


Module 1:

Business Development Analysis

Introduction




Te Wānanga o Aotearoa

Module 1:

Business Development Analysis

The purpose of Module 1 is to:

- Establish a foundation on which you can base business development strategies; and
- Identify business implementation projects appropriate for your business.




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Module 1 Learning Outcomes

By the end of this module tauira will be able to:

1. Analyse the current position of a business.
2. Identify the desired future position of a business.
3. Identify internal and external problems, issues, challenges and opportunities for business development.
4. Develop and analyse strategies and goals to reach the desired position of a business.



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Module 1 Learning Outcomes (cont.)

5. Identify projects and write project briefs to address business development needs.
6. Analyse a case study business by identifying, and suggesting solutions for, internal and external problems, issues and challenges.
7. Identify and evaluate opportunities for business development for a case study business.
8. Present an analysis of a case study business and facilitate a discussion relating to the analysis with peers.



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Resources

- The Module
- 1 Seminar Handout – Writing Business Reports
- The Lesson Plan Workbook
- Assessment Handouts (3)
- Indigenous Business Case Studies Book



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The Lesson Plan Workbook

- The only Module in the programme to have a Lesson Plan Workbook. Other Modules only have Module Overviews.
- Contains 5 lessons which show taurira what they will be covering in class each week for the first 5 weeks of the programme (Core Lesson Content)
- Also provides an outline as to how to spend hours at home (After Lesson Learning).
- Guidance is given on learning hours for Weeks 6 to 22.



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Learning Hours

- | | |
|---|-----------|
| ▪ Lessons (five 3-hour lessons) | 15 hours |
| ▪ Mentoring hours | 3 hours |
| ▪ Lesson Review & Preparation (8 hours per week) | 32 hours |
| ▪ Case Study Workshops (8 1-hour workshops) | 8 hours |
| ▪ Case Study Readings (3.5 hours per workshop) | 28 hours |
| ▪ Assessment Completion | 114 hours |
| ▪ Assessment 1: 54 hours (13.5 per week for first 4 weeks). | |
| ▪ Assessment 2: 47 hours | |
| ▪ Assessment 3: 13 hours | |



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M1 Mentoring Hours

- It is recommended 3 hours are devoted to Module 1.
- Use this time to give tauria feedback in regards to their proposed project topics and methodology for implementing projects.
- Tauria don't have to submit Assessment 2: Project briefs until Week 7. Need to encourage tauria to submit some earlier and to be in contact with you earlier about these.
- Don't wait until project briefs are submitted to meet with tauria – not enough time
- When tauria hand in project briefs, they need to be final (or close to final)
- Need to avoid a situation whereby tauria are still trying to think of projects in Weeks 8 & 9.
- Need to plan your workload carefully – 20 tauria x 3 hours = 60 hours.



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Content and Delivery

Module 1: Business Development Analysis



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Delivery Style

- A level 5 programme.
- Business owners.
- Past graduates of CSBM.



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Tauira Examples in Resources

- We like to include examples from CABG tauira throughout Module 1.
Examples included in current Module:
 - OneSmile Magazine (page 11)
 - The Mudcastle (page 12)
 - Punk Baby Clothing (page 13)
 - Wanaka Wastebusters (page 19)
 - Skin Alive (page 21)
 - Uncle Joe's (page 96)
 - Out of the Rut (page 151)
- Would like to replace other examples in the Module with those of tauira businesses.
- Inform tauira and keep an eye out for good examples.



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Section 1 Contents

1. Your Business Path

- 1.1 Understanding your Beginnings
- 1.2 Strategic Planning
- 1.3 The Desired Future Position of Your Business



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Learning Outcomes

1. Analyse the current position of a business.
2. Identify the desired future position of a business.



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1.1 Understanding your Beginnings

- What is their story and what were the reasons for getting into business?
- How has the business experience stacked up so far? Have they been able to achieve what they set out to achieve? Is the lifestyle what they expected?
- What keeps them going? What drives them? How are their personal values applied to their business?
- Understanding what is important to them will help them make business decisions.



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1.2 Strategic Planning

- Importance of planning – if you don't know where you are going, then any road will do, but not all roads will take you to the same destination.
- Strategy is about planning where you want to go while being aware of the business environment.
- Discussion on why business owners resist strategic planning.
- Strategic planning may take time to do, but time is then saved on rectifying mistakes, etc.
- Without planning, decisions may be made to resolve an immediate problem, without seeing the bigger picture.



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1.3 The Desired Future Position

- Tauria should not overly restrict themselves.
- It doesn't mean they should aim to be the biggest or the best – this may not be what they actually want.
- How much time are they prepared to spare from daily operations to manage growth?
- Vision statements – revise current statement or develop new.
 - Suggest previous CSBM tauria discuss their vision statements. Do they even remember them?



