The

HONOURARY

MBA

in

ENTREPRENEURSHIP

*e*Book

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INTRODUCTION

Learn how to succeed with your own business against today's sophisticated and competitive backdrop.

This eBook teaches the basics of entrepreneurship as well as provides factors shown to be critical to the success of new ventures. It describes small business development, growth, and management. It is modular in format and features the following chapters of increasing complexity:

1. Essentials of Self-Employment,
2. Enterprise Development and Business Planning,
3. Enterprise Growth and Marketing of Services, and
4. Strategy.

It describes the enterprise stool as having three legs: the entrepreneur, the opportunity, and the capital, and then elaborates on a fourth: the "edge" or the "in," which can make the difference between timely and protracted start-ups.

The eBook emphasizes the concept of strategy for business as well as the management of the overlap among operations, marketing, and communications inherent to service ones. Such emphases are considered to be critical in the competitive and sophisticated nature of business today.

The eBook is further distinguished in delineating concepts, or tools, which can serve to increase the profitability of a business: price elasticity of demand, operating leverage, economies of scale, and price discrimination and bundling.

The text is complemented with full-colour tables, figures, and photographs in a digital edition. A printable edition is included.

Make an informed "Go / No-Go" decision and then develop and grow your venture strategically with knowledge of business concepts and tactics beyond that available from public sources.

Try smart, not just hard.

ESSENTIALS

OF

SELF-EMPLOYMENT

Case Study

Jen and Josh are friends who have lived in Ottawa all their lives. They would each like to be self-employed. Jen is 25-years old and has just completed an interior design course. Prior to that she worked as a sales clerk in a department store for three years. Josh is a Registered Massage Therapist with two months' experience. He is 23-years old.

Jen would like to get into home staging. This is where you prepare houses for resale. It’s an up-and-coming thing and she believes she's qualified to do it. She owns an old car, has access to $3000 of debt, and knows a real estate agent who is prepared to recommend her to their clients. She will charge the going rate of $75 an hour.

Josh has an offer from the Ottawa Golf Club, of which he has been a member all his life, to be their massage therapist. The club has 300-members and a facility with a table which he can use. The club will take 20% of his revenues. They have a bulletin board where he can post a notice and a web site where he can promote his service all at no cost.

Would you recommend Jen and Josh proceed with these self-employment opportunities? Why?

Self-Employment Quiz

Do you prefer satisfying one person all day long or several people for a certain time each?

Are you reserved and shy or friendly and outgoing?

Do you like to keep busy or are you outcome-oriented?

Do you like to work a regular day or are long hours at all times of the day OK with you?

Does a lot of stress bother you or do you thrive on it?

If you answered "yes" to the latter self-employment might be right for you.

Introduction

Self-employment is not for everyone.

Self-employment is not for everyone. Is it for you? This eBook chapter will help answer that question by describing the requirements for successful self-employment and a bit about running a business. For starters, take the self-employment quiz above.

Requirements for Successful Self-Employment

Successful self-employed people are driven.

People who are self-employed are driven to succeed or achieve. Failure is not an option. They will do whatever it takes to achieve their goals. They will work a month of 12-hour days. They will take it to the streets selling. The desired outcome is success, not money *per se*. Money is simply the grease that lubricates the wheels of success. Success may be considered to be simply making enough money to survive or owning a whole chain of shops. It depends on the goal of the self-employed individual, and whatever the goal is, they are driven to achieve it.

Self-employment requires a marketable skill set or a commercially-feasible idea.

Self-employed people need to have something to sell. Typically, it's a marketable skill set or a commercially-feasible idea. Anything that can be traded for money on a regular basis is a candidate. Take some time to think about this. Can you make a product, or deliver a service, that is in demand? If you are driven, this is where to begin.

Having business knowledge or skills will increase your chance of success.

In addition, successful self-employed people have some knowledge of, or experience with, the product or service they intend to sell or with business administration in general. Have you worked with or sold the product before? Do you have experience delivering the service? Have you taken business courses or managed an operation before? Bringing such knowledge or skills to your self-employment situation will increase your chances of success.

It is necessary to have access to some financial resources.

Access to financial resources is also a requirement. It doesn't have to be a lot. The amount required will vary with the product or service and may be determined through preparation of a business plan. The money can come from savings, borrowing, gifts from friends and family, or bit-by-bit from a job. Chances are you will need some to get going.

Successful self-employed people start with an "edge" or an "in."

Finally, successful self-employed people begin with an "edge" or an "in." This is anything that will direct potential customers your way. It can be a product of reputation or having a lot of contacts. Success may be achieved without it but will require either a large budget for promotion or a lot of time.

How to Attract Customers

Promotion methods will depend on time and funds available and the nature of the product or service.

Traditional marketing theory states that promotion should be a mix of direct sales, advertising and publicity. For self-employment, however, these may not all be feasible. Advertising is expensive and best for large companies. Publicity is free but hard to get. Direct sales may be better but are time-consuming. Do you have more time than financial resources? If so, a direct campaign through the mail or cold-calling may be best. If time is limited but funds are not, advertising may be better. It may also depend on the nature of the product or service. Standard methods of promotion may be determined through the preparation of a business plan.

Having an "edge" or an "in" described above may put to

Referrals and word-of-mouth may be the best promotion methods of all.

rest marketing or promotion concerns. Anything that can put you together with potential customers will do the trick. Referrals from third parties and word-of-mouth from satisfied customers will achieve this and don't cost anything. They may be the best method of promotion of all.

Business Strategies

If there will be significant competition in the marketplace for the product or service then a business strategy may be necessary. If the product or service is new or there is little competition in the marketplace then it may not be. The challenge with new or innovative products or services is attracting potential customers, as described above. Please refer to the chapter entitled "Strategy" for a detailed discussion of strategies available for a business.

Keeping Track

A record must be kept of all revenues, expenses, sales tax collected and HST paid.

Canadian governments require a few things of self-employed individuals. They must complete an annual income tax return and regularly remit the sales tax they collect. In order to do these certain records must be kept.

A record must be kept of all revenues or income. This must be declared on the income tax return. Self-employed individuals, however, only pay income tax on the *net* income which is income less expenses incurred to earn that income. For this reason, a record of all expenses, and their timing, is required.

HST and GST / PST collected on sales of products and services must be remitted to the federal and provincial governments on a regular basis. The amount of GST collected *and paid* on expenses and inputs must be recorded. Only the difference is remitted. A record must also be kept of all PST collected.

