

Small Business is Our Business ...
 Small Business Advancement National Center
 University of Central Arkansas
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 SBANC NEWSLETTER - February 8, 2000

One of the benefits of International Council for Small Business (ICSB) membership. The staff of the Small Business Advancement National Center welcomes the ICSB as one of our sponsors.

CALL FOR PAPERS
 ENTREPRENEURSHIP & FRANCHISING TRACK

The Atlantic Marketing Association is announcing its 2000 annual meeting to be held October 11-14 at the Westin Francis Marion in Charleston, SC.

Among the many tracks offered, the Services, Entrepreneurship and Franchising Track is requesting paper submissions relating to services marketing, as well as entrepreneurship and/or franchising as they relate to marketing.

Service topics might include relationship building, quality issues, or new concepts in service measurement. Entrepreneurship/franchising related papers might deal with entrepreneurial orientations, new venture creation, or franchise conflicts.

Deadline for paper submissions is April 10, 2000.

To find out more about meeting, visit
<http://spectrum.troyst.edu/~ama/> or email Marko Grunhagen at
mgrunha@clemsn.edu

THE EIGHTH ANNUAL HIGH TECHNOLOGY AND SMALL FIRMS
 CONFERENCE

The University of Twente and Manchester Business School (MBS) invites you to attend the eighth High Technology Small Firms (HTSF) conference on May 22-23, 2000 in Enschede, Netherlands. This international conference will provide a unique opportunity for academics, opinion formers, policy makers and practitioners to discuss recent developments in the field of HTSF's.

To find out more information about this conference, visit our Web site at
<http://www.sbaer.uca.edu/docs/bulletins/00HTSFCcftp5-22.htm>

STRATEGIC ALLIANCES AS AN ENTRY STRATEGY INTO
 MARKETS DOMINATED BY MAJOR CORPORATIONS

This paper was presented by Khai Sheang Lee, Guan Hua Lim and Soo Jiuan Tan at the 1999 ICSB Conference in Naples, Italy.

Although the benefits of strategic alliances are well documented, whether strategic alliances can be a viable entry strategy option for

SMEs to successfully penetrate markets held by major incumbent suppliers, is less clear. In this paper, we show that strategic alliances can be an effective entry cum deterrence strategy for SMEs to successfully penetrate markets that are well established and dominated by major corporations. In addition, we illustrate how SMEs can use strategic alliances as an entry strategy without restricting themselves to target only those markets ignored by bigger firms. This paper uses a deductive approach -- one based on game theory, to explicitly examine the reactions of bigger firms to the entry of SMEs into their markets, specifically taking into account the resource limitations faced by SMEs. We examine two cases of the use of strategic alliances by SMEs as an entry strategy to penetrate markets dominated by major corporations. The practices and experiences of these SMEs were found to be consistent with the game theoretic arguments presented here.

To read this entire paper on strategic alliances, visit our Web site at <http://www.sbaer.uca.edu/DOCS/99icsb/99ics029.htm>.

TIP OF THE WEEK

"Methods for Determining the Value of a Business"

Business valuation is partly an art and partly a science. What makes establishing a reasonable price for a privately owned business so difficult is the wide variety of factors that influence its value: the nature of the business itself, its position in the market or industry, the outlook for the market or industry, the company's financial status and stability, its earning capacity, any intangible assets it may own (e.g., patents, trademarks, and copyrights), the value of other similar companies that are publicly owned, and many other factors.

Computing the value of the company's tangible assets normally poses no major problem, but assigning a price to the intangibles, such as good will, almost always creates controversy. The seller expects goodwill to reflect the hard work and long hours invested in building the business. The buyer, however, is willing to pay extra only for those intangible assets that produce exceptional income. So how can the buyer and the seller arrive at a fair price? These are a few hard-and-fast rules in establishing the value of a business, but the following guidelines can help.

1. There is no single best method for determining a business's worth, because each business sale is unique. The wisest approach is to compute a company's value using several techniques and then to choose the one that makes the most sense.
2. The deal must be financially feasible for both parties. The seller must be satisfied with the price received for business, but the buyer cannot pay an excessively high price that would require heavy borrowing and would strain her cash flows from the outset.
3. Both the buyer and the seller should have access to the business records.
4. Valuations should be based on facts, not fiction.

5. No surprise is the best surprise. The two parties should deal with one another honestly and in good faith.

If you have any comments about the SBANC newsletter or if you know of an upcoming small business event to promote, please contact kfe0460@cub.uca.edu

If interested in becoming a member of ICSB, email the International office at <http://www.icsb.org/about/join.htm>

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