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1.3 The Desired Future Position

- Mission statements – refer list of questions in Section 1.3.2.
- Use the example of Mum 2 Mum mission statement:
"To produce quality baby products that make life easier for parents everywhere"
- Answers questions such as:
 - ❑ Why do you exist – what is your basic purpose? *To provide products that make parents' lives easier.*
 - ❑ Who should your principal customers be? *Parents*
 - ❑ Where should your principal customers or users be? *Everywhere*
 - ❑ What should your principal products and services be? *Quality baby products*



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1.3 The Desired Future Position (cont.)

- Identifying driving forces can help develop a mission statement.
- A driving force is the dominant factor which most influences the making of major decisions.
- Examples include: products offered; human resources; technology; profit; image; customer needs; etc.
- Example: An architectural and engineering firm, whose driving force is human resources, with image and profit as decision influencers:
 - ❑ *Meet our clients' needs through continued staff development, while enhancing a positive reputation and maintaining profitability.*



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Section 1 Delivery Activities

- Refer to Handout



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Section 2 Contents

2. Internal Business Analysis Tools

- 2.1 SWOT Analysis
- 2.2 GEL Factor Analysis
- 2.3 FiMO / RECoIL Analysis
- 2.4 Internal Problems and Causes
- 2.5 Benchmarking



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Learning Outcome

- 3. Identify internal and external problems, issues, challenges and opportunities for business development.



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Feedback from Previous Years

- When M1A1 was moderated in 2009, it was found that a number of taura are doing this part of their assessment very poorly.
- The quality of the analyses was often so low that taura would not be able to identify challenges and opportunities.
 - E.g. A brainstorming analysis included 2 or 3 jotted down points (not even written in a sentence).
- CSBM graduates can update some of the analyses completed during the CSBM, but this alone will not meet the requirements for achievement for CABG.



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2.1: SWOT Analysis

- Contains internal and external elements.
- Strengths and weaknesses often fall into 4 categories:
 1. Human competencies
 2. Products and services
 3. Process capabilities
 4. Resources
- Taura need to be objective and realistic – it isn't always easy to admit that a competitor does something better than them.
- The longer they deny or overlook any weaknesses, the longer their business is restricted and their competitor has this advantage.



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2.1: SWOT Analysis (cont.)

- Opportunities and threats generally fall into 4 broad areas:
 1. Market / customers
 2. Competition
 3. Industry / Government
 4. Technology
- When thinking about threats, taura need to think about the worst thing that could realistically happen to their business.



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2.1: SWOT Analysis (cont.)

- A disadvantage of using this tool on its own is that it is difficult for taurira to identify meaningful SWOT factors.
- Instead, taurira may get more value from doing some of the other tools. The findings of these tools will identify some of the SWOT factors.
- Spend time with taurira answering the questions given in the Module to help them identify strengths and weaknesses.
- Lists of example opportunities and threats are given in Sections 2.1.3 and 2.1.4.



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2.2: GEL Factor Analysis

- A tool based on a set of 18 criteria which relate to the three factors that 'gel' business ideas into profitable businesses:
 - Great customers;
 - Easy sales; and
 - Long life.
- E.g. Three of the criteria for 'great customers' include: Number; ease of finding; and spending patterns.



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2.2: GEL Factor Analysis (cont.)

- Complete the table, identifying if 'excellent', 'average' or 'poor' should be awarded for each of the 18 criteria. Evaluate how they stack up against the competition as they score each point.
- Identify 'must have' and 'must not be a concern' factors – see example in Module.
- After completing this type of analysis, fine-tune the business so that it delivers all GEL factors.



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Activity: GEL Factor Analysis

- Complete a GEL factor analysis for Trade Me.
- What techniques has Trade Me used to get to the 'Excellent' position?



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2.3: FiMO / RECoIL Analysis

- A framework you can use to evaluate the strengths, the neutrals and the weaknesses in your business, as well as assess the business's capability to grow.
- The model has two sections:
 - The business's performance to date (FiMO).
 - Finance; Marketing; and Operations and production
 - The business's capability to grow (RECoIL).
 - Resources; Experience; Controls and systems; Ideas and innovation; and Leadership.
- Take each heading and give a score out of 10.
- Need to be able to justify scores.
- Look at trends. E.g. is it '6 and rising'?



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2.4: Internal Problems and Causes

- Group brainstorming as a means to identify and rank issues and challenges that need addressing in a business.
 - Cause and effect diagrams
 - Flowcharting
- Tauira need to put reasonable effort into these if they are going to use one of these in the assessment.