Conclusion

Self-employment may be exciting and rewarding.

Self-employment may be exciting and rewarding, if not a bit risky and a lot of work. Consider whether it is something you would want. Do you have a product or service in mind? Do you have a way of attracting potential customers? Is there a reason they will choose to buy from you? Are you driven? Do you know anything about business?

You don't have to have all the answers right now. This booklet was intended to provide the essentials of self-employment and help you decide. Good luck!

ENTERPRISE

DEVELOPMENT

and

BUSINESS

PLANNING

Introduction

This text discusses enterprise development and business planning. The tripod of enterprise development will be discussed first (the opportunity, the entrepreneur and the capital) followed by the business plan elements and then its format as a document.

An application for financing requires a business plan.

The plan should contain a marketing strategy and a cash budget.

Business plans may be used for persuasion, for smooth roll-out or to inform a "Go / No Go" decision. Certainly, an application for financing requires a business plan. It should contain a marketing strategy and a cash budget. The former describes how customers will be attracted to the business' product or service while the latter describes how the enterprise will perform financially, and the amount of capital required and its timing. In addition, all aspects of the business should be delineated in the plan.

The cornerstone of a business plan is the idea or opportunity. It may be new or a "me-too" one with something different about it. In order to commercialize the idea an entrepreneur is required and the qualities of that entrepreneur are important. Finally, it is unlikely that the opportunity may be realized without some capital for investment so the amount required must be estimated. A sound business plan puts these three things into a whole.

The Opportunity

The business idea should be commercially-feasible.

The opportunity is an idea for a product or service that may be made or delivered to meet a demand at a profit. It may be something entirely new or a new way of making or delivering an existing product or service. The idea, however, should be commercially-feasible. It won't be a business unless people are willing to pay for the product or service more than what it costs to make or deliver. There are many sources of opportunities. New technologies are ones which have been driving commerce for many years. A cost advantage is another one: finding a way to make or deliver a product or service for less money. Excess capacity or idle resources are another, if some way may be found to put them to good use. A changing industry environment may effect supply and demand and create new opportunities.

In any event the demand should be demonstrated. This may be performed through market research, a trial run, or a history of new products of this type (e.g. new technologies) being in demand. An opportunity that exists only in the mind of the entrepreneur will be difficult to commercialize.

The Entrepreneur

Entrepreneurs are driven to succeed.

Entrepreneurs are driven to succeed or achieve. Failure is not an option. They will do whatever it takes to achieve their goals. They will work a month of 12-hour days. They will take it to the streets selling. The desired outcome is success, not money *per se*. Money is simply the grease that lubricates the wheels of success. Success may be considered to be simply making enough money to survive or owning a whole chain of shops. It depends on the goal of the entrepreneur, and whatever the goal is, they are driven to achieve it.

Successful entrepreneurs should have some knowledge or experience with the product or service and with business in general.

Successful entrepreneurs have been studied to determine their characteristics. It has been found that they should have some technical knowledge of, or experience with, the product or service. They should also have some business management knowledge or experience because they have to wear both hats. As well, they should have some knowledge of, or experience with, self-employment, entrepreneurship or new venture development. If any of these qualities are lacking they may be obtained through combining with one or more partners.

Successful entrepreneurs are not focused on a single outcome and have a commercial orientation.

Successful entrepreneurs have a couple of other characteristics. First, they are not focused on a single outcome. They are flexible with their goals and, especially, with how they intend to achieve them. They consider success a destination with many possible routes. Secondly, they have a commercial versus romantic orientation. Their idea is to generate a profit with the product or service and not simply to make or deliver it. If not, they may be best left working in a technical or operations capacity.

The Capital

The capitalization is how much money is required to set up the business and keep it running for a year.

The capitalization, or financing, in a word, is how much money will be required to set up the business and keep it going, say, for a year. This is usually estimated prior to launch.

The amount of investment required to set up the enterprise may be calculated by estimating the amount to be invested in facility, equipment, supplies and inventory.

The amount required to maintain the business for a year may be calculated by projecting the unit sales and revenues and the expenses required to obtain them on a monthly basis. If the business is projected to operate at a loss for the first few months then the amount of cash required may be estimated through a cash budget. If the bank balance dips into the negative then this amount of money will be required in addition to the investment in set-up.

Capital may be obtained through debt or equity.

The capital may be obtained through debt or equity. Debt is money which is borrowed; equity is money invested by individuals who become owners. The more equity which is sourced, however, the more control that is lost by the entrepreneur. Debt doesn't result in loss of control but must be repaid.

Debt will likely have to be secured by fixed assets.

Unsecured debt is difficult to obtain. If the money is to be used to purchase fixed assets such as facility or equipment, which can be sold to repay the debt if necessary, then debt may be available. It is unlikely to be advanced for marketing expenses or to cover start-up losses.

Venture capitalists require a high rate of return and a product or service which is scalable.

Venture capital may be available if a sufficient amount is desired and the product or service may be commercialized on a large scale. Venture capitalists typically require a return on investment, which is calculated as their proportion of the annual profit divided by their contribution, of at least 30%. They may require a seat on the board or place strict performance requirements, known as covenants, on the enterprise for their continued participation. This situation is not for all entrepreneurs.

Whatever the source, some capital will be required and the amount and timing of it should be known.

The "Edge" or the "In"

The "edge" or the "in" is some way of attracting customers to the business.

The "edge" or the "in" is some way of attracting customers to the business. It may be reputation or contacts but more likely is a structural connection in the industry or marketplace. It may be anything at all which gives the venture an advantage over competitors or a way of not starting out completely "cold." New ventures which launch without an "edge" or an "in" may still be successful but will require either a large budget for promotion or a lot of time.

Non-New or "Me-Too" Enterprises

Ventures do not need to feature a new product or service to be successful. Non-new or "me-too" ventures may succeed, especially if demand is demonstrated and the market is growing. Having an "edge" or an "in" will help and capital will likely be required to absorb start-up losses but a simple presence may be all that is necessary. If there is no growth in the market then a strategy may be necessary to attract customers from competitors.

Case Study for Enterprise Development: Mmmarvelous Mmmuffins.

