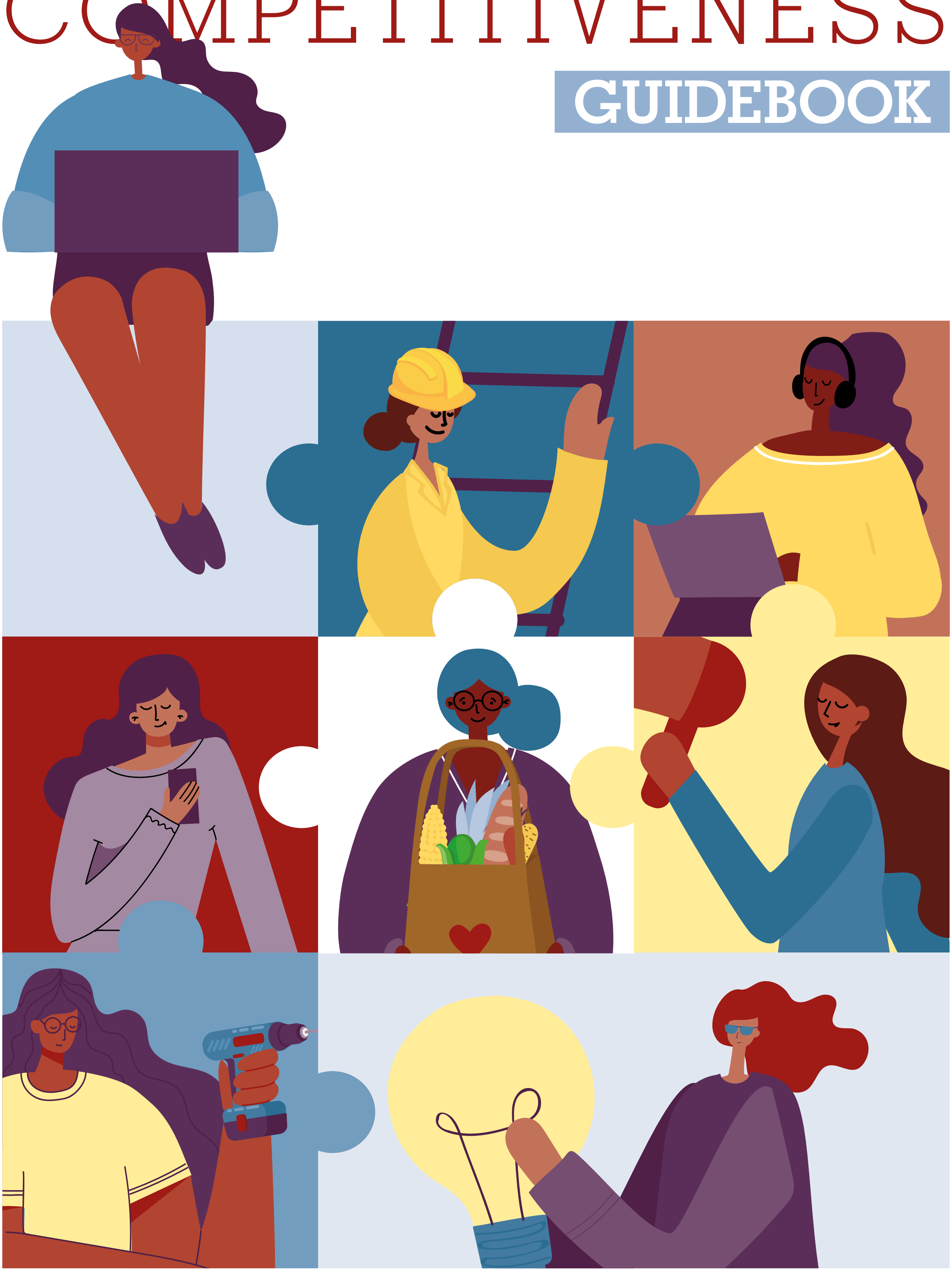
SheTrades

COMPETITIVENESS GUIDEBOOK



ITC | SheTrades

UKaid from the British people

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INTRODUCTION

The 21st century has been "an era of accelerated change, overwhelming complexity and tremendous competition" (Drucker, as cited in Rockefeller, 2017)[1]. This change, complexity and competition has been both terrifying and exhilarating at the same time!

The exhilarating part has been technology making the quality of our lives better by enabling us to connect across continents, execute our activities faster, and explore new business opportunities.

The terrifying part has been the impact of industries on the environment; the slow pace of transformation in business, governance, and social structures; and the outbreak of new challenges/ issues, such as the COVID-19 pandemic.

COVID-19 – our most recent challenge – has brought new complications in the lives of people locally and around the globe. It has disrupted economies, ruined certain sectors, and taken the lives of many, young and old. But there is also the general belief that the biggest crisis brings the greatest opportunities. This guidebook is designed to assist female entrepreneurs to identify and exploit opportunities during this crisis and enable them to adapt, sustain, or grow their businesses, so that they can continue to generate an income for themselves and their employees, and empower their communities.

This Competitiveness Guidebook consists of four competencies – Strategy, Marketing and Sales, Production, and Resources. Each chapter focuses on one of these four competencies. Also identified in the guidebook are 18 capabilities and 87 micro-foundations, which fall under these four competencies, that female entrepreneurs can learn about, implement where suitable, and exploit to compete and grow their businesses within their respective business environments.

The list provides a breakdown of the competencies, capabilities, and micro-foundations:

1. **Strategy** has 4 capabilities and 21 micro-foundations (Chapter 1)
2. **Marketing and Sales** has 3 capabilities and 12 micro-foundations (Chapter 2)
3. **Production** has 5 capabilities and 29 micro-foundations (Chapter 3)
4. **Resources** has 6 capabilities and 25 micro-foundations (Chapter 4)

Each chapter begins with a fictitious case study of an organisation, covering the various topics addressed in the chapter. In addition, each chapter ends with an exercise using a suitable business model, matrix, or analysis to help you apply some of the concepts you learned to your own business. Finally, a sample exercise is provided on the fictitious case study as a guide to the kind of knowledge the case study and exercise aims to impart.

The Annexure section has some business best practice approaches and additional reading resources.

SHETRADES COMPETITIVENESS MAP

Resources

- Knowledge and information management
- Human resources management
- Financial management
- Physical assets, infrastructure and technology management
- Non-physical assets management
- Networks and relationships management

Strategy

- Design a business strategy
- Build a business strategy
- Develop and implement an organizational structure
- Innovation, dynamization and renewal

Production

- Meet attribute requirements
- Meet quality requirements
- Meet quantity requirements
- Meet cost requirements
- Meet time of delivery requirements

Marketing & Sales

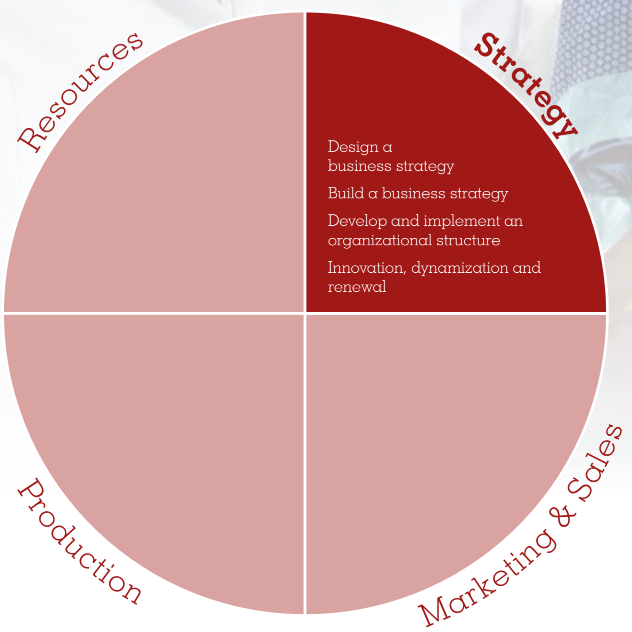
- Communication
- Distribution
- Obtain orders and secure sales contracts

HOW TO USE THIS GUIDE

This guidebook has been designed to give you an easy reading experience. Familiarising yourself with the icons below will help you to understand the various components of the guidebook.

Icons	Meaning
	Case studies of fictitious companies
	Exercises, quizzes, and activities for the reader to do
Underlined, bolded words	Hypertext leading to additional information about the topic being discussed
Bolded Words	Bolded words or phrases are defined in the sentence
!	Important information
FUN FACT	Fun fact – facts about businesses, entrepreneurs, and doing business under various circumstances
Words of Wisdom	Words of wisdom – nuggets of wisdom from famous or accomplished entrepreneurs
Inspiring Story	Inspiring story – a short inspiring story about a female entrepreneur
Resources	Additional resources
1. 2. 3.	1. Steps to follow
• • •	• Criteria • Characteristics • Activities, tips, or items
o o o	o Sub-category to a number or bullet point item

STRATEGY


Strategy
Design a business strategy
Build a business strategy
Develop and implement an organizational structure
Innovation, dynamization and renewal
Resources
Production
Marketing & Sales

The Strategy chapter outlines the importance of a business strategy and how having one can give your business a competitive edge. A strategy can help your business focus on where it would like to go, what it would like to achieve, and how this can be done.

In this chapter you will learn:

- How to design and build a competitive business strategy
- How to develop and implement an organisational structure with supporting policies and procedures
- How to enhance innovation, dynamisation, and renewal in your business

Outline of this chapter:

1. Case study – Innovating for a competitive advantage
2. Designing a business strategy
3. Building a business strategy
4. Developing and implementing an organisational structure
5. Innovation, dynamisation and renewal
6. Exercise – PESTLE analysis

Case study: Innovating for a Competitive Advantage

Companies must innovate in order to keep ahead of their competitors. If an organisation wants to create a business strategy that keeps it at the forefront of innovation, it must come up with ways of making that strategy work.

Masters and Son (M&S) is a fast moving consumer goods (FMCGs) multinational headquartered in Mumbai. This case study shows us how building an innovative culture has enabled M&S to meet wider business objectives and maintain its competitive advantage in a rapidly changing marketplace.

M&S found its balance sheet fleeting, as new players were entering the market at a rapid pace with cheaper and more innovative products. Globalisation and the explosion of technology made it more important than ever for M&S to re-evaluate its future!

M&S embraced its future by designing a new business strategy – a visionary plan to help them remain competitive in the marketplace.

But they understood that their current culture and way of doing things was not going to help them achieve it. So, they came up with a plan to deliver their new visionary strategy.

M&S redesigned their organisational structure, making it flat to eliminate the bureaucracy of their previous culture. In addition to making innovation part of every employee's performance measures, they also decided that they should invest in internal innovation, as much as in external innovation.

This meant that employees could come up with innovative products for their consumers whilst simultaneously devising innovative ways to improve internal processes to speed up the development, creation, and commercialisation of new and current products.

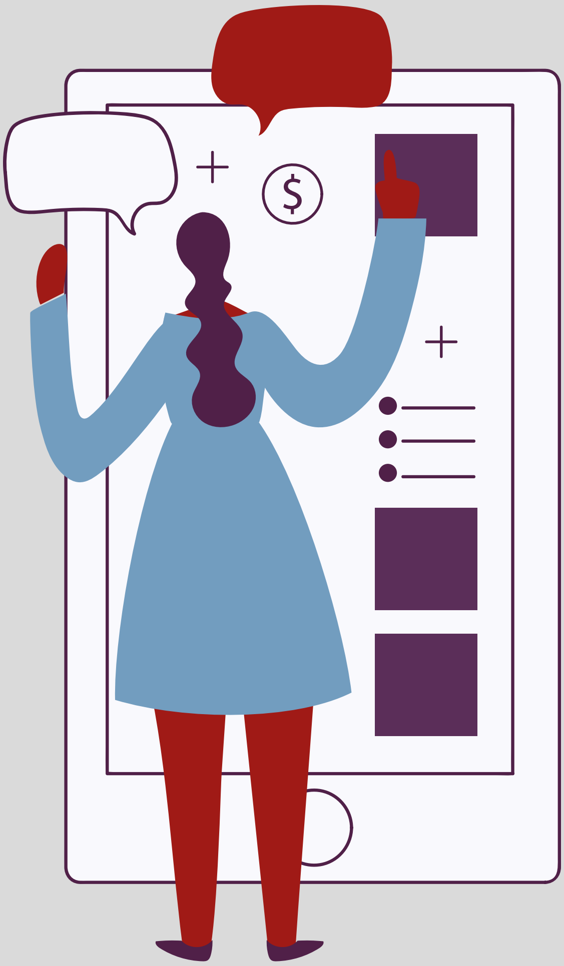
Furthermore, the M&S leadership, with the support of their Human Capital team, discovered ways to, firstly, ensure that there were no hindrances to employees sharing their ideas, and secondly, that they were recognised and rewarded for it.

They developed programmes to breakdown their bureaucratic culture, like Lunch and Learn – where one of the senior management guys would run an informal learning session and Job exchange – where randomly selected individuals would spend a day doing each other's jobs.

Employees started to feel comfortable sharing their ideas to enhance existing products, come up with new products, and to improve internal processes. Soon the market was flooded with new products by M&S and their production costs were reduced by the internal efficiency projects that their employees recommended and implemented.

Involving their employees on their innovative journey ensured buy-in and promoted ownership. The employees were provided with the required resources to implement their innovations. Consequently, the programme did not feel like an idea-hole, where employees share their ideas, but nothing is ever done with them. They felt empowered, like they were making a real difference, and in return, they felt like M&S valued them and their contribution.

Today, M&S has retained its position as the world's biggest FMCG and is also known as a top employer. M&S managed to get many employees across various geographies to buy-in and execute their strategy by making them a part of the problem and the solution.



DESIGNING A BUSINESS STRATEGY

To set organisational goals, identify business opportunities, and craft sustainable business models.

Producing the BEST business ideas...

You started your business with an idea and probably went through the process below before you started working on it. But that was a few years ago and things have changed since then. Is your business idea still relevant? Can it be refined, adjusted, or adapted? Go back to the basics! Look at your business idea, deconstruct it and put it back together again and see what you come up with. You might be surprised by how much has changed and how many new opportunities you might discover.

The business idea is the "big bang" of a successful business. A business idea is an abstract mental concept of a not well-defined product or service that could potentially be sold to an unidentified group of consumers and, as a result, is expected to generate revenue for those that develop this idea.

A new idea can be a combination of old ideas; therefore, it is useful to have enough old ideas to come up with new ideas. That's why constant reading and observation are fundamental factors in this process.

Once you have generated and identified a good number of promising business ideas, the next step would be to screen them systematically in order to select the ideas that would maximise your bargaining power, those that would help your business become more competitive.

Consider your existing resources, skills, required financial capital and social network.

Although at this stage the review is based on intuitive guesswork, a disciplined analysis of ideas would help to avoid wasteful commitment of resources in the future.

Assessing your competitive environment – locally and internationally

A **competitive environment** refers to the number and size of your competitors and the contest over your consumers. Your competitors are businesses that sell the same product as you or offer the same services as yours. A competitive environment has various aspects to it – external and internal or local and international.

An **external competitive environment** is product or service and pricing focused – it looks at how many businesses offer the same product or service to a selected number of consumers at a particular price.

An **internal competitive environment** is resources focused – it considers competition over a selected talent pool, raw material or operating space between businesses that require the same talent, material or space

Local or international competitive environment refers to the geographic reach of your business and how competitive those environments are. If your consumers are local, then you only need to worry about competitors in your country. If your business exports to other markets, then you have to consider competitors in those markets as well.

Look out for various programmes in your industry, country or market that could give your business a competitive edge, such as bilateral agreements, co-operatives, import/export tariffs, etc.

A commonly used method which assesses the competition your business faces is Porter's Five Forces – a model that finds and examines five competitive forces that shape every industry. Gordon Scott (2020)[2] describes Porter's five forces as:

1. Competition in the industry,
2. Potential of new entrants into the industry,
3. Power of suppliers,
4. Power of customers, and
5. Threat of substitute products.

