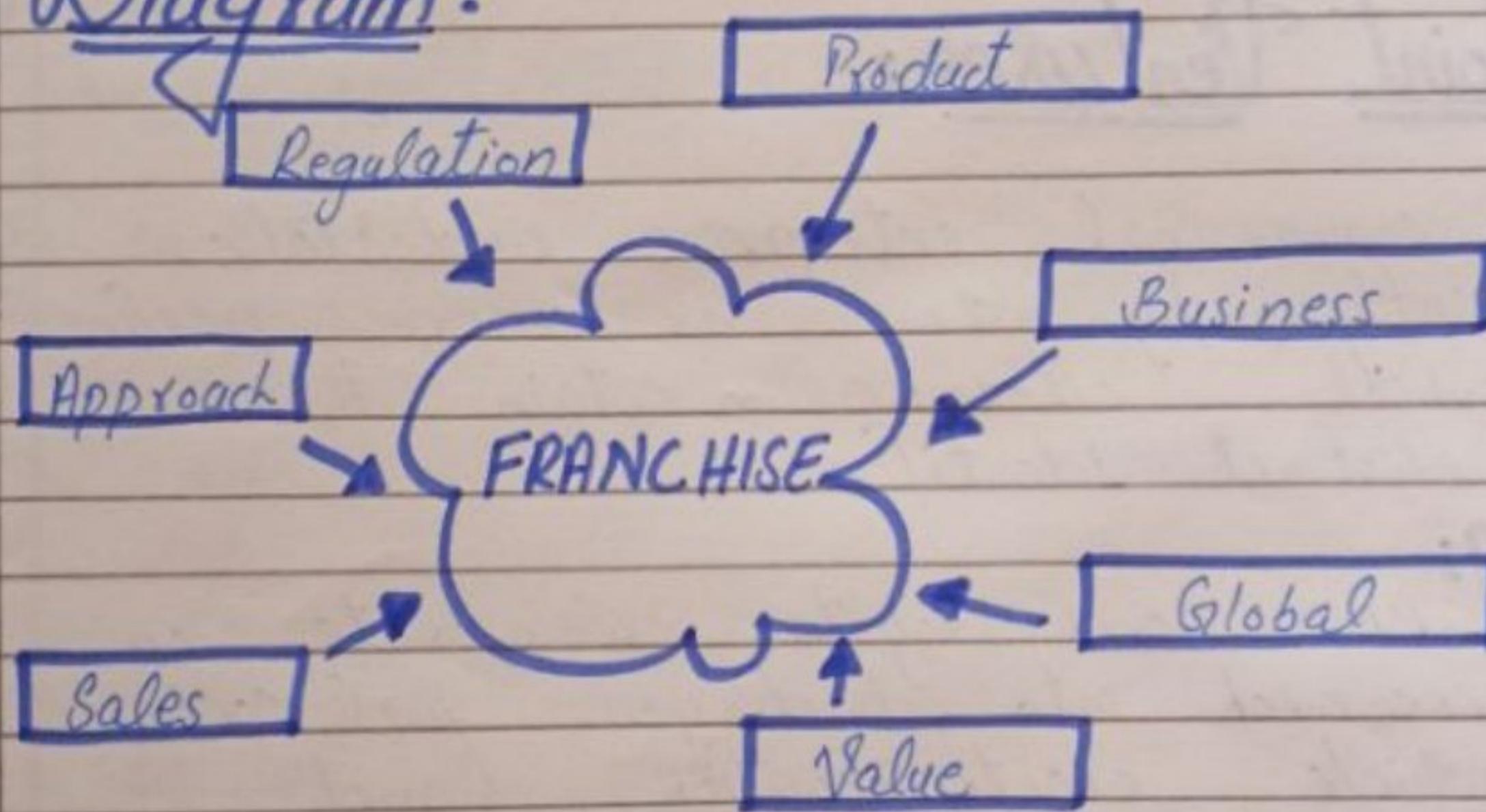
- Franchising.
- Joint Ventures.
- Acquisitions.
- Mergers.

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① Franchising:

using
⇒ Franchising is based on market concept which can be adopted by an organization as a strategy for business expansion.

② Diagram:



③ Advantages:

- Access to better talent.
- Easy expansion capital.
- Minimized growth risk.

④ Disadvantages:

- Less control over managers.
- A weaker core community.
- Innovation challenges.

