



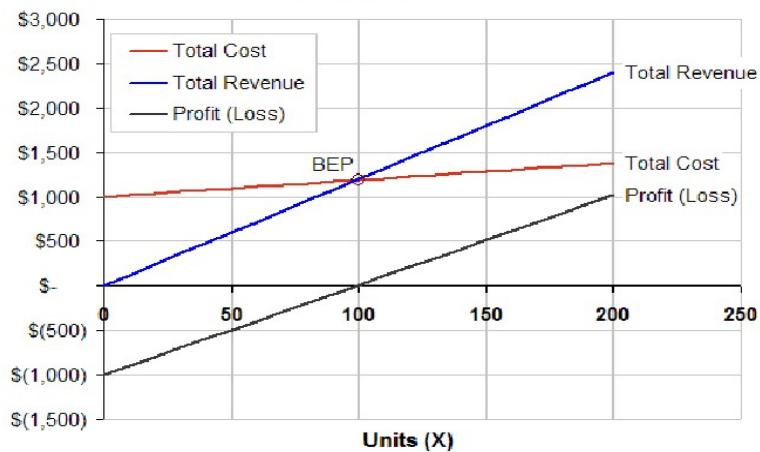
MERGERS AND ACQUISITIONS



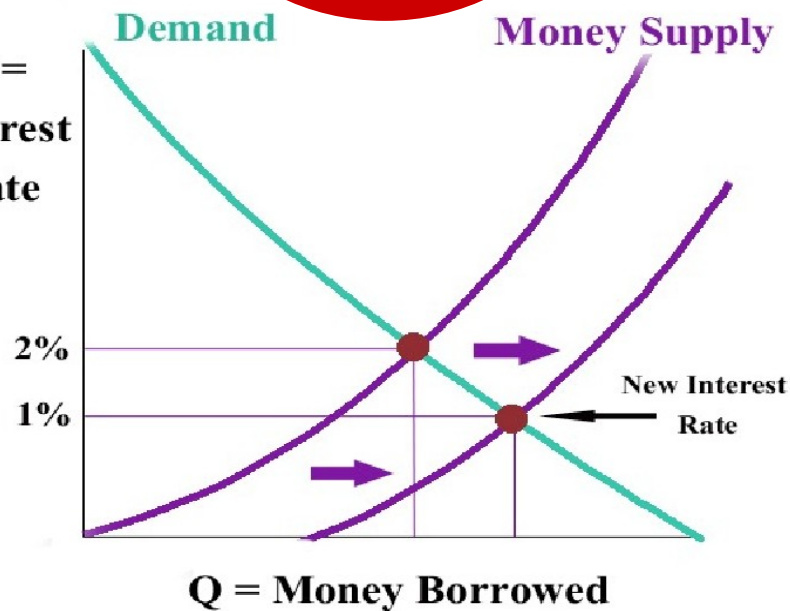
Lecture

01

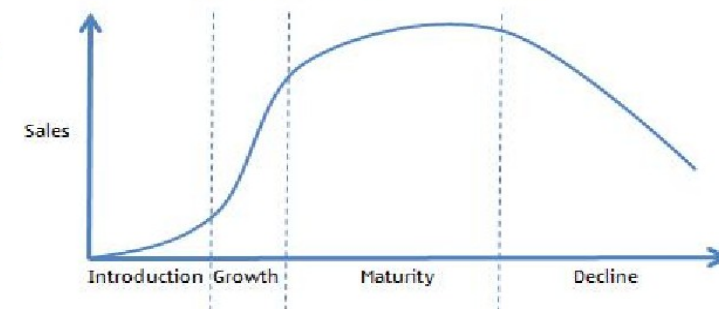
Break-Even Point



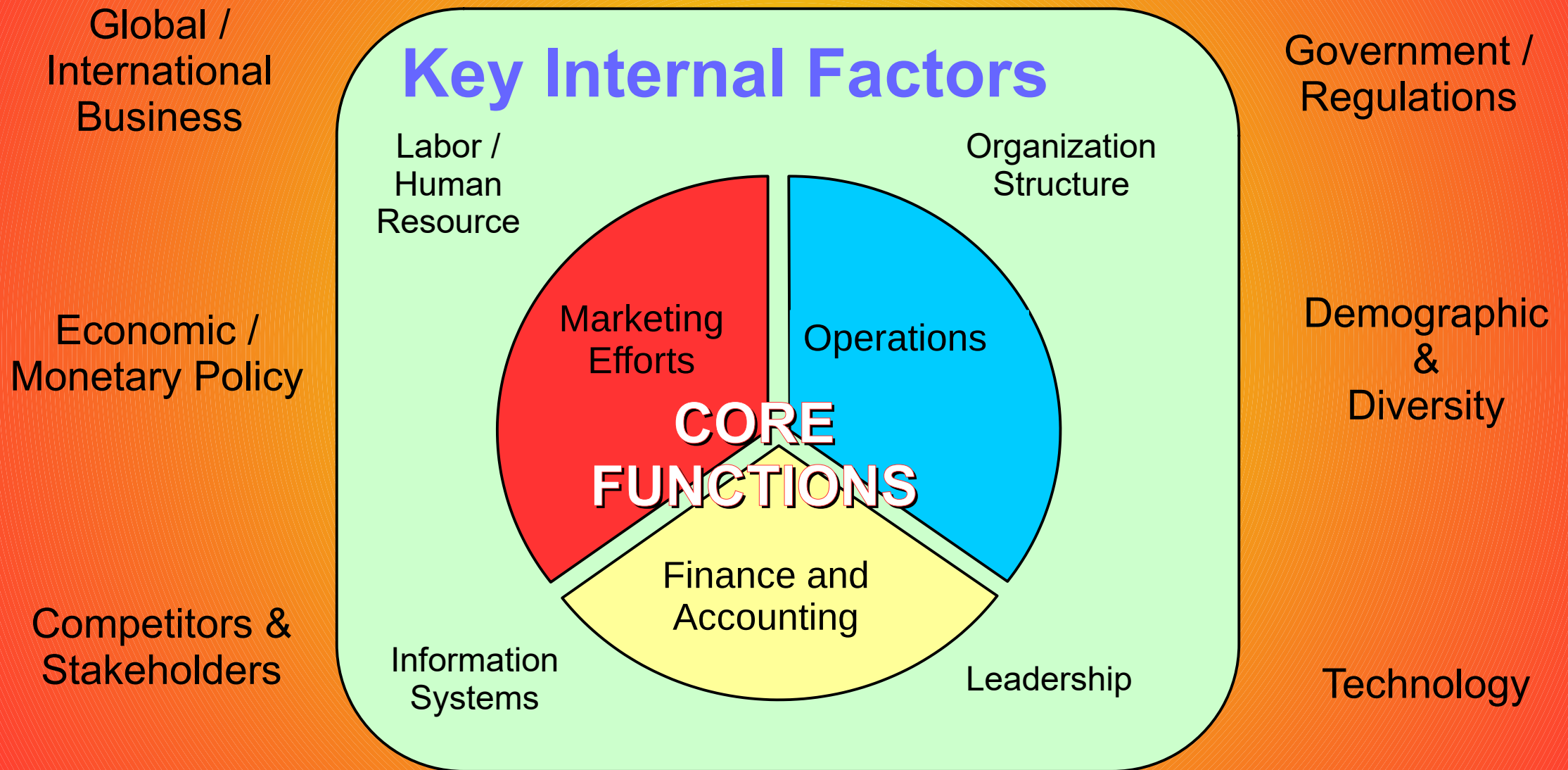
P =
Interest
Rate



Product Lifecycle Stages

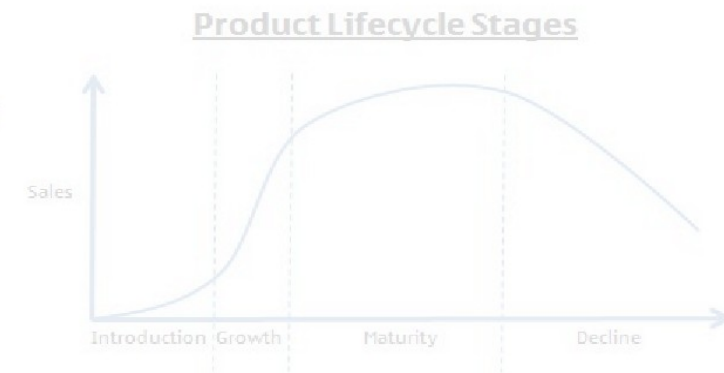
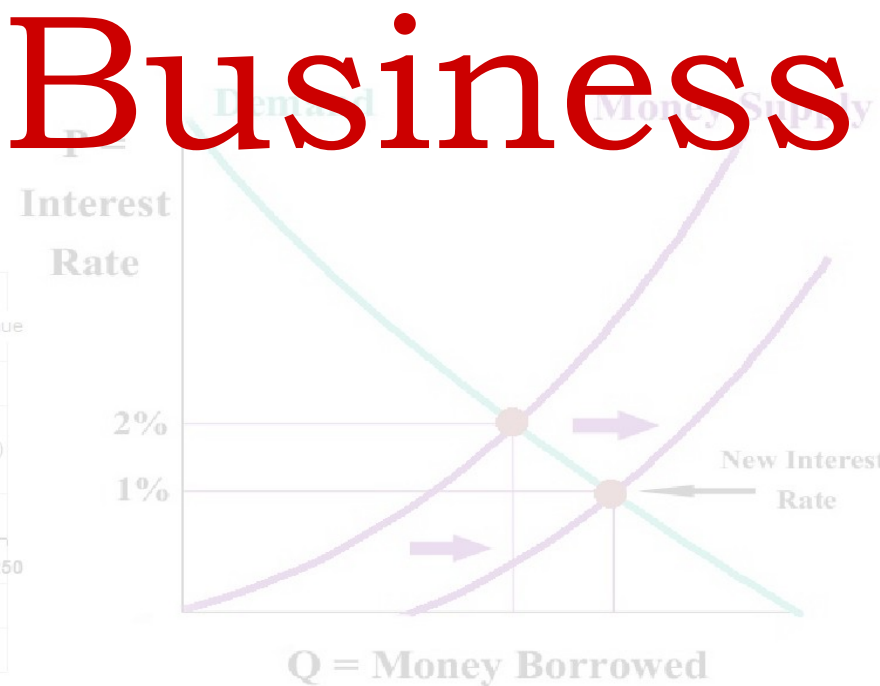
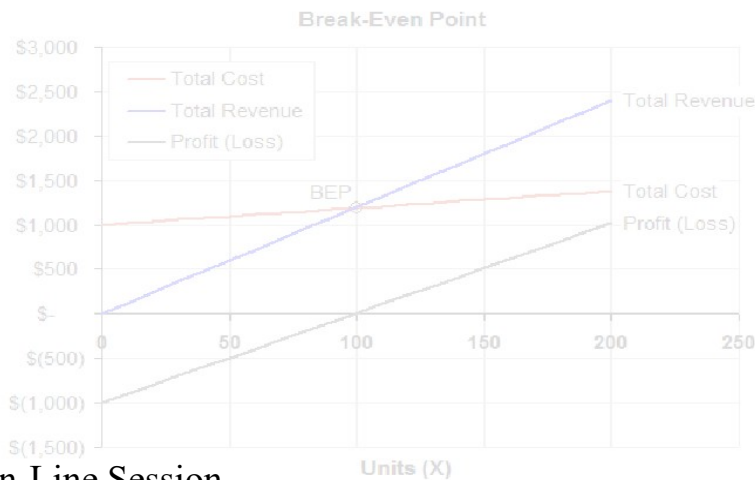


External / Social Forces



Introduction to Business

Introduction to Business



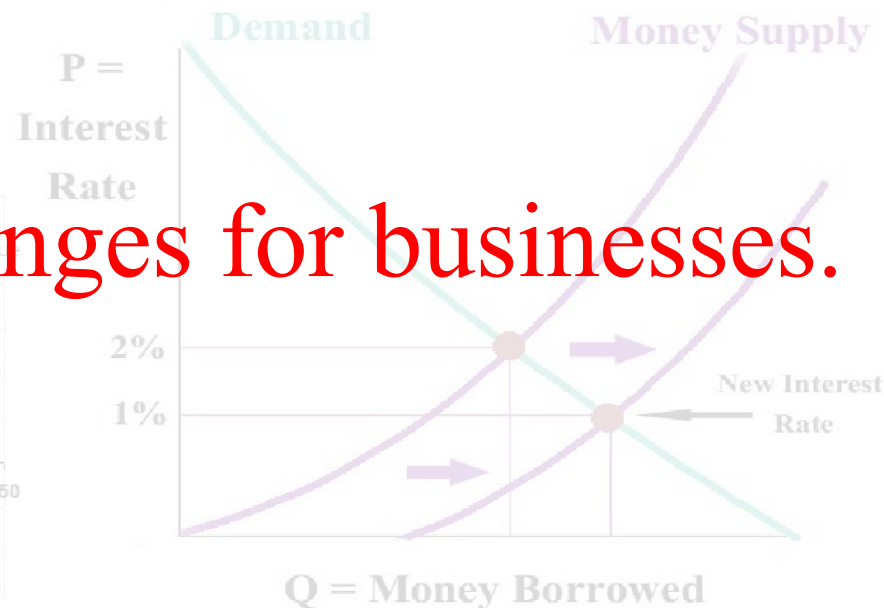
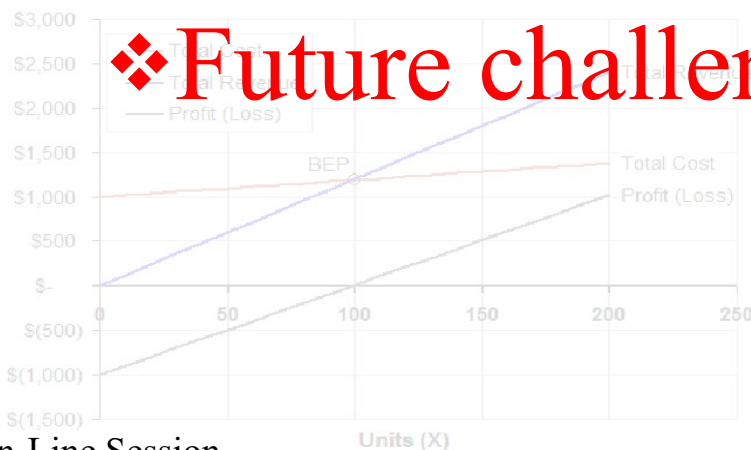
Objectives

- ❖ Business?
- ❖ Some definitions.
- ❖ Business environment.
- ❖ History of the American businesses.
- ❖ TED talks
- ❖ Future challenges for businesses.

