



Hong Kong

**NETWORKING UNTIL 14h00**



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# OPENING REMARKS



# AGENDA

<u>TIME</u>	<u>DURATION</u>	<u>ACTIVITY</u>
13h30 – 14h00	30 min	<del>Networking</del>
14h00 – 14h05	5 min	<b>Opening Remarks</b>
14h00 – 14h15	5 min	Your Instructors
14h15 – 16h15	120 min	Pedagogy + Q&A
16h15 – 16h40	25 min	Discussion
16h40 – 16h45	5 min	Closing Remarks
16h45 – 17h00	15 min	Networking



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**YOUR INSTRUCTOR(S)**

# Graham Leach



- Serial Entrepreneur
- Merchant Banker
- Angel Investor
- Lecturer

*Entrepreneur in Residence* at POLYU  
School of Design incubator (M-Lab)

POLYU Lecturer (in Entrepreneurship)

Hong Kong SLP Program Head (2013)



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**DOING DEALS**



# DOING DEALS

## Overview

- Introduction (gl)
- Focus: Licensing (gl)
- Focus: Joint Ventures (gl)
- Focus: Strategic Investments (gl)

Format: 20 minute lectures  
10 minute question & answer period



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# INTRODUCTION





# DOING DEALS

## DOING DEALS: An Introduction

First we need to make sure that we all share a common understanding, vocabulary and approach so as to avoid confusion, wasted time/money and lost opportunities.

- Popular Conceptions & Misconceptions
- Specialized Vocabulary (jargon)
- Establish A Familiar Context



# INTRODUCTION

## **Popular Conceptions & Misconceptions**

First, we need to calibrate our collective mindset with respect to what “Doing Deals” and “Partnership” really means. Let’s spend a couple of minutes exploring these specific scenarios in light of those broad terms:

- Licensing
- Joint Venture
- Merger & Acquisition



# INTRODUCTION

## **Specialized Vocabulary (jargon)**

Next, we need to make sure that the words we use from now on share a common meaning for the group, so let's identify and define important terms:

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# INTRODUCTION

## Establish A Familiar Context

Finally, how about we utilize a **familiar** social context to empower everyone, regardless of business experience, to quickly “bring their top game” to this potentially new, dangerous and unfamiliar social context?

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**BREAK**



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**LICENSING**



# DOING DEALS

## Licensing

DATING (v):

*The least intimate of the relationships “with benefits”*

- Very focused on the exchange of money for time
- Can be very restrictive, constraining and parochial
- Excellent prospects if sited in the right time & place



# LICENSING

## Rooted in the concept of “Money for Time”

Licensing is always lopsided in nature, someone has an intellectual (or real) property, someone else has money and is willing to rent that property.

- Business: Franchising
- Science: Patent
- Fun: Licensing





# LICENSING

## **Very Right for Some, Very Wrong for Others**

Some of the dynamics surrounding Licensing are a comfort for some entrepreneurs and a bane to others. To be successful in licensing you should establish first and foremost what your social dynamic as a person is.

- Are you creative and inventive?
- Do you like process and procedures?
- Are you a team player? Can you build teams?



# LICENSING

## Excellent, Low(er) Risk Profit Potential

There are many examples in history of entrepreneurs who come into a new market with a tried and true formula that they hope will make them rich. Hope did not always translate to reality, but enough did to sustain and perpetuate this model.

- Success: ( )
- Failure: ( )
- Undefined: ( )



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# LICENSING Q&A



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**BREAK**



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# JOINT VENTURE



# DOING DEALS

## Joint Venture

LIVING TOGETHER (v):

*An indefinite and often confusing quasi-commitment*

- Often used to overcome some kind of non-physical barrier
- Often used to mate players with lopsided business models
- Transitional in nature and therefore doomed to fail



# JOINT VENTURE

## Used to Overcome Non-Physical Barriers

Joint Ventures are used to **mitigate** external risk

- Structural
- Temporal
- Financial
- Cultural



# JOINT VENTURE

## Lopsided Business Models

Joint Ventures feature endless **cynical** behaviors.

- Gamesmanship
- Insincerity
- Cheating





# JOINT VENTURE

## Transitional and Doomed to Fail

Gamesmanship by both sides eventually **poison** the relationship. Normally blamed on the actions of short-sighted middle managers, what is really happening is proxy battles waged on behalf of pragmatic big bosses.

- Grey or Black market activity
- Supply Chain Chicanery
- Outright Abrogation



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# JOINT VENTURE Q&A



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**BREAK**



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# STRATEGIC INVESTMENT



# DOING DEALS

## Strategic Investment

MARRIAGE (n):

*A permanent, complicated and contentious experience*

- Minority
- Majority
- Buyout



# STRATEGIC INVESTMENT

## Minority: The Honeymoon

Minority stake investments are really Angel Investing, but on a corporate level. Don't be fooled by the size of the transaction or the rhetoric. Look at the **actions** of the players involved, especially in the post-transaction.

- Sellers use it to (re)capitalize
- Buyers use it to option interesting ideas
- Buyers use it to option interesting people



# STRATEGIC INVESTMENT

## **Majority: Getting Ready For A Divorce**

Majority stake investments happen when the purchasing party is somehow held back from achieving what they really want, which is **unquestioned control**.

But, some limitations make a Majority Stake inevitable:

- Capital
- Relationships
- Comprehension



# STRATEGIC INVESTMENT

## Buyout: Divorce (and settlement)

This is really the preferred transaction most of the time. Why? Because it is **permanent** and **absolute** – qualities that businesses (and investors) like to feature in their businesses and their lives, like anyone else. Issues are:

- Amicably Finalizing the Transaction
- Dealing with Entanglements
- Dividing the Indivisible





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# STRATEGIC INVESTMENT Q&A



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**BREAK**



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# OPEN DISCUSSION



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# CLOSING REMARKS



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# ANNOUNCEMENTS



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**NETWORKING UNTIL 17h00**