

Unit 33: Small Business Enterprise

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Learning Outcome 2

- Be able to propose changes to improve management and performance:
 - AC 2.1 recommend with justification, appropriate actions to overcome the identified weaknesses management in business
 - AC 2.2 analyse ways in which existing performance could be maintained and strengthened
 - AC 2.3 recommend with justification, new areas in which the business could be expanded

In this Session

- LO1 Be able to investigate the performance of a selected small business enterprise
 - AC 2.1 recommend with justification, appropriate actions to overcome the identified weaknesses management in business:
 - Problem-solving strategies
 - Finding solutions and alternatives,
 - Availability and use of outsourcing for specific functions
- Further Readings
- References

Business Analysis

- Business Analysis is the set of tasks, knowledge and techniques required to identify business needs and determine solutions to business problems.
- Solutions often include a systems development component, but may also consist of process improvement or organizational change.
- **Business Analysis** is the practice of enabling change in an organizational context, by defining needs and recommending solutions that deliver value to stakeholders. The set of tasks and techniques that are used to perform **business analysis** are defined in A Guide to the **Business Analysis Body of Knowledge**[®] (BABOK[®] Guide).
- Source: International Institute of Business Analysis –Body of Knowledge (BABOK)

Business Analyst

- The Business Analyst is an agent of change. Business Analysis is a disciplined approach for introducing and managing change to organizations, whether they are for-profit businesses, governments, or non-profits.

Business analysis is used to identify and articulate the need for change in how organizations work, and to facilitate that change. As business analysts, we identify and define the solutions that will maximize the value delivered by an organization to its stakeholders. Business analysts work across all levels of an organization and may be involved in everything from defining strategy, to creating the enterprise architecture, to taking a leadership role by defining the goals and requirements for programs and projects or supporting continuous improvement in its technology and processes.

Methods of Business Analysis

- Collection of data from a range of sources
 - Market research
 - Past sales data
 - Market growth data
 - Specialist analyst data
 - Secondary data

Performance Measurement

Range of methods used to analyse data:

- Trends
- Growth rates
- Nominal
- Average
- Mean
- Median
- Mode
- Variance
- Standard deviation
- Range
- Time series analysis
- Scatter graphs
- Correlation

Presentation

- O'Connor (2015) indicate the following way to present information:
 - Graphs
 - Charts
 - Tables
 - Index numbers –Method of showing average changes in large amounts of data
 - Laspeyres–Uses a base period weighting measurement
 - Paasche–Uses a current price weighting measurement

SWOT Analysis

Strengths



Weaknesses



Opportunities



Threats



Internal Factors: Strengths and Weaknesses (S, W)

- **Internal factors include your resources and experiences. General areas to consider:**
 - Human resources - staff, volunteers, board members, target population
 - Physical resources - your location, building, equipment
 - Financial - grants, funding agencies, other sources of income
 - Activities and processes - programs you run, systems you employ
 - Past experiences - building blocks for learning and success, your reputation in the community
- Don't be too modest when listing your strengths. If you're having difficulty naming them, start by simply listing your characteristics (e.g., we're small, we're connected to the neighborhood). Some of these will probably be strengths.
- Although the strengths and weakness of your organization are your internal qualities, don't overlook the perspective of people outside your group. Identify strengths and weaknesses from both your own point of view and that of others, including those you serve or deal with. Do others see problems--or assets--that you don't?
- How do you get information about how outsiders perceive your strengths and weaknesses? You may know already if you've listened to those you serve. If not, this might be the time to gather that type of information. This can be gathered through focus groups, surveys and listing session.

Listing External Factors: Opportunities and Threats (O, T)

- Cast a wide net for the external part of the assessment. No organization, group, program, or neighbourhood is immune to outside events and forces. Consider your connectedness, for better and worse, as you compile this part of your SWOT list.
- **Forces and facts that your group does not control include:**
 - Future trends in your field or the culture
 - The economy - local, national, or international
 - Funding sources - foundations, donors, legislatures
 - Demographics - changes in the age, race, gender, culture of those you serve or in your area
 - The physical environment (Is your building in a growing part of town? Is the bus company cutting routes?)
 - Legislation (Do new federal requirements make your job harder...or easier?)
 - Local, national or international events

PORTER'S FIVE FORCES MODEL

- Porter's five forces model is an analysis tool that uses five industry forces to determine the intensity of competition in an industry and its profitability level (Porter 2008) cited in (Jurevicius, 2013)
- The five forces govern the profit structure of an industry by determining how the economic value it creates is apportioned. That value may be drained away through five forces (Porter, 2008):
 - the rivalry among existing competitors,
 - bargained away through the power of suppliers
 - bargained away through or the power of customers or be
 - constrained by the threat of new entrants or
 - constrained by the threat of substitutes.