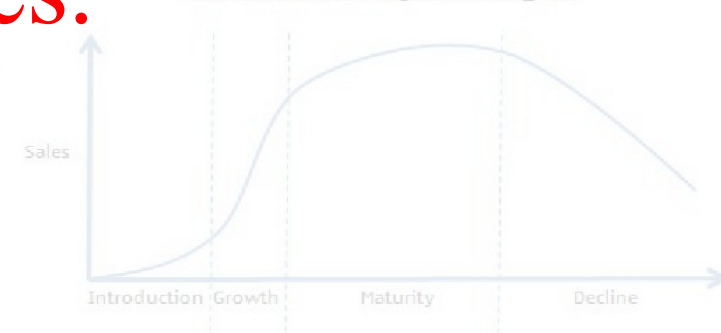
MERGERS AND ACQUISITIONS



Break-Even Point



Product Lifecycle Stages

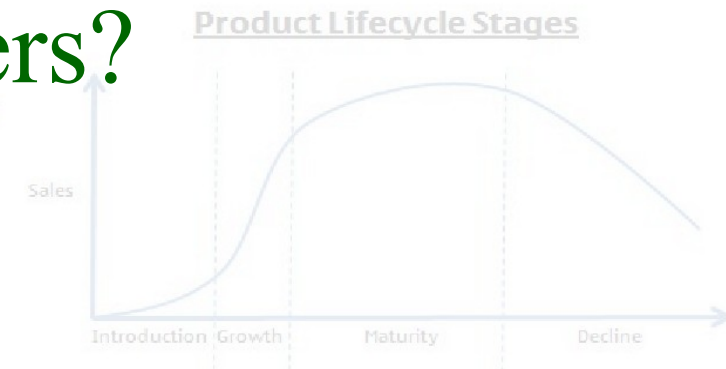
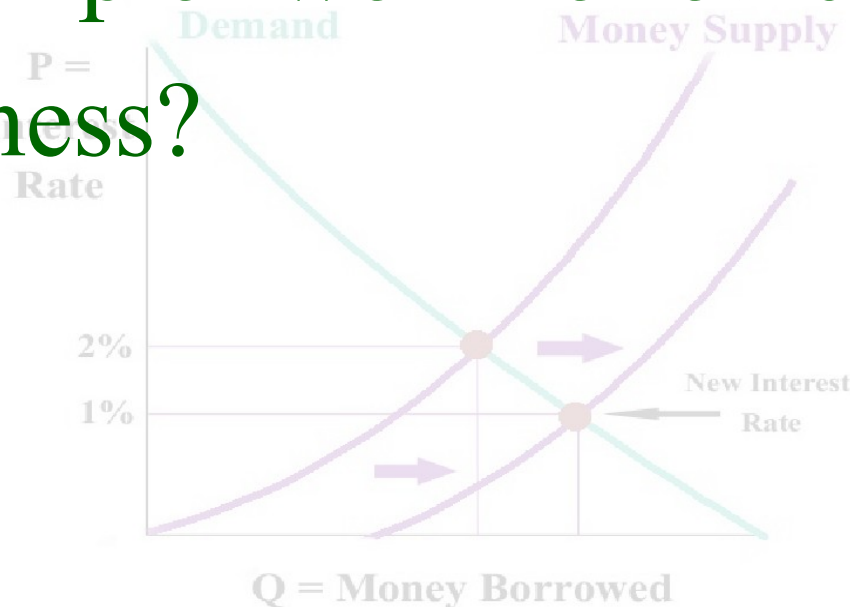


Business?

MERGERS AND ACQUISITIONS



- ◆ What is business?
- ◆ Why study business?
- ◆ How to become successful?
- ◆ Entrepreneurship or work for others?
- ◆ Types of business?



What is business?

The organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs

Factors of Production

Entrepreneurship

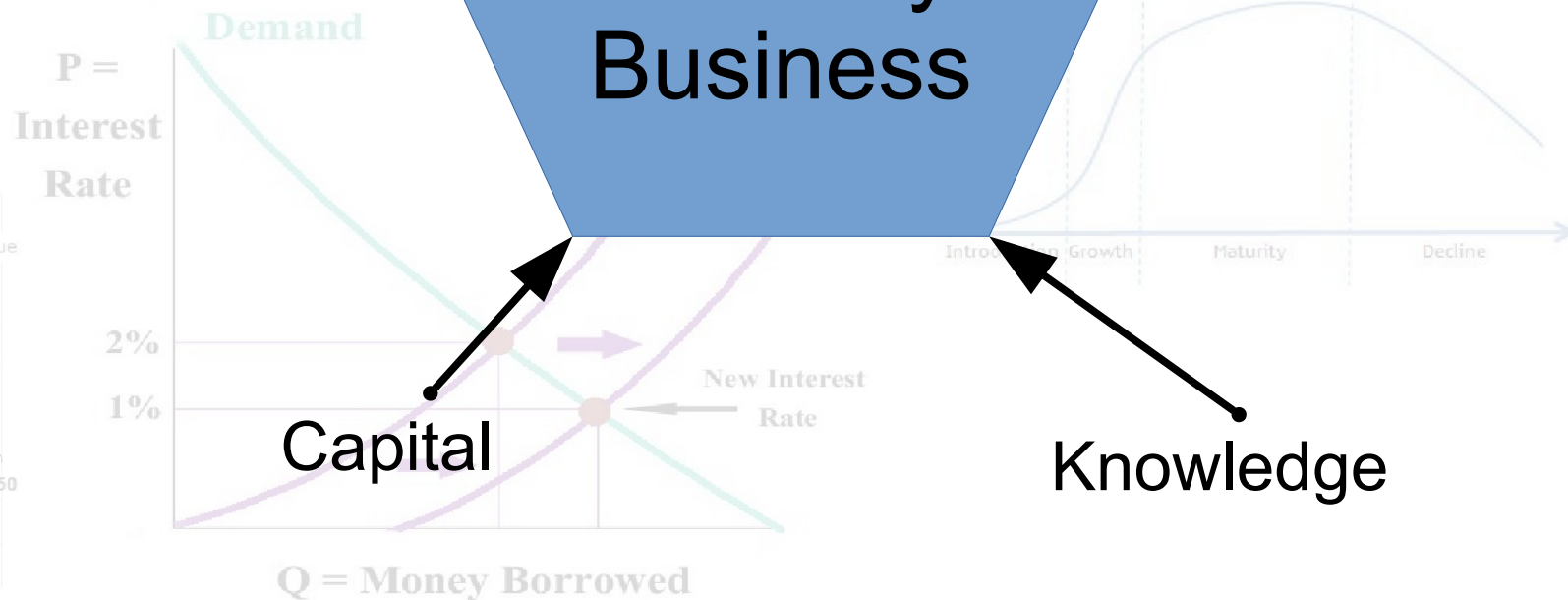
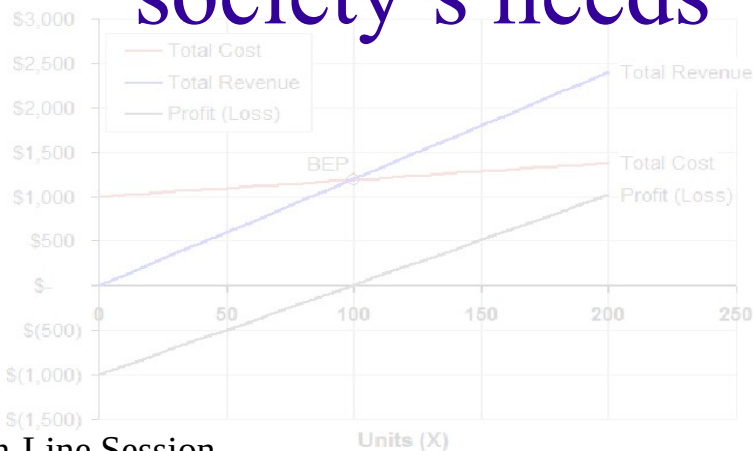
Labor

Land

Used by Business

Capital

Knowledge



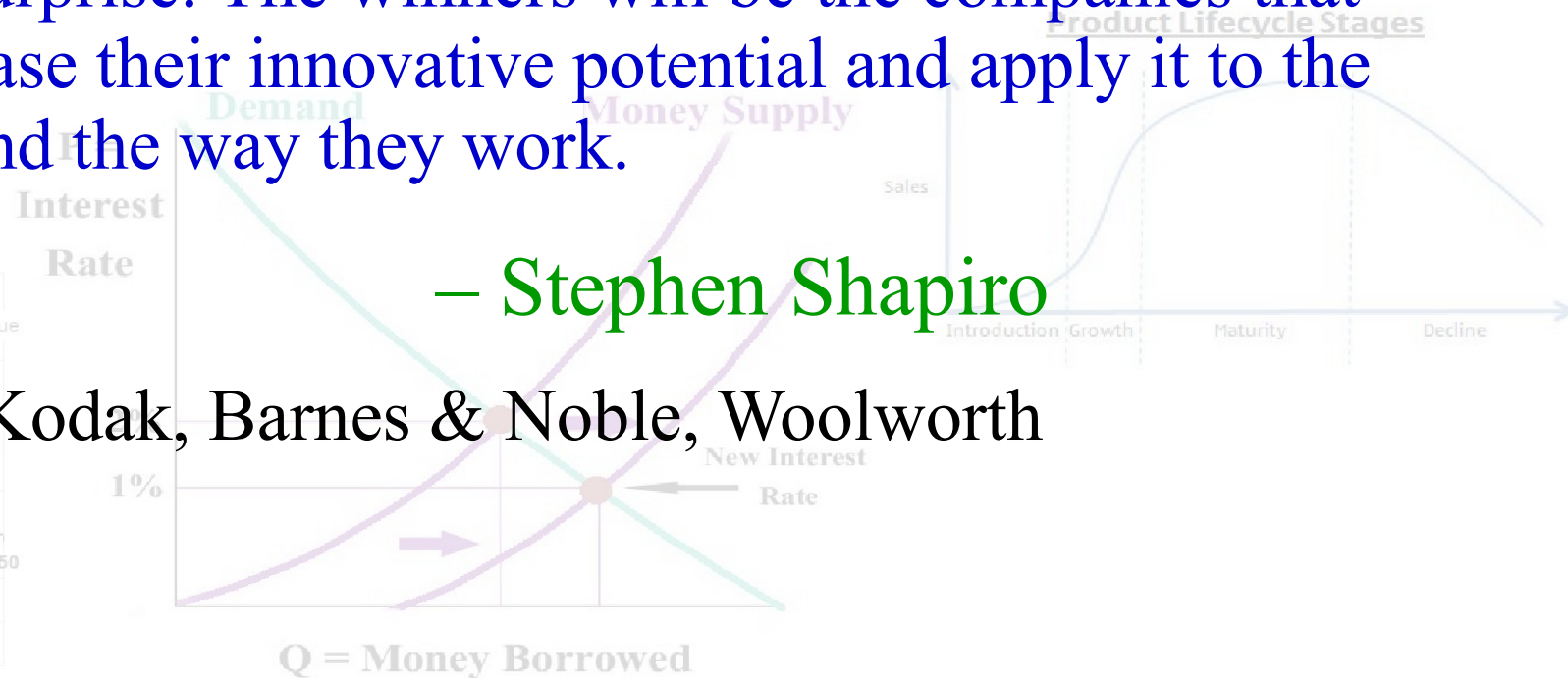
How to become successful?

➤ Adapt!!

One of the few certainties of today's business environment is that it never stands still. Only one approach to this unsteady state of affairs makes sense: perpetual innovation – the constant shifting of strategies and tactics to reshape the business and take competitors by surprise. The winners will be the companies that find ways to release their innovative potential and apply it to the way they think and the way they work.