In the early 1980s a man named Michael Bregman, who had just graduated from Harvard with a Master of Business Administration degree, went to work for President Dave of Loblaws in Toronto. Michael's job was to determine if the concept of "no-name" brands was viable. He concluded that it was, and along the way, also discovered that large scale grocery stores were replacing the local butcher, baker, green grocer and other specialized food providers.

Michael had grown up in the food business. His parents owned a restaurant in Toronto and he had worked there most of his life. While doing his research at Loblaws he came to think that there may be a demand for fancy oversized muffins. They would be large enough to serve as a snack and be healthy, too. It was, after all, the time of the fitness boom.

Michael quit his job at Loblaws and decided to sell these muffins – to everyone's shock. He was convinced it was a 'go.' He borrowed a couple of hundred thousand dollars from his uncle, opened a small shop in the Toronto Eaton Centre, and called it Mmmarvelous Mmmuffins. It took off. It was such a success that Michael was able to expand through franchising across Canada. He paid off his uncle and some years later decided to try his luck at another venture, something he would call The Second Cup.

Why was Mmmarvelous Mmmuffins successful?

Business Strategies

If there is no growth in the market then a business strategy may be necessary.

If there will be significant competition in the marketplace for the product or service then a business strategy may be necessary. If the product or service is new or there is little competition in the marketplace then it may not be. The challenge with new or innovative products or services is attracting potential customers, as described above. Please refer to the chapter entitled "Strategy" for a detailed discussion of strategies available for a business.

Business Plan Elements

This section describes the elements of the business which make up the sections of a business plan.

The plan should begin by describing the product or service, the market, the size of the market, the customer, the target market, and the competition. Please refer to the chapter entitled "Enterprise Growth and Marketing of Services" for a description of these elements of the business plan.

Operations

This section describes how the product or service will be made or delivered. It includes details of facilities, equipment, supplies and staff, and anything else required in the production of the product or service.

Accounting

The accounting may be performed in-house with software or outsourced to an accountant.

The books of the business must be kept and this section describes how that will be accomplished. It may be outsourced to an accountant or performed in-house with staff and an accounting system. Off-the-shelf software simplifies the day-to-day bookkeeping tasks and makes preparation of financial statements easy. Preparation of income tax returns, however, may be best performed by an accountant.

Information Technology, Systems and Management

Information technology may be used strategically to gain a competitive advantage.

Computers can be a valuable complement to any business. It is difficult to conceive of document management without them and they simplify the task of bookkeeping, including issuing invoices and receipts. In fact, information may be used to reflect operations and then that information compiled and managed as a proxy to the operations themselves. An old business adage is "You can't manage what you can't measure." If information technology can be used strategically then it can give the business a competitive advantage.

Human Resources

Human resource processes and structures should be in place.

This section describes the processes and structures which will be used to manage the staff. If there will be no staff then it is a moot point but if there is to be staff at all then certain measures should be in place.

Job descriptions and specifications may be compiled for each position in the company. These may be used for filling the positions or managing staff within them. Performance evaluation methods may be put in place as well, and salary ranges for particular positions can help keep practices in line with provincial employment standards. Finally, methods may be described for the staffing processes of recruitment, selection, orientation and training.

Financial and Company Information

A cash budget and *pro-forma* (or future) financial statements should be included in the business plan.

This section includes at the least a cash budget, as discussed earlier. A beginning balance sheet as well as one for a year later, and an income statement for the period would be valuable to decision-makers if they may be prepared. The personal financial information of the entrepreneur may be required if financing is sought.

If a management team is to be put in place then their names, titles and backgrounds should be mentioned. The company details of name and ownership structure should be included as well.

Business Plan Format

The business plan should "tell the story" and be persuasive.

The business plan should be a document that contains the plan elements and be 15-20 pages in length. It should also tell the story of the inception and development of the business idea since readers will want to know why the entrepreneur is doing this and why he or she thinks their attempt at this will succeed. Only critical and relevant details should be included with extra ones put in appendices. The plan should include data where available and, above all, be persuasive.

Case Study for Business Planning: Jen and Home Staging.

Jen is 25-years old with four years experience in retail sales and has just completed a course in interior design. She would like to apply this to the activity of home staging and start a business. She owns an old car, has access to $3000 of debt and knows a real estate agent who is prepared to recommend her to clients.

Jen's research shows that home staging is an attractive activity. It is a service that prepares and presents homes for resale. It has been shown to increase the selling price of homes and decrease their selling time.

Jen projects that she will start by staging one home every two weeks and build up to two per week in four months' time. She will charge $75 an hour for an average of 12-hours half the time and a package price of $750 the other half. She estimates start-up expenses will include $1000 for a website, $500 for printing, and $500 for clothes. Monthly expenses will be $240 for gas and $40 for the website.

Prepare a cash budget for Jen's home staging business for a year. Does she have access to enough capital to do this?

Jen's Home Staging
Cash Budget ($)
March 1, 2011 - February 28, 2012

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Cash Inflows												
Hourly		900	1,800	2,700	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Package		750	1,500	2,250	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Cash Outflows												
Gas	0	240	240	240	240	240	240	240	240	240	240	240
Website	1,000	40	40	40	40	40	40	40	40	40	40	40
Printing	500											
Clothes	500											
Beginning Bank Balance	0	-2,000	-630	2,390	7,060	13,380	19,700	26,020	32,340	38,660	44,980	51,300
Total Cash Inflows	0	1,650	3,300	4,950	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Total Cash Outflows	2,000	280	280	280	280	280	280	280	280	280	280	280
Ending Bank Balance	-2,000	-630	2,390	7,060	13,380	19,700	26,020	32,340	38,660	44,980	51,300	57,620

ENTERPRISE

GROWTH

and

MARKETING

of

SERVICES

Introduction

This eBook chapter discusses enterprise growth and marketing of services. Methods and structures of organizational growth will be discussed followed by details of growth through new services and their resource requirements. The essentials of marketing will be delineated and then marketing of services discussed with its influence on operations, human resources, pricing, and communications. Finally, service marketing strategies will be described.

Business Strategies

If there will be significant competition in the marketplace for the product or service then a business strategy may be necessary. If the product or service is new or there is little competition in the marketplace then it may not be. The challenge with new or innovative products or services is attracting potential customers, as described above. Please refer to the chapter entitled "Strategy" for a detailed discussion of strategies available for a business.

Methods of Growth

Growth may occur through expansions or combinations.

Organizational growth may occur through expansions and combinations. Expansions may be the development of new services or markets, or both. Combinations may be mergers, acquisitions, or strategic alliances.