Defence against the Forces

Attractive Industry – High profits



- High barriers to enter
- Weak suppliers bargaining power
- Weak buyers bargaining power
- Few substitute products or services
- Low competition

Unattractive Industry – Low profits



- Low barriers to enter
- Strong suppliers bargaining power
- Strong buyers bargaining power
- Many substitute products or services
- Intense competition

- ▶ Strategy can be viewed as building defenses against the competitive forces or as finding a position in an industry where the forces are weaker (Porter, 2008).
- ▶ Changes in the strength of the forces signal changes in the competitive landscape critical to ongoing strategy formulation.

Steps in Using the Tools

- We now understand that Porter's five forces framework is used to analyse industry's competitive forces and to shape organization's strategy according to the results of the analysis. But how to use this tool? We have identified the following steps:
 1. Step 1. Gather the information on each of the five forces
 2. Step 2. Analyse the results and display them on a diagram
 3. Step 3. Formulate strategies based on the conclusions

Application of Tools

- Using SWOT and Five Forces in tandem allows you to:
 - Identify the strategic environment
 - Make an assessment of your strength relative to other players
 - If you're thorough in gathering information and disciplined in its presentation, the right answer can leap off the page
- Apply these tools to:
 - Your company
 - Your business unit
 - Your organization
 - Your team
- Strategy is a mindset

Conducting STEEP Analysis

- An acronym for Political, Economy, Social, Technological, Environmental, and Legal is a tool used to evaluate factors impacting a business or organization. There are various factors that can impact the business environment externally in health care industry. These factors can determine the success or failure of a business involved in healthcare. The PESTEL analysis technique can be used to help the organization to focus on what is driving changes in the external environment.
- The approach is based on the 3 circles model, which describes three aspects of an organization business environment:
 - The internal **organizational Environment**, where decisions making is largely focused on operational issues and resource management
 - The **external transaction environment**, where an organization's customers, competitors, suppliers and external stakeholders sit.
 - The wider contextual environment. Trends and events in the contextual environment are not by definition- of immediate relevance to the organization. These trends are however, shaping developments of consumer and competitor in the transaction environment.

Conducting STEEP Analysis

- The purpose of conducting STEEP analysis in an organisation is to look at the contextual environment, to characterize the changes drivers such as new technologies, new regulations, new business models and news business strategies that are operating and then consider what, if any effect they have on the organization's future activities.
- It looks at the Sociological, technological, economical, environmental and political.

STEEP Analysis for an Hospital

Factor: Sociological

Potential Contextual Environment Developments, Trends and Events	Positive/Negative	Implication
Ageing Population	positive	Despite the challenges facing the healthcare industry, the long term prospects are good because an ageing population has greater needs for medical treatment.
1.Connectivity	Positive	The internet has brought tremendous changes to the people's lives and ways in which business operate. With everyone having the ability to connect. The hospital keeps in touch with patient thus improving communication with customers.
1.Size and Mix of Population	Positive	The hospital has to introduce new business models that will suit the young, the adults and the ageing population. Caring for everyone regardless of age is an initiative that will give the hospital a positive image and improve business.
1.Health Lifestyle	Positive	Every individual would love to stay healthy and have a reasonable standard of living. The hospitals will have more customers subscribing for medical care. Customer retention will also be high because of continuous seeking of medical attention at one of the best hospitals

Source: <http://givinginc.wikispaces.com/6.+Steep+Analysis>

Further Reading

- <http://www.iiba.org/Careers/What-is-Business-Analysis.aspx>
- www.Strategicmanagementinsight.com
- <http://givinginc.wikispaces.com/6.+Steep+Analysis>

References

- International Institute of Business Analysis –Body of Knowledge (BABOK)
- Jurevicius, Ovidijus (2013) “Value Chain Analysis”
<http://www.strategicmanagementinsight.com/tools/value-chain-analysis.html>
- O’Connor, Donna (2015) Analysis of Business Information; Colbourne College
- Porter, Micheal (2008) The Five Competitive Forces that Sharpe Strategy retrieved from <https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/>