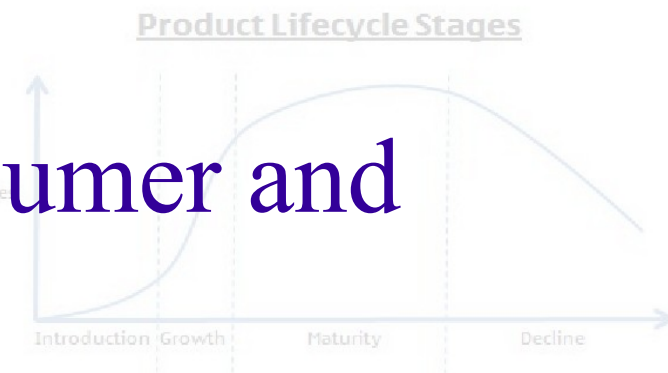
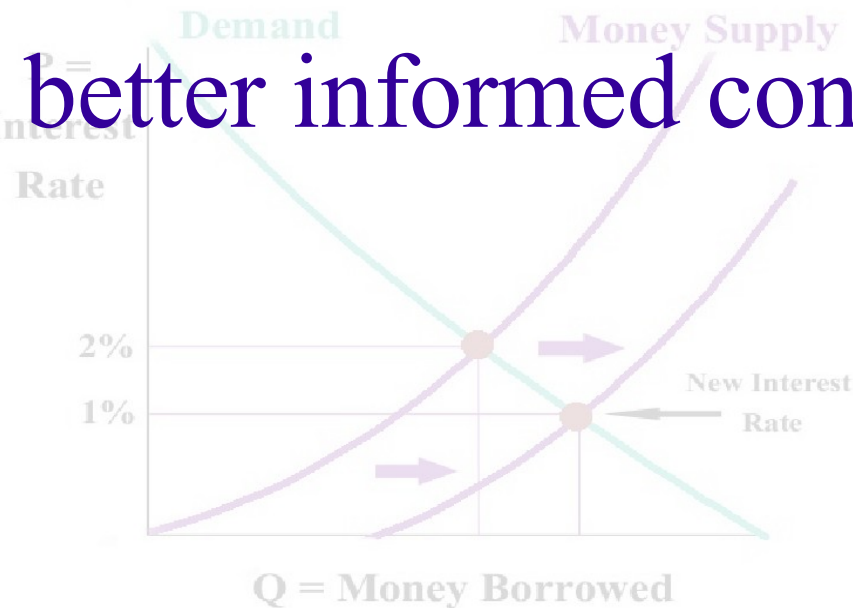
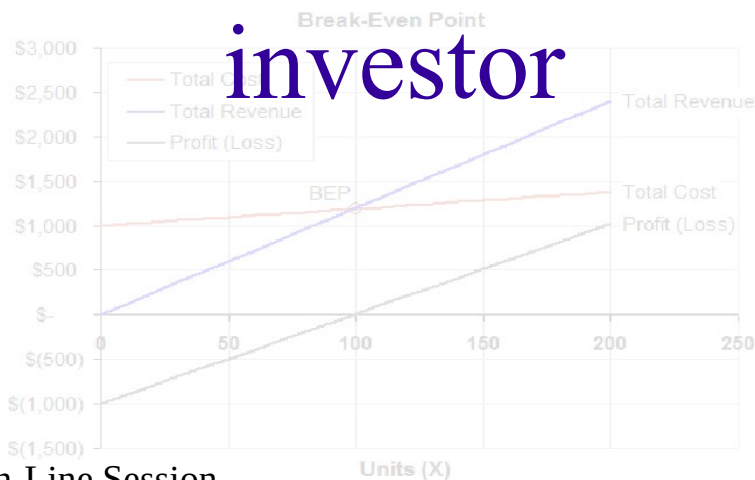
– Stephen Shapiro

❑ IBM, AT&T, Kodak, Barnes & Noble, Woolworth



Why study business?

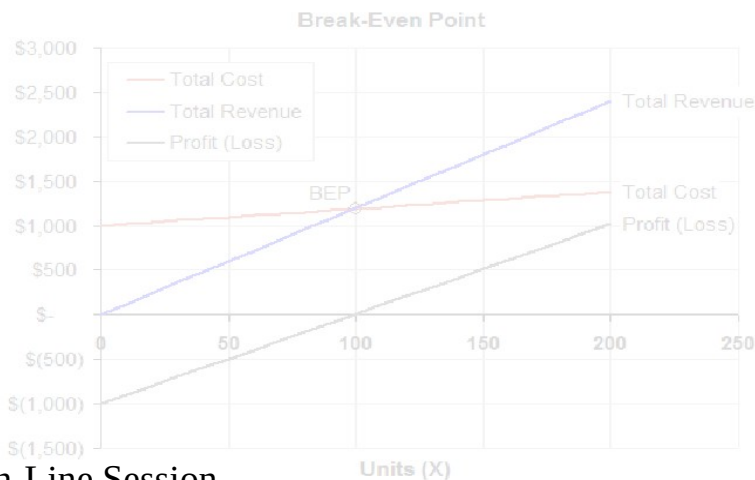
- To help choosing a career
- To be a successful employee
- To improve your management skills
- To start your own business
- To become a better informed consumer and investor



Entrepreneurship or Work?

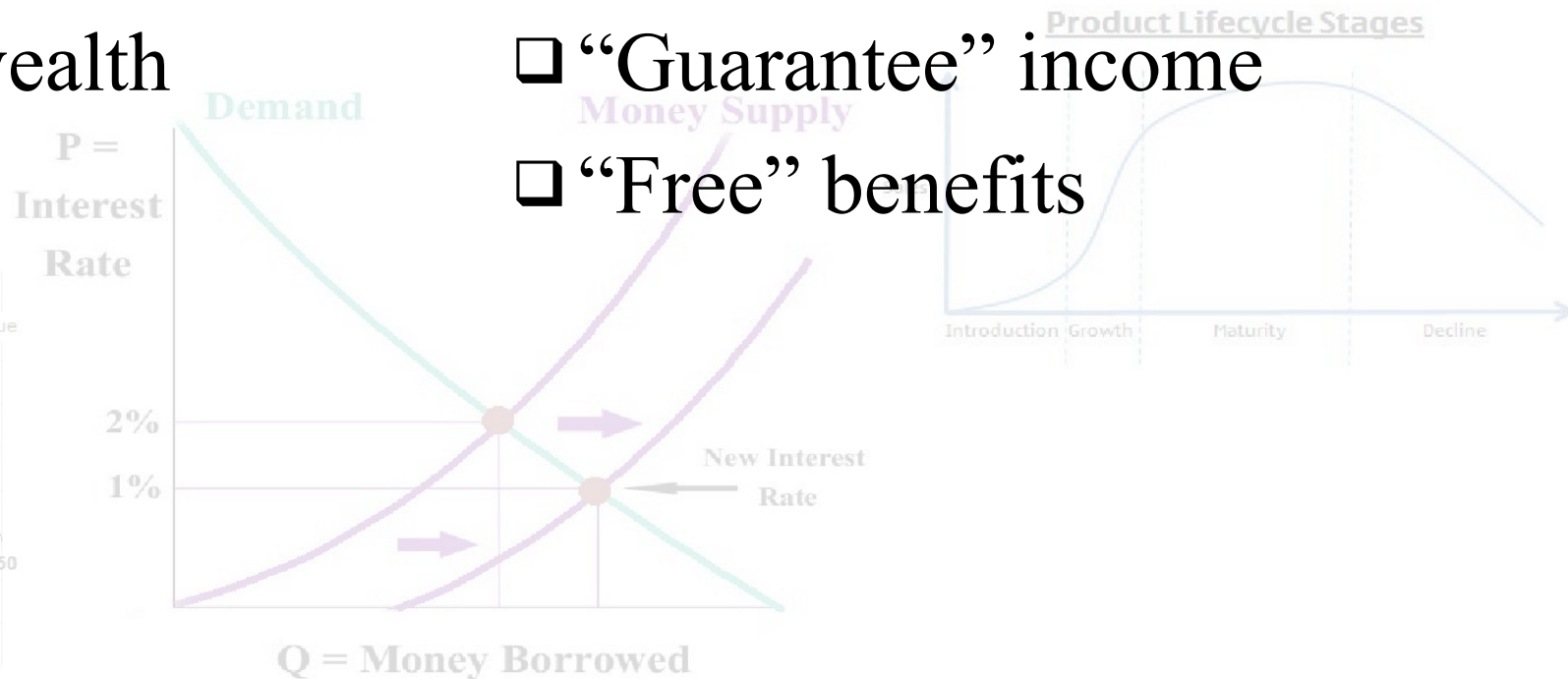
➤ Advantage for Entrepreneurship

- ❑ Freedom to be succeed
- ❑ Make your own decision
- ❑ Potential great wealth
- ❑ Cannot be fired



➤ Advantage to work for others

- ❑ Paid vacation
- ❑ Lower responsibility
- ❑ “Guarantee” income
- ❑ “Free” benefits



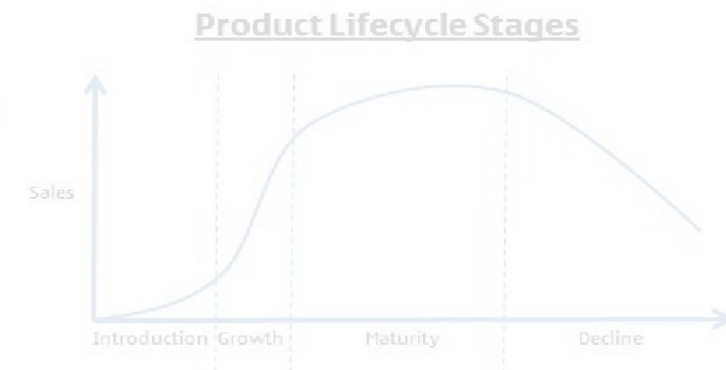
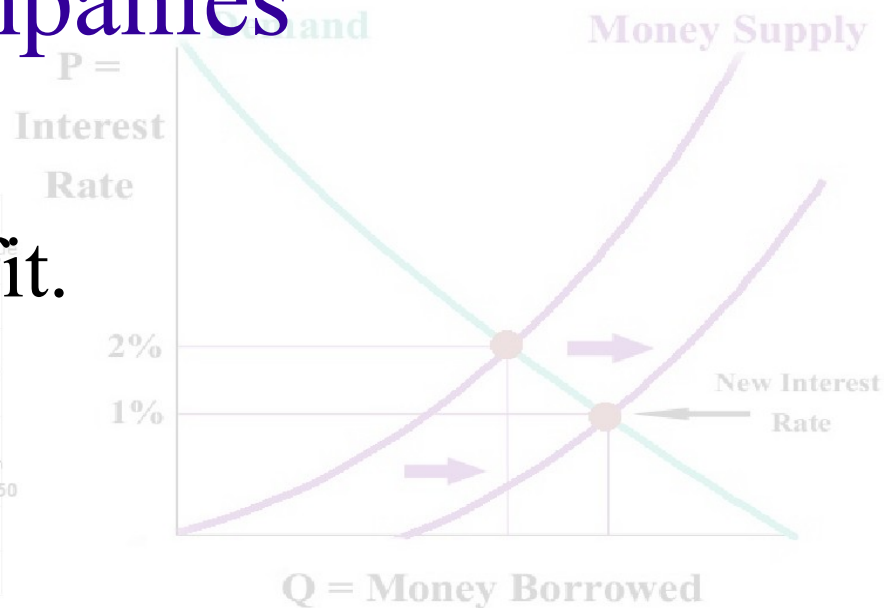
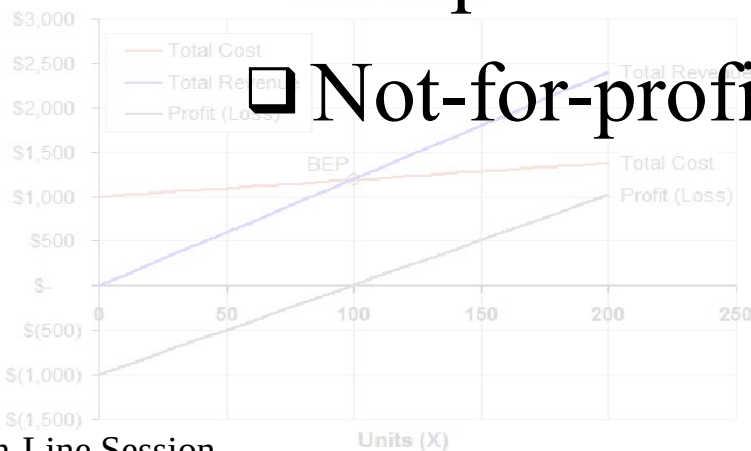
The many facets of business

➤ Classification of business

- ❑ Manufacturing (cars)
- ❑ Services (dentist)
- ❑ Marketing intermediaries (Macy's)

➤ Type of companies

- ❑ For profit.
- ❑ Not-for-profit.

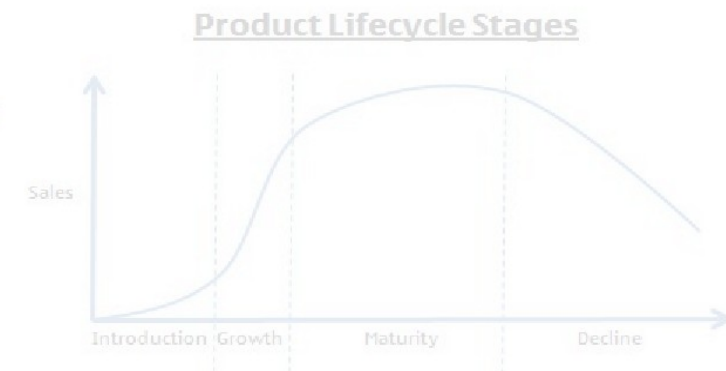
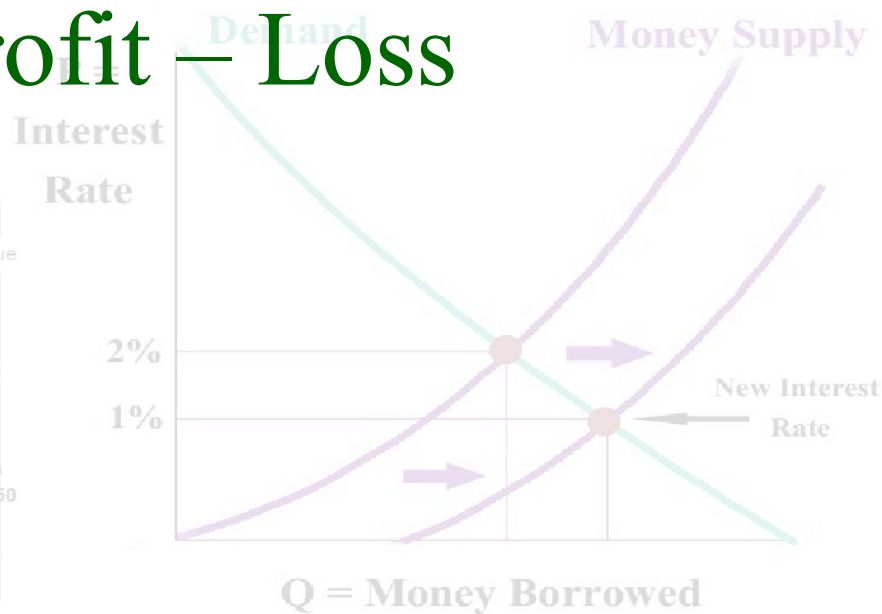
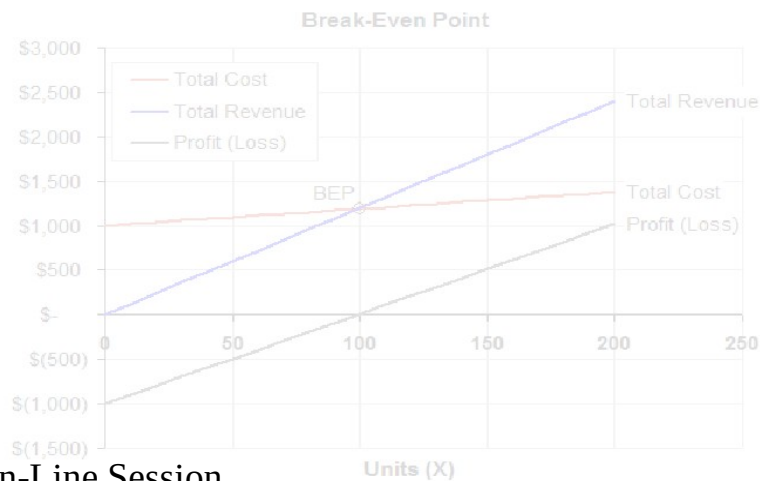