Expansions

	Existing Services	**New Services**
Existing Markets	**Customer Penetration**	**Service Development**
New Markets	**Market Development**	**Diversification**

Figure 1: Growth Matrix.

Expansion may be market development, service development, or diversification.

If new markets are found for existing services this is known as market development. If new services are designed for existing markets this is known as service development. If new services are developed for new markets this is known as diversification. If more purchases are desired by existing markets for existing services this is known as customer penetration.

Service and market development each have costs.

Service and market development each have costs, or a required investment, which must be incurred or made prior to operations proceeding. The risk of each, however, is relatively low as either the service or the market is known. Diversification also requires costs or investment but the risk is higher as both the new service and market are unknown. In addition, diversification has costs of coordination and control. Business diversifications are controversial and comprise what is known as corporate strategy, or how to proceed when the organization offers an array of services to an array of markets. It will suffice here to say that the risk is lower and return higher when diversifications are related to existing services and markets, or consistent with the organization's core competence. Failing this, it may be better for the organization to outsource the activity.

Diversifications are best when related to, or consistent with, the organization's core competence.

Combinations

Combinations may be an acquisition, a merger or a strategic alliance.

An organization may grow by acquiring or buying another one. It may also grow by merging with another. Finally, an agreement may be made between two organizations to grow by performing certain operations together, known as a strategic alliance.

Combinations require an investment.

Growth through combinations requires an investment, as does growth through expansion. If the organization does not want to take the time to expand it may acquire although this may cost more. In addition, the organization may have a competence in one or the other, and, therefore, choose to grow that way.

A strategic alliance is a limited cooperation for a limited time between two or more organizations and occurs best when each one's contribution is consistent with its core competence. It is more flexible than an acquisition or merger and may be ceased at any time. Returns, however, have to be shared.

Fragmentation on the basis of geography may be overcome through organizational structure.

Sometimes there are barriers to organizational growth. If this is the case the industry may remain fragmented with many small players rather than consolidated with a few large ones. Different organizational structures may be used to overcome consolidation barriers and these will be discussed next.

Structures for Growth

This organizational structure may be one of standardized duplication, well-coordinated decentralization, or superior distribution with central management.

If industry forces favour many players existing, often fragmented on the basis of geography, organizational structure may be used to accommodate this during growth. An organization may come to have several branches with either standardized duplication, well-coordinated decentralization, or superior distribution with central management.

If each branch of an organization is identical and control is established through strict policies and procedures this is known as standardized duplication. It is consistent with a cost strategy.

If a differentiation strategy is required and a local orientation is critical then well-coordinated decentralization may be the structure of choice.

Similar to this is a structure of superior distribution with central management. It may be used to service a select market and is consistent with a focus strategy.

Please refer to the chapter entitled "Strategy" for a detailed discussion of strategies available for a business.

Growth Through New Services

Products or services have a life cycle with stages characterized by different revenues, profits, buyer readiness and promotion messages.

Products and services have a growth or life cycle. Each stage in the cycle is accompanied by service and buyer characteristics as well as different revenues and profits.

When a product or service is launched it is considered to be in the introductory stage of its life cycle. Revenues are low and profits are negative due to high marketing costs and few sales. The few buyers who are interested in the service are known as "innovators" and their readiness state tends to be one of awareness. Promotion efforts are designed to increase this.

The stages of a product or service life cycle are introduction, growth, maturity and decline.

Once awareness increases and sales become more, the service may become marginally profitable. This is known as the growth stage. Buyers are considered to be "early adopters" and their readiness state one of interest. Promotion efforts, which increase in number as do service providers, focus on the features and benefits of the service as well as the identity of the provider.

When sales become many but stop increasing the service is considered to be in the maturity stage. Profits are higher as marketing costs are lower and the benefits of learning and experience accrue to providers. Buyers are considered to be in their majority and their readiness state one of adoption. Promotion messages are aimed at gaining provider loyalty and intensity of competitor rivalry can be high.

When sales reduce, as do profits, the service is considered to be in decline. Buyers and providers become fewer. Promotion messages become fewer in number, as well, and focus on maintenance or sometimes repackaging in an effort to rejuvenate the service.

Services may remain in the maturity stage and generate substantial profits for an indefinite period of time.

Services may remain in maturity for an indefinite period of time, and if so, generate substantial profits for providers. A product in this stage is also known as a "cash cow," a term that was coined by the Boston Consulting Group in its framework known as the BCG Matrix.

		Market Share	
		High	**Low**
Industry Growth Rate	**High**	**Star**	**Question Mark**
	Low	**Cash Cow**	**Dog**

Figure 2: BCG Matrix.

The matrix is a 2X2 graph of industry growth rate versus

The expression "cash cow" is derived from the BCG Matrix.

market share. A "cash cow" is a product or service with a high share but low growth. It generates more cash than it requires in order to maintain and is the desired end-result of the matrix. A service with a high share and high growth is known as a star. It also generates cash but requires more to maintain than a cash cow. A service with low share but high growth is known as a question mark and carries the potential to be a star or cash cow. A service with low share and low growth is known as a dog and should be discouraged.

The matrix includes the theory that excess cash from the cash cow services should finance the question mark and star ones in an effort to have them become cash cows as well.

Resource Requirements for Growth

Resources are required for growth.

In addition to cash for marketing, resources may be required for other aspects of organizational growth. Developing new services requires labour for research and may require equipment and supplies. Developing new markets requires labour for sales and cash for advertising. If credit is extended more cash may be required to finance accounts receivable and the extra labour cost of delivery prior to collection.

Growth resources may come from profits, debt, injection of capital or franchising.

Resources for growth may be acquired internally through profits, or externally through debt, capital or franchising. If profits are retained as cash in the organization they may be used to finance growth. If no cash is available it may be acquired through debt or injection of capital from existing or newly-solicited owners. Franchising is a way of expanding by "selling" branches to raise cash and then having them contribute a portion of their profits in addition through expenses or royalties.

Economies of Scale

Economies of scale occur when the organization produces a large number of products or services.

When organizations produce and sell a large number of products or services fixed costs are spread over a larger number of units so the cost per unit reduces and profit

Economies of scale result in decreased costs.

increases. The manifestation of economies of scale was once market share but now tends to be activities. If the organization performs a large number of the same activities then it will have economies of scale, learning and experience, and these will all reduce costs.

