Unit 33: Small Business Enterprise

Presented by: Dwayne Cargill

Colbourne College

June 13, 2016

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 2.3 Recommend with justification, new areas in which the business could be expanded:
    - Assessing the market
    - Finding new opportunity
    - Evaluation of Management and Personnel
- Further Readings
- References

Assessing the Market

- There are several tools available to entrepreneurs to assisting in assessing the market.
- In AC 2.1 we looked at the following:
  - SWOT Analysis
  - Porter's Five Force Model
  - STEEP Analysis
- The analysis conducted through these method should assist business owners in developing new opportunities for the business.

Sources of Opportunities

- There are many sources for new venture opportunities for individuals. According to Amit an interesting business idea has the following:
  - Respond to an correcting an inefficiency in the market,
  - You have the resources and capability — or at least the ability to bring together the resources and capability needed to correct that inefficiency
- In addition, if you see a product or service that is being consumed in one market, that product is not available in your market, you could perhaps import that product or service, and start that business in your home country.

Tools for conducting Strategic Options

- Some of the tools use to conduct Strategic Options for organisations include:
  - Ansoff Matric Strategies
  - Vertical, backwards and forwards integration;
  - Horizontal integration;
  - Differentiation;
  - Cost leadership;
  - Mintzberg's strategies (deliberate, emergent);
  - Merger and Acquisition

Ansoff Matric Strategies

- To portray alternative corporate growth strategies, Ignor Ansoff presented a matrix that focus on the firm's present and potential products and markets (customers) (quickmba.com, 2016).

- By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations.

Ansoff Matrix

	Existing Products	New Products
Existing Markets	Market Penetration	Product Penetration
New Markets	Market Development	Diversification

- Market Penetration: the firm seeks to achieve growth with existing products in the current market segments, aiming to increase its market shares.
- Market Development: the firm seeks growth by targeting its existing products to new markets segment.

Ansoff Matrix

- Product Development: the firm develops new products targeted to its existing market segment.
- Diversification: the firm grows by diversifying into new businesses by developing new products for new markets.
- Selecting a product –Market Growth Strategy:
  - Market penetration is least risky since it leverages many of the firm's existing resources and capacities.
  - Market development options include the pursuit of additional market segments or geographical regions.
  - Productive development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to a specific product itself.
  - Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm.

Mintzberg Strategy

- According to Ehn and Zeng (2006) the model of Mintzberg and Waters (1985) about **intended** and **emergent strategy** is one of the most famous theories in the strategy process.

- This model gives the vivid picture about how the different strategies do work and it has already been quoted by dozens of theorists in different situations.

Deliberate (Intended) strategy

- A perfectly deliberate and intended strategy must satisfy 3 conditions (innovaders.com, 2016):
  - Precise and articulated intentions must exist in a concrete level of detail
  - Seeing organizations as collective action, intention must be common knowledge to virtually all the actors in the organization.
  - These collective intentions must have been realized exactly as intended - (also meaning that no external forces could have interfered with them).

Backward and forward Integration

- Backward and forward integration are strategic initiatives companies may perform to reduce risks and interdependencies with external business partners in the supply chain (businessmate.org, 2011)

- The main difference between forward integration and backward integration is focus. When companies are looking forward they are usually looking to expand their distribution or improve the placement of their products, while backward movement usually involves internal steps to reduce overall dependency on things like suppliers and service providers. Stated differently, forward integration focuses on the manner in which a company oversees its product distribution, while the backward form concentrates on how a company regulates its goods and supplies (wisegeek.org, 2016).

Mergers and Acquisitions (M&A)

- According to Lemkin (2013) M&A happens when a CEO sees a strategic gap in the future, or a VP sees a gap in what he/she can get done in the next 12-18 months — and fills that gap to with a deal, right or wrong.

Mergers and Acquisitions Definitions

Classified by the relatedness of business activities of the parties to the combination:

Type	Characteristic	Example
Horizontal merger	Companies are in the same line of business, often competitors.	Walt Disney Company buys Lucasfilm (October 2012).
Vertical merger	Companies are in the same line of production (e.g., supplier–customer).	Google acquired Motorola Mobility Holdings (June 2012).
Conglomerate merger	Companies are in unrelated lines of business.	Berkshire Hathaway acquires Lubrizol (2011).

Moving the Project Forward

- In deciding whether to move forward with your project, you need to ensure that you do a thorough risk analysis and itemise your cost and benefits for implementing the project.
- Use the tools and conduct a comprehensive and appropriate research.
- Know the project requirements. What will it take to successfully implement the project.
- Most importantly, where will you find the resources (funding to implement).

Managing the Expansion

- Small business owners must ensure that the organisation has the requisite tools, techniques and capabilities to take the expansion forward. There must therefore be an assessment of the management and staffing personnel.
- You can conduct a skill audit - is a process that can be used to identify the skill gaps in an organisation. The outcome is a training needs analysis that identifies where training is needed (chronology.com.au, 2016).
- Ensure the management and personnel are trained and develop and undertake the new opportunities.

Further Reading

1. http://www.quickmba.com/strategy/matrix/ansoff/
2. http://www.referenceforbusiness.com/management/Sc-Str/Strategic-Planning-Tools.html
3. http://www.innovaders.com/strategy/general.htm
4. *https://www.cfainstitute.org/learning/.../corporate_finance_chapter10.ppt*.
5. http://www.cognology.com.au/learning_center/sawhatis/

References

- businessmate.org (2011) Backward and Forward Integration retrieved from http://www.businessmate.org/Article.php?ArtikelId=234
- Cognology.com.au (2016) What is Skill Audit? retrieved from http://www.cognology.com.au/learning_center/sawhatis/
- CFA Institute (2013) Merger and Acquisition retrieved from *https://www.cfainstitute.org/learning/.../corporate_finance_chapter10.ppt...*
- Ehn, Alexander & Zheng, Yang (2006) Strategies, Deliberate and Emergent retrieved from http://www.diva-portal.org/smash/get/diva2:21644/FULLTEXT01.pdf
- Innovaders.com (2016) "Strategies, Deliberate and Emergent" retrieved from http://www.innovaders.com/strategy/general.htm
- Lemkin, Jason (2013) What should Everyone know about Mergers and Acquisitions? Retreived from http://www.forbes.com/sites/quora/2013/05/23/what-should-everyone-know-about-mergers-and-acquisitions/#2715e4857a0b5dc0f0b1345b
- Quickmba.com (2016) "Ansoff matrix" retrieved from http://www.quickmba.com/strategy/matrix/ansoff/
- Referenceforbusiness.com (2016) Strategic Planning Tools, retrieved from http://www.referenceforbusiness.com/management/Sc-Str/Strategic-Planning-Tools.html#ixzz3xYQokLTC
- Wisegeek.org (2016) What is the difference between Forward Integration and Backward Integration retrieved from http://www.wisegeek.org/what-is-the-difference-between-forward-integration-and-backward-integration.htm