Assessing the environmental impact of your company

Donev, et al., (2020)[3] defines **environmental** impact "as any change to the environment, whether adverse or beneficial, resulting from a facility's activities, products, or services". It's the effect that people, communities, institutions and businesses have on the natural environment around them, including the air, soil, water, greenery and animals.

It is good practice to consider and estimate the environmental impact of your business before you start. You can do this by conducting an **environmental impact assessment (EIA)**.

Some governments impose EIA's on certain sectors, such as the primary and secondary sectors, where a lot of extraction and manufacturing are involved.

The EIA is meant to predict the impact that a business will have on the environment and mitigate that impact. Environmentalism is a relatively new concept and many businesses have been in existence for much longer and did not have to consider their environmental impact when they were establishing themselves. Governments have mitigated this issue by imposing environmental taxes on businesses that do not comply with their laws.

Some businesses view environmental impact as an ethical issue, and link positive or negative environmental impact as having good or bad ethical practices. Having a positive environmental impact can assist you create strategic and meaningful business partnerships.

Find out about your country's EIA and whether you meet its requirements. If your company has a positive environmental impact, then you can use that as a differentiating and marketing strategy. Consumers and stakeholders are becoming more conscious of how the products they are consuming are impacting the environment and are therefore seeking more environmentally friendly products.

"The United Nations Environment Programme (UNEP) defines EIA as a tool used to identify the environmental, social, and economic impacts of a project prior to decision-making. It aims to predict environmental impacts at an early stage in project planning and design, find ways and means to reduce adverse impacts, shape projects to suit the local environment, and present the predictions and options to decision-makers" (Convention on Biological Diversity, 2010)[4].

Assessing the social impact of your company

Social impact refers to the effect people, community forums, institutions and businesses have on the communities they operate in which can either enhance the well-being of the community members or diminish it. An example of negative social impact is a retailer that sells cigarettes and liquor to under-age children. An example of positive social impact is a business that gives its employees two hours off on Fridays to help out at an old-age home.

One important component of positive social impact is sustainability! The more sustainable the impact the better for all parties involved!

You can use a **Social impact assessment (SIA)** to study the impact of your business on your community. It studies whether your business has a positive or negative effect on the community and the people living in it.

Below are two examples of M&S cases. The first illustrates negative social impact and the second positive social impact, highlighting the consequences thereof.

Negative social impact:

In 2012, a group of female employees from their Chittagong, Bangladesh production plant won a discrimination lawsuit against M&S. They accused the production plants' management team of discriminating against female employees, by only promoting male employees to supervisory roles, because it required extra hours. They stated that the female employees needed to leave work early to get home in time to prepare dinner for their families. This lawsuit caused an outrage across the world and led to many people boycotting M&S products until the issue was resolved. The issue had been going on for over a decade and many women in the community had left their jobs at M&S because they felt that they were not progressing.

Positive social impact:

In 2017, M&S built an artisan school in Accra Ghana, which taught students technical skills – such as plumbing, boiler-making, and carpentry, which they could use to become self-employed or to find jobs at factories that required those skills. The school has since had over 200,000 graduates, with 60% of those students finding employment immediately. The school has been so successful that the Ghanaian government approached M&S with a plan to expand and fund the school.

Identifying, segmenting, and selecting your markets

M&S produces hair removal cream which is widely used by both men and women from all walks of life. Would it be wise for M&S to create one product and advertise it to all its users? Would all the users relate and respond to the same marketing campaign? Unlikely!

Introducing **market segmentation** is "the first step in determining who your marketing should target. Segmentation helps you know which groups exist so that you can later identify which groups to target" (Qualtrics)[5].

Lotame (2019)[6] advises identifying your market segment by following these four steps:

1. Establish your objective with the exercise.
2. Identify your customer segment/s based on the segments listed below.
3. Determine the commercial value of the segments you have identified – consider market size, segment differences, profit vs. spending and the accessibility of the segment.
4. Develop market segmentation strategies for your selected segments.

There are 4 main market segments: Behavioural, psychographic, demographic, and geographic.

Additional segments include: Value-based, firmographic, generational, life stage-based, and seasonal.

M&S also used market segmentation to identify the type of peanut butter that consumers in certain regions preferred, and it used this information to inform product development, production quantity and location dispatch.

It discovered that 60% of their North American market preferred crunchy peanut butter, whilst 40% preferred smooth peanut butter, but the complete opposite was accurate for their African market.

You can use market segmentation to identify different target audiences and how you should market your product or services to them, but you can also use market segments to identify sales patterns and optimise your marketing and sales strategy.

Positioning your enterprise's offer

Why do you exist? What is your story? Which problem are you fixing?

Most entrepreneurs started their businesses because there was an issue that frustrated them, or they had a problem and in coming up with a solution realised that there was an opportunity there.

Think about your business, why did you start it? What difference did you want to make?

That is your story! That is your unique selling proposition (USP)!

A **USP** is what advertisers and marketers refer to as that "thing" that makes your brand, product or service stand out. It is important to have an authentic and compelling USP, which requires some soul-searching and creativity.

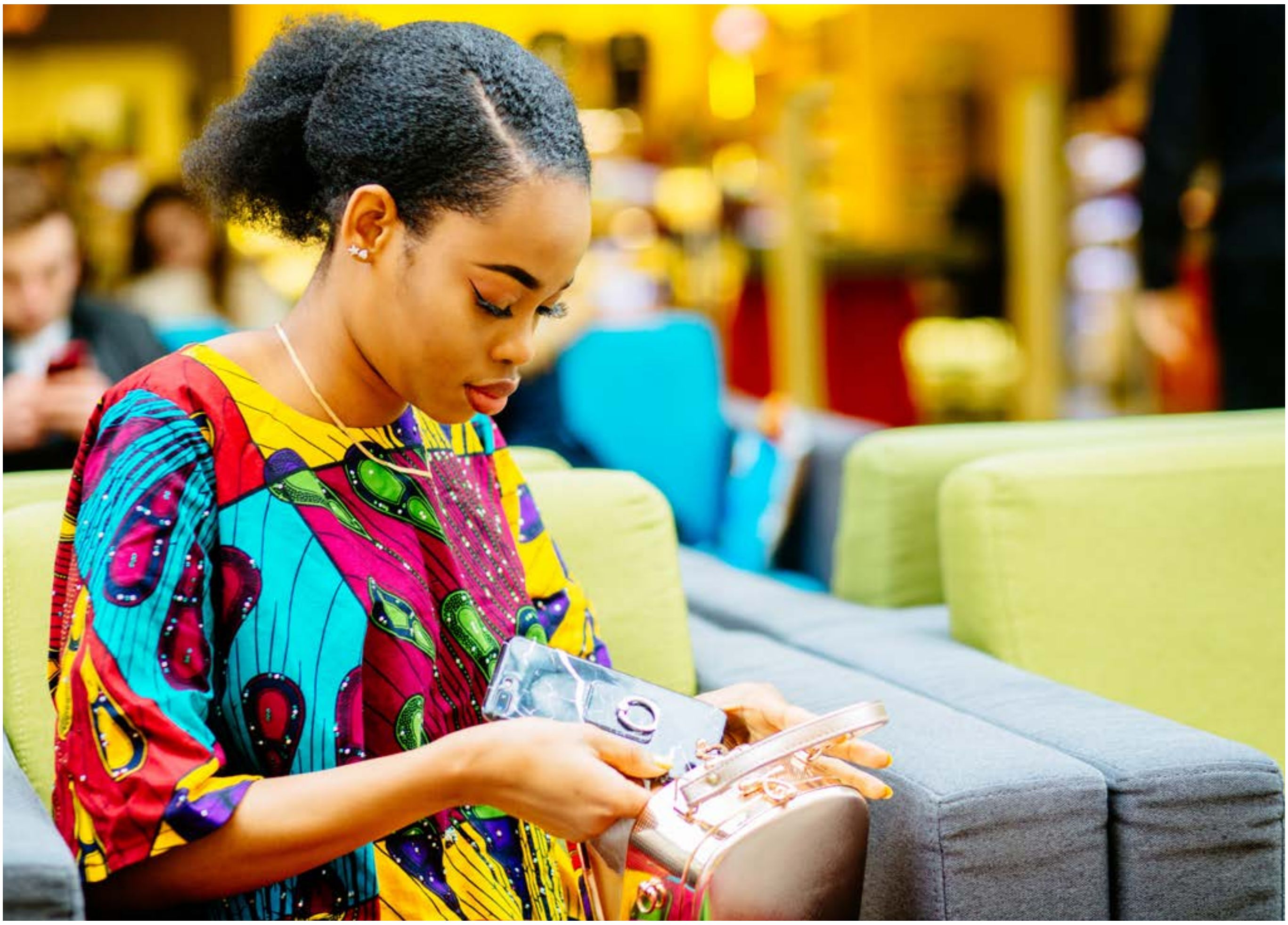
Here is how to uncover your USP and use it to power up your sales (Entrepreneur South Africa)[7]:

- Put yourself in your customer's shoes.
- Know what motivates your customers' behavior and buying decisions.
- Uncover the real reasons customers buy your product instead of a competitor's.

Study other companies USPs and how they use them in their strategy and marketing. Analyse their adverting, brand ambassadors and affiliations. For example, the claim to fame of the Beauty brand, Juvia's Place, is that it creates beauty products for ALL skin tones – and it does! Why? Because it was started by a Nigerian-born mother with $2000 and a problem. She struggled to find make-up products for her skin tone and vowed to come up with a solution! Their marketing celebrates all skin tones. You can see it on their website and with their social media partners. Their consumers are usually people who previous felt excluded from the beauty industry such as dark-skinned people and men who love make-up. Today Juvia's Place is one of the biggest beauty brands in the world.

Here are other examples of what a USP is (Entrepreneur South Africa)[8]:

- Charles Revson, founder of Revlon, always used to say he sold hope, not makeup.
- Some airlines sell friendly service, while others sell on-time service.
- Neiman Marcus sells luxury, while Walmart sells bargains.



BUILDING A BUSINESS STRATEGY

To identify resource requirements and determine how strategies are to be implemented. It also allows for the fine-tuning and adaptation of existing strategies.

Building a business strategy involves developing e-business strategies, strategic planning, operational planning, and identifying and building business processes, financial planning, and a sales plan. The most important part about building a strategy is understanding that it is a "living" document that would need to be revisited and updated frequently.

Identifying critical business processes and inputs

"A **business process** is a series of steps performed by a group of stakeholders to achieve a concrete goal. Each step in a business process denotes a task that is assigned to a participant. It is the fundamental building block for several related ideas such as business process management, process automation, etc." (Kissflow, 2021)[9].

The M&S warehouse in Woodlands, Singapore was expecting a package from the Jurong Port which never arrived. When the warehouse manager called the Port to find out where the package is, they told him to call back in 24 hours, as they were going to investigate. When the M&S warehouse manager called back in 24 hours' time, there was no record of her ever calling or whom she spoke to, or a case of a missing package being investigated. She had to explain her issue again, providing all the same information that she gave the previous person. On top of that, she had to give additional information that the previous person did not request.

This is a great example of an organisation that does not have documented and transparent business processes for dealing with everyday organisational issues. It is not only important to have business processes, but employees must be trained on and need the required business inputs to execute them.

Business inputs are resources needed for processes involved with production, such as raw materials, equipment, personnel, facilities, energy, and information. Inputs include all factors required for production and are generally recorded as costs on company balance sheets.

Identifying and building core business competencies and capabilities

Max Freedman (2020)[10] defines core competencies as "products, services, skills, and capabilities that give a business advantages over its competitors. Put another way, business core competencies are competitive advantages that no competitor can reasonably offer or replicate."

Freedman, (2020)[11] offers this list of common core competencies:

- Consistently high quality
- Incomparable value
- Ceaseless innovation
- Clever, successful marketing
- Great customer service
- Formidable size and buying power

If you consider everyday brands and products what are their core competencies?

It does not matter where in the world you drink a Coke – it will taste the same. Remarkably, Coca-Cola offers a consistent taste as well as brand experience to consumers around the world.

McDonald's, on the other hand, has successfully glocalised[12] (adapt a global product or brand for a local market); it has adapted its menu to appeal to its diverse audience across the globe whilst retaining its authenticity.

Apple consistently develops products that are high in quality and efficiently designed and that is what all Apple consumers appreciate about the brand.

What is your business' core competencies? What does your business do exceptionally well?

Ulrich (2021)[13] states that "a **business capability** defines "what" a business does at its core. This differs from 'how' things are done or where they are done".

Using the examples above, what would Coca-Cola's, McDonald's, and Apple's business capabilities be?

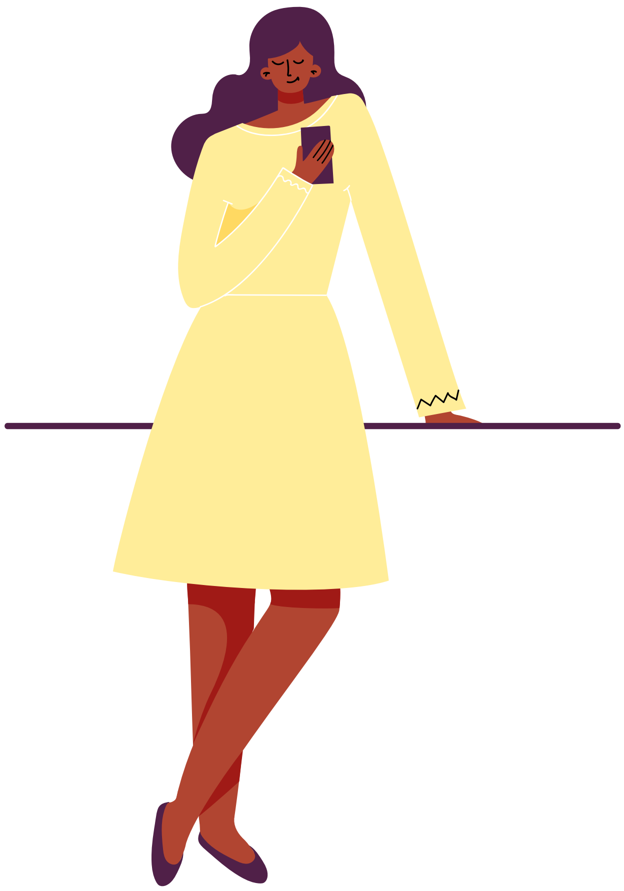
Coca-Cola produces beverages.

McDonald's sells burgers.

Apple makes electronics.

What is your business capability? What does your business do at its core?

Knowing and understanding your business' competencies and capabilities will help you identify the gaps and close them. The downfall of having gaps in your competencies and capabilities is that there is often an invisible compromise – whether its quality, output, production time, etc.



Preparing strategic and operational plans

All business plans start with: What is your vision, mission, objectives and long-term plan. These are the best questions, because if you are at the business plan then their answers should come easily. The answers to these questions are in your business idea and plans for your business. This is what we call a **strategic plan**. After all the easy fun part of the business plan comes the real work: The production plan, financial plan, resourcing plan. This is what we call an **operational plan**.

Just because your business is established does not mean that you stop doing the above – it is just no longer called a business plan, but rather a strategic plan and an operational plan. The strategic plan contains the business strategy, and the long-term plan and the operational plan include the different activities each department needs to complete to achieve the strategy.

A strategic plan ensures that the cruise ship arrives at its specified destination, at its specified time. The operational plan outlines what all the different departments need to do to ensure that the cruise ship not only arrives at its specified destination at its specified time, but also makes sure that the guests are comfortable, well-fed, entertained, that the staff are well taken care of and have all the required resources to execute their roles effectively.

> Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.
>
> Sun Tzu

Figure 1: 17 Sustainable Development Goals (SDGs) (source: United Nations)

Aligning your strategic and operation plans with the Sustainable Development Goals SDGs

In 2015 all United Nations (UN) member states committed to the 17 Sustainable Development Goals (SDGs)[14], which is a blueprint for prosperity and peace for all of humanity. The plan is to achieve these goals by 2030. To achieve these goals by 2030 the UN needs everyone to participate, from governments and institutions to businesses and people.