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“Any Franchise is always taking steps to protect their Trademark.”

○ Joint Ventures:

⇒ A commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.

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"The Joint Venture puts us in a clear cost-leadership position in a mature market."

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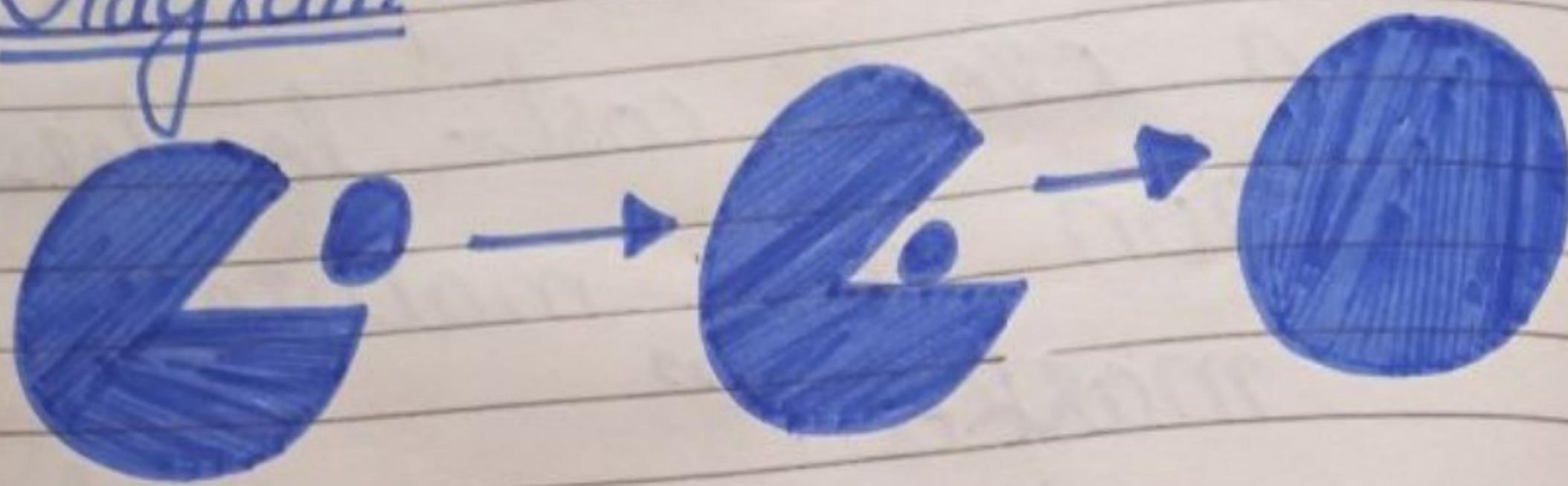
"Acquisition means life to Miserable Mortals."

① Types:

- Friendly acquisition.
- Reverse acquisition.
- Back flip acquisition.
- Hostile acquisition.

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① Diagram:

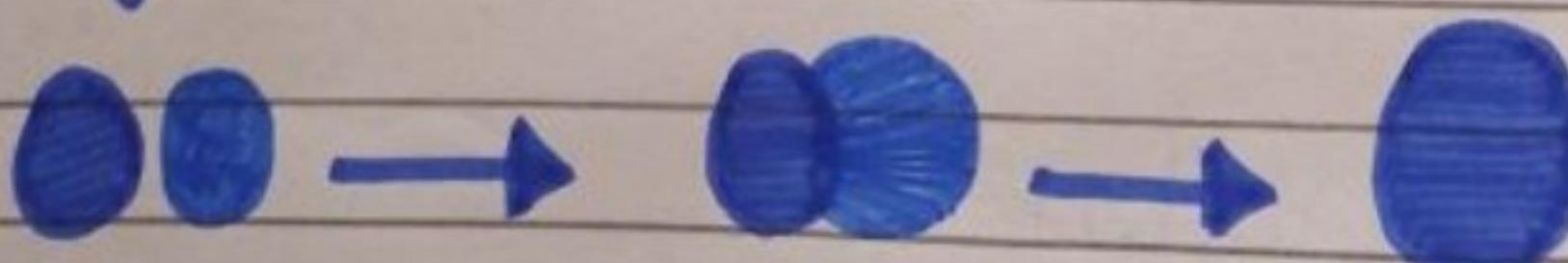


① Mergers:

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① Diagram:



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"This is a Takeover, not a merger of Equals."