Definitions

◆ Business – Entrepreneur – Risk

◆ Product – Goods – Services

◆ Revenue – Profit – Loss



Business – Entrepreneur – Risk

➤ Business

Any activity that seeks to provide products (goods or services) to others while operating at a profit. (things needed by the society)

➤ Entrepreneur

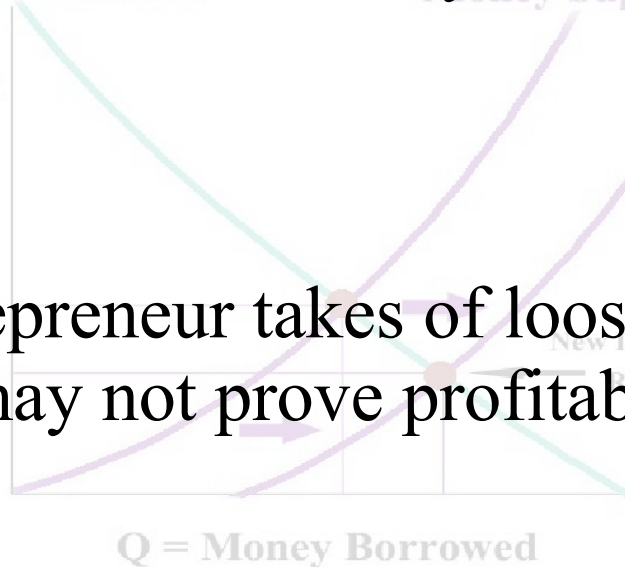
A person who risks time and money to start and manage a business.

➤ Risk

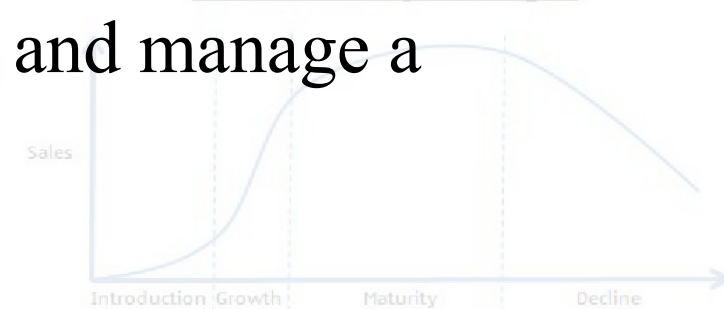
The chance an entrepreneur takes of losing time and money on a business that may not prove profitable.



$P =$
Interest
Rate



Product Lifecycle Stages



Product – Goods – Services

➤ Product

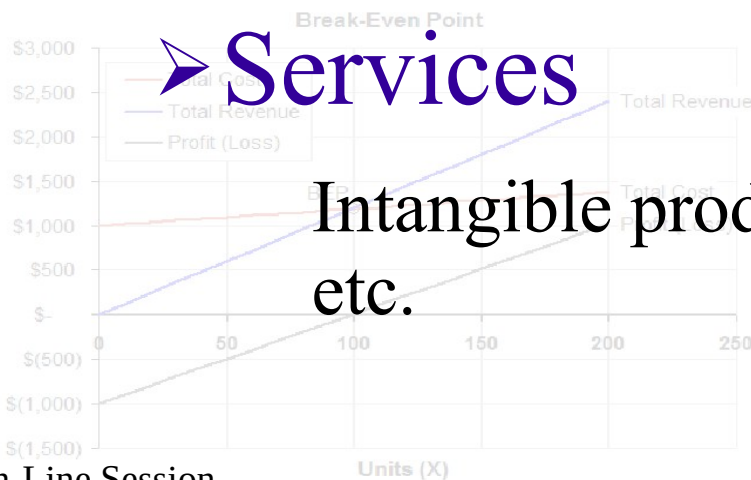
Any goods, services, or idea that satisfies a want or need plus anything that would enhance the product in the eyes of consumers.

➤ Goods

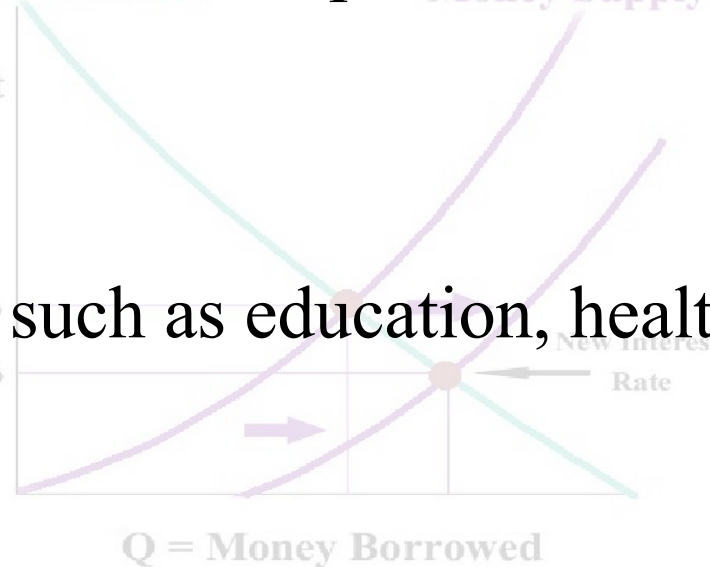
Tangible products such as computers, food, clothing, cars, and appliances

➤ Services

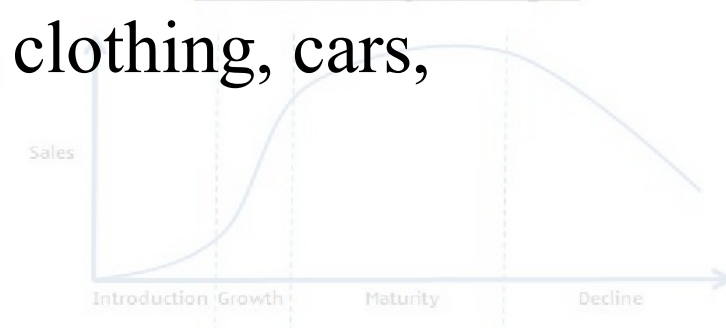
Intangible products such as education, health care, insurance, etc.



$P =$
Interest
Rate



Product Lifecycle Stages



Revenue – Profit – Loss

➤ Revenue

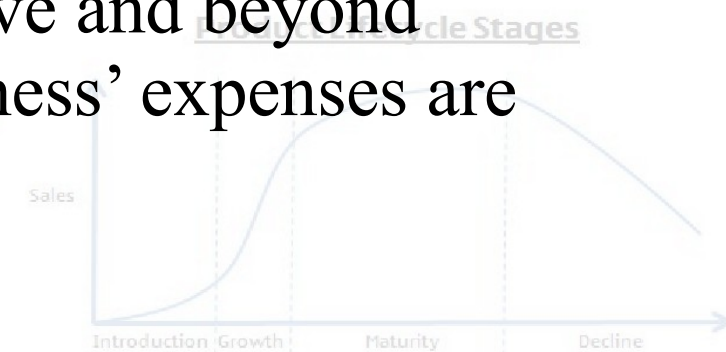
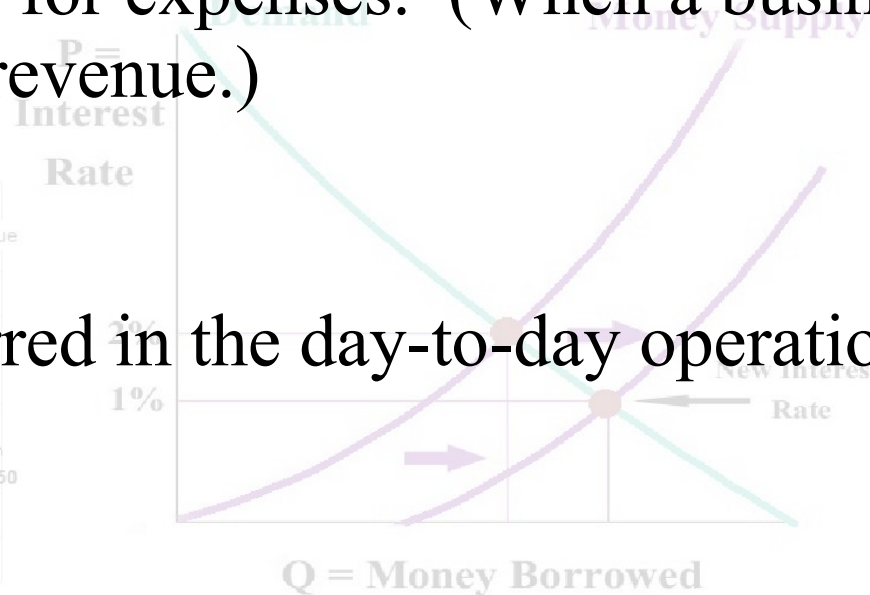
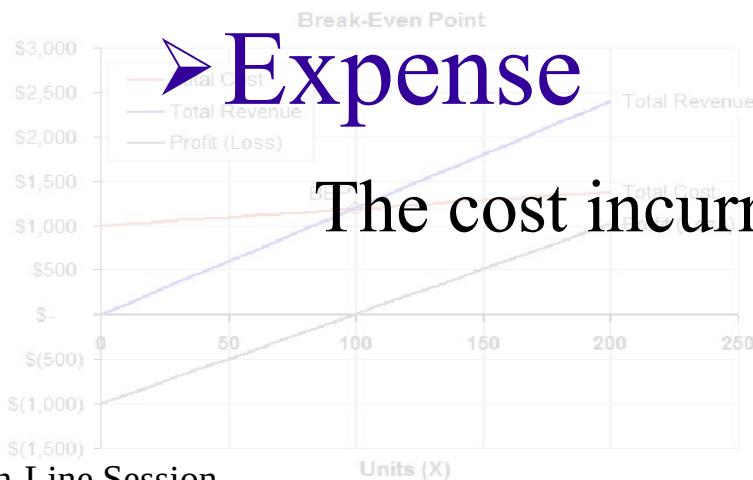
The total amount of money a business takes in during a given period by selling products.

➤ Profit (Loss)

The amount of money a business earns above and beyond what it spends for expenses. (When a business' expenses are more than its revenue.)

➤ Expense

The cost incurred in the day-to-day operations of a business



Business environment

◆ Economic.

◆ Competitive.

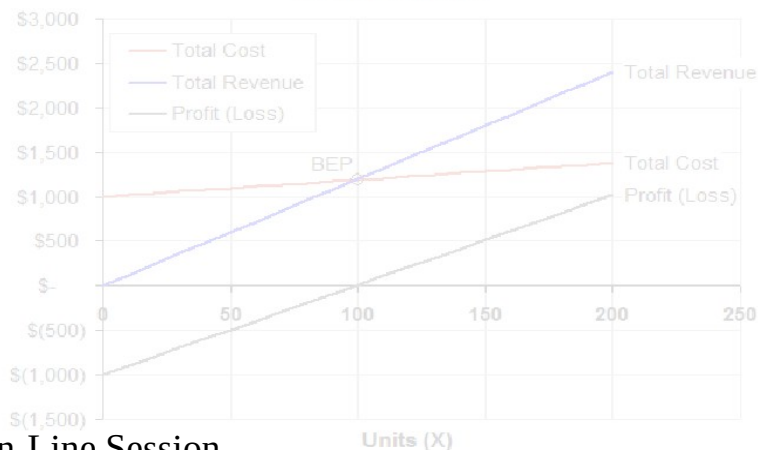
◆ Global.

◆ Government

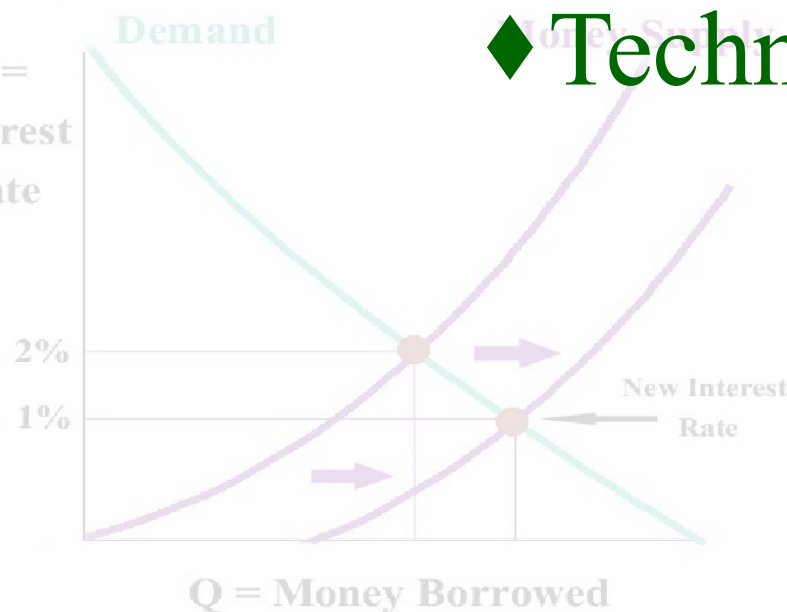
◆ Social.

◆ Technologies.