Aside from the fact that these goals will lead to a sustainable and inclusive planet, there are also great opportunities for businesses that commit to these goals – such as a global affiliation and network and the ability to make a positive impact in a simplified manner.

Organisations of all sizes, from various industries can participate and contribute. The UN has created a simple framework[15] on how organisations can participate and there is a library[16] of ready to use content for businesses.

Figure 2: United Nations Global Compact (Source: United Nations Global Compact)

Developing financial plans and models

"A **financial plan** is a comprehensive picture of your current finances, your financial goals and any strategies you've set to achieve those goals. Good financial planning should include details about your cash flow, savings, debt, investments, insurance and any other elements of your financial life" as defined by Voigt & Benson (2021)[17].

Financial modelling is a process that assists businesses to plan and predict their financial activities from debt to sales, income, and different type of expenses. Financial modelling takes into consideration dates, amounts, income vs expenses, and predicts your business' financial activities over a period of time, usually a year. This assists businesses to plan accordingly. For example, if M&S makes fewer sales between January and March, then it can plan for that by ensuring that it has access to capital during that period in case it does not break even.

Rick Yvanovich (2019)[18] identifies 5 best practices for financial planning in a volatility, uncertainty, complexity, and ambiguity (VUCA) world:

1. Turn strategies into actionable plans
2. Understand how operational plans drive financial results
3. Carefully sort out adequate resources (budget, staffing, and time)
4. Test out all possible what-if scenarios
5. Connect with people and employ technology

What often happens in most organisations is that, finance come-up with a budget for the various departments, without consulting them. This usually leads to some departments needing unplanned additional capital for crucial activities later. It is important to make financial planning and modelling a consultative process.

Developing sales/export plans

You have started your business, your product or service is selling well, people think your quality is great and you have identified an opportunity – a market in a different country. You want to export your product or service, but how do you start? Where do you go? What do you do?

You need an export plan! An **export plan** details everything about exporting your product or service to other markets.

An export plan should include the following: executive summary; company description; cxport objectives; risks; description of export products; description of what makes them unique; export capacity; regulators and logistical issues; Market/sector research; Target markets and target; Customer; Competitiveness assessment; Market entry strategy; marketing strategy; resource requirements; financial plan; and action plan.

The International Trade Administration[19] shares four steps necessary to developing an export plan:

1. Identify the product or service to be exported and check its export potential
2. Conduct market research on the countries of interest
3. Decide on a pricing strategy for the product or service
4. Define a strategy to find buyers

You might consider using export brokers – firms that help business owners export their products to various markets, initially. They will advise and guide you on what to do based on experience and use their network to assist you.

Developing an e-business strategy

COVID-19 has accelerated digitisation for everyone. Even organisations that previously did not have a digital presence have now established one and are using it to conduct their business. The need to have an e-business strategy is more important now than ever before, especially in order to stay relevant and sustainable.

An **e-business strategy** is critical for businesses to exist in today's world. If consumers cannot find your business online then they may assume that it does not exist. Having a vision and a plan on how you are going to explore the online world is crucial – and that is what your e-business strategy should look at. How is your business going to use and exploit the online world to remain competitive?

Here are some points to consider when developing your e-business strategy:

- How can online platforms benefit your business?
- What would consumers want from you online?
- Which online platforms are best for your business?
- How much engagement does your consumers require from your business?

Think about your ideal buyers, their needs, and the best connection/interaction points with them before settling on an e-business strategy.

Handling risk and uncertainty

Enterprise risk management (ERM) is a "plan-based business strategy that aims to identify, assess, and prepare for any dangers, hazards, and other potentials for disaster – both physical and figurative – that may interfere with an organisation's operations and objectives" as described by Kenton (2020a)[20].

Risk management differs significantly depending on the type of business the organisation is into. Companies in the primary and secondary sectors tend to have higher risks compared to companies in the tertiary, quaternary, and quinary sectors. This is because primary and secondary sectors require hard physical labour and use heavy machinery, while tertiary, quaternary and quinary sectors involve using computers.

Organisations need to identify all the hazards they face and decide which risks to manage actively, including making a plan of action available to all stakeholders, shareholders, and potential investors.

ERM is different for every business but knowing and understanding what your business' ERM looks like and having a plan to mitigate it is honestly the best approach.

Provident[21] recommends the following best practices towards designing and implementing an effective ERM programme:

- Ensure a strong message and directive comes from the Board and the executive level.
- At the same token, involve all staff from management to front-line staff to participate in discussions of perceived and known risks
- Utilise previous work, minutes, corrective actions and news
- Create a well-represented steering committee that will spearhead the ERM programme.
- Create sub-committees/facilitated sessions.

Periodic strategy update and adaptation

A strategy or a **strategic plan** is extremely important for creating a strong, growing and profitable business. It's the company road map for implementing and achieving your vision. It clarifies its long-term goals and the steps necessary to attain them over the next two to five years.

But strategic planning is not a set-it-and-forget-it exercise. Businesses need to revisit their strategy, monitor progress against milestones, and adjust to changing conditions. That means a strategic plan needs to be revised and adjusted regularly. The evaluation and review of the strategic plan is an opportunity to take a step back, assess and evaluate the state of the business and industry, and re-align your vision, goals, priorities, and action plan. With the management team, the company needs to decide how and when the strategic plan will be reviewed and what information it will need to do so.

This is an exercise that is easily forgotten, so the best practice is setting up sessions every six months over your strategy's timeframe to review where you are and to assess market and industry trends.

Joseph Lucco (2018)[22] recommends reviewing your strategy at the end of the year, but others advise more frequently depending on your industry. Here are some steps you can follow when reviewing your strategy:

1. Review the strategic plan first
2. Review the operational plan
3. Ensure that your decisions are made using valid and updated information
4. Share any changes with you employees

> "Failure is nothing more than a chance to revise your strategy."
>
> Anonymous

DEVELOPING AND IMPLEMENTING AN ORGANISATIONAL STRUCTURE

To equip businesses with an adequate structure to allocate, coordinate, and supervise the work that needs to be done in order to achieve the goals set by the strategy.

Developing organisational structures

If your business has been in existence for a while and you have a few employees, it probably means that you have an organisational structure already in place. It might be small and flat with three or four employees reporting to you, or it might be big with departments and multiple employees in those departments reporting to the heads.

"An **organisational structure** is a system that outlines how certain activities are directed in order to achieve the goals of an organisation. These activities can include rules, roles, and responsibilities" as defined by Kenton (2021a)[23].

An organisational structure in its nature provides a method of doing things in an organisation. For example, if your business has a Finance department, then that department will have finance related roles and will conduct finance activities for the business.

You do not usually start a business with an organisational structure in mind and depending on the type of business you start and your access to capital you might have to start with a few employees for critical roles. After that, as your business grows and more capacity is required, your structure will naturally fill itself up.

It might be wise to revisit your structure, whether it formed naturally, or it was planned – re-evaluate it and decide whether it is the right structure to execute your business strategy.

The main types of organisational structures include (Kenton, 2021a)[24]:

- Functional
- Divisional or multidivisional
- Flatarchy
- Matrix

Choosing the right type of structure or combination of structures for your business is very important in assisting you deliver your strategy and become/remain competitive in your respective environment.

Here are the most common system-based organisation design models (Chartered Institute of Personnel and Development [CIPD], 2020)[25]:

- McKinsey 7-S Model[26] – systems, strategy, structure, style, staff, skills & shared values.
- Galbraith Star Model[27] – strategy, structure, people, rewards, process.
- Burke Litwin Model[28] – mission/strategy, structure, task, leadership, management practices, work unit climate, motivation, organisation culture, systems, individual needs and values, external environment, performance.

Developing policies, systems, and procedures for adequate governance

Having an organisational structure is not enough, now you must develop systems, policies and procedures. An organisational structure is the skeleton of an organisation, job descriptions are the meat and systems, and policies and procedures are the muscles. Systems, policies and procedures are collectively what is referred to as "organisational governance". "Organisational governance is a holistic approach encompassing the processes, standards, rules, and practices an organisation follows. It guides operations and administration, ethics, risk management, compliance, and more" as defined by Troy Blackman from Thought-logic[29].

For an organisation as big as M&S, systems, policies and procedures are very important. Systems assist with automating and digitalising processes, which reduces risk and labour costs. For example, a system for employees to log their leave and a system that provides an accurate number of products produced in a day by a machine.

Policies support with guiding behaviour, implementing programmes and indicating processes. For example, a bursary policy describes how the business' learning programme work, should an employee wish to use them, or a poor performance policy guides all parties on how to deal with poor performance.

Procedures, on the other hand, refer to the steps that need to be taken to complete an activity. For example, a production operating procedure outlines all the steps that need to be taken to produce a particular product, or a sexual harassment procedure indicates all the steps that need to be followed in terms of a sexual harassment case.

Applied Corporate Governance[30] offers the following best corporate governance practice:

- Ethics: a clearly ethical basis to the business
- Align business goals: appropriate goals, arrived at through the creation of a suitable stakeholder decision making model
- Strategic management: an effective strategy process which incorporates stakeholder value
- Organisation: an organisation suitably structured to effect good corporate governance
- Reporting: reporting systems structured to provide transparency and accountability

INNOVATION, DYNAMISATION AND RENEWAL

To adapt to changes in the business environment by introducing new or adapting existing ideas, processes, services, or products.

Conducting business research – basic, consumer, and technical

"Business research is a process of obtaining a detailed study of all the business areas including product development, market insights, and consumer behaviour, and using that information to maximise the sales and profit of the business" (Venture Lab, 2019)[31]. There are different types of business research, which can be used in multiple different ways.

For example, M&S can conduct product development and market research on products, by finding out what type of products compete with theirs and how they are different. This will help M&S benchmark itself against its competitors.

M&S can also conduct industry research by finding out what other businesses there are within the industry – not necessarily FMCGs, but suppliers of raw materials to FMCGs or logistics companies that service FMCGs or the talent pool of FMCG skilled professionals. This will assist M&S to identify where there are opportunities to improve within the industry.

Another form of research M&S can conduct is consumer behavioural patterns. By monitoring its sales patterns, it will be able to understand its consumers patterns and plan around them. For example, it sells more hair removal cream in various countries during warm seasons, such as summer and spring and more peanut butter during the colder seasons, such as autumn and winter. This kind of information is helpful with making production and distribution decisions.

Venture Lab (2019)[32] highlights the following benefits of business research:

- It facilitates communication with customers in an enhanced way.
- It aids with assessing opportunities and threats in the marketplace.
- It assists with reducing risks.
- It is used to strategise financial outcomes.
- It advances the building of a better market position.
- It keeps you updated with the latest trends and inventions.

> The enterprise that does not innovate ages and declines. And in a period of rapid change such as the present, the decline will be fast.
>
> Peter Drucker

Developing innovation, renewal, and dynamisation capabilities

"**Innovation capability** is defined as an organisations ability to identify new ideas and transform them into new/improved products, services, or processes that benefit the organisation" (Aas & Breunig, 2017)[33]. **Renewal** is the process of making something appear new again, either by slightly enhancing the product or by improving the packaging, while **dynamisation**, on the other hand, is about increasing the abilities of a product or service.

In terms of these three concepts, it is suggested for big organisations to:

- Identify different ways to embed innovation, renewal, and dynamisation capabilities in their business.
- Make innovation, renewal, and dynamisation part of their employees' performance measures.
- Develop initiatives to incentivise employees for coming up with innovative ideas or business improvement plans.

FUN FACT Gambling generates more revenue than movies, spectator sports, theme parks, cruise ships, and recorded music combined.

Alcor (2020)[34] has identified four types of innovation models:

- Incremental innovation – Incremental innovation is slightly altering an existing product.
- Disruptive innovation – Disruptive innovation is coming up with a new product which completely changes the sector, market or industry.
- Sustaining innovation – Sustaining innovation is like incremental innovation but over a longer period.
- Radical innovation – Radical innovation is like disruptive innovation but takes a longer time to make disruptive changes.

Identify which kind of innovation models you can explore and implement for your business and which ones are a threat and look at how you would mitigate those threats.

M&S opted for incremental and sustaining innovation – they asked their employees to come up with simple and implementable ideas to solve their everyday problems or to enhance their products. The advantages of incremental and sustaining innovation are:

- They require minimal capital investment – employees usually implement the ideas themselves using their everyday resources.
- Due to time allowance, employees can work on them during their free time.
- They are easy to implement – the ideas are usually easy to implement, with a little bit of research and upskilling.

> Strategy is about setting yourself apart from the competition. It's not a matter of being better at what you do – it's a matter of being different at what you do.
>
> Michael Porter

Understanding and predicting market trends and industry shifts

You either know exactly what market trends and industry shifts are or you might have heard about them. **Market trends or industry** shifts are the analysis and identification of patterns within a market or industry – the trends can be driven by many predictable and unpredictable factors such as seasons, politics, entry of a new player, technology inventions, consumer behaviour and tax and legislative changes. These market trends or industry shifts will then cause other players to behave in a certain way, therefore causing the market or industry to respond.

Xavier Gilbert and Paul Strebel (1989)[35] define **industry shifts** as "situations where industry members are challenged by a new price/benefit offer developed by an insider or by an outsider to the industry, which is superior to what has been available thus far, and that cannot be matched with their current competitive approach".

Predictable factors are the ones that usually have a past, present and a future. This means that whenever the predictable factor occurred in the past the market or industry responded in a certain way, continues to respond in that way, and will respond that way in the future. An example of a predictable factor is weather seasons or Black Friday. Some items sell more during certain seasons, compared to others.

Unpredictable factors are new spontaneous activities or events that cannot be planned for or mitigated. For example, the Suez Canal blockage in 2021 or the outbreak of the coronavirus (COVID-19) in 2020. Both of these events were not anticipated but happened and impacted markets and industries in certain ways.

Investopedia staff (2021)[36] identify three types of trends, namely: short, intermediate and long-term. Black Friday is a great example of a short-term trend, whilst a weather season is an intermediate trend and the corona virus has been a long-term trend on markets and industries.

A market trend analysis is an analysis of past and current market behaviour and dominant patterns of the market and consumers.

Inspiring story

CEO & Co-Founder of VIPKID:
Cindy Mi

Total funding amount: $825 million

Investors include:
Learn Capital, Sequoia Capital China, Tencent Holdings, YF Capital, Northern Light Venture Capital, Matrix Partners China, Coatue Management

VIPKid is a global online learning platform which connects teachers from various parts of the world with students. It uses an immersion learning platform and is the leading China's leading education start-up. It was launched in 2014 and currently has over 500 000 paying students and 60 000 teachers.

"I envision a global classroom where every child feels truly connected to their education. This is the classroom I wish I had as a child."
Cindy Mi

Sources: Crunchbase[37] and VIPKid[38]

Completed exercise: PESTLE Analysis

The PESTLE analysis is designed to assist you to assess the environment in which your business operates and identify the opportunities and threats that arise from the analysis. Complete a PESTLE analysis for your business by filling in your observations and findings in the white blocks below.

	Description	**List your business's opportunities and threats with each description**
Political	*Tax policy; environmental regulations; trade restrictions and reform; tariffs; political stability*	M&S is a multinational, which needs to be aware of the political activities, tax policies, trade restrictions, etc., in various countries that it operates. The advantage of this is that if there are issues in one country, then the other countries can cover that country's balance sheet.
Economic	*Economic growth/decline; interest, exchange, inflation and wage rates; minimum wage; working hours; unemployment (local and national); credit availability; cost of living*	M&S has the economic advantage of being a multinational – which makes it easier for it to access capital from banks. Most of its workforce are wage workers, who are temporary and get paid per hour. This is good for its overhead costs, because the implications of cutting costs are low.
Social	*Cultural norms and expectations; health consciousness; population growth rates; age distribution; career attitudes; health and safety*	M&S can use its global footprint to localise its products (glocalisation) – its diverse workforce can provide input into product development, helping it capture new target audiences and expand its market share.
Technological	*New technologies are continually emerging (for example, in the fields of robotics and artificial intelligence [AI]), and the rate of change itself is increasing. How will this affect the organisation's products or services?*	Using data to predict market trends in future and using that data to plan product development and production. Using an electronic system to track and record all the products produced, dispatched, and sold would reduce labour costs and decrease inaccurate data which leads to misinformed decisions. Automating the product production line using AI and robotics to cut costs.