(Adrian Pilz)

○ Advantages:

- ⇒ Economies of scale.
- ⇒ Tax Benefits.
- ⇒ Financial resources.
- ⇒ Entry in global markets.
- ⇒ Growth & Expansion.
- ⇒ Helps to face competition.
- ⇒ Increase in market share.
- ⇒ Increases goodwill.
- ⇒ Research & Development.
- ⇒ Miscellaneous Advantages.

○ Disadvantages:

- ⇒ Loss of control.
- ⇒ Redundancies.
- ⇒ Culture clash.
- ⇒ Regulatory problems.
- ⇒ Conflict.

"We get Talent and Scale
from Mergers."

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10. How to overcome constraints by negotiating more resources?

① Constraints:

- ⇒ The state of being checked, restricted or compelled to avoid or perform some action.
- ⇒ Limitation or restriction.

① Resources:

- ⇒ An action or strategy which may be adopted in adverse circumstances.

① Negotiation:

- ⇒ The action or process of transferring legal ownership of a document.
- ⇒ Discussion aimed at reaching an agreement.

“Focus on the Opportunities,

Not on the Constraints.”

negotiating ① Overcome constraints by Negotiating Resources:

① Distribution task:

- ⇒ Negotiating how the benefits of the relationship will be allocated between the parties.

② Integration Task:

- ⇒ Exploring possible mutual benefits from the relationship so that the "size of the pie" can be increased.

③ Negotiation strategies:

- ⇒ Build trust & share information.
- ⇒ Ask lots of questions.
- ⇒ Make multiple offers simultaneously.
- ⇒ Use differences to create trade-offs that are a source of mutually beneficial outcomes.

④ Negotiation Skills:

- ⇒ Finding more value at Bargaining Table.
- ⇒ Why first impressions matter.

- 3. Squeeze that orange.
- 4. Bringing outsiders to the negotiating table.
- 5. The power of deadlines.

① Stages of Negotiation:

- Preparation & planning.
- Definition of ground rules.
- Classification & justification.
- Bargaining & problem solving.
- Closure & implementation.

① Principles of Negotiation:

- 1. Separate the people from the problem.
- 2. Focus on interests, not positions.
- 3. Invent options for mutual gain.
- 4. Insist on objective criteria.

① Effective Negotiation Skills:

- Problem analysis to identify interests & goals.
- Preparation before a meeting.
- Active listening skills.
- Clear & effective communication.
- Collaboration & Teamwork.

① Negotiation Styles:

- Compulsive.
- Collaboration.
- Compromising.
- Avoiding.
- Accommodating.

② Characteristics of Successful Negotiation:

- Good reputation & intentions.
- Respectful, trusting & trustworthy.
- Confident & positive.
- Well prepared.
- Composed.
- Effective communicator.
- Open-minded.

③ Phases of Negotiation:

- There are 3 phases of negotiation:
- Preparation.
 - Development.
 - Closure.

“In Business, you don't get what you deserve, you get what you negotiate.”

“Negotiating means getting the best of your opponent.”



2. Franchising ? Its types & also state pros & cons.

① Franchising:

=> Franchising is based on a marketing concept which can be adopted by an organization as a strategy for business expansion.

“Any Franchise is always taking steps to protect their Trademarks.”

① Pros & Cons of Franchising:

① Advantages:

- Probability of success.
- Proven line of business.
- Pre-qualification of franchise.
- Training.
- Franchise - provided.
- Financial assistance.
- Franchisor assistance.
- Operating benefits.
- Franchisor - aided.

① Limitations:

- Franchise costs.
- Initial franchise fee.
- Investment costs.
- Royalty payments.
- Advertising costs.
- Restrictions on Business.
- Operations.
- Loss of Independence.

① Pros :

- Increased economic growth.
- Lower government spending.
- Technology transfer.

② Cons :

- Increased job outsourcing.
- Poor working conditions.
- Degradation of natural resources.

“Nobody has a franchise on what is Good.”

③ Types of Franchise:

- Job franchise.
- Product / Distribution franchise.
- Investment franchise.
- Conversion franchise.
- Business format franchise.

④ Job Franchise:

⇒ This is home based and low investment.

franchise that is taken by a person who wants to start and run a small franchised business alone.

① Product Franchise:

A product franchise is a franchising agreement where manufacturers allow retailers to distribute products & use names & trademarks.