Break-Even Point



P =
Interest
Rate



Product Lifecycle Stages



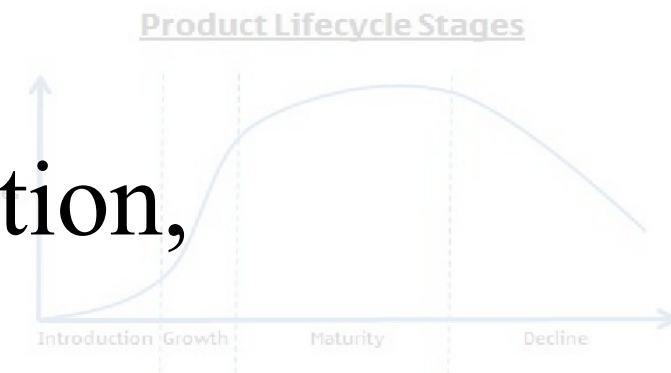
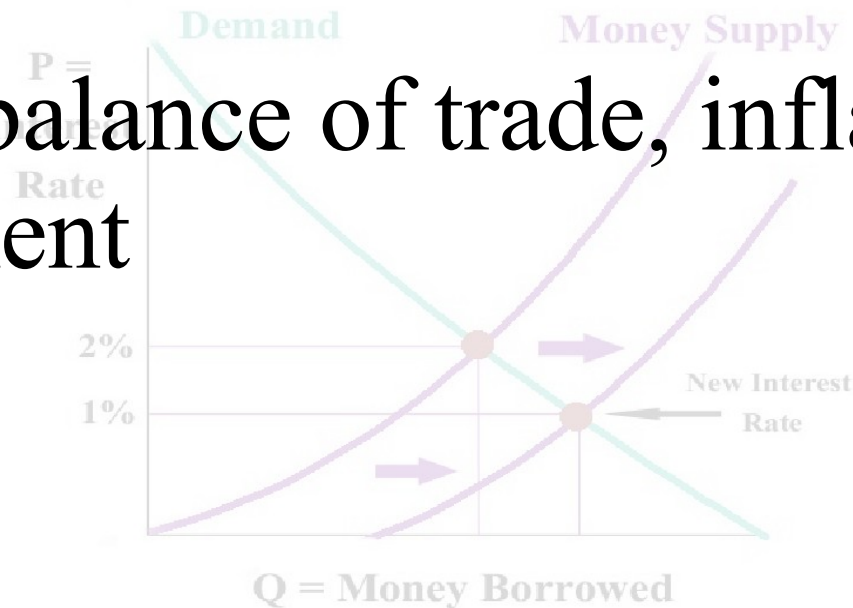
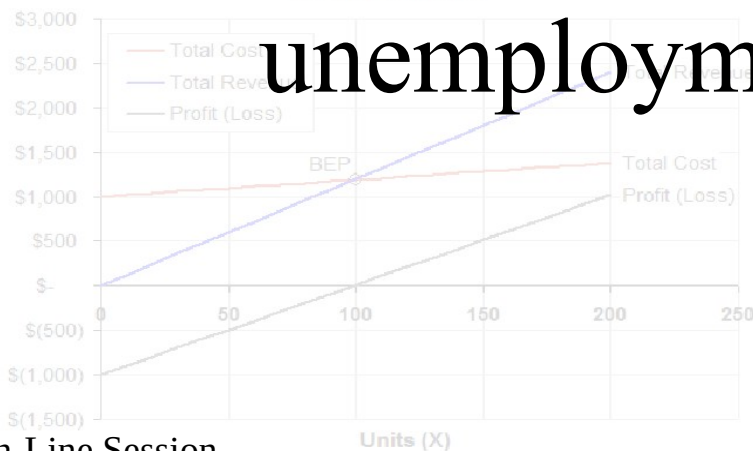
Understand economics

- Economics, macroeconomics, microeconomics.
- Types of economy.

Traditional, command, market/mixed.

- Useful economic indicators.

GDP, CPI, balance of trade, inflation, unemployment



Government

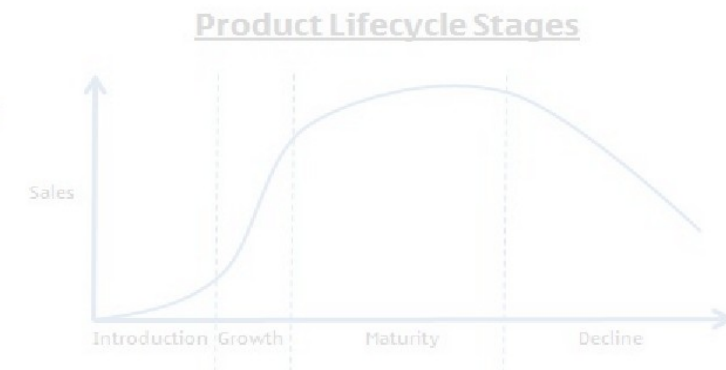
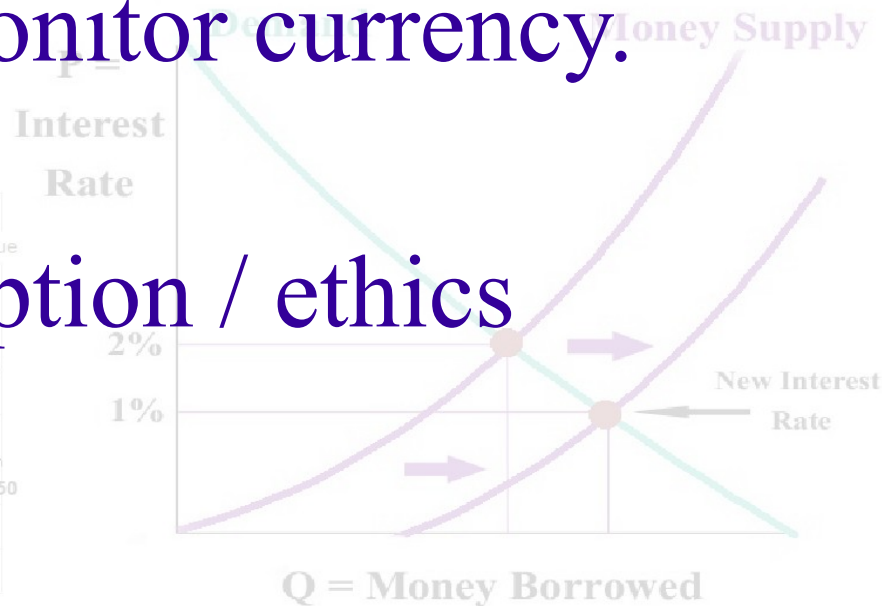
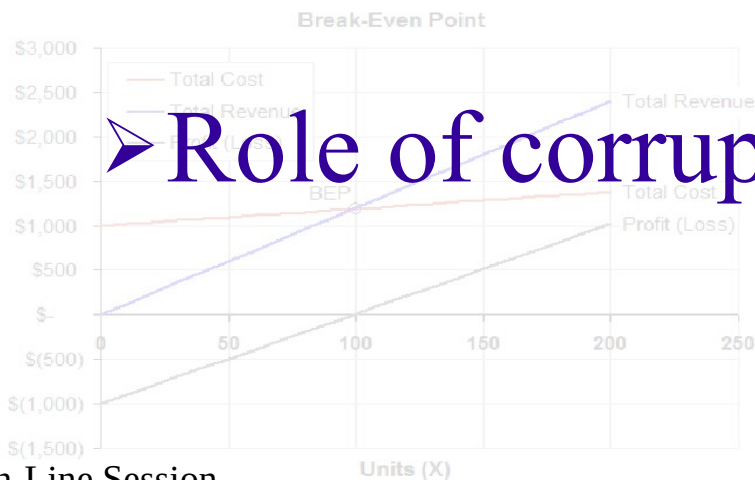
- Regulations and taxes.
- Enforcement of contract.

MERGERS AND ACQUISITIONS



- Create and monitor currency.

- Role of corruption / ethics



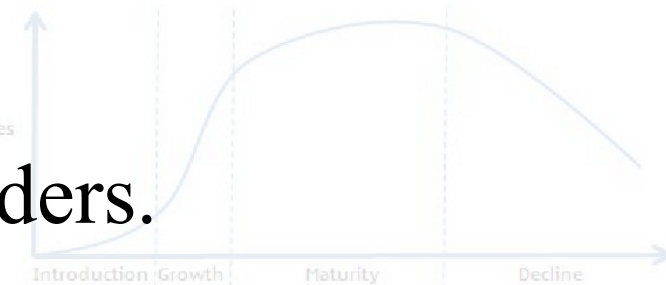
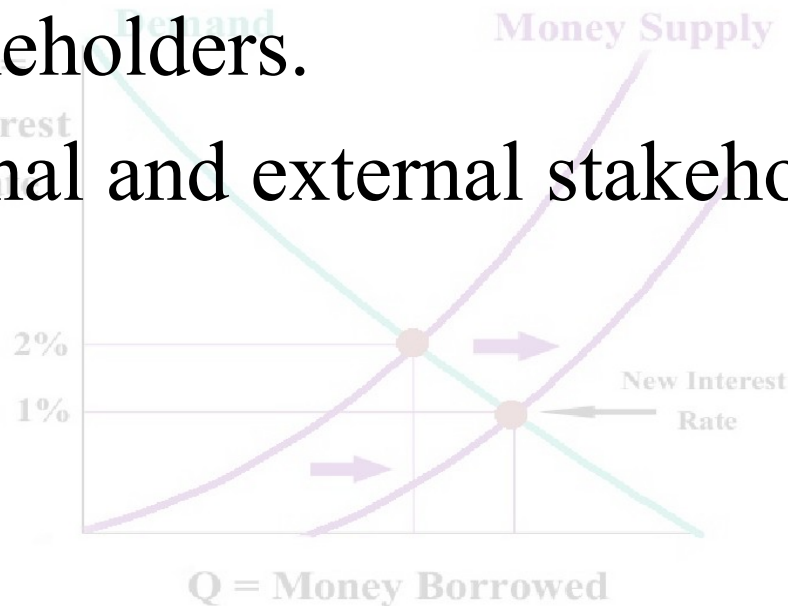
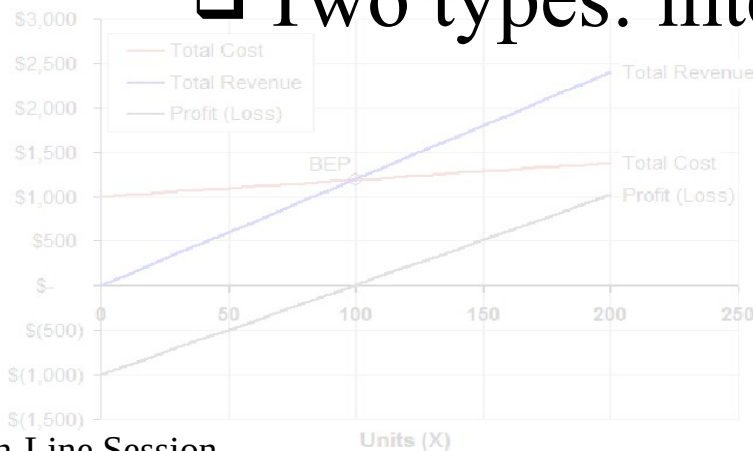
Competitive

➤ Know your “enemy” will help you “survive”

- ❑ Identifying competitor, current and future
- ❑ Apple? Wal~mart?

➤ Know your “partners” will help you succeed.

- ❑ Identify key stakeholders.
- ❑ Two types: internal and external stakeholders.



Stakeholders

External Stakeholders

- Customers
- Suppliers
- Creditors/Banker
- Governments
- Unions
- Local communities
- General public
- Retailers
- Media

Internal Stakeholders

- Stockholders
- Employees
- Managers
- Board members

The Company

Contributions

Contributions

Inducements

Inducements

Total Revenue
Total Cost
Profit (Loss)

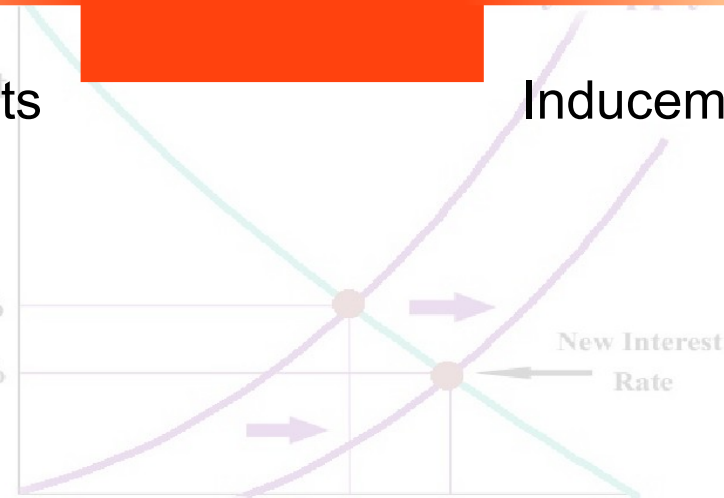


$P =$

Interest
Rate

2%
1%

$Q =$ Money Borrowed



Social

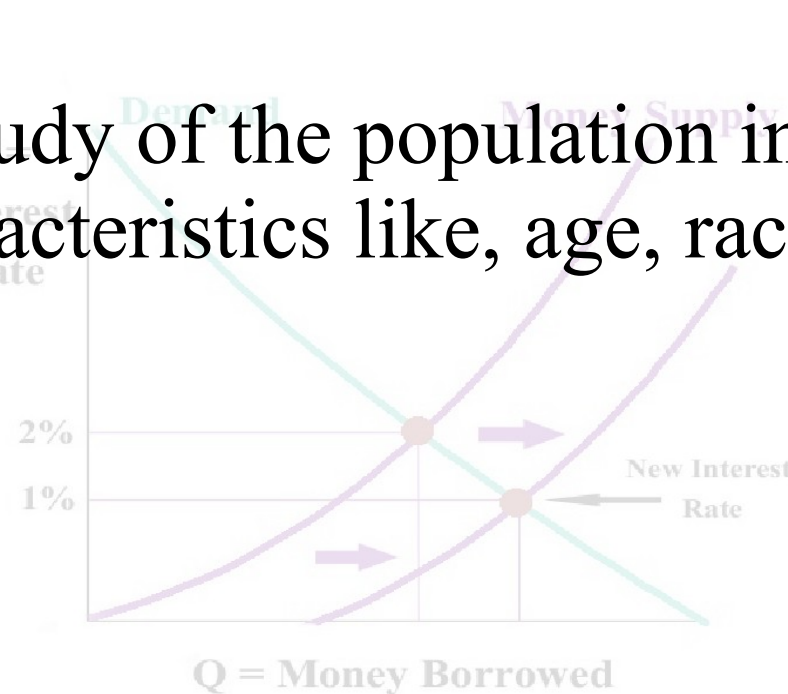
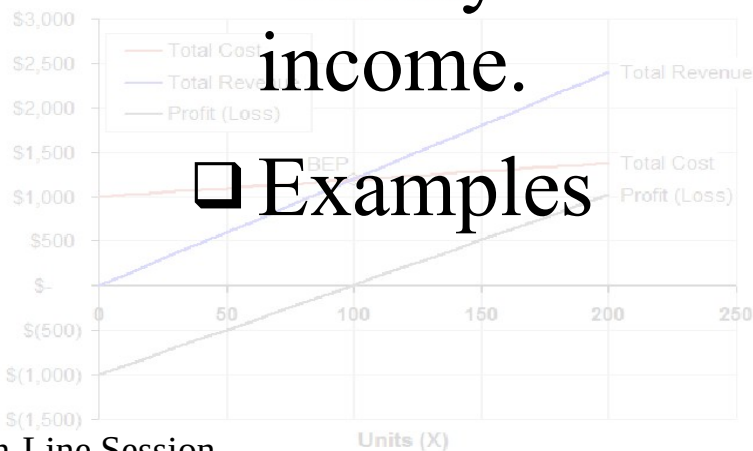
➤ Important for