Completed exercise: PESTLE Analysis (Continued)

Legal	*Changes to legislation impacting employment, access to materials, quotas, resources, imports/exports, and taxation*	The constant changes of tariffs by countries is a costly exercise that impacts M&S's bottom line. Adapting to the various countries' employment regulation. Negotiating better terms with raw material suppliers.
Environmental	*Global warming and the increased need to switch to sustainable resources; ethical sourcing (both locally and nationally), including supply chain intelligence. Pandemics and other emergencies.*	Access to resources to start creating environmentally friendly products. Using the positive environmental impact to market your products and position M&S as an environmentally conscious business. Existing global carbon footprint is big and difficult to reverse.

Exercise – PESTLE Analysis

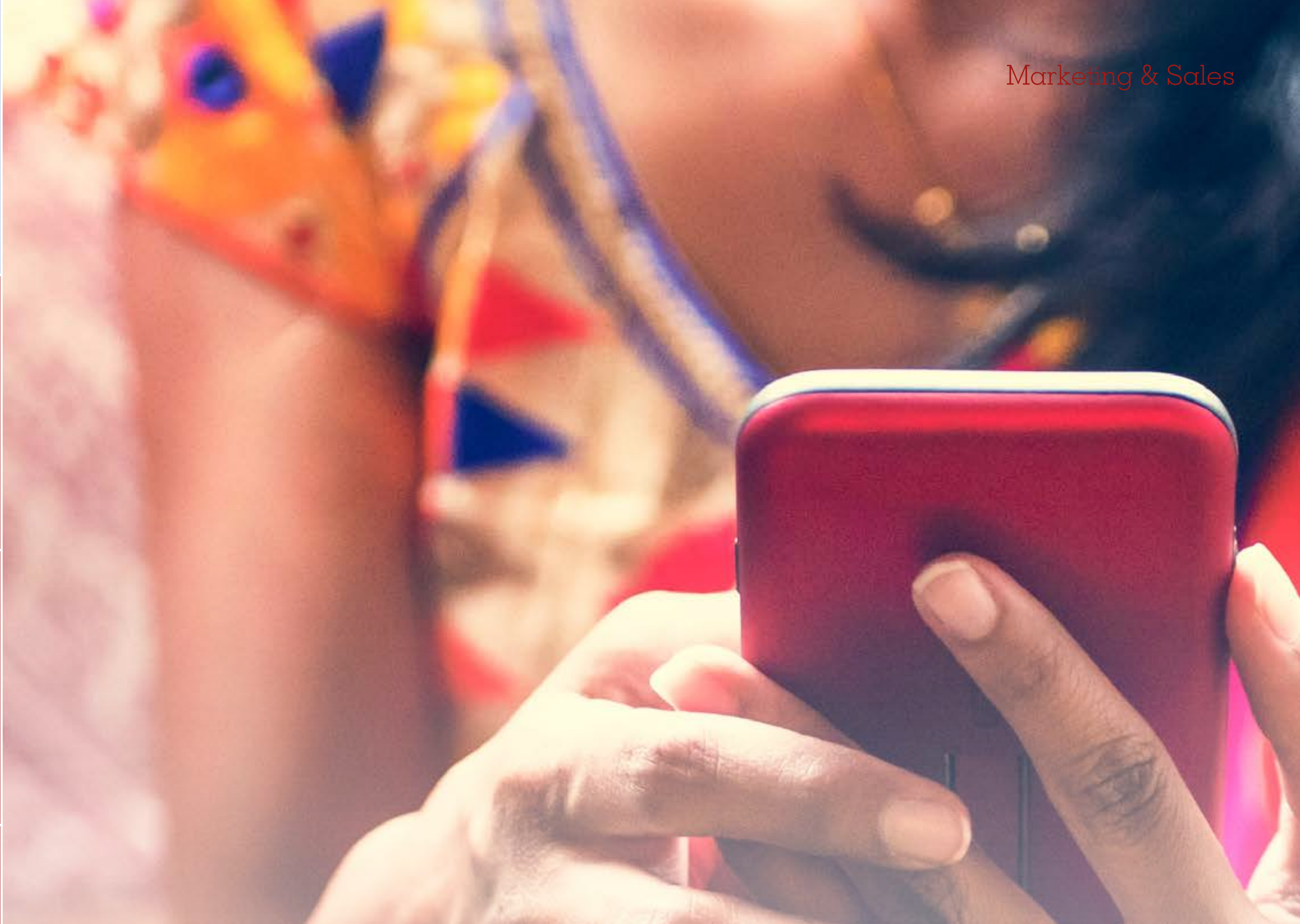
The PESTLE analysis is designed to assist you to assess the environment in which your business operates and identify the opportunities and threats that arise from the analysis. Complete a PESTLE analysis for your business by filling in completing your observations and findings in the white blocks below.

	Description	***List your business's opportunities and threats with each description***
Political	*Tax policy; environmental regulations; trade restrictions and reform; tariffs; political stability*	

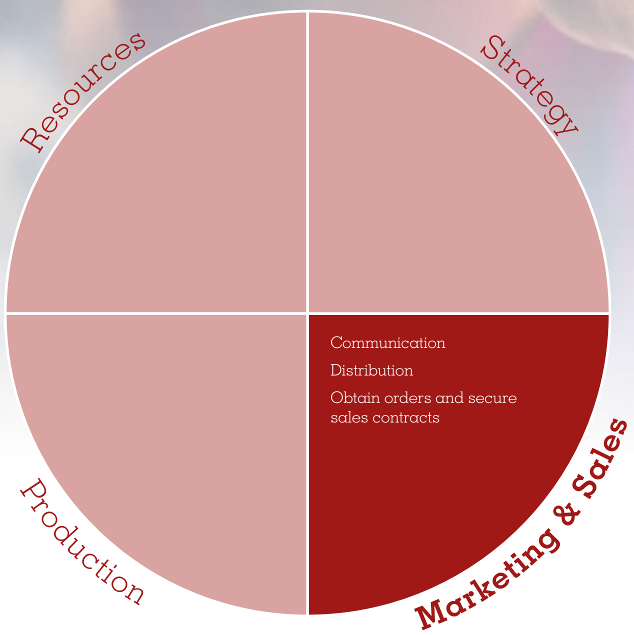
Exercise – PESTLE Analysis (Continued)

Economic	*Economic growth/decline; interest, exchange, inflation and wage rates; minimum wage; working hours; unemployment (local and national); credit availability; cost of living*	
Social	*Cultural norms and expectations; health consciousness; population growth rates; age distribution; career attitudes; health and safety*	
Technological	*New technologies are continually emerging (for example, in the fields of robotics and artificial intelligence [AI]), and the rate of change itself is increasing. How will this affect the organisation's products or services?*	
Legal	*Changes to legislation impacting employment, access to materials, quotas, resources, imports/exports, and taxation*	
Environmental	*Global warming and the increased need to switch to sustainable resources; ethical sourcing (both locally and nationally), including supply chain intelligence. Pandemics and other emergencies.*	

Introduction
Strategy
Marketing & Sales
Production
Resources
Conclusion
Annexure



MARKETING & SALES



The Marketing and Sales chapter focuses on the importance of the marketing and sales processes in making your consumers aware of your business and in getting your product or service to the right consumers.

In this chapter you will learn:

- How to develop a brand and market it to your consumers
- How to price and distribute your product or services to your consumers
- How to obtain orders and secure sales contracts

Outline of this chapter:

1. Case study – Using technology in Marketing and Sales
2. Communication
3. Distribution
4. Obtain orders and secure sales contracts
5. Exercise – Porter's generic strategy

Case study: Using Technology in Marketing and Sales

The Internet is a powerful means for organisations to communicate with customers. A well-constructed website enhances marketing and selling activities. Marketing is concerned with identifying, anticipating, and meeting customer needs. Selling is the provision of solutions to buyers' needs and requirements at the right time.

Zanzi was one of the biggest beauty brands of the 90's; consumers could buy them at almost every fashion retailer around the world. They complemented their global popularity with celebrity endorsements, international magazine partnerships, and fashion week sponsorships. Zanzi was the beauty brand every woman wanted to own and wear.

The early 2000s saw a surge of new beauty products entering the market, but Zanzi had already established itself as a high-end beauty brand and as its competitors succumbed to the new players in the market, Zanzi remained standing. The rapid adoption of the Internet and introduction of social media by both businesses and consumers shifted consumer behaviour rapidly.

Suddenly consumers believed the girl next door's opinion on a beauty product over a celebrity. The Internet also enabled small businesses who could not meet fashion retailers' demands to set up an online store and move their inventory from factory to consumer – cutting out the middleman.

Case study: Using Technology in Marketing and Sales (Continued)

Zanzi found itself losing market share, losing popularity, and losing clients. It had to adapt – fast!

So, it cancelled 50% of its fashion retailer deals and set up its own website with an online store and partnered with a 48-hour delivery service company. It funded an online beauty store idea, which would give other beauty brands the platform to sell their products (cosmetics and makeup, etc.) as well.

Last, but not least – it ditched its celebrity endorsements and teamed up with a social media marketing agency, which would find social media influencers who appealed to the exact market audience that a particular product was targeted at and partner with them to review the product to their followers. This meant that their marketing was very targeted which increased product up-take (sales).

The online store and social media marketing decreased Zanzi's production costs significantly, allowing it to develop a larger variety of beauty products and expand its target audience, increasing its global audience significantly!

Today, Zanzi is one of the biggest beauty brands in the world!

COMMUNICATION

To share information and initiate a conversation with current and potential clients, as well as to make the organisation and what it offers known to the wider public.

Developing your brand

Brand development is a carefully designed and well-thought-out process focused on creating and distinguishing your company's image, products, and services from your competitors. This is done by creating a unique name and logo, for example, to distinguish your company or product from others on the market, such as Coca-Cola with its famous white scripted text and distinct bright red background – one of the most iconic logos globally.

Brand development includes aligning your brand with your business objectives, communicating your brand to your target market, and updating or strengthening your brand as necessary.

FUN FACT

The iconic Coca-Cola red and white logo is recognised by 94% of the world's population.

A **corporate identity or corporate image** is the way a corporation, firm, or business enterprise presents itself to the public.

The corporate identity is typically visualised by branding and with the use of trademarks, but it can also include things like product design, advertising, public relations, etc.

Branding is the process of giving a meaning to a specific company, products or services by creating and shaping a brand in consumers' minds.

Branding should both precede and underlie any marketing effort.

Branding is the expression of the essential truth or value of an organisation, product, or service.

It is communication of characteristics, values, and attributes that clarify what this brand is and is not.

Dan Einzig[39] from brand agency Mystery shares ten tips on how to successfully implement branding for your business:

- Start by defining your brand.
- When building your brand, think of it as a person.
- Consider what is driving your business.
- Aim to build long-term relationships with your customers.
- Speak to your customers with a consistent tone of voice.
- Don't be repetitive.
- Don't try to mimic the look of chains or big brands.
- Be innovative, bold and daring – stand for something you believe in.
- Always consider your branding when communicating with customers.
- The old way of stamping your logo on everything won't suffice, you need to be more intentional about it.

Designing and implementing advertising and promotional plans

Although often perceived as the same, advertising and promotional plans are far from alike and serve different purposes. An advertising plan, on the one hand, is a high-level plan on how the brand, business, product, or service will be advertised. The promotional plan, on the other hand, provides a detailed plan on how the advertising is going to happen.

Advertising Plan:

An **advertising plan** lays out exactly how and when a business will reach out to potential customers through various types of media.

This includes setting advertising goals, identifying a target audience, defining a message to that audience, and clarifying a plan of action to achieve those goals.

How to prepare an advertising plan (Beltis)[40]:

1: Provide an overview of your advertising plan

2: Choose your platforms

3: Develop your timeline

4: Outline your budget

5: Explain your DACI ("driver, approver, contributor, informed") framework

6: Provide additional resources

Promotional Plan:

A **promotional plan** contains a detailed strategy for expanding your business or marketing a particular product.

You have to take several factors into account when you write your promotional plan, such as budgetary constraints, past sales, and your desired results.

Components of a promotional plan (Jackson)[41]:

1: Target audience

2: Promotion name

3: Promotion type

4: Key message

5: Promotional products & swag

6: Take Notes

Preparing sales material

Sales materials are all (digital and printed) sales and promotional materials. Examples of sales materials include catalogues, pamphlets, brochures, advertising materials, directories, and other publications used to support the sales and promotion of products or services.

The 6 Steps to Creating Killer Marketing Materials – Ads (Mcmullan, 2015)[42]

Step 1: Design your advertising strategy. Targeting is also important here, so direct your advertising to your intended market. This can be done by focusing on the places they would most likely go to for information, such as the local newspaper, Yellow Pages, a community newsletter, and so on.

Step 2: Write your ad copy. Attention here is given to the details of your ad. Tips for writing ads include using writing and persuasion skills to catch the interest of your target audience. Devise a captivating headline that includes "trigger words" to hold their interest. Appealing to customers' emotions has been found to be one of the best marketing strategies, and is an approach often used by banks with much success. Also include sufficient information to deter unlikely customers.

Step 3: Call to action – Invite your customers to respond and take action. This can be done by adding phrases such as "Call now" and listing the benefits of doing so. The whole idea is to generate qualified leads.

Step 4: Layout your ad. Suggested guidelines include:

- Layout – keep it simple; have a clear and concise message; all type should be horizontal; and avoid getting too creative.
- Headlines – must be powerful, captivating, and stand out from the rest of the text.
- White Space – creates balance in your ad. Used strategically, it can give your reader's eye a place to rest, holding their attention on the ad for longer. Try not to clutter white spaces with too many images.
- Type – try to stick to two types of font, and avoid sizes below 9pt. Also avoid reverse type (white on black) and the use of all caps. The easier to read the better.
- Images – preferably, make use of professional images (photos) that are of a good quality, relevant/appropriate, and that will clearly communicate your message.
- Colour – although usually more expensive, colour ads tend to have a better response rate than black and white ads. So if your budget allows, opt for colour ads.

Step 5: Make sure to be aware of and set yourself apart from the competition.

Have some awareness of what your competitors are or are not doing, where the gaps in the market are, and how you can set yourself apart from the rest. This is the opportunity to find your niche, as Zanzi did in the case study provided at the beginning of this chapter.

Step 6: Test and measure each and every ad, every time you run it. This will make sure that you are achieving your purpose, and essentially, generating the desired results.

Negotiating with people from different countries and cultures

According to Communication Theory[43], cross cultural communication refers to sharing and distributing information between people who have differences in any one of the following: cultural background, styles of working, age, nationality, ethnicity, race, gender, sexual orientation, etc. Attempts are made to exchange, negotiate, and mediate cultural differences by means of language, gestures, and body language. It is how people belonging to different cultures communicate with each other.

In our globalised world, the need to work across cultures is practically a given in society today. This is true whether we own our own local business – large or small, or are working overseas and are required to liaise with colleagues or potential clients. Understanding how to communicate effectively with people from diverse backgrounds is a key professional skill that is becoming increasingly important in today's multicultural work environment.

Having intercultural communication skills is therefore imperative for effective daily communication in our work and business environments. Culture no doubt has an influence on communication. Communication is dependent on and determined by the culture in which it occurs, and communication practices vary from culture to culture. Cultural meanings render some behaviours normal and appropriate, while others are regarded as offensive or inappropriate. Every culture has its own rules. Thus, intercultural savvy is essential for effective (business) communication.

Cultural factors have an impact on how well people communicate and get along with one another, understand and respect one another, how they resolve their differences and how they build their relationships.