Fixed costs are those which are incurred regardless of how many units of products or services the enterprise sells or delivers. They typically include things such as rent, parking, maintenance agreements, salaries, etc.

If the size of the scale can be decreased with technology or other then more economies will be gained and new and smaller firms can enter the industry and compete.

To decrease costs and customize using technology the organization should identify the smallest unit at which production can be replicated, micromanage this process, and mix units to match customer needs. Operations can be mapped and data gathered for each of the smallest replicable unit and then analyzed at that level to identify where the learning and experience are occurring. This can subsequently be used for segmentation and different uses or combination of units may become apparent.

Price Elasticity of Demand

Changing the price of a product or service will change the demand for it.

Changing the price of a product or service can change the demand for it. This is known as "price elasticity of demand" and in question are whether the change in price will increase the demand or decrease it, and to what extent.

The demand for products and services may either be elastic or inelastic.

When the demand for products and services is not very, or not at all, influenced by their price the demand is considered "inelastic." "Elastic" demand, on the other hand, is one which is sensitive to price, and may be considerably so.

This effect may be described quantitatively by using the following equation:

$$\frac{(Q2 - Q1) / Q1}{(P2 - P1) / P1} \times 100 = \mathbf{E}$$

Q2 = quantity sold with new price
Q1 = quantity sold with original price
P2 = new price
P1 = original price

Figure 3: Calculation of price elasticity of demand.

Products whose demand tends to be inelastic include fossil fuels, groceries, alcohol, and tobacco. Conditions favouring less elasticity include few or no available substitutes or competitors, and buyers being not particularly price-sensitive.

Products whose demand tends to be elastic are automobiles, those of housing, and other goods considered "durables."

Revenue may increase or decrease as a result of a change in price.

An establishment needs to estimate whether revenue will change as a result of changing the price of a product. Revenue is the product of price and volume (i.e. units sold):

$$R = P \times V$$

In order for a price increase to be successful, the positive effect on revenue must be greater than the negative effect on unit sales.

If the new price is higher but reduces unit sales, is the increase in the former going to have an effect on revenue greater than the reduction in the latter? This may be calculated using the equation above. If "yes," or if the result of the calculation is a positive number, then the move should be considered, all other strategic things being equal. This would occur under conditions where the demand is price-inelastic (e.g. raising the price of gasoline a few cents).

If "no," or the result of the above calculation is a negative number, then the move should not be considered unless under exceptional circumstances.

Under very particular circumstances an increase in volume is demonstrated subsequent to an increase in price, such as with a good considered a "luxury" one. At other times consumers can come to equate a higher price with a higher presence of a desired attribute of the product, such as quality. Such a perception could either be accurate or the result of marketing.

Operational Leverage

Businesses may have both fixed and variable costs. Operational leverage is the proportion of an enterprise's costs which are fixed. This is important because the fixed-variable split effects the enterprise's profitability.

Operational leverage is the proportion of an enterprise's costs which are fixed.

Fixed costs are those which are incurred regardless of how many units of products or services the enterprise sells or delivers. They typically include things such as rent, parking, maintenance agreements, salaries, etc.

The fixed-variable split effects profitability.

Variable costs, on the other hand, are incurred with each unit of product or service sold or delivered. For example, supplies used in service delivery: for every unit of service a particular amount of supplies is consumed. The more services delivered, the more - proportionally - will be the costs of supplies.

The effect on profitability occurs through volume.

Operational leverage effects the enterprise's profitability through *volume*. If a large number of unit products or services are sold or delivered than profitability will be higher if a higher proportion of costs are fixed. In other words, high operating leverage.

If few products or services are sold or delivered, however, then higher profitability will be achieved through having as many costs as possible be variable ones. That way, if very few products or services come to be sold or delivered in a certain time frame - say, a slow month - then the enterprise will not dip into a loss position from having high fixed costs. The larger proportion of its costs will be directly related to the volume of units - in this case, low.

The contribution is the proportion of the unit price that is available to be put towards unit fixed costs.

Separating the variable cost from the price of a unit of products or services reveals what's known as *contribution*. It is the amount of money collected from each unit sale which may be applied towards fixed costs. *Unit contribution margin* is the proportion of the price of each unit of product or service which is the contribution.

Going one step further we may calculate what's known as the *break-even point* of an enterprise by dividing fixed

The break-even point of an enterprise may be calculated if fixed costs and unit contribution are known.

costs by unit contribution.

The result is how many units of products or services have to be sold or delivered in order to cover the fixed costs of the enterprise.

Unit price ($)	10
Unit variable cost ($)	2
Unit fixed cost ($)	5
Unit contribution ($)	8
Contribution margin (%)	80
Operating leverage (%)	70
Total units sold	100
Total fixed costs ($)	500
Total contribution ($)	800
Pre-tax profit ($)	300
= ((unit price) x (total units sold) x contribution margin) - fixed costs	
Break-even point	
= total fixed cost / unit contribution	63

Figure 4: Illustration of operational leverage variables.

Marketing

The many elements of marketing will be described each in turn.

The Product / Service

The product or service is what the business will be selling.

This describes what the business will be selling. It should include the features, or technical aspects, of the product or service as well as its benefits, or what the customer gets out of it.

The Market

The market and the customer are to whom the business will be selling.

This describes the group of people who can benefit from, and would be willing to pay for, the product or service. Characteristics of the group may be included here. It is usually a broad statement.

Size of the Market

This is a quantitative estimate of how many people would be willing to buy the product or service. It usually refers to a given geographical area such as the location of the business.

Market Share

This is the proportion of the market that an individual provider has as customers.

The Customer

This is a more in-depth description of the market down to the individual buyer. It may contain their characteristics such as individual wants and needs.

Segmentation

Segmentation is dividing up the market based on common features of customers.

This occurs when the market is divided into parts, or segments, based on common features.

Target Market

The target market is a subset of the market to whom the business chooses to sell.

This is a specific description of particular members of the market, or customers, to which the business will cater. Not all members of the market will be candidates to buy the product or service. This describes those to which the business will sell.

The Competition

Direct competition are those businesses selling the exact same product or service.

Direct competition are those businesses selling the exact same product or service in the geographic expanse in which the business will operate. They should be listed along with the product or service, the features and benefits, and the prices.

Indirect competition are those businesses selling substitutes.

Indirect competition are those businesses offering products or services which may be substituted for those the business will be selling. They should be listed as above.