② Investment Franchise:

=> Franchising investment options run the gamut from low to high, including start-up costs and reserve capital to keep the business running until it generates positive cash flow.

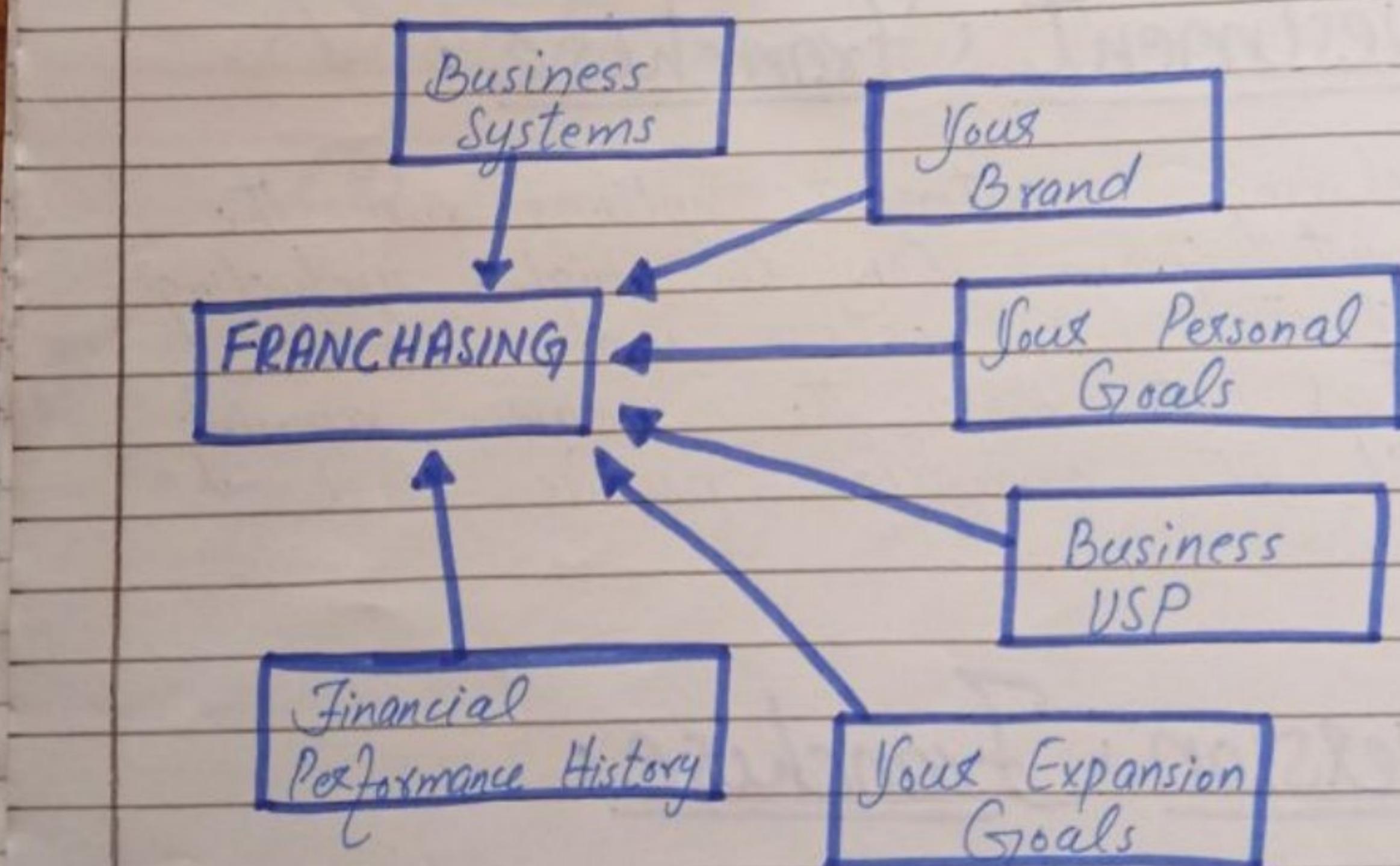
③ Conversion Franchise:

=> Conversion franchise is a franchise system in which the already existing independent businesses are converted into franchise.

① Business Format Franchise:

- A business format franchise is a franchising arrangement where the franchisor provides the franchisee with an established business, including name & trade-mark, for the franchisee to run independently.

② Franchise Model:



“Not Everyone out here can be a franchise player.”