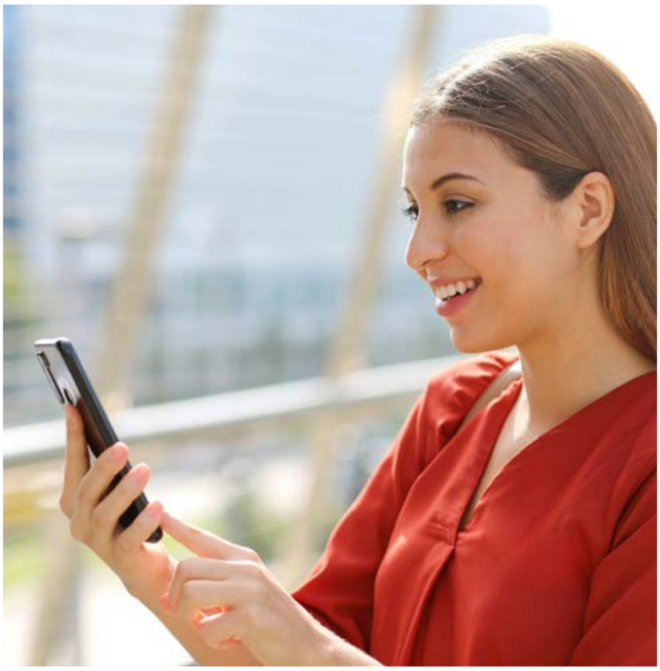
Cultures also have different norms and perceptions of lateness, and its opposite, punctuality, especially for business meetings, appointments, and events. African time is described as relational, whereas in America, "time is money", and in Germany, punctuality is everything and being a few minutes' late can offend.

Cultural factors are important in helping your company through the negotiation process. They are also very important in building a relationship and can be very effective at helping you build up a social capital.

Awareness of our reactions and behaviours while negotiating may tend to be automatic and subconscious. However, having such self-awareness can help improve our negotiation skills.

The last part of this section suggests some points to consider when handling a business negotiation. We all know that these may be tricky at the best of times, and may be further exacerbated by cultural misunderstandings. In this regard, cognisance of cultural norms is imperative. For instance, Chinese culture values hospitality, so they may place high value on getting to know one another first, and may even prefer to share a meal with a potential business partner before making plans or closing a business deal. An American visitor, on the other hand, may view this approach as unnecessary or counterproductive.

For negotiations, other factors to consider include deciding on the best environment, who should be involved, seating arrangements, and even appropriate attire. Being sensitive to cultural factors such as these can make a significant difference when building business relationships.



FUN FACT

Although Brazilian culture tends to be relatively informal, Brazilians are quite fashion conscious. It is important, therefore, to dress smartly and conservatively.

Developing and managing your online presence

Online presence management is the process of presenting and drawing traffic to a personal or professional brand online.

This process combines web design and development, blogging, search engine optimisation, pay per click marketing, reputation management, directory listings, social media, link sharing, and other avenues to create a long-term positive presence for a person, organisation, or product in search engines and on the web in general.

However, it should be noted that there is a distinction between online presence management and web presence management. To clarify further, the former is generally a marketing and messaging discipline, while the latter is a governance, risk management, and compliance (GRC) discipline.

It is advisable to develop a digital media strategy. This is a plan or strategy to market your product or services online via digital mediums. It seeks to maximise traffic and ranking for your online business to reach the masses.

Mandeep Singh (2019)[44] identifies the following advantages to digital marketing for startups:

- Exponential reach
- Precise targeting
- The ability to establish brand awareness across channels
- Greater visibility
- Better tracking (everything is trackable)
- The ability to generate sales/leads at a lower cost
- Access to real-time data

Approach each customer with the idea of helping him or her to solve a problem or achieve a goal, not of selling a product or service.

Brian Tracy

DISTRIBUTION

To make the offer available to customers using direct or indirect means.

Selecting and establishing your distribution channels

Distribution is one of the most importation components of the sales process. Distribution looks different, depending on the type of business you run. Below are a few questions that can help you understand which distribution approach is the best one for your business.

- How are you going to get your product or service to your consumer?
- How long is it going to take to get to your consumer?
- What is it going to look like?
- Who is going to do it?

OBTAINING ORDERS AND SECURING SALES CONTRACTS

To ensure the business can fill the orders pipeline and reach mutually beneficial business agreements with its clients.

Distribution entails the process of making a product or service available for the consumer or business user who needs it. This can be done directly (for instance, this is where the producer works directly with the consumer) or indirectly (for instance, using indirect channels with distributors or intermediaries). Furthermore, distribution strategies depend on the type of product being sold.

A **distribution channel** refers to the chain of businesses or intermediaries through which a product or service passes until it reaches the final consumer/buyer. In marketing, distribution channels are a key element of your entire marketing strategy. These channels can be relatively simple or extremely complex.

Examples of distribution channels include wholesalers, retailers, distributors, and even the Internet, to mention a few.

Understanding and anticipating your customers' needs

Looking back on our case study of the beauty giant, Zanzi, the company realised that a good sales strategy starts with knowing and understanding your customers' needs. A **need** is a desire that causes a customer to buy a product. In the case of Zanzi, this would be beauty products such as cosmetics and makeup, skin and hair care, fragrance (perfume), personal hygiene, and jewellery. If customers buy products to satisfy needs, then needs provoke customers to buy products. Before taking the continental leap, it is imperative for business owners to understand their new customer base inside and out.

A **customer needs assessment** uncovers the precise needs of customers, how these needs are (or are not) currently being fulfilled, and what is required to improve satisfaction and loyalty (Survey Anyplace)[45]. By truly understanding customers, you can assess the feasibility of an idea, modify it, and create action plans that maximise the probability of market success.

More simply put, a customer needs assessment is a detailed look at the needs and expectations of your customers. If you don't know what is most important to your customers, it is difficult to fulfil their needs and meet their expectations. It is easy to assume that you know what your customers want and what is important to them. But even if you are in regular contact with your customers, their true needs and wants are not always on the surface.

With a greater understanding of their customers' needs and wants, Zanzi was able to develop a larger variety of beauty products, expand their product range, and reach a greater diversity of people across the globe. Utilising the benefits of social media to extend their marketing and advertising, they discovered how an online presence and social media platform can boost engagement, sales, and loyalty for their brand.

Easy online shopping, availability of the latest fashion trends, affordable prices, and fast delivery made Zanzi one of the best beauty online shopping sites, making it easy for consumers to purchase their favourite products from the comfort of their own homes. As a result, Zanzi's popularity grew, along with their sales.

They found a way to set their brand apart and employed creative ways to relate to their target audience, all the while staying true to their identity. Their new digital strategy helped them to successfully relaunch their beauty product to a larger, untapped market as a new low-cost brand. Fully satisfying a large portion of their customers' needs, Zanzi became one of the biggest beauty brands in the world!

Thus, the goal of a customer needs assessment is to understand what customers want and what their true needs are, which, should be noted, are sometimes different than their stated needs. The method of discovery, personal interviews, is limited because of the time and costs of conducting the interviews. Thus, a second phase is necessary when you have a larger customer base. In this case, the second phase involves conducting a broad-based assessment of your customer base to validate the results obtained in the first phase, the personal interviews.

Four basic steps to understand your international customers are:

1. Analyse the region where your customers reside,
2. Consider the cultural differences,
3. Understand the local language, and
4. Follow local trends and modify your products/services as needed.

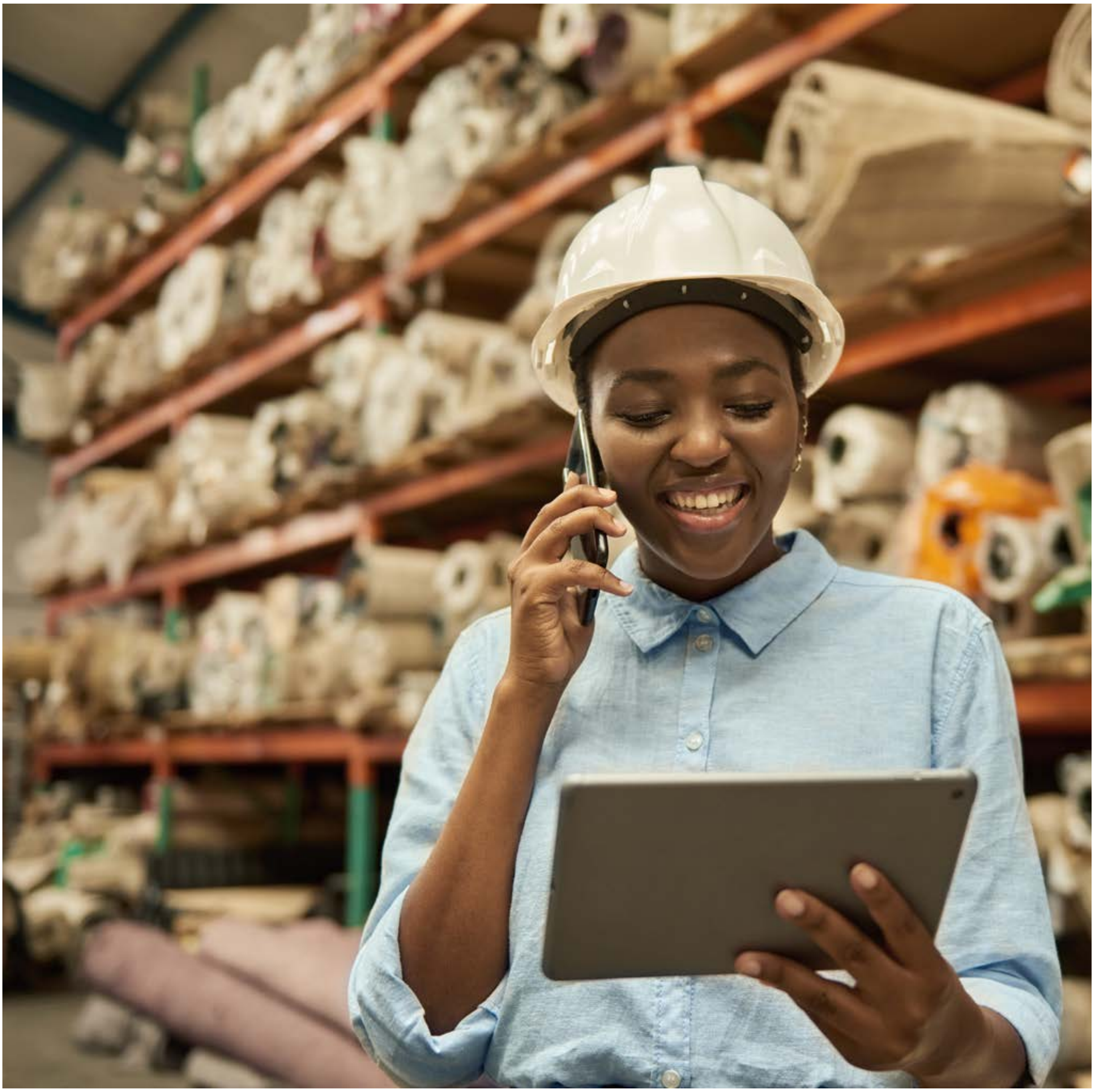
Generating sale leads

A **sales lead** is a person or business who may eventually become a client. **Sales lead** also refers to the data that identifies an entity as a potential buyer of a product or service.

Businesses gain access to sales leads through advertising, trade shows, direct mailings, third parties, and other marketing efforts.

Five ideas on how and where to find new prospects (Miskel, 2020)[46]:

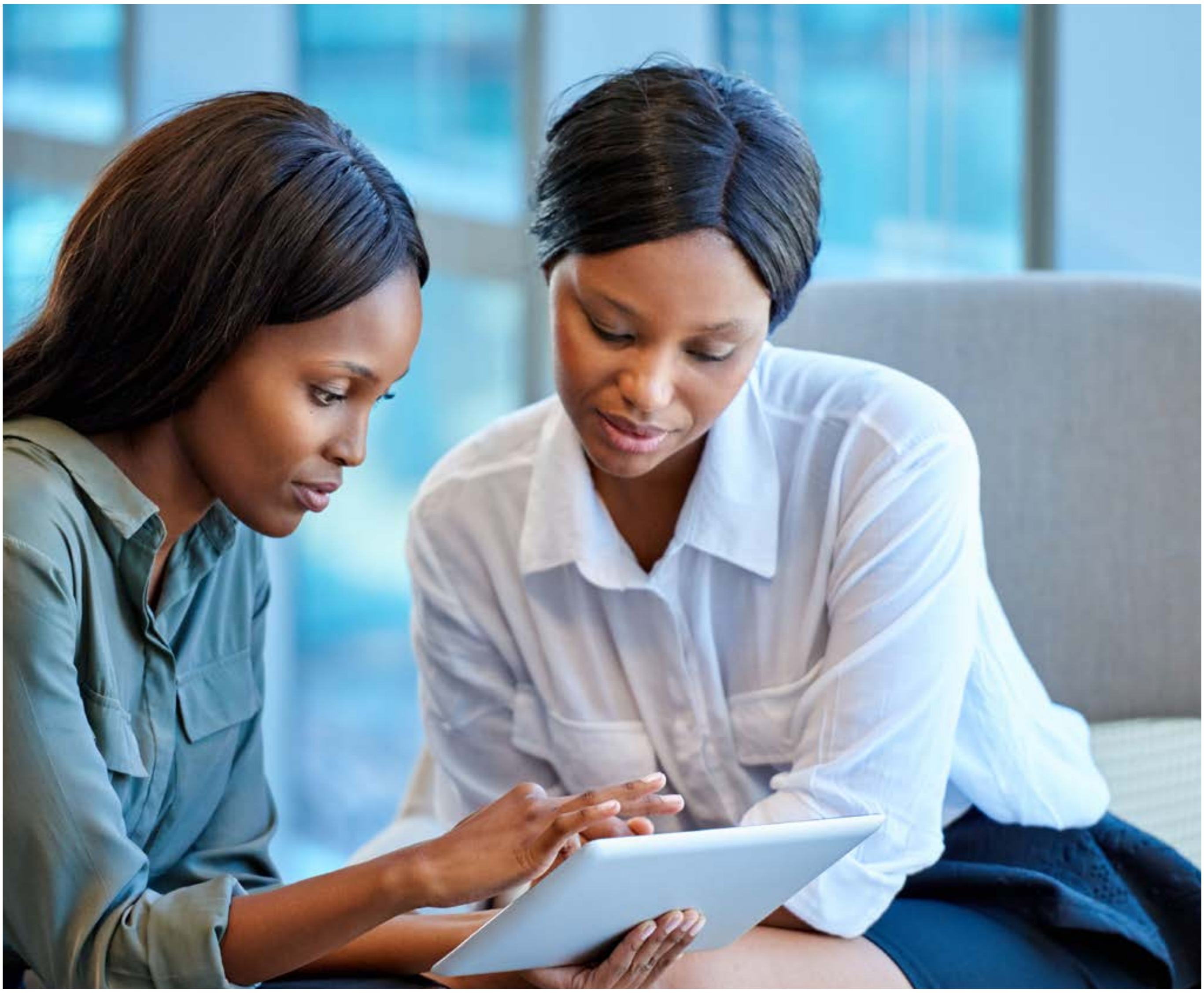
1. Referrals: The best source of new sales leads.
   Referrals are very powerful, especially when it comes from a trusted source, such as a friend or colleague. Look for opportunities and ask for a referral.
2. Find new sales leads at networking events.
   This does not mean trying to hand out or collect as many business cards as possible. Just as sales is about building relationships, so is networking. Treat a networking event as an opportunity to build relationships and meet new contacts.



3. Revisit lost opportunities.
   Make contact with lost opportunities, reach out again. A lot may have changed since then.

4. Reconnect with past clients.
   If you have lost contact with past clients, rekindle the relationship. Send them an email, a short greeting, maybe just start with something small, but keep it genuine.

5. Mine industry recognition and accolades lists to find new sales leads. These are also great sources of new leads, and talking points to initiate conversations with old, new, and potential customers/clients.



Negotiating specifications

A **specification** typically refers to a set of documented requirements to be satisfied by a material, design, product, or service. It is usually a type of technical standard.

There are different types of technical or engineering specifications (specs), and the term is used differently in different technical contexts. They often refer to specific documents, and/or particular information within them. In essence, 'specification' can be defined as "to state explicitly or in detail" or "to be specific".