- ❑ Employee – Diversity
- ❑ Marketing – Market segments

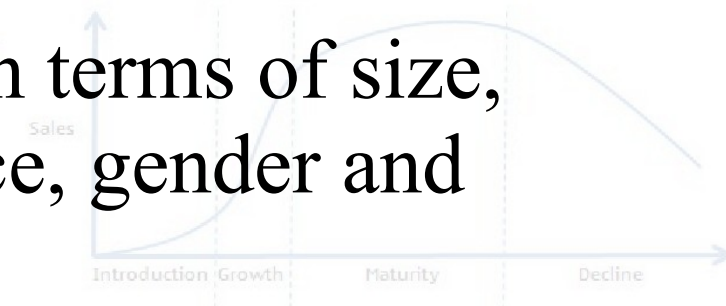
➤ Demography

- ❑ The statistical study of the population in terms of size, density and characteristics like, age, race, gender and income.

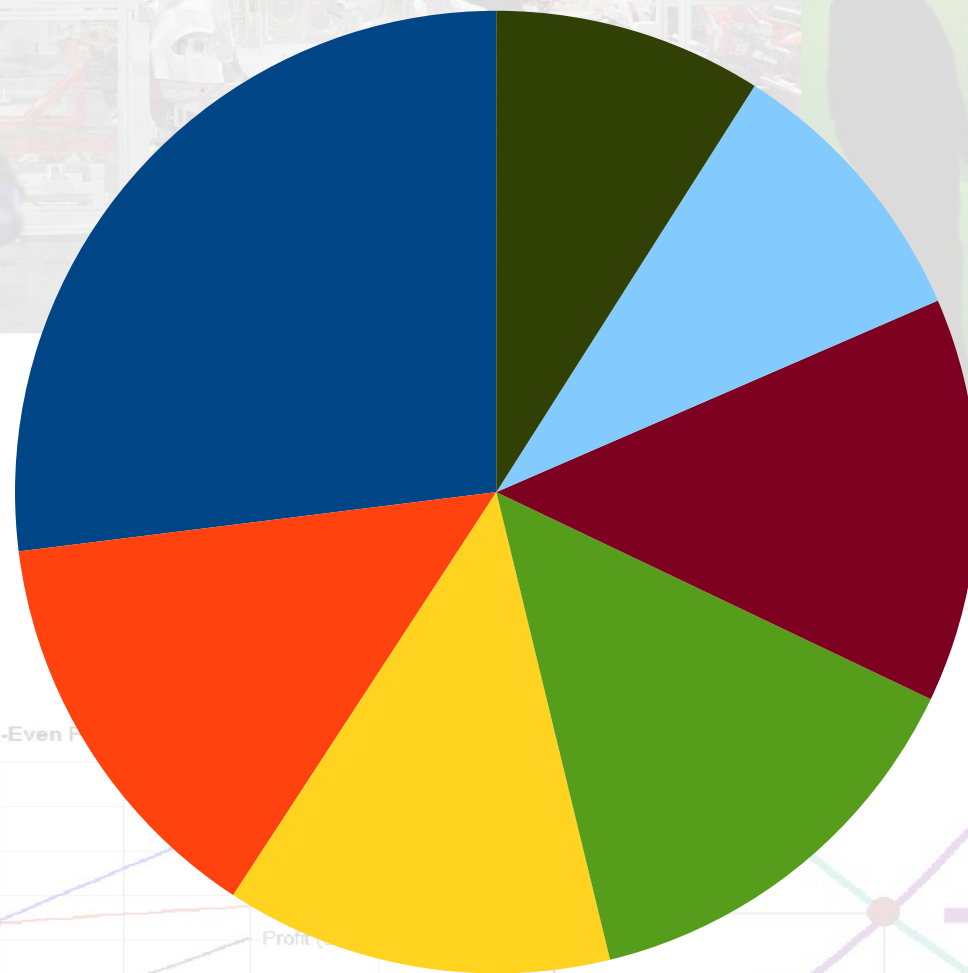
❑ Examples



Product Lifecycle Stages



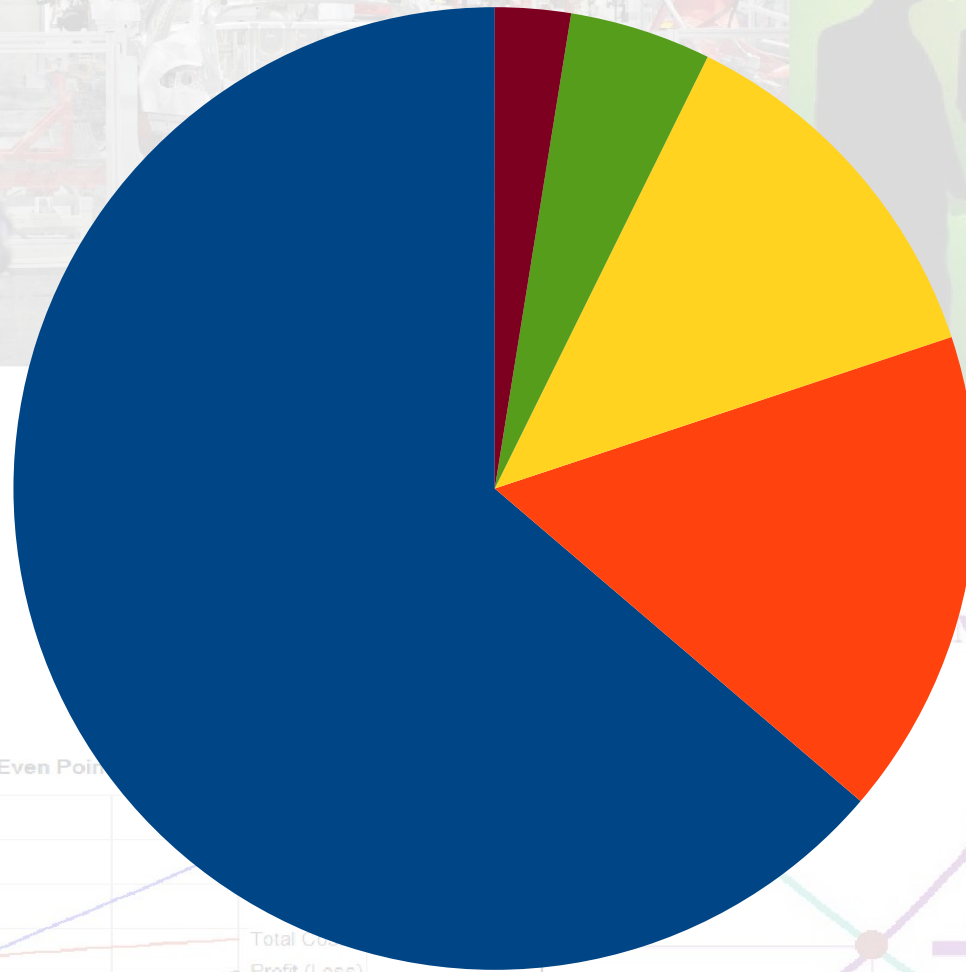
US demography by age (2010)



- Under 20 27%
- 20 to 29 13.8%
- 30 to 39 13.0%
- 40 to 49 14.1%
- 50 to 59 13.6%
- 60 to 69 9.5%
- 70 and over 9.0%

<http://www.census.gov/prod/cen2010/briefs/c2010br-03.pdf>

US demography by race (2010)



- White 63.7%
- Hispanic 16.3%
- Black 12.6%
- Asian 5.8%
- Others 2.5%

<http://www.census.gov/prod/cen2010/briefs/c2010br-02.pdf>

Global

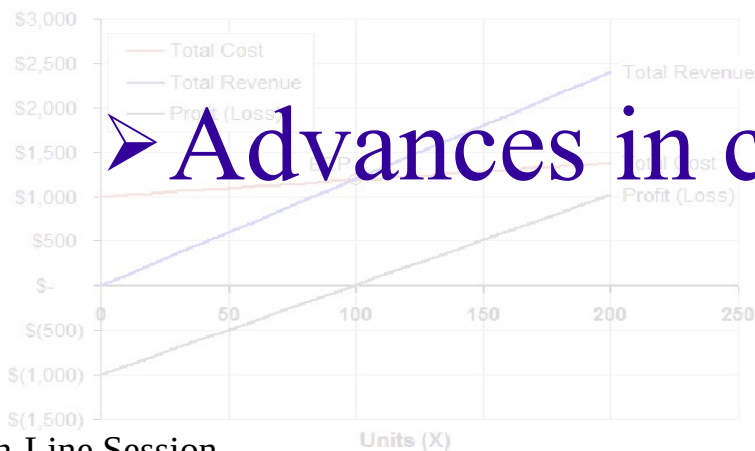
MERGERS AND ACQUISITIONS

- Growth of global competition.
- Increase of free trade among nations.

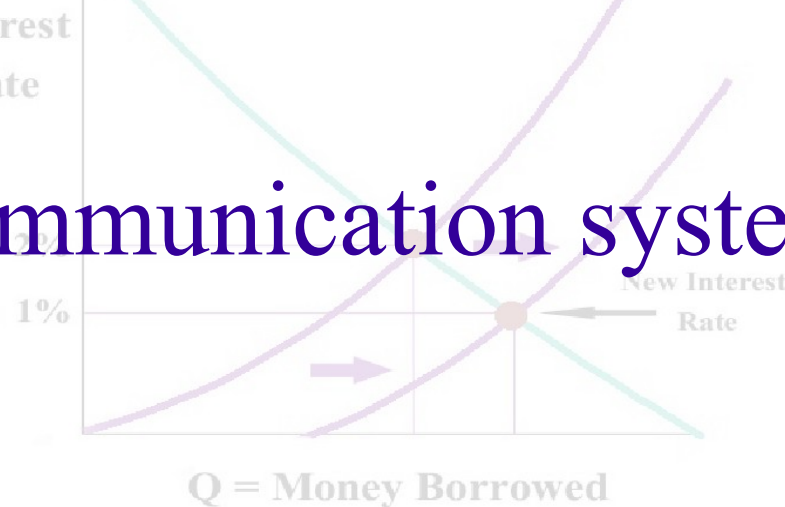
- Development of efficient distribution systems.

- Advances in communication systems.

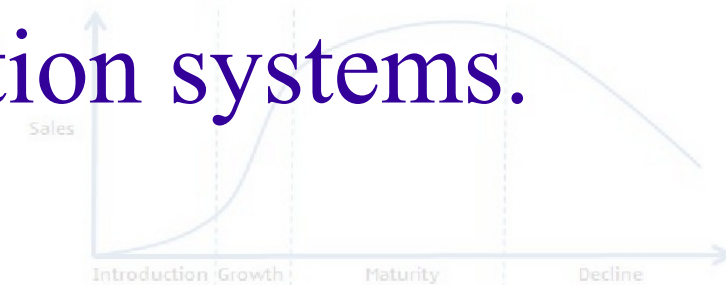
Break-Even Point



Interest Rate



Product Lifecycle Stages



Technologies

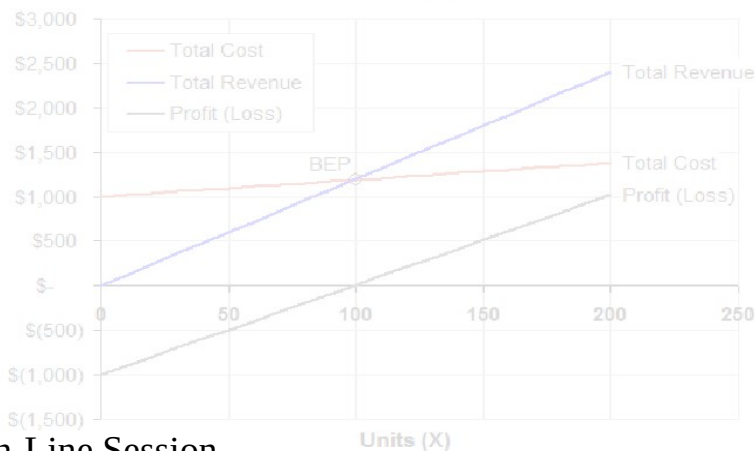
- Some definitions
- Benefits of technologies