Buyer Behaviour

Buyer behaviour is an examination of why consumers make the purchasing decisions they do.

This is a branch of marketing which attempts to determine what causes consumers to make the purchasing decisions they do. It first looks at the cultural, social, personal, and psychological factors on buyer behaviour. Then it studies the five stages of the buyer's decision-making process: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behaviour. Attempting to understand consumers' purchasing decisions may help marketers influence them.

Research

Marketing research may be used to demonstrate or quantify a demand for the product or service.

Marketing research may be used to justify or demonstrate a demand for the product or service. Primary research involves consulting the target market to determine if they will make the purchase, or somehow demonstrate such. Secondary research incorporates research from various sources already conducted on the target market which, in combination, will demonstrate a demand. If the research can quantify the demand this is even better.

Communications

Marketing communications can influence consumers' purchasing decisions.

What a provider communicates to its customers and other stakeholders will influence their purchasing decisions and should not be left to chance. Steps include identifying the target audience, determining the response sought, choosing a message, and choosing the media.

Messages may be developed based on their purpose, content and format.

An effective message follows the AIDA model: it should get *attention*, hold *interest*, arouse *desire*, and obtain *action*. The content may appeal to customers on a rational, emotional or moral level. It may draw a conclusion or leave it to the audience. The format of the message contains copy and graphics in print and a script for radio and television. And finally, the purpose of the message may be to motivate the audience towards purchase or to just get them thinking.

There is a communication guideline known as the "Rule of Six" which says that the target audience has to receive six messages before they will remember the product / service or the provider.

The four "P's" of Marketing

The four "P's" of marketing are the product, place, price and promotion. There are two additional "P's": packaging and positioning. This text will focus on the last three.

Promotion / Marketing Mix

This is a description of those activities which will attract potential customers to the business and cause them to purchase the product or service. There are four methods of promotion: direct sales, advertising, publicity and sales promotion.

Direct sales occur when the message is delivered to potential customers individually and usually personally.

Direct sales occur when the promotion message is delivered to potential customers individually. It may take the form of cold-calling or sales appointments or presentations, or a campaign of direct letter or e-mail. This method is moderately expensive but can be quite effective if the business makes large sales to a few customers. Sales is a whole process in itself which will not be described here. It will suffice to say that the process must be followed and the customer's process for purchasing should be known and followed, too. Also, the sales target should be the one who can make the final purchase decision.

Advertising reaches many people at once but is expensive.

If the promotion goal is to send the message to many people at once then advertising may be more effective. The size of the message is limited, however, and it is more expensive. The key to advertising is frequency and consistency.

Publicity is free but hard to get.

Publicity occurs when somebody else spreads the message of the business. It typically does not cost anything and has a wide audience. An example is the launch of a business being written up in a newspaper article. Publicity can be difficult to obtain but quite effective.

A sales promotion is some sort of special deal on the product or service.

A sales promotion occurs when a product or service is put on some sort of special. It may be communicated beforehand or at the point-of-sale. It can take the form of a price discount, a free service for a limited time, or anything that will entice potential customers to try or buy the product or service.

The positioning of the product or service is how the customer distinguishes it from those of the competition.

The positioning of the product or service is how the customer distinguishes it from those of the competition. The positioning may be one of low price, high quality, quick delivery, or anything at all.

Packaging is everything that comes with the product or service.

The packaging is everything that comes with the service and is not limited to the actual physical package. Anything about the provider or the consumption experience that serves to influence the customer may also be considered packaging, from the web site to the facility design.

Marketing Plan

A marketing plan is how the organization intends to attract customers.

A marketing plan is a written description of how an organization intends to attract customers to purchase its product or service. It includes the four "P's" and the promotion tactics or methods it intends to use. It should contain an action plan of activities, timelines, deadlines, and milestones, as well as methods of control.

Marketing of Services

Introduction

Selling services is different than selling products.

Staying in the game and getting ahead with selling services are different than for selling products. Consider the following four statements:

- In services, customers participate in their delivery, or operations,
- The criteria for choosing a service provider are different: a dentist spends six years in university and patients choose him based on the availability of free parking, for example,
- In delivering services, relationships exist all around: between the employee and the customer, between the employer and the employee, etc., and the personality of the employee matters, and

- The customer interface is paramount: choosing and receiving services are an *experience* for the customer, and they will base return and referral decisions on that experience.

Several features of services distinguish them from products.

In addition, the following features of services distinguish them from products:

- In delivering services, operations and marketing occur at the same time and the services cannot be inventoried,
- Customers are buying a bundle of benefits rather than a product and the experience is what determines those benefits. Marketing involves not only the four "P's" but the entire experience of the customer,
- Services are not standard and quality control is more complex. But poor quality may be used to subsequently create satisfaction through service recovery, and
- The visible part of the service firm – from interior design to the web site – will inform the experience.

Customer satisfaction is influenced by their level of control and expectations.

Customer satisfaction in services in influenced by:

- Level of control perceived,
- Whether the role they played in delivery is the one they expected to play, and
- These in turn are influenced by information provided prior to, and during, delivery.

<u>Operations Requirements</u>

There is an overlap between service operations and marketing.

The following requirements of operations exist for optimizing service delivery and customer satisfaction:

Operations should be configured to optimize service delivery and customer satisfaction.

- The technical core or "back office" should be isolated from the customer unless this contact is being used to differentiate the service,
- If using a cost strategy then routine transactions should not occur in person,
- Any changes in operations must be communicated to customers or their expectations will not be met,
- Increasing customer participation in the delivery of

the service will increase their perceived level of control,

- Scripts and roles of contact personnel should be prepared. Any conflict between the needs of the customer and the needs of the organization will result in a fight for control with contact personnel and reduce satisfaction of both,
- Operations should be mapped to 1) Determine customer requirements in service delivery so these may be communicated to them, and 2) Highlight potential problems in service delivery. In mapping operations the following steps should be taken:
    - Delineate each task,
    - Determine capacity, bottlenecks and balance the line by adding more stations if required,
    - Set tangible cues for customers along the way to increase their perceived level of control,
    - Set standard times determined by costs and customer needs, and
    - Determine possible points of failure.

Human Resource Requirements

There is an overlap between marketing and human resource management.

In service operations employees do not simply play an ancillary role but an integral one in service delivery, be it front office administrative or back office technical. Their satisfaction with their employment will influence their performance and this, in turn, will influence customer satisfaction.