Both parties should, however, agree on what the contract will cover. It should typically include:

- details of price, payment terms, and delivery schedule
- a clause stating the supplier's right to ownership of the goods until they're fully paid for
- a clause limiting the seller's contractual liability – taking into account the purchaser's statutory rights

It is important to familiarise yourself with your industry and country specification standards.

Price setting and quoting

Price is the amount of money charged for a product or service. **Price setting** is the process of coming up with a cost to consumers of a good or service produced by a business.

Factors that determine the price level of a product include its production and distribution costs, and the perceived value of the product.

The Four Principles of Pricing

This section discusses the four fundamental principles of pricing. The importance of pricing cannot be understated as it determines the profitability of your business. If you get it wrong, you risk permanent damage to your business. In a nutshell, prices determine the future of your product, the acceptability of your product to your customers, and the ability of your business to stay in business and to generate a profit (Raisch, 2015)[47].

The tricky part about pricing is find that balance between making profit and selling your product or service at an acceptable value for your consumers. Raisch (2015)[48] shares four principles that can help you price your product or service correctly.

1. Recovering your costs. Prices are first a function of recovering your four major costs of doing business. Each dollar of income breaks down into these areas:

- Cost of investment
- Cost of labour
- Cost of operating
- Cost of goods

2. Value of your product. Consumers determine value individually and decide how much money they are willing to pay for it. This is based on many factors including:

- Urgency. When do I need it?
- Inconvenience. How difficult is it for me to obtain?
- Degree of need. How serious is my need?
- Product awareness. Do I know the price?
- Demographics. Can I afford it?
- Psychographics. Why will I buy it?

3. Perceived value and price perception. Perceived value is the consumer's assessment of everything you bring to the buying experience: quality, selection, surroundings, service, convenience, and the price.

4. Product qualities. To deal with pricing perception you must consider the following elements which influence consumers behaviour:

- Desirability. How much does the consumer want the product?
- Durability. How long will the product last,
- Availability. Can they buy the product somewhere else?
- Affordability. Is it a need or a want and can they afford it?
- Comparability. How does your product look in comparison with others of the same make and value in the market?

Quotations & Invoices

A quotation, or quote, is a document that a supplier submits to a potential client with a proposed price for the supplier's goods or services based on certain conditions. They are not usually legally binding, unless they are part of an official contract; however, it is generally accepted that a customer has committed to a sale, and a specific price, if they accept a quote.

Unlike invoice templates, which have many legal restrictions and regulations, there are very few set rules on what a quotation needs to cover; however, using a quotation template that includes the following information gives potential customers a better idea of what they are committing to:

- **The price:** your quotation template should include the total amount due for the client's order, as well as the price of individual products or services.
- **An expiration date:** each quotation you send should indicate how long the quotation will remain valid.
- **Your company details:** a quotation template should include the full contact details of your business.
- **Your customer's details:** their name, phone number, email address, etc.

Negotiating terms of sales

Terms of Sale are the delivery and payment terms which a buyer and seller agree upon. In international trade, terms of sale also set out the rights and obligations of buyers and sellers as applicable in the transportation of goods.

Business sale negotiations can be a frightening process for both the buyers and sellers of small businesses. Each hopes to close the deal while making the fewest number of concessions. Owners who have prepared for the negotiation stage will be much more likely to get the purchase terms they desire.

As you enter the final negotiations of a business sale, here's what you should assume the buyer either knows or at least thinks:

- You've priced your business on your own based upon emotional attachments.
- The down payment or amount of cash you receive on closing day is almost as important as the overall purchase price.
- In the end, the price will be determined by what the buyer is willing to pay and what the seller is willing to accept.
- Everything is negotiable.

Formalising transactional agreements through contracts

A **business contract** is an agreement that is legally enforceable.

It determines the business's stakeholder relationships, pricing structures, scope of work, rights and obligations, timelines, warranty provisions, and so on. This highlights the importance and relevance of a contract.

The creation of a business contract requires:

- The acceptance of an offer,
- Promise to perform,
- Performance time requirements,
- Terms and conditions of performance, and
- Performance of the agreed upon tasks.

A **breach of contract** is the violation of any agreed-upon terms and conditions. The law provides remedies if a breach of contract has been determined. Remedies include restoring the wronged persons to their position had the contract not been breached and punishing the breaching party.

Benefits of contract management (Patowarya, 2019)[49]:

- Aids business functioning
- Improves functional efficiency
- Improves spend visibility and minimises maverick spending
- Increases visibility of suppliers
- Enforces and improves compliance

Inspiring story

CEO & Co-Founder of Blavity: Morgan DeBaun

Total funding amount: $9.4 million

Investors include: 500 Startups, GV

Blavity is a venture-backed media company aimed at creating relatable products and experiences for black millennials. Founded in July 2014, today it reaches more than seven million millennials a month, it is one of the fastest growing digital media businesses. Blavity has since acquired Travel Noire – a travel platform for black millennials and Shadow And Act – a black entertainment news site.

Sources: Crunchbase[50] and Forbes[51]

Completed exercise: Porter's Generic Strategy

Using Porter's generic competitive strategies will help you identify what makes your business and product/s stand out, and therefore, which strategy to adopt for your business or product. Using the descriptions below, fill in the list of opportunities that exist for your business or product/s in each of the quadrants.

- In a **cost leadership** approach, a business will generally mass produce to drive prices really low, gaining an advantage in pricing.
- In a **differentiation leadership**, generally the business will create a distinct and attractive differentiation aspect, then use it to drive prices higher.
- In a **cost focus**, the business will focus on a specific thing to lower costs and gain customer popularity.
- And lastly, in a **differentiation focus**, a business targets customers who refrain from buying products from competitors due to a small missing feature. The business will adopt this feature as a niche and therefore win over those customers.

Scope		Cost	Differentiation
Scope	***Broad***	***Cost leadership*** Zanzi initially positioned itself as a high-end brand. However, with its newly found capital, it could launch a new low-cost brand	***Differentiation*** With consumers becoming more and more environmentally conscious – Zanzi can produce organic vegan, environmentally-friendly products and differentiate itself from mainstream beauty products.
Scope	***Narrow***	***Cost focus*** Although a high-end brand, Zanzi could reposition itself as a low-cost brand – making it accessible to a wider market share	***Differentiation focus*** The beauty industry is often criticised for its lack of diversity and although there has been a significant increase in product diversification – there is still a big gap. Zanzi can take advantage of this gap and diversify its products for those initially excluded from the beauty industry market.

Source of competitive advantage

Exercise – Porter's Generic Strategy

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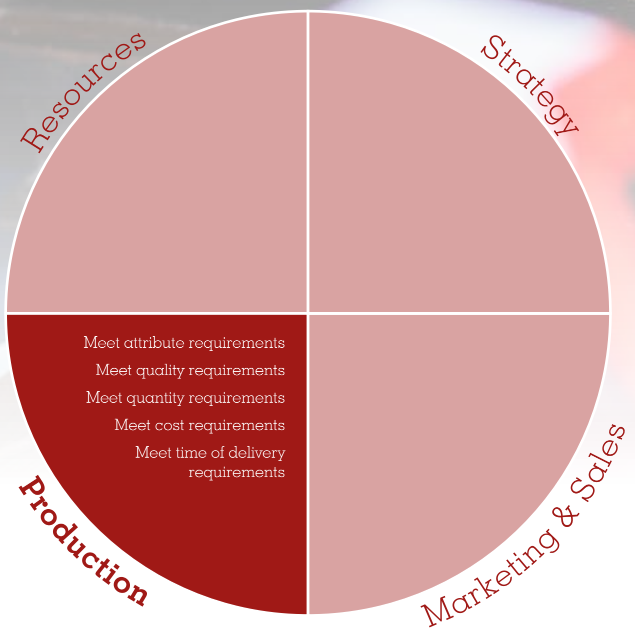
Scope			
	Broad	***Cost leadership***	***Differentiation***
	Narrow	***Cost focus***	***Differentiation focus***
		Cost	***Differentiation***

Source of competitive advantage

PRODUCTION


Resources
Strategy
Meet attribute requirements
Meet quality requirements
Meet quantity requirements
Meet cost requirements
Meet time of delivery requirements
Production
Marketing & Sales

Case study: Competitive advantage through efficiency

Since opening its first store in 1913, Aldi has established itself as a reputable retailer operating in different markets including New Zealand, Papua New Guinea, and Samoa. Aldi has over 3,000 stores worldwide. What distinguishes Aldi from its competitors is its competitive pricing strategy without reducing the quality of its products. In fact, in some cases Aldi's products are 30% cheaper than those offered by its competitors. Aldi can do this because the business operates so efficiently.

Efficiency is the relationship between inputs and corresponding outputs. For Aldi, operating efficiently involves reducing costs in all areas of the business. Some of the key areas where Aldi is able to minimise costs are by saving time, space, effort, and energy. Aldi's approach to doing this is to run its business around the principles of lean thinking.

The aim of lean production is to reduce the quantity of resources used in providing goods and services for consumers. However, for Aldi, lean production is not just about reducing costs for the business. It is also about passing these savings on to its customers to offer value for money.

The principles of lean production are planned and built into everything that Aldi does. This starts within its supply chain. For example, up to 60% of Aldi's fruit and vegetables are sourced locally where possible, reducing the need for long and costly delivery journeys. This demonstrates a time-based management approach.

The principles of time-based management are also built into the training provided for Aldi's employees. Training enables Aldi to eliminate waste and cut costs. Through training staff to do a variety of tasks around the store, Aldi can minimise its staff requirements. This method results in staff gaining knowledge of the whole business, as such they are able to offer a much higher level of customer service. Staff costs can also be reduced as fewer staff are required if they can perform a variety of duties throughout the store.

Aldi uses a just-in-time (JIT) approach to store management by only holding the stock that it needs. Stock is expensive. The company therefore only buys the stock required at any given time. When stock levels are reduced, an organisation's working capital is improved.

Aldi's 'no-nonsense' approach to retailing therefore leads to cost saving in numerous areas. These cost savings are passed on to customers in the form of lower prices, allowing the business to differentiate itself from its competitors in terms of price, as well as the quality of the products it has on offer.

Through using a total quality management approach, Aldi is able to create strong business relationships with its suppliers. These strong relationships help Aldi to continuously improve its product offering whilst also ensuring suppliers meet international standards. Aldi's international standards go beyond consumer legislation and nutritional information. Products are carefully labelled for consumers so they can make informed choices, this all supports Aldi's continuous improvement culture.

MEET ATTRIBUTE REQUIREMENTS

To ensure the business' offer has the required characteristics and variations to meet the clients' needs.

Every successful product or service must be directed at a need. Your offering must address a desire or solve a problem that people face. Before you decide what to produce, you must first identify a problem or need and build the solution into a product. Essentially, you must ask – what do consumers want? Finding the right answer to this question is important for product success.

Product development: Design, prototyping, alteration, and enhancement

Product development typically refers to all the stages involved in bringing a product from concept or idea through market release and beyond.

- **Product design** is the process of imagining, creating, and iterating products that solve users' problems or address specific needs in a given market. The key to successful product design is an understanding of the end-user customer, the person for whom the product is being created.

- **Product alteration**, which is more commonly referred to as "product change", refers to the process of making changes or alterations to a product.
- A **prototype** is an early sample, model, or release of a product built to test a concept or process. It is a term used in a variety of contexts, including semantics, design, electronics, and software programming. A prototype is generally used to evaluate a new design to enhance precision by system analysts and users.
- **Product enhancement** is a continual process and value addition to the product at regular intervals that is essential for a product to retain its competitive edge and grow in the market.

Before you start out on product development, you must first answer the three economic questions – what to produce, for whom to produce, and how to produce. In deciding ***what*** to produce, you should choose offerings that play to your core competencies. This way, you guarantee that you have the skills required to develop the product and gain a market advantage over other competitors. Your offering must not be an entirely new product, it can be an alteration or enhancement of an existing product. After deciding on a product, the next question is: ***for whom*** to produce? Here, you determine your target market. This piece of information is very important as it determines product design. The age group, geography, and other social characteristics of the target market would determine the way in which the product is designed. For instance, a product targeted at adults would have a different design from a product targeted at children. Once the product and its target market has been decided, you can then determine ***how*** to go about its production. "How to produce" deals with the process, resources, and technologies employed in production. This should be guided by a product development strategy.

Product development strategy is the process of bringing a new innovation to consumers from concept to testing through distribution. When existing business revenue platforms have plateaued, it is time to look at new growth strategies. New product development strategies look at improving existing products to invigorate an existing market or create new products that the market seeks (Leonard, 2019)[52].

A product development strategy is crucial for several reasons. Here are just a few (ProductPlan)[53]:

- It helps align the cross-functional team around the big-picture goals and priorities from the start.
- It provides the team with feedback and guidance for every step of the product's development journey.
- It enables more efficient development.

Sometimes, a product may not be well received by the market. This is why, before mass production, you should develop prototypes for a test population. The feedback from these "testers" will help you decide if you have developed the right product or if you need to perform some iterations to the product before fully launching to the market.

MEET QUALITY REQUIREMENTS

To ensure operations comply with all legal, environmental, and social standards and regulations applicable to the offer, as well as with voluntary standards and product specifications.

Consumers will buy your product or service, but it is the quality of your product or service that will ensure that they come back again and recommend your product to their friends and family. As you will recall, the previous chapter highlighted the power of referrals.

Getting the quality of your product or service right is crucial to sustaining your business. Below are a few steps you can follow to ensure consistent quality and standards are applied in producing your product or delivering your service.

Developing quality standards

Quality standards are defined as documents that provide requirements, specifications, guidelines, or characteristics that can be used consistently to ensure that materials, products, processes, and services are fit for their purpose (American Society for Quality [ASQ] 2021a)[54]. Quality standards are designed to ensure companies meet the minimum requirements to become an integral part of almost every industry from food to automotive to healthcare (Brooks, 2020)[55].

Businesses committed to following quality management standards are often more able to (Invest Northern Ireland [INI])[56].

- Increase their profits
- Reduce losses or costs across the business
- Improve their competitiveness
- Gain market access across the world
- Increase consumer loyalty

Why are standards important? (ASQ, 2021a)[57]

- **For businesses:** Standards are important to the bottom line of every organisation. Successful companies recognise standards as business tools that should be managed alongside quality, safety, intellectual property, and environmental policies.
- **For the global economy:** Businesses and organisations complying to quality standards help products, services, and personnel cross borders, and also ensures that products manufactured in one country can be sold and used in another.
- **For consumers:** Many quality management standards provide safeguards for users of products and services, but standardisation can also make consumers' lives simpler.

Aldi has been able to deliver quality products to its customers through the maintenance of standards that are beyond the minimum requirements by law. Aldi equally expects that its suppliers meet these standards.

There are several points to consider in developing quality standards for your organisation. The International Organisation for Standardisation (ISO) recommended seven quality management principles which organisations can consider in setting standards (ISO, 2015)[58]:

- Customer focus: Quality standards designed to meet customer requirements.
- Leadership: Align employees on purpose and direction to enable an organisation to achieve its strategic goals.
- Engagement of people: Having the right people, with the right set of skills.
- Results: Consistent and predictable results are achieved.
- Improvement: Improvement is important to maintain current levels of performance.
- Evidence-based decision-making: Simplified, real life data-based decision-making.
- Relationship management: Interested parties can influence your businesses performance.

Designing and implementing quality control processes and procedures

Often, the words "process" and "procedure" are used synonymously to describe how something needs to be done. However, when you're developing a quality management system, they are quite distinct. A quality process explains in general terms what needs to be done and why (O'Farrell, 2017)[59]. A quality procedure explains how the process needs to be done. Quality control (QC) is a procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer. QC is similar to, but not identical with, quality assurance (QA). While QA refers to the confirmation that specified requirements have been met by a product or service, QC refers to the actual inspection of these elements. QA is sometimes expressed together with QC as a single expression: quality assurance and control (QA/QC) (TechTarget, 2019)[60].