- Dark side of technologies

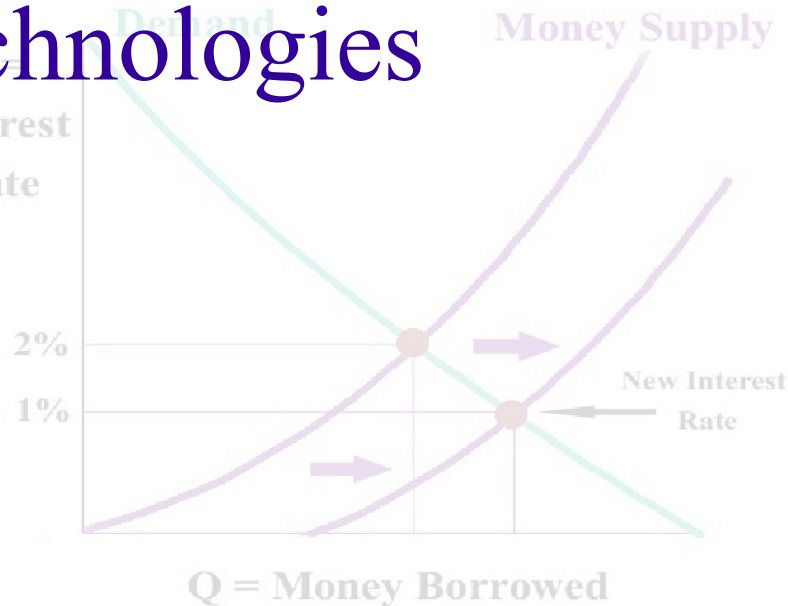
MERGERS AND ACQUISITIONS



Break-Even Point



Interest Rate

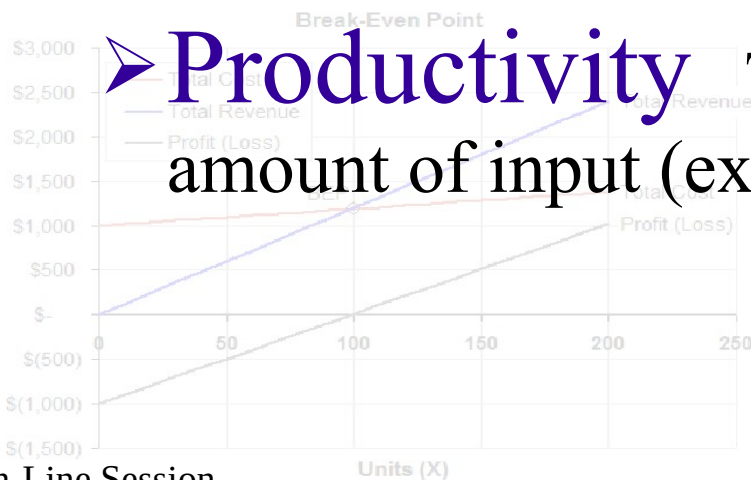


Product Lifecycle Stages

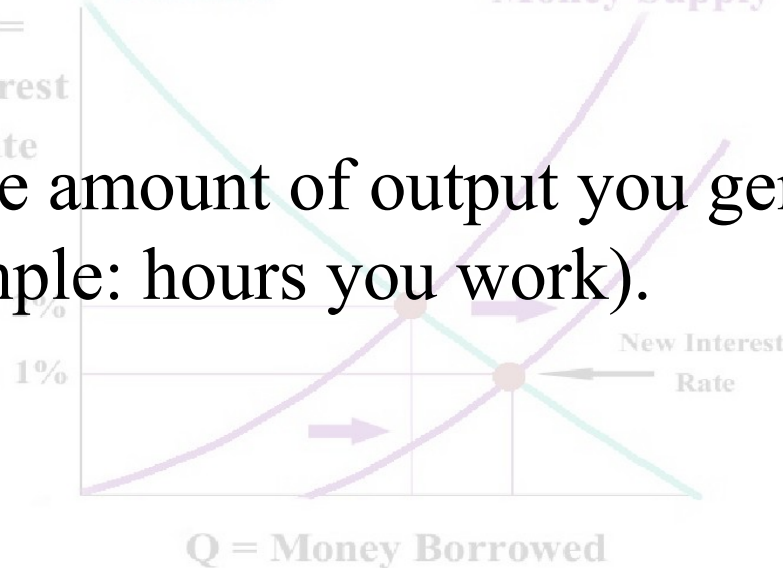


Definitions

- **Technology** Everything from phones to copiers and the various software programs that make businesses more effective, efficient and productive.
- **Effectiveness** producing the desired result.
- **Efficiency** Producing goods and services using the least amount of resources.
- **Productivity** The amount of output you generate given the amount of input (example: hours you work).



P =
Interest
Rate



Product Lifecycle Stages

Sales

Introduction

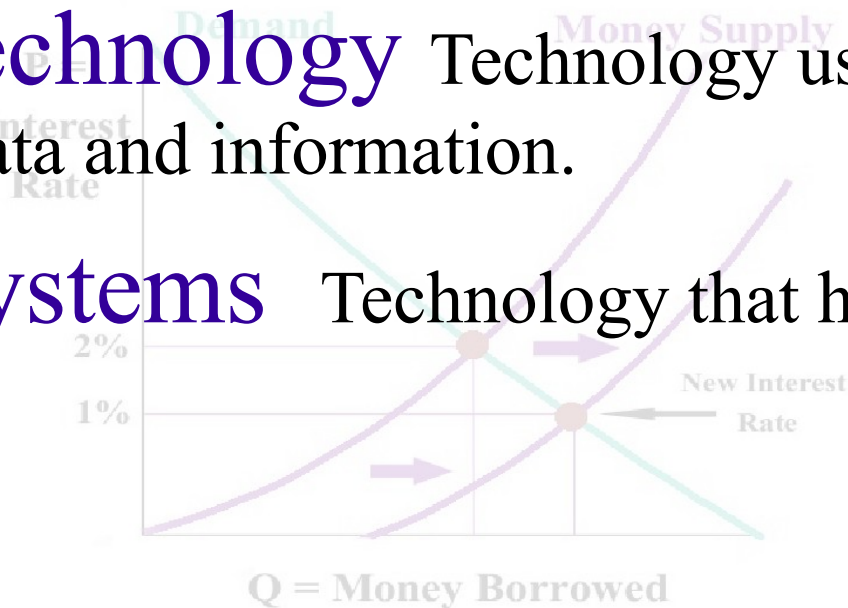
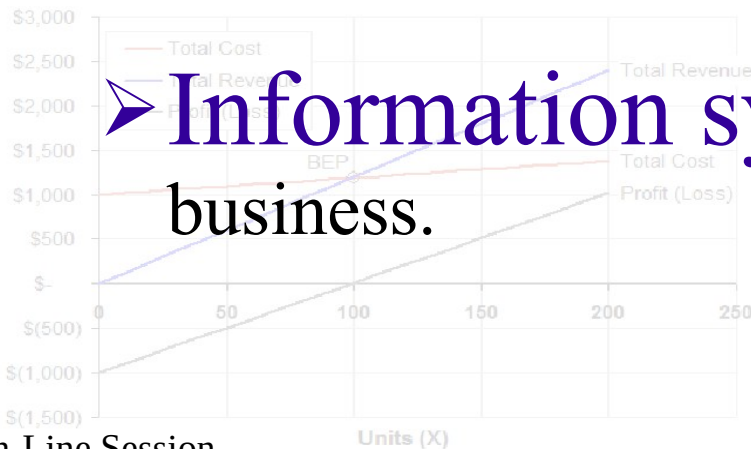
Growth

Maturity

Decline

Definitions

- **Data** Raw, unorganized facts.
- **Information** Processed/organized/transformed data that is useful to a person making a decision.
- **Database** An electronic storage file for information.
- **Information technology** Technology used to store, retrieve, and communicate data and information.
- **Information systems** Technology that helps companies do business.



Product Lifecycle Stages



Benefits of technologies

➤ Better products

- ❑ Faster / More responsive
- ❑ Do more with less
- ❑ Improved features

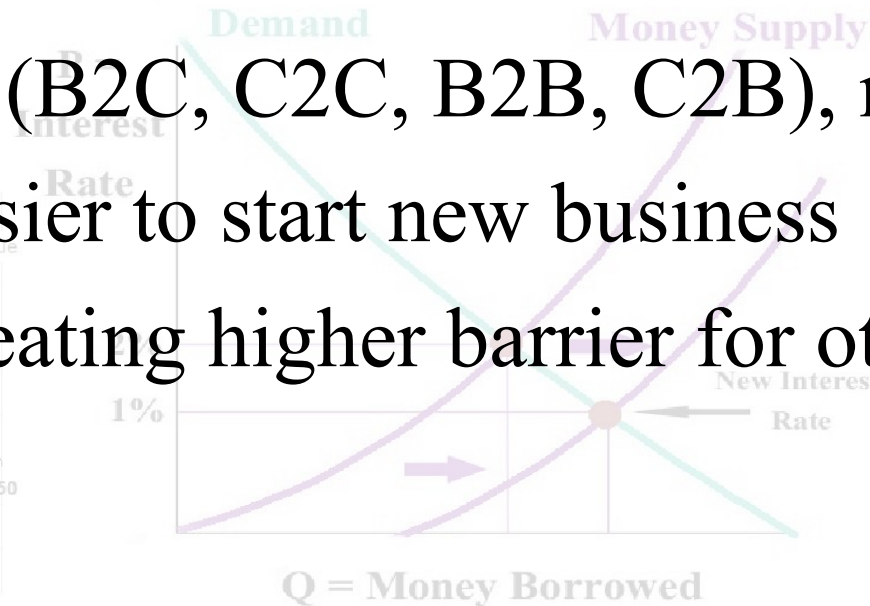
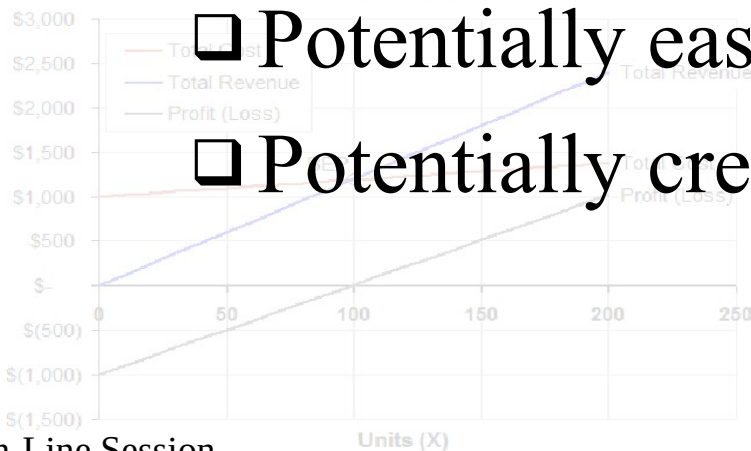
➤ More opportunities

- ❑ e-Commerce (B2C, C2C, B2B, C2B), m-Commerce
- ❑ Potentially easier to start new business
- ❑ Potentially creating higher barrier for others.

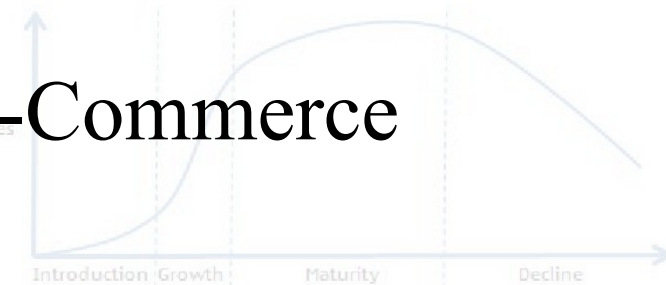
MERGERS AND ACQUISITIONS



Break-Even Point



Product Lifecycle Stages



Dark side of technologies

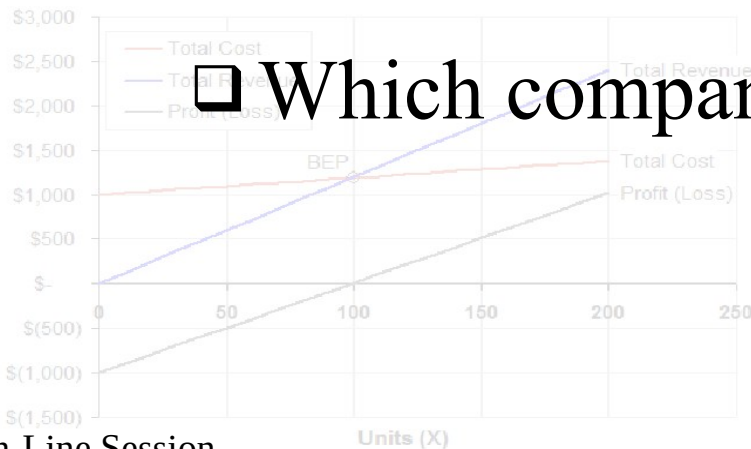
➤ Identity theft

- ❑ Often result of weak passwords
- ❑ Phishing attacks

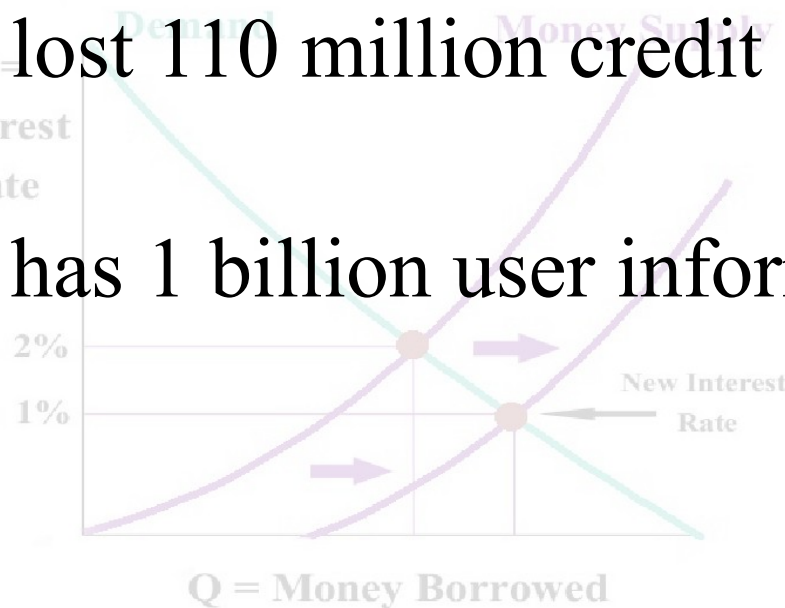
➤ Recent events

- ❑ Which company lost 110 million credit card info in 2013?