Human resource practices may be visible to customers.

In service operations human resource policies may be visible to customers. If service delivery is based on low cost staff with simple jobs, few demands placed on them, and minimal hiring criteria then it can result in the classic cycle of service failure, low cost strategy or not.

Empowered and enfranchised staff may help increase customer satisfaction.

Increasingly, service organizations are turning to staff which are empowered and enfranchised to create positive customer experiences and subsequently satisfied customers. The following are features, benefits and requirements of this:

- Empowerment and enfranchisement may be created by socialization. This is an unwritten group of rules and regulations, or more accurately, expectations of employees, based on organizational culture rather than policies and procedures,

- Control of employees is outcome-, not procedure-oriented,
- Benefits include:
    - Employees are more customer-focused and responsive,
    - Employees may customize service delivery in real time,
    - Employees may engage in a strategy of service recovery,
    - Employees are more satisfied and may be a source of ideas, and
    - Increased referrals,
- It is characterized by sharing of the following:
    - Information about organizational performance,
    - Knowledge that helps organizational performance,
    - Power to make decisions, and
    - Rewards based on organizational performance,
- It requires the following:
    - Methods of recruitment, selection, orientation and training all geared towards placing top performers in the organization,
    - Job descriptions, specifications, and performance evaluations all consistent with empowerment and enfranchisement,
    - Compensation and development of employees consistent with increased roles and expectations of them,
    - Policies and procedures to support all this,
    - Managers who can shift from managing to coaching and reduce their role from operational to strategic, and
    - The organizational fortitude to punish and let go employees who do not play the enriched role, and
- It increases costs and customization and may be best used with a strategy of differentiation.

Empowerment and enfranchisement have a cost and may be consistent with a differentiation strategy.

Customer satisfaction is influenced by organizational communications.

Services are perishable, cannot be inventoried, and their demand fluctuates over time.

The demand may be smoothed by charging different prices based on different purchase, delivery, or customer characteristics.

Communications Requirements

Customer satisfaction in service delivery is influenced by their perceived level of control and whether the experience met their expectations. These things may all be, in turn, influenced by organizational communications to customers before and during service delivery. In particular, information about the following should be conveyed:

- Level of uncertainty,
- Level of control,
- The customer's role, and
- The customer's script.

Above all, communication writers should not forget to be persuasive.

Price Discrimination and Bundling

Services are perishable and cannot be inventoried. Their demand can fluctuate over time resulting in idle resources and unused capacity.

The demand for services may be smoothed by offering incentives for delivery during non-peak times or periods of low capacity utilization. Price discrimination is one such incentive.

Customers may be charged different prices for service delivery based on factors such as:

- Time of purchase,
- Time of delivery,
- Quantity of purchase, and
- Characteristics of the customer in question, such as age or location.

In order for price discrimination to be effective the following must exist:

- The different customer groups must be identifiable,
- A communication channel must exist through which to reach each customer group,

- The different customer groups must value each price differently,
- A mechanism must exist in which to price the services differently (e.g. by time of purchase), and
- The purchases must not be transferable or interchangeable.

Because the cost of selling and/or delivering each additional service can be low – known as uniquely attributable, or marginal cost – a price discount may be offered as an incentive for customers to purchase additional services. This is known as bundling.

Customers will save time and effort in not searching for alternative service provider.

In addition to the price discount customers may benefit by not having to search for, and evaluate, other service providers should they require a related service which the provider in question offers. The combined value of this to the customer may come to be greater than the combined prices of the services, especially if a bundling discount is offered, or if the nature of the purchase is a repeat one. The strategy may also be extended to include pre-authorized payment.

Discounts may also be offered for purchasing multiple or repeat services.

Service Marketing Strategies

There are three service marketing strategies.

Putting it all together, organizations may implement one or more service marketing strategies.

The first strategy is one of customer retention. It focuses on earning repeat customers instead of incurring marketing costs in an effort to solicit new ones. It involves:

- Defection management which involves tracking the reasons why customers defect and using them to prevent further ones, and
- Implementing a service guarantee.

The second strategy is one of service recovery. It focuses on obtaining customer satisfaction following a communicated one of service failure. If the customer can be subsequently satisfied it has been shown that they will be a repeat one and refer others.

The third strategy is one of service quality. It is characterized by bridging the gap between what customers expect and what the organization thinks they expect and by gaining detailed knowledge of what customers do desire and then building a response to that into service delivery. Once this is established standards may be set.

STRATEGY

Introduction

Strategy is an organization's product / service market choices and how to successfully compete within them.

Strategy is an organization's product / service market choices and how to successfully compete within them. Business strategy defines the source of competitiveness for each of the product / service markets while corporate strategy defines which products / services to offer or which companies to own.

Strategy is formulated through examination of organizational resources and the industry environment and is influenced by organizational desires and values. It is implemented through administrative processes, policies and procedures, incentives and controls, and organizational structure.

Strategy Formulation

Strategy formulation involves examining the industry environment and the organization's resources.

The organization's environment is examined with respect to the changes and the current state of affairs in the technological, social, political, environmental, economic, and industrial areas in which the organization operates. Then the organization is examined for resources, core competence (the primary activity in which it excels) and latent abilities (of staff and technology in an effort to find new ideas for products or services). Sales and revenues should be analyzed by product / service and customer and financial statements analyzed from the past 12-months and five years.

Strengths, weaknesses, opportunities and threats are identified.

From these examinations and analyses a mapping is made of organizational strengths and weaknesses and industry opportunities and threats. Differential strategies are proposed and one is chosen based on feasibility, internal consistency, consonance with organizational structure, and competitive advantage.

Generic Business Strategies

According to Michael Porter of Harvard University there are three generic business strategies: cost, differentiation and focus.

Cost

A low cost strategy means the product or service may be made or delivered for less.

A low cost strategy occurs when the product may be made or the service delivered for less money than competitors. Sometimes this is translated into higher profits but usually it is used to lower prices.

A cost strategy is characterized by a minimum of value-adding, which is defined as performing any activity that has a cost. The product or service is "bare bones." A reduction in costs in operations is achieved through continuous improvement and extra staff effort; it is the manifestation of a large number of small things. The administration tends to be lean with cross-utilization of management staff. The organization needs to keep riding the learning and experience curves to reduce costs even further and preferably be the first one to do so. Control is centralized and achieved through culture (shared values, unwritten rules or goals, strong and clear incentives, etc.) and strong leadership, not policies and procedures. "Shared" values are obtained by finding goals or values for the staff that result in something consistent with organizational values when pursued.