Here are 6 steps to develop a quality control process (Score, 2019)[61]:

1. Set your quality standards
2. Decide which quality standards to focus on
3. Create operational processes to deliver quality
4. Review your results frequently
5. Obtain consumer feedback
6. Make improvements on your current standards

There is always room to improve the quality of your products or services once you meet your intended quality standards. Do not stop there, seek out other ways to improve; learn how other organisations do it in their regions and investigate whether that would suit your business.

Demonstrating conformity of products/services with standards (certifications) – including private voluntary standards

After product development, it is good to ensure that they meet the relevant standards. Some standards may be required by your government, while others may be voluntary. In any case, your standards, which we have discussed how to develop above, should not just seek to meet the minimum requirements set by regulators, but should conform to best practice in the industry. However, before implementing standards, you have to consider if they are necessary for your organisation and if the costs outweigh the benefits.

Conformity assessment involves a set of processes that show that your product, service or system meets the requirements of a standard (ISO)[62]. A voluntary standard is a standard established generally by a private-sector body and that is available for use by any person or organisation, private or government. The term includes what is commonly referred to as "industry standards" as well as "consensus standards" (Panetta, 1993)[63].

Undergoing the conformity assessment process has a number of benefits (ISO)[64]:

- It provides consumers and other stakeholders with added confidence.
- It gives your company a competitive edge.
- It helps regulators ensure that health, safety, or environmental conditions are met.

Conformity assessment gives customers assurance that the product/service is of the right quality. You should perform conformity assessments on your products/service and obtain evidence to demonstrate this – such as an ISO or national standard certification. This may be what makes your product/service stand out from the rest and can create a good reputation for your business.

Handling production under good environmental practices

Over the years, production activities have had negative effects on the environment. The effect of this has been adverse climate change and a disruption of lives and livelihoods. For businesses to be sustainable, production must be carried out in such a way that does not harm the environment. Already, in some jurisdictions, organisations are mandated by law to conform to certain requirements such as reducing carbon footprint, recycling, and sustainability reporting, to name a few. Now, the success of an organisation is not just measured by its profits. The concept of triple bottom line (3BL) recognises that beyond financial performance, an organisation's performance is also determined by how it treats people (both its employees and other people directly or indirectly impacted by its business) and how its activities impact the environment.

Good environmental practices are defined as those actions that seek to reduce the negative environmental impact caused by activities and processes through changes and improvements in the organisation and development of actions (Foundation for the Social Promotion of Culture. [2017])[65]. It includes use of materials, electricity, fuel and water use, emissions and effluents, waste & recycling, among others.

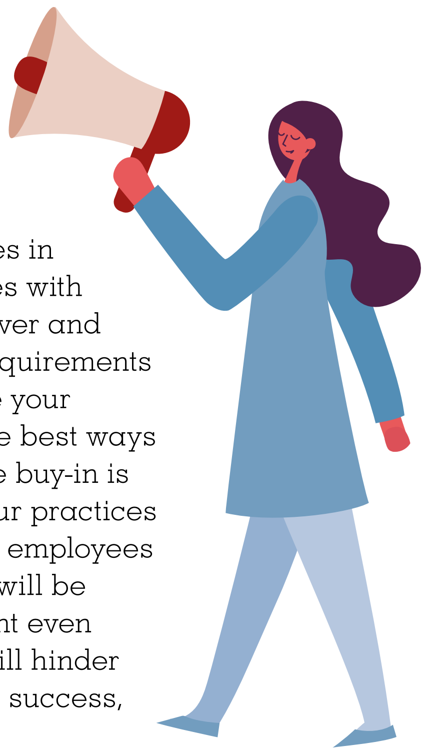
Here are 8 sustainable business practices (Lotich, 2019)[66]:

1. Be intentional about sustainability
2. Partner with employees
3. Conserve water and electricity
4. Enhance supply chains processes
5. Develop a recycling programme
6. Proper chemical management processes
7. Purchase only energy efficient products
8. Develop sustainability work policies

Identify the kind of positive impact your business has on the environment and use that as part of your marketing plan to attract environmentally conscious consumers. Aldi has opted to stop using plastic bags for consumer groceries and now uses reusable material.

Handling production under good labour practices

When your employees share in your vision, and feel valued and included in your business, then they will dedicate themselves in executing their roles with pride and will go over and beyond their job requirements to help you achieve your purpose. One of the best ways to ensure employee buy-in is through good labour practices in the workplace. If employees are unhappy, they will be inefficient and might even take actions that will hinder your organisation's success,



for example, going on strike, pursuing legal action, or smearing your brand on social media. There has been significant research conducted on the link between employee effectiveness and good labour practices, and the results always indicate that if employees are treated well, they are more effective.

The International Labour Organisation (ILO) has a set of principles based on local labour laws and regulations that organisations should adhere to. These are referred to as **good labour practices** (GLP). They condemn child labour, forced labour, and promote good working conditions for all employees. In addition to covering key fundamental labour rights, these GLP also address issues such as contracts, compensation, recruitment, training, labour relations, and occupational safety and health. Furthermore, they should also take into consideration the local labour laws in which your organisation operates (ILO, 2003)[67].

It is also important to investigate your business network's labour practices as well. For example, if one of your suppliers had unlawful labour practices, and regulators or the public found out about them, then your business could find itself implicated as well.

In 2018, it was uncovered that Balaza, one of Aldi's produce suppliers, was paying its part-time employees with unsellable produce, which did not at all cover the cost of labour they put in. Aldi was Balaza's biggest client and a recognised brand. Community members had a sit-in at Aldi's stores, demanding that the retailer drops Balaza as a supplier. Although Aldi acted swiftly, there was a bit of damage control involved.

MEET QUANTITY REQUIREMENTS

To define and/or adjust its production methods and operations in such a way as to reach the production volumes set by the strategy.

Producing the right number of products or having capacity to deliver the right quantity of service is crucial to consumer satisfaction. A shortage can cause your consumer to go to your competitor or never return under the impression that there is always a shortage.

It is thus important that you produce the right number of products or have the capacity to deliver the right quantity of service for your consumer to avoid losing them to your competitor.

Manufacturing is the creation and assembly of components and finished products for sale on a large scale. It can utilise a number of methods, including human and machine labour, and biological and chemical processes, to turn raw materials into finished goods by using tools.

Production is similar to manufacturing but broader in scope. It refers to the processes and techniques that are used to convert raw materials or semi-finished goods into finished products or services with or without the use of machinery (Kenton, 2020b)[68].

Whether it is one or the other, manufacturers need to match their production methods to the needs and desires of the market, the available resources, order volume and size, seasonal shifts in demand, overhead costs (such as labour and inventory), and numerous other variables (Kenton, 2020b)[69].

Designing and running production processes

Production process is a mechanical or chemical step used to create an object, usually repeated to create multiple units of the same item. Generally, it involves the use of raw materials, machinery, and manpower to create a product.

In designing a production process, you should consider the type of products or service you deliver and the resources available to you.

Katana (2018)[70] identifies five types of manufacturing/production processes:

1. Repetitive manufacturing – this type of manufacturing is suitable for toilet paper production. It involves the same process and requires input and output.
2. Discrete manufacturing – this type of manufacturing is suitable for printing; the process is the same, but the inputs and outputs are different.
3. Job shop manufacturing – this type of manufacturing is suitable for making wedding dresses. They are very different, made in small batches, and no process is really required – although it might be wise to have one.
4. Process manufacturing (continuous) – this type of manufacturing is suitable for mining. It involves turning raw material into something usable; the process is the same for each mineral, but slightly different for the various minerals together.
5. Process manufacturing (batch) – this type of manufacturing is suitable for making wedding cakes. The process is the same, but production is dependent on an order.

Production schedule is a plan for individual products or services to be produced in each time period such as production, staffing, inventory, etc. It is usually linked to manufacturing where the plan indicates when and how much of each product will be demanded. A typical business will modify its production schedule in response to large customer orders, to accommodate resource changes, to reduce costs, and to increase overall production efficiency.

Identifying and procuring production tools

You must identify and procure the right tools for your business. Procurement of the right set of tools are very key in determining business success as cost efficiency can be built into the manufacturing process which can lead to a lower cost per unit of product.

A procurement process refers to how your business completes a procurement – from sourcing a supplier of your tools, to acquiring the tools and getting them to your production site – including managing the relationship with your suppliers.

Machinery and equipment, as well as their accessories and tools used in production, are vital factors and are defined as the machinery and equipment used by a manufacturer or producer in an establishment. The Iowa Legislature[71] defines machinery as "any mechanical, electrical or electronic device designed and used to perform some function and to produce a certain effect or result.

> "Time waste differs from material waste in that there can be no salvage. The easiest of all wastes and the hardest to correct is the waste of time, because wasted time does not litter the floor like wasted material."
>
> Henry Ford

NextWhatBusiness, (2021)[72] identifies 10 things to consider in purchasing machine and equipment:

1. New or used
2. Production output
3. Price comparison
4. Manpower engagement
5. Space requirement
6. Power requirement and consumption
7. Warranty period
8. Installation and training
9. Customer feedback
10. What can be outsourced

Identifying and procuring raw materials and services

"Raw materials are materials or substances used in the primary production or manufacturing of goods. Traders buy and sell raw materials in what is called the factor market because raw materials are factors of production as are labour and capital" (Banton, 2020)[73].

But not all organisations require raw material. In that, some require **processed materials** from other companies; for example, a furniture manufacturing business would use ready-processed wood from a supplier who sources the wood naturally.

Services are immaterial products such as accounting, banking, cleaning, consultancy, education, insurance, medical treatment, or transportation. Services usually involve people using their intellectual capabilities in exchange for capital.

Irrespective of the type of business, establishing an unending supply of raw materials would guarantee that you always have products to satisfy customer demand. If there are no systems to make sure that raw materials are received when needed, it may lead to a loss of customers as the business may be unable to meet demand.

Handling inbound logistics (raw materials)

Inbound logistics is an integral element of business operations for a manufacturing firm, involving the processes of receiving, storing, and distributing raw materials for use in production (Tailormade Logistics)[74]. An effective inbound logistics programme can result in higher quality products, more cost savings, and increased sales. In addition to improving customer satisfaction, it will also reduce total overhead and wasted materials.

Many organisations overlook this inbound logistics. They focus more on customer service and outbound logistics and less on inbound logistics and manufacturing. This could potentially lead to unsatisfactory goods and services, unhappy customers, and revenue loss. The end result can be disastrous to your organisation's brand image (Picincu, 2018)[75]. For example, if you run and own a bakery and the delivery of your ingredients is late, its delays the baking, the packaging, the dispatch, and the delivery to your clients.

Aldi ensures cost savings in its inbound logistics through:

- Sourcing products locally, thereby reducing transportation costs; and
- Maintaining a JIT system which leads to a decrease in space requirements and storage costs.

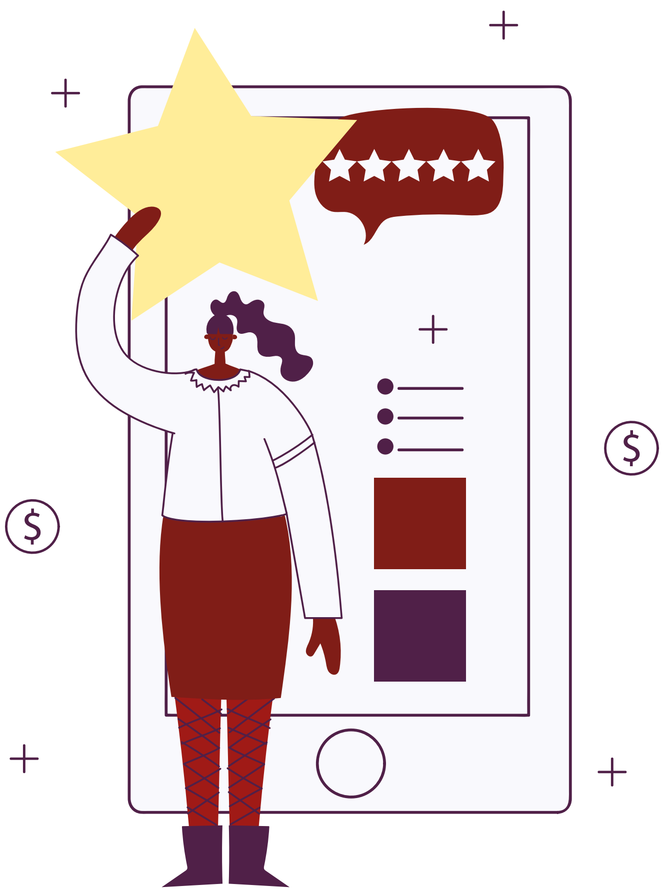
Planning and scheduling production

Planning production involves sourcing all the machinery, material, and people required to produce your product, and then planning how you are going to put all of them together to get your required output. For example, a bakery will require large industrial baking machines, all the ingredients required for the baked goods and people to complete the processes.

Scheduling production involves having a schedule of when exactly production is going to take place. Using the bakery example, a scheduling production plan would involve having a timetable of when everything is supposed to happen and who will be doing it. For example: Ingredients delivery, ingredients mixing, baking the first batch, dispatching the first batch, and delivering the first batch. There would then be a plan for all the batches of the day, some of the activities above can happen at the same time or some batches can be baked together – depending on your production capacity.

The International Finance Corporation (2017)[76] distinguishes 5 steps for the production planning and control process, namely:

1. Forecast the demand of your product
2. Determine potential options for production
3. Choose the option for production that uses the combination of resources more effectively
4. Monitor and control
5. Adjust the parts that are not working



Releasing production orders

A **released production order** is an order that has been approved for production. The term "released" describes a state in the production order life cycle, when the order is available for production on the shop floor or in the factory line and ready for warehouse processes (Release Production Orders, 2021)[77].

This process looks different for various organisations, for example:

A print shop only releases production orders upon the consumers' request, because print orders are very distinctive.

A fashion designer/boutique retailer might have existing apparel that consumers can buy but is also able to make custom outfits upon request.

Toilet paper manufacturers, however, always have released production orders, because they have a minimum amount of toilet paper to produce per day, week, or month.

> The great differentiator in business is when an organisation steps out and creates value from something never tried before.
>
> Kerry Baskins

Designing layout and installing production facilities

A call centre agency recently moved into a new building; the offices were not well designed at all, even less so for the call centre agents. The bathrooms and kitchen were all clumped together in one end of the building and required the agents to take a three-minute walk to get to them and another three minutes to get back to their desks. The agents were not pleased with this because the more time they spent somewhere else other than at their desks, the fewer calls they made and the harder it became for them to meet their daily, weekly, and monthly targets.

Facility layout and design "is an important component of a business's overall operations, both in terms of maximising the effectiveness of the production process and meeting the needs of employees. The basic objective of layout is to ensure a smooth flow of work, material, and information through a system" (Inc, 2020)[78].

A **facility** is the space where a business conducts its activities. The layout and design of the area impacts how the work is done – the flow of work, materials, and information. "The key to good facility layout and design is the integration of the needs of people (personnel and customers), materials (raw, finishes, and in process), and machinery in such a way that they create a single, well-functioning system" (Inc, 2020)[79]. When designing the layout of a facility, Inc. (2020)[80] suggests that the following factors be considered: ease of expansion; space and flow movement; and working conditions.

MEET COST REQUIREMENTS

To ensure production operations run at maximum efficiency levels and meet the business' profit or cost targets.

Establishing, running, and maintaining a production plant is one of the most intricate functions of any business. Firstly, production plants are extremely costly. Secondly, the processes involved are not simple. Labour, raw material, and transportation costs are often hefty. The steps below can help you establish, maintain, and review your production process and examine whether there are areas that can be improved.

Selecting a production plant location (if applicable)

Plant location refers to the choice of the region where people, materials, money, machinery and equipment are brought together for setting up a business or factory (Trivikram, 2020)[81].

A plant is most effective when the cost of the product is kept fairly low in order to maximise gains. Identifying an ideal location is very crucial; it should always maximise the net advantage and minimise the unit cost of production and distribution (Trivikram, 2020)[82].

Decisions regarding selecting a location need a balance of several factors. These are divided into primary factors and secondary factors – both factors can influence the business in the long run (Trivikram, 2020)[83].