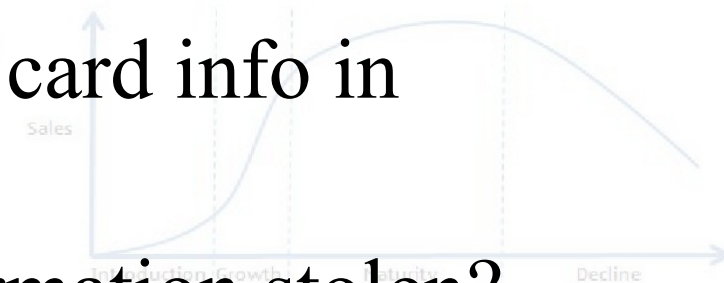
- ❑ Which company has 1 billion user information stolen?



Interest
Rate



Product Lifecycle Stages



History of the American businesses

Agriculture era

Manufacturing era

Service era

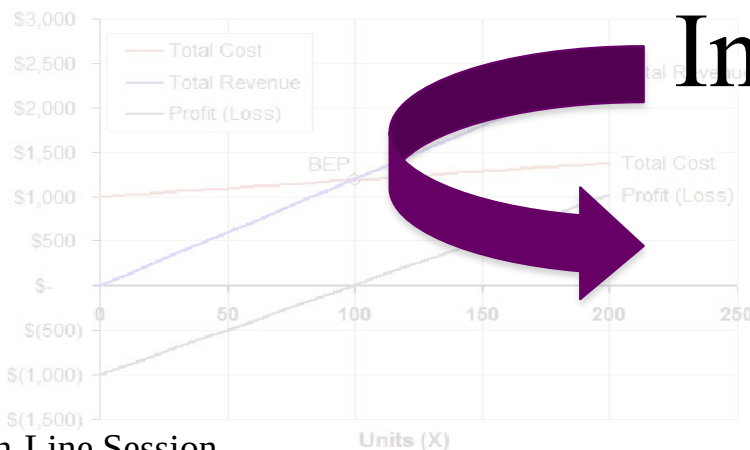
Information-based era

Future?

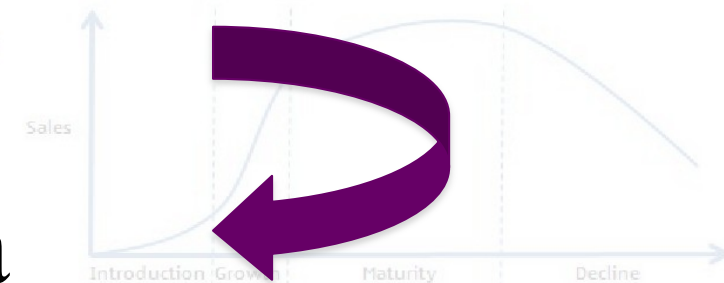
MERGERS AND ACQUISITIONS

Product Lifecycle Stages

Break-Even Point



P = Interest Rate



Agricultural era

➤ Period: Until mid 1800s, agricultural leads economic development

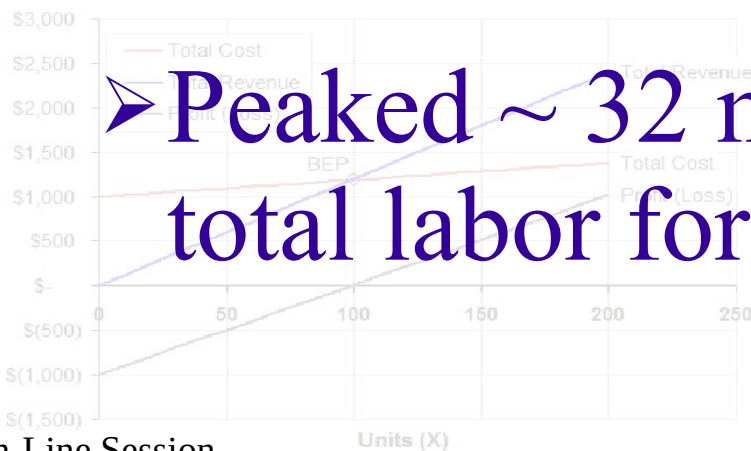
➤ Technology focused on making farming more efficient

➤ Peaked ~ 32 million farmers in 1910 (31% of total labor force)

MERGERS AND ACQUISITIONS



Break-Even Point



P =
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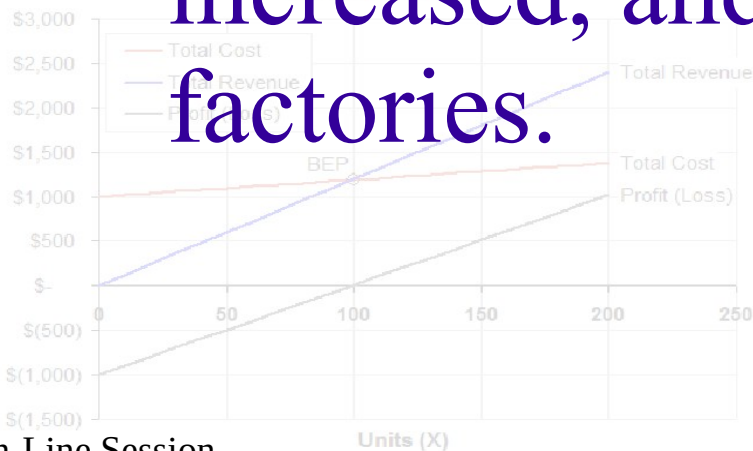


Product Lifecycle Stages



Manufacturing era

- Dawn of industrialization in mid 1800s.
- Jobs moved from farms to factories
- As automation improved, worker productivity increased, and less employees needed in factories.

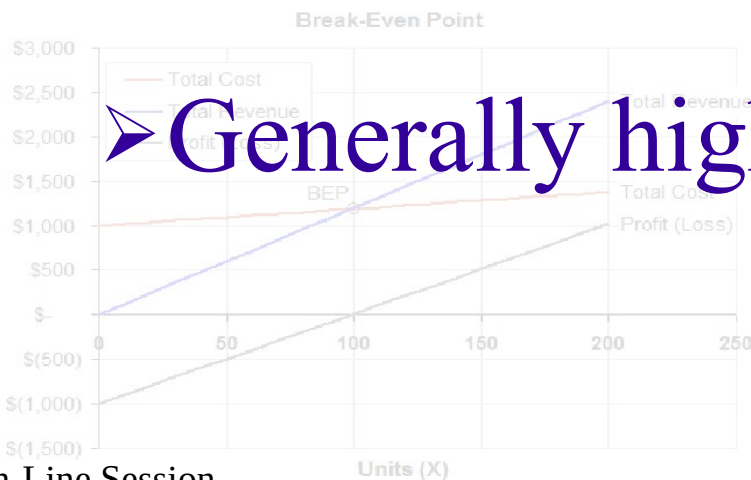


Service era

➤ Now accounts for more than 70% of the US economy.

➤ More jobs were created since 1980 from the retail, professional, and technical jobs.

➤ Generally higher pay than agricultural positions



$P =$
Interest
Rate

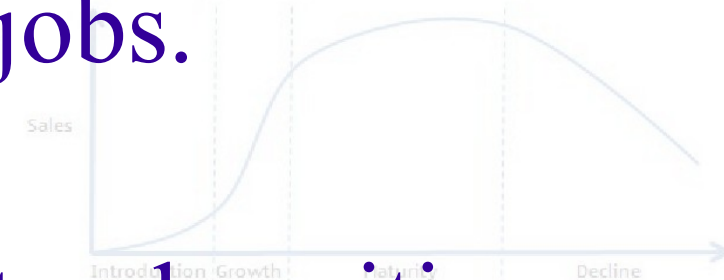
2%

1%

$Q =$ Money Borrowed

New Interest
Rate

Product Lifecycle Stages

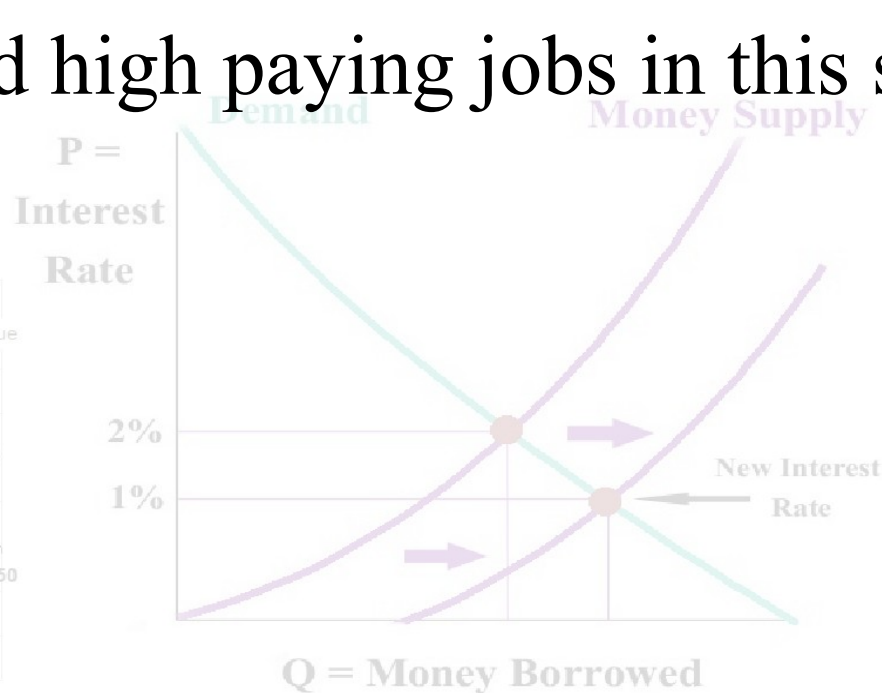
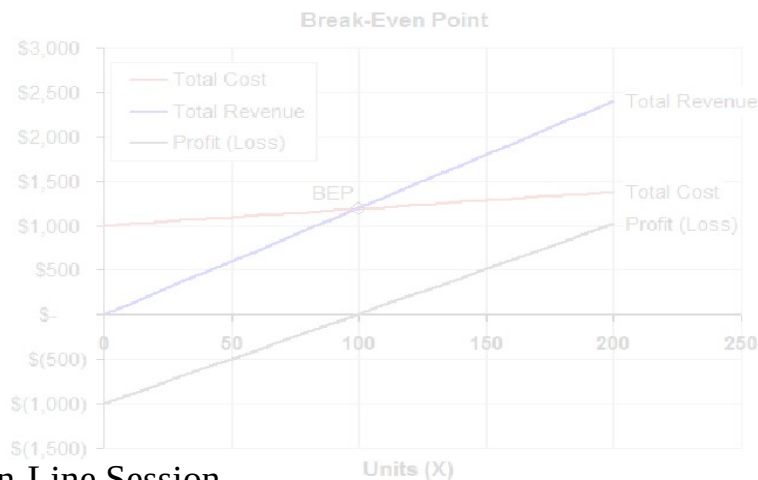


Information-based era

➤ Information systems / information technology sectors (part of the service sector)

❑ Can and has affected jobs in agriculture, manufacturing, and services.

❑ Many new and high paying jobs in this sector since 2000s.



TED talks

◆ Scott Galloway

How Amazon, Apple, Facebook, and Google manipulate our emotions?

◆ David Autor

Why are there still so many jobs?

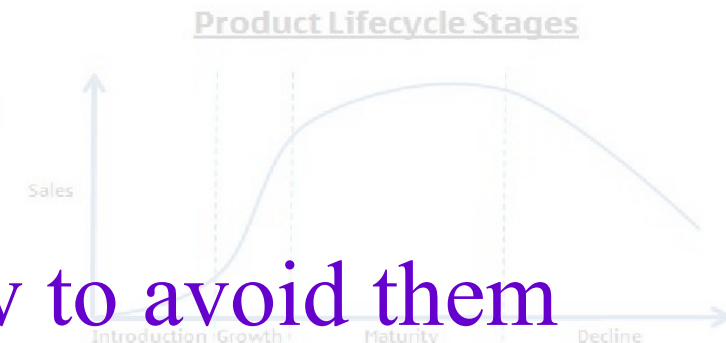
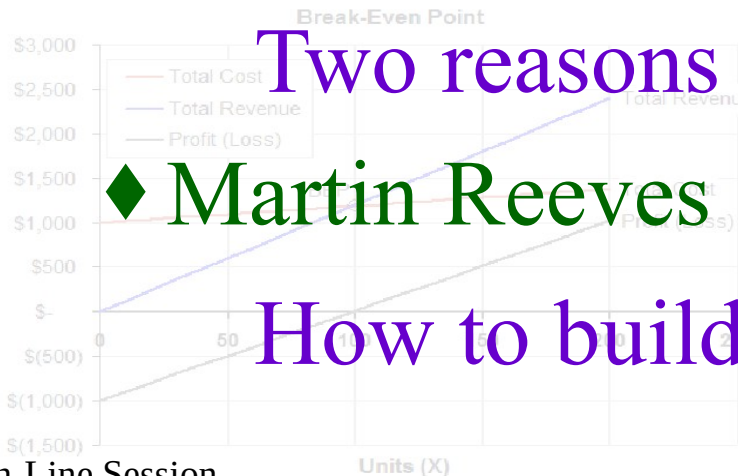
◆ Knut Haanaes

Two reasons companies fail and how to avoid them

◆ Martin Reeves

How to build a business that lasts 100 years

MERGERS AND ACQUISITIONS



Future challenges for businesses

- ◆ Technology becomes more affordable.
- ◆ Growth of the service economy.
- ◆ O2O !!! What is it?
- ◆ Global competition is here to stay.
- ◆ Will there be WORK in the future for people?

