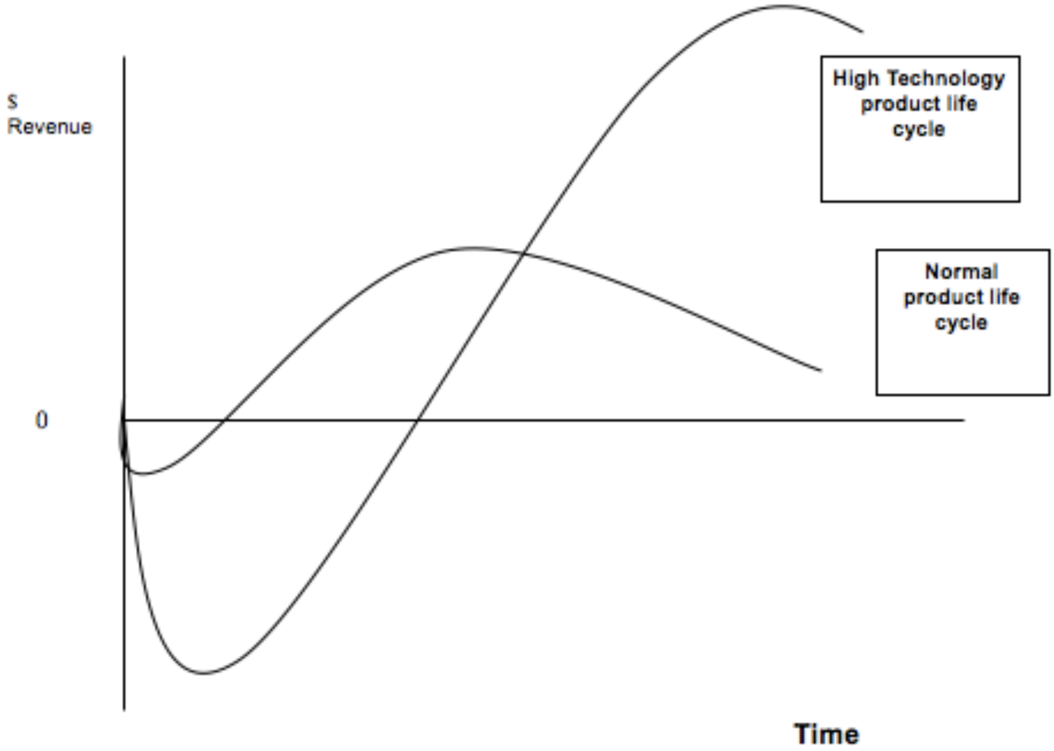
- Very long time to develop a product compared to a short life cycle – main exit strategy is IPO – allows the inventors to capitalise on their first development without having to commercialise it completely.



5. Networks

- Building an industry:
  1. achieve critical mass (sufficient numbers of growing firms to be visible in the market) for innovation diffusion, lobbying strength, access to infrastructure, joint ventures, attract foreign investment
     - ➢ use clusters as a tool to achieve this
  2. action: a process for facilitating the establishment and ongoing management of clusters.
  3. Taking steps: identification of cluster needs
- Dynamic networks allow firms to focus on their core competencies and to partner with other firms along the industry value chain
- Strategic alliances – a vehicle for the diffusion of technological knowledge
- Networks allow better economies of scope through outsourcing
- By maintaining its innovativeness and SME status, a firm can avoid being dominated by its local customers and industries using its networks and entrepreneurial management to create new products and technical information to build scope through increasing current product capabilities or increasing the portfolio of innovations.
- Transaction cost economics promotes efficiency in the governance structure through the most optimal exchanges of transactions between firms or individuals.
- Not limiting access to ideas and innovation may allow for enhanced opportunity for diffusion of the innovation throughout the innovation => increased market size, more competitors means each seeks to differentiate with their own incremental innovations of the original product (creates advantages for the market as a whole). Large share of small market vs small share of large market.
- Important economic element for networks and alliances is economies of scope
- Networks: clusters of teams or specialist units coordinated by market mechanisms instead of chains of command.