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2.5: Benchmarking

- Involves collecting performance information and making comparisons with other compatible businesses.
- It is difficult for a small business to obtain accurate data relating to competitors.
- The IRD now has benchmark information available online at <http://www.ird.govt.nz/industry-benchmarks/> - refer page 84
- Three sets of benchmarks are given for each industry, based on size (e.g. small businesses – those with an annual turnover of \$60k - \$300k)
- The 'key industry benchmark ratio' is identified for each industry
- Currently available for 16 industries – refer page 83
- Data updated each July



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Section 2 Delivery Activities

- Refer to Handout
- Get taura to do a SWOT on their own business and then do one for their main competitor. The aim is for taura to realise that they need to be very objective and specific about what their strengths actually are. For example, if they are in the taxi business and they identify that one of their strengths is that they own a car, they need to realise that this isn't a strength relative to their competitors (who will also own cars).
- After introducing each tool, give a '2 minute time out' for taura to discuss the tool with the person sitting next to them. During this time they are to talk about how they can apply the tool to their own business.



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Module 1: Business Development Analysis

Section 3: A Business Environmental Audit



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Section Contents

3. A Business Environment Audit

- 3.1 STEPP Analysis
- 3.2 Competitor Analysis
- 3.3 Porter's Five Forces
- 3.4 Customer Profiles
- 3.5 Industry Success Factors and Trends
- 3.6 Industry Profile Analysis



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Learning Outcome

- 3. Identify internal and external problems, issues, challenges and opportunities for business development.



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3.1: STEPP Analysis

- Would ideally like taura examples for the Module.
- Do not need to be quite as particular about the content of the analysis (as in CSBM). In CSBM, taura were required to consider:
 - Does the factor identified pose a threat or an opportunity (or both) to the business?
 - In what ways may it affect the business?
 - How large could the impact potentially be?
 - How likely is it to occur?
- CSBM graduates should be encouraged to review and update their analysis.
- Emphasise to taura that the aim is for them to find meaningful information. This is not an exercise in learning how to use a tool. This is an exercise to get important information from a tool.



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3.2: Competitor Analysis

- Covered in CSBM.
- Competitor Profiles – develop a profile for each competitor and then learn from them.
- Competitor strategic group maps – who are the closest competitors?
- Note that the assessment groups these two tools together. The main reason for this was so that taurira wouldn't just draw a strategic group map on its own, without thinking about the real differences between competitors. They wouldn't get much value from this.



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3.3: Porter's Five Forces

- Covered in CSBM
- This tool can be used to:
 - assess the attractiveness of an industry; and
 - identify any issues or challenges that you may face when operating in that particular industry.
- The five forces are as follows:
 - Supplier Power
 - Buyer Power
 - Rivalry Among Existing Competitors
 - Threat of Substitution
 - The Threat of New Entry



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3.4: Customer Profiles

- Identifying who the target customers are and how they behave. Write profiles of them.
- Particularly useful in identifying opportunities in the market.
- Think about how customer views may change over time – may pose a challenge to the business.



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3.5: Industry Success Factors and Trends

- Covered in CSBM
- These tools involve:
 - identifying exactly what it takes for businesses in the industry in which your business operates to be successful (Key Success Factors); and
 - looking at what the future of the industry holds.
- To identify Industry Success Factors, it may help to get taurira to refer to items in the GEL analysis. However, remind them if they do this, and then choose to do both the GEL and the Industry Success Factor analysis (and no other analyses), they probably won't get as much benefit as they would had they used a different analysis tool.



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3.6: Industry Profile Analysis

- Covered in CSBM
- Answer a series of questions about the industry and use it to identify challenges, opportunities, etc. E.g.:
 - How fast is the pace of technological change?
 - What are the product / service similarities and differences?
 - What are the trends in costs?
 - Can economies of scale be utilised?
 - How common is backward and forward integration?



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Section 3 Delivery Activities

- Refer to Handout
- "Shuddup your face": In groups, explain individually who you are, your business and industry. Once you have explained you need to sit down with your hand in front of your mouth and allow the others in your team to critique what you have said and share their perceptions with you. You need to be open to their input and not speak- just listen.



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Module 1: Business Development Analysis


**Section 4:
Strategy Development**



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Learning Outcome

4. Develop and analyse strategies and goals to reach the desired position of a business.




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Section Contents

4. Strategy Development

- 4.1 Growth Strategies
- 4.2 Growth and Development Considerations
- 4.3 Strategy Selection and Goal Setting



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4.1: Growth Strategies

- The Ansoff 'product / market expansion' Matrix – introduced in CSBM in regards to marketing strategies.
- 4 growth strategies – depend on whether a business focuses on new or existing products and / or new or existing markets.
 1. Market Penetration
 2. Market Development
 3. Product Development
 4. Diversification



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4.2: Growth & Development Considerations

- Are tauria ready to expand?
 - Consider factors such as risks, spreading themselves too thin, costs involved, neglecting core business, etc.
- The Product Life Cycle
 - Have tauria taken this into account in their growth strategy?
- Innovation
 - Two innovation models are introduced. (See following slides).
 - In developing their growth strategies, tauria should think about how they will cultivate innovation within the business.
 - Tauria also need to think about what *areas* of their business they could be innovative in. They don't necessarily need to be innovative in regards to their product (as they will learn with the Dublin Model).