Differentiation

A differentiation strategy is when the product or service is superior to, or has more to it, than the competition.

A differentiation strategy occurs when something about the product or service makes it superior, or at least more desirable, to the customers, than those of the competition. It may be more frills or features, superior customer service, free delivery, or anything at all that the customer will perceive as valuable. Usually having a differentiated product or service means higher costs are incurred in making or delivering it, and prices are set correspondingly higher to cover them. Care should be taken, however, not to add things or differentiate the product or service in ways that the customer does not want or they may not be willing to pay a higher price for them.

Focus

A focus strategy occurs when only particular products or services are offered or only offered to a particular segment of the market. The perception is that the products or services are superior since the seller specializes in them. This is also known as a niche strategy. Prices may be set high or low.

A focus strategy means only certain products or services are sold.

A focus strategy is higher in risk than the other two because the organization is relying on one source of revenue if change in the industry environment occurs. The benefit is efficiency of single track operations dedication.

Corporate Strategy

Corporate strategy involves the decision of whether or not to diversify.

Corporate strategy involves the decision of whether or not to focus on a single product or service, to provide a group of related ones (related diversification) or to provide a line of completely unrelated ones (unrelated diversification).

Diversification has costs of coordination and compromise.

Diversification has costs of coordination and compromise but has a correspondingly lower risk because the organization is not relying on one source of revenue. It will likely result in a structure of divisionalization. Shared activities between divisions lead to coordination, and performance changing to suit all divisions leads to compromise.

Related diversifications can be based on transferable skills or shared activities.

A decision to diversify can be based on shared activities or transferable skills between the products or services or their structural analogue, divisions. The decision can be a good one if the transferable skills are consistent with the source of competitive advantage and result in an increase in it, or if the shared activities can increase cost and differentiation advantage but only if they increase competitiveness.

Diversification contains many challenges: integration, organizational change, development, learning, and a need to construct linkages between divisions so sharing may actually occur.

Industry Analysis

According to Michael Porter the attractiveness of an

The attractiveness of an industry is determined by five forces.

industry is determined by the five forces or elements of its structure. They are: power of suppliers, power of buyers, barriers to entry, threat of substitutes, and intensity of competitor rivalry. The forces are analyzed with respect to what is speculated will be the industry's ultimate structure, not necessarily its present one.

<u>Power of Suppliers</u>

The power of suppliers is determined by many factors, including:

- Switching costs,
- Differentiation of inputs,
- Availability of substitutes,
- Supplier concentration, and
- Cost relative to total inputs.

<u>Power of Buyers</u>

The power of buyers is determined by many factors, including:

- Buyer concentration,
- Buyer volume,
- Switching costs,
- Price sensitivity, and
- Brand identity and loyalty.

<u>Barriers to Entry</u>

Barriers to entry include:

- Proprietary products,
- Economies of scale,
- Brand identity,
- Capital requirements, and
- Regulation.

<u>Threat of Substitutes</u>

The more substitutes that are available for the industry's products, the less attractive it is.

Intensity of Competitor Rivalry

Intensity of competitor rivalry is determined by many factors, including:

- Presence of growth,
- Presence of overcapacity,
- Product differences,
- Brand identity,
- Switching costs,
- Diversity of competitors, and
- Exit barriers.

With the exception of barriers to entry, the higher the forces, the less attractive the industry. However, even an unattractive industry may be overcome with a winning strategy.

Emerging Industries

Emerging industries are those which feature new products or services.

Emerging industries are those which feature new products or services. According to Michael Porter they are characterized by:

- High growth,
- Uncertainty, including no formulation of the "right" strategy,
- Lack of information on the industry environment,
- Lack of regulation,
- High costs due to no economies of scale or learning yet,
- The greatest proportion of newly-formed companies the industry will ever see, and
- Risk, reducing the availability of capital.

The overriding strategic issue in emerging industries is the ability to shape industry structure.

The overriding strategic issue is the ability to shape industry structure. Strategic manoeuvrability is at its highest at this time. Early entry is considered beneficial where image and reputation are important to the buyer and if economies of scale or cost advantage are important factors.

Mature Industries

Characteristics of mature industries, according to Michael Porter, include:

- Limited or no growth leading to an increase in competitor rivalry,
- A standardization of products / services,
- Consolidation of strategies towards the generic ones of cost advantage (often translated into lower prices), focus (on product / service markets in which the organization has a sustainable competitive advantage) or differentiation of products / service,
- Consolidation (a reduction in the number of players) due to:
    - Exit by players whose core competence is in a different industry,
    - Exit by players who choose not to face the increased competition, don't have the resources to, or consider the industry no longer attractive, and
    - Acquisition of smaller players by larger ones.
- Lower profits for all due to reduced volumes and increased costs of both marketing and differentiation,
- Increased power of buyers of the industry's products / services, and
- Competition often shifting towards greater emphasis on cost and service. As a result of slower growth, more knowledgeable buyers, and usually greater technological maturity, competition tends to become more cost and service-oriented.

Fragmented Industries

Fragmented industries consist of a large number of players each with a small share.

Fragmented industries consist of a large number of players each with a small share, often segmented on the basis of geography.

Successful strategies in fragmented industries, according to Michael Porter, include:

- Decentralized control and management (for multi-location organizations),
- "Formula Shops:" exact duplication of facilities and operations (for multi-location organizations),
- Standardization of product / service with optional value-added features to differentiate it,
- Focus on particular product / service markets, and
- Monopolizing particular geographic segments.

Organizations in fragmented industries need to position themselves so that they may be successful with a limited share.

The general formula for small organizations in a fragmented industry is to position the enterprise so that it may be successful with a limited share.

Strategy Implementation

Strategy, once formulated, must be implemented throughout the organization.

The following activities are involved in the implementation of strategy:

- The proper staff should be in place, both managerial and technical,
- The structure should reflect the organization's core competence and capabilities, with employees and responsibilities arranged accordingly,
- Proper budgets should be developed,
- Supportive policies and procedures should be in place,
- Information systems should exist to measure and report performance in financial, marketing, operational, and human resource areas, and
- A system of employee rewards and incentives should be developed and linked to achieving strategy-critical outcomes.