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4.2.3: The Innovation Model

- The Innovation Model, by Ron Kubinski, proposes that matter how small or large your business is, it must innovate or else risk becoming obsolete.
- Refer to model given on page 174.
- The four quadrants of the innovation model:
 1. Unplanned improvements;
 2. Incremental Innovation;
 3. Serendipitous breakthroughs; and
 4. Planned breakthroughs.



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4.2.3: The Innovation Model (cont.)

- The most significant revenues are from businesses that operate in third quadrant HOWEVER, because they are serendipitous, it is impossible to control and plan for.
- Businesses should aim to operate in the fourth quadrant. If they develop the right culture, it then makes it more likely that they will also sometimes have serendipitous breakthroughs.



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4.2.3.2: Doblin 10 Types of Innovation

- This is a relatively new model.
- This model identifies that there are 10 aspects of a business in which innovation can take place.
- The 10 areas of innovation are grouped into four categories: Finance; Process; Offerings; Delivery



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4.2.3.2: Doblin 10 Types of Innovation (cont.)

- Finance
 1. The Business Model
 2. Networks and Alliances
- Process
 3. Enabling process – how you support core processes (e.g. HR)
 4. Core process – e.g. Production processes



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4.2.3.2: Doblin 10 Types of Innovation (cont.)

- Offerings
 - 5. Product Performance
 - 6. Product System – e.g. Link multiple products together
 - 7. Service
- Delivery
 - 8. Channel
 - 9. Brand
 - 10. Customer Experience



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4.2.3.2: Doblin 10 Types of Innovation

- The biggest payoffs come from the Finance and Delivery ends of the spectrum, not offerings!
- In fact, on its own, innovation in regards to Offerings is said to produce the lowest financial results.
- Best financial returns occur when innovation occurs accross all four segments at the same time.



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4.2.4: Exploring Opportunities

- Before taura decide what strategy to take, they need to really explore the opportunities they have identified from the analyses in Sections 2 & 3.
- Encourage them to use brainstorming (refer page 182)
- It would help if they research and evaluate opportunities using a set of questions. E.g.
 - Does the business have the resources required for this opportunity?
 - What STEPP factors could impact on the opportunity?
 - Does the opportunity mitigate risks and issues facing the business?
- Note that, for the assessment, taura are required to evaluate their chosen strategies in relation to their desired future position and the 'key internal and external problems, issues, challenges and opportunities' that they identified from the analyses in Sections 2 & 3.



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4.2: Growth & Development Considerations (cont.)

Other topics covered within this subsection include:

- **Identifying Limiting Resources**
 - Taurira need to be realistic about identifying factors that can limit their ability to implement growth strategies and to find ways to overcome problems.
 - 3 important areas to consider: finances; human resources; and owner's time, knowledge and skills.
- **Partnerships, Mergers & Strategic Alliances**
- **Acquisition and Divestment**
 - Divestment of part of a business may actually be a good development strategy as it can help businesses focus on core parts of their business and get rid of non-core activities.
- **Market Research**
 - Reduces risks associated with any of the 4 main types of growth strategies.



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4.3: Strategy Selection and Goal Setting

- The projects taurira will be implementing in their own business (Module 2) are designed to:
 - help them achieve the desired future position of their business;
 - help overcome key internal and external issues, problems and challenges facing their business; and
 - take advantage of the opportunities available.
- In order to determine what the projects will be, they first need to determine what broad business growth and development strategy (or strategies) to implement in their business.
- In doing this, they are to consider factors discussed in Section 4.2.
- They also need to set overall goals that completion of their projects will contribute towards.



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Section 4 Delivery Activities

- Refer to Handout
- Split the class into 2 teams. Someone presents their business idea and chosen growth strategy. One team is the 'for' team – they back up the presenter's decision by explaining why the chosen strategy is appropriate. The other team (the 'against' team) finds reasons why they may not agree with the decision.



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Module 1: Business Development Analysis

Expectations for M1A1



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Assessment 1

- Analysis tools need to be completed well – even though the marking schedule doesn't specify what 'well' is.
- Get tauira to identify which tools are likely to be most valuable to them – not what is easiest.
- Don't need to limit to 3 tools.
- Tauira need to be able to identify the main issues facing their business and then support this by referring to the analyses in the appendices. There needs to be a close link between what is in the body of the assessment and what is in the appendices.
- Focus is on interpretation of results of analyses (compared to CSBM).



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