Primary factors: availability of raw materials; closeness to the market; availability of labour; transport facilities; availability of fuel, power, and water (Trivikram, 2020)[84].

Secondary factors: suitability of climate; government policies; availability of finance; competition between countries; availability of facilities; and disposal of waste (Trivikram, 2020)[85].

Estimating production costs

Production or product costs are the costs incurred by a business from manufacturing a product or providing a service (Kenton, 2021)[86].

Production costs can include a variety of expenses, such as labour, raw materials, consumable manufacturing supplies, and general overheads (Kenton, 2021b)[87].

Product costs may also include those incurred as part of the delivery of a service to a customer. Taxes levied by the government or royalties owed by natural resource-extraction companies are also treated as production costs (Kenton, 2021b)[88].

Types of Costs of Production

There are various types of costs of production that businesses may incur while manufacturing a product or offering a service. They include the following (CFI, 2021c)[89]: Fixed costs; variable costs; total cost; average cost; and marginal cost.

If your business is established, it might be wise to speak to new suppliers every now and then. This will help you really determine if your current suppliers are giving you the best raw material or services at a reasonable rate or whether they are overpriced. But you need to be strategic with this exercise, because you often find that suppliers are also your consumers or are influencers of your consumers.

Balancing production

Line balancing is a production strategy that involves balancing operator and machine time to match the production rate to the takt time. **Takt time** is the rate at which parts or products must be produced in order to meet the customer demand (Lamarre, 2019)[90].

For a given production line, if production time is exactly equal to the takt time, then the line is perfectly balanced. Otherwise, resources should be reallocated or rearranged to remove bottlenecks or excess capacity. In other words, the quantities of workers and machines assigned to each task in the line should be rebalanced to meet the optimal production rate (Lamarre, 2019)[91].

Benefits of line balancing (Lamarre, 2019)[92]:

- Reduce waiting waste
- Reduce inventory waste
- Absorb internal and external irregularities
- Reduce production costs and increase profits

Perfect line balancing leads to workers and machines that perform in a fully synchronised manner. No operator is paid for standing idle. All machines are used to their full potential. In other words, manpower and machine capacity are maximised. Such process efficiency represents fewer costs and more profits.

To implement process improvement, you can manipulate three parameters: operator time, machine time, and setup time. For instance, you can give additional training to workers that take longer to complete tasks or facilitate transitions to reduce changeover times. You can also upgrade machines or make sure operators follow proper machine setup and maintenance standard operating procedures (SOPs).

Implementing cost reduction programmes

When an organisation and its balance sheet grow, it tends to start having a lot of unnecessary miscellaneous costs. So, having a cost reduction programme can save an organisation a lot of unnecessary costs. A cost reduction programme is a plan to cut operating costs in order to improve profits or cash flows. When a cost reduction programme is intended to counteract a short-term decline in operating results, it is more likely to be targeted at discretionary costs, which are those costs that do not have a short-term impact on company performance, such as maintenance and employee training costs (AccountingTools, 2020)[93].

LeanMap[94] recommends these five proven cost reduction strategies:

1. Demand management: reducing spend and levelling resources to demand.
2. Process efficiency: reducing waste, variability, inflexibility.
3. Technology alignment: adjusting configurations and settings to requirements.
4. Organisation agility: building skills, simplifying structure, and flatten the hierarchy.
5. Business effectiveness: realigning strategy and business model to evolving needs.

Implementing continuous improvement programmes

"Continuous improvement, sometimes called continual improvement, is the ongoing improvement of products, services or processes through incremental and breakthrough improvements. These efforts can seek incremental improvement over time or breakthrough improvement all at once" (ASQ)[95].

There are various continuous improvement models on the market, which assist businesses implement continuous improvement programmes in a structured manner.
The innovation and disruption of the business environment today, has made continuous improvement a necessity for businesses to be sustainable and competitive.

One of the best continuous improvement and cost reduction programmes to implement is having a structured way that employees can recommend continuous improvement and cost reduction initiatives and have them implement these themselves. This will avoid the need to bring in consultants or project managers to implement the projects.

Developing maintenance systems

Maintenance refers to maintaining and servicing of machinery, equipment building infrastructure, systems and utility sources such as cables and water pipes. It involves regularly evaluating the item and repairing, renewing or servicing it.

Types of maintenance – preventive or corrective (Hupjé)[96]:

Preventive maintenance involves having a maintenance plan for various machinery or equipment. The plan will indicate how often the various machines need to be serviced or how often software should be updated.

Corrective maintenance involves not having a maintenance plan and conducting maintenance work only when required.
This means that production might have to stop in order for the issue to be solved.

There are various things you need to consider when choosing a maintenance plan. For example: Can you afford to have any down time? What is the impact of having down time? Do you have in-house skills to complete the maintenance? Do you have the required capital to complete your maintenance? Is it more affordable to have a maintenance agreement with a supplier or to have emergency maintenance?

MEET TIME OF DELIVERY REQUIREMENTS

To meet or shorten industry lead times as per the needs of the clients.

Delivery management is the function of applying processes to ensure goods are effectively and efficiently transferred from one location to the next. Sometimes called dispatch or fleet management, it answers the question, "How do we get this item from point A to point B?" As consumer expectations continue to rise, this function has never been in greater demand (Onfleet, 2020)[97].

Delivery management speaks to the management of inventory, storing capacity, creating and managing material, stock management, procuring and expediting, packaging and labelling, logistics and returned goods.

This process needs to be streamlined because it impacts the time it takes for the product to reach your customer from the time, they request it – whether it's instore or online.

There are various components within the delivery management process which need to be attended to in order to deliver the product to the consumer.

Determining inventory and store capacity requirements

Inventory is the term for the goods available for sale and raw materials used to produce the goods available for sale. In addition, it could include the spare parts that the enterprise keeps for repairs. Inventory is one of the most important assets of a business because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders.

The three general types of inventory are: raw materials, work-in-progress, and finished goods (Jha, 2021)[98].

You need to make decisions about how much inventory to keep on hand. This will in turn determine the store capacity. Factors to consider in this regard include: are the products perishable? What is the most efficient manufacturing quantity? What is the sales pattern? What is the cost of storage?

Aldi has different sized stores, ranging from mega-stores to 24-hour kiosks; these varied sized stores all have and require inventory and store capacities. The mega-stores are usually stand-alone stores, with large store and inventory capacity. Whilst the 24-hour kiosks only sell selected items, are the size of a food truck, and only has inventory big enough to fit.

Creating and managing a material plan

Material planning is the scientific method of planning and determining the requirements of consumables, raw materials, spare parts, and other miscellaneous materials that are required to meet the given production plan for a certain period. It essentially carries out the process of forecasting and planning of procurement of materials (MBA Skool Team, 2020)[99].

The two techniques to material planning are (Agrawal)[100]:

1. Bill of materials explosion – The planning for materials management is aimed at determining the demand for the end-products. This is possible only through farsightedness or forecasting.

2. Past consumption analysis – For continuously needed materials and the materials where no bill of materials is possible, the analysis technique is used.

There are various online tools that you can use to create and manage your material plan. A material plan is especially important for manufacturing businesses that are growing, because your materials needs are changing but you can use past consumption data to predict the growth and amend the plan accordingly.

Stocks management

Stocks or inventory management is the discipline of specifying the shape and placement of stocked goods. If you are a producer or manufacturer, then you need to ensure that you have all the required material to make your product. This includes storage space, working space, and capital to acquire them. If you are a seller, then you need to manage the stock that you are selling, make sure that you have enough of everything you sell, and source new stock when you sell out. That is essentially what stock management entails.

These common inventory management techniques can be implemented at organisations of any kind (Unleashed)[101]:

- JIT inventory – JIT involves holding as little stock as possible, negating the costs and risks involved with keeping a large amount of stock on hand.
- Inventory analysis – This technique aims to identify the inventory that is earning you profit by classifying goods into different tiers.
- Dropshipping – Businesses that use dropshipping essentially outsource all aspects of managing stock.
- Bulk shipments – This technique assumes that buying in bulk is cheaper. The method is great if a business is sure that their products will sell but can pose challenges when demand suddenly changes.
- Backordering – A backorder is when a customer places an order for stock that is not yet available.

Procuring and expediting

Procurement "is the act of obtaining goods or services, typically for business purposes" (Young, 2020)[102]. Most businesses have procurement processes – which is dependent on the size of the organisation and the frequency of needing procurement services. For example, small businesses will source quotations from various suppliers and build relationships with the most suitable ones for their needs – but they might need to this every year to ensure that they are getting the best price for the material, product or services. A larger business would tender for a procurer – depending on how often they require their material, product or services, they would have a contract in place for the procurer to be their supplier for two to five years, before going through the tendering process again.

Expediting "is the application of pressure on suppliers to get them to either meet the original delivery promise or to deliver ahead of schedule. It may be the threat of order cancellation or other penalty, if the supplier cannot meet the agreement" (Government of North-West Territories, 2009)[103]. It should not be done often. You should know which suppliers are likely to have delivery problems. You should only keep them as suppliers if there is a big advantage to having them. For example, affordability, location or the superiority of their product.

When determining the proper method of expediting a particular order, three basic options can be used: (1) Exception expediting; (2) Routing status check, and (3) Advance expediting (Government of North-West Territories, 2009)[104].

Packaging and labelling

The unboxing social media culture has made packaging an important facet to producing and selling a product. Consumers are becoming more and more conscious of the packaging of products – the more appealing the packaging, the more likely consumers will be drawn to it.

"**Packaging** is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use" (Shikha)[105]. It also refers to the creation of packaging, which involves designing, evaluating, and producing the packages. Various products require different types of packaging, within designing the packaging for your product you should consider the following:

- Is it suitable for your product?
- Who is your buyer and how are they going to use your product?
- Does your product need to be transported?
- How is it transported?

Labelling is a part of branding and enables product identification. It is a printed information that is bonded to the product for recognition and provides detailed information about the product. Customers make the decision easily at the point of purchase seeing the labelling of the product.

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Types of package labelling (Business Jargons)[106] include:

- **Brand label:** It plays an important role in labelling as it gives information about the brand. It can be removable or non-removable.
- **Descriptive label:** It specifies product usage.
- **Grade label:** It describes the aspect and features of the product.

Since Aldi sells fewer variations of products in order to stay cost-effective, its packaging and labelling requirements are simpler and fewer than those of its competitors.

Managing internal logistics and warehousing

Internal logistics is the area that covers the movement of materials and the support operations that occur within a company. It comprises several processes, such as warehousing, stock control, automation and storage systems, material handling, equipment, and information technology. It aids in regulating material flows within the institution, ensuring that the right items are in the right place, in the right quantity and at the right time (Por Orbit Logistics, 2018)[107].

Optimising the inbound logistics process

Experts call the inbound logistics process "the final frontier". That said, streamlining this process is often easier said than done and will require some degree of effort and coordination between warehouse operators and supply chain managers. At the highest levels of inbound logistics, the main activities include the following (Struebing, 2021)[108]:

- Building strong and strategic relationships with suppliers
- Developing vendor inbound compliance standards (VICS)
- Using a transportation management system (TMS)
- Combining inbound freight deliveries

Warehousing is the process of storing goods that are yet to be sold or distributed. Warehouses store products in an organised manner to enable the easy tracking of items, when they arrived, how long they have been in storage, and the quantity at hand.

While a small, home-based business can warehouse products in a spare room, basement, or garage, perhaps even a storage facility. Big businesses typically own or rent storage space in a building that is designed for storage (Shopify)[109].

Whether the purpose is strictly storage or storage with other fulfilment, warehouses use specific elements that help producers, suppliers, and vendors track inventory and store it safely (Shopify)[110].

Managing outbound logistics (freight operations, export documentations, incoterms, etc.)

Outbound logistics is defined by the Council of Supply Chain Management Professionals as "the process related to the movement and storage of products from the end of the production line to the end user", and it plays a critical role in a supplier's overall customer relationship management process (Material Handling and Logistics [MH&L, 2015])[111].

The outbound logistics process starts with a customer sales order, moves on to warehouse packing and ends with product delivery. To make outbound logistics run smoothly,

businesses must pick the right distribution channels, maintain a sensible inventory stocking system and optimise delivery options (Garcia, 2019)[112].

Outbound logistics is centred on two concepts, namely, storage and transportation. The storage section of the field utilises warehousing techniques to keep the finished goods safe and accessible. The transportation section is by far the most occupied and complex part of outbound logistics. Without transport, there simply is no logistics. Therefore, it is essential to move the product from one location to another in the most convenient and efficient way possible (Dowler, 2015)[113].

Using a website or marketplace to communicate shipping times and costs

Shipping is physically moving goods from one point to another, such as the moving of merchandise from the warehouse to the customer (Dervisi, 2018)[114].

The **shipping process** follows the manufacturing and the packing of goods, which will be controlled by a shipping or logistics company (Dervisi, 2018)[115].

Shipping time is the period taken by the goods to reach its intended destination.

Order time is the elapsed time between a requisition and the item's availability.

Shipping costs vary depending on a variety of factors, such as package measurements, shipment type, contract of sale type, weight, points of origin and destiny, value of goods, delivery times, and more.

Estay (2021)[116] advises your business shipping strategy to consider the following:

- Where do you sell: multi-channel?
- How do you ship: multi-carrier?
- Do you outsource your shipping and fulfilment management?
- Do you build or buy your shipping software?

Managing returned goods (reverse logistics)

Reverse logistics is the opposite of the standard supply chain process. Think of a time when you bought a dress from a store, only to get home and realise that it has defects and returned it to the store – where you were either offered another dress or a refund. The store could not simply take it back and put it on the shelf. They returned it to the manufacturer (where they were probably given another dress or refunded as well) who either fixed it or disposed of it. That is reverse logistics. The goods move from the consumer back to the seller or manufacturer. It can include returns from e-commerce and retail, as well as components for refurbishing and remanufacturing (Lee, 2019)[117]. The products may be resold or disposed of permanently (Lee, 2019)[118].

There are four fundamentals to effective returns management (DAMollenkopf, 2010)[119]:

1. Think strategically about returns management within your broader supply chain strategy.
2. Develop appropriate gatekeeping, disposition, and avoidance policies.
3. Operational policies and procedures must be developed to handle returns.
4. Metrics and performance expectations for returns management must be aligned across functional areas and with an overall supply chain strategy.

Inspiring story

CEO & Co-Founder of Kura Technologies:
Kelly Peng

Total funding amount:
$1.5 million

Investors include:
HTC, Lucy Lv, CrunchFund

Kura Technologies is an augmented reality company. Their platform is designed to integrate with software companies to offer enterprise and consumer solutions. Kura produces augmented reality glasses that achieve 135-degree field view and long-wear comfort. It has raised over $1.5 million in funding, and will launch its Alpha product soon.

"I like building, inventing things, and solving hard problems"
Kelly Peng

Sources: Crunchbase[120], Forbes[121] and KellyPeng[122]

Completed exercise – Ansoff Matrix

Using the Ansoff Matrix will help you identify how to grow your business under the current circumstances. Using the descriptions below, fill in the list of opportunities that exist for your business or product/s under each of the quadrants.

The four strategies of the Ansoff Matrix are:

- **Market penetration:** This focuses on increasing sales of existing products to an existing market.
- **Product development:** This focuses on introducing new products to an existing market.
- **Market development:** This strategy focuses on entering a new market using existing products.
- **Diversification:** This focuses on entering a new market with the introduction of new products.

	Existing products	***New Products***
Existing markets	***Market penetration*** Aldi has been able to establish itself in many countries and has distinguished itself through quality. Aldi could gain additional market share through sales promotion programmes, especially since it has a cost-efficient business model. This way, it can gain from its competition	***Product development*** Aldi maintains a few brands of products which it distinguishes with its quality. It does this to remain cost effective. Furthermore, Aldi could consider expanding its product range to win over additional customers and increase its revenue.
New markets	***Market development*** Although popular in Europe, Aldi could consider expanding to other continents such as Asia and Africa where there is a higher population and an available market. This way, it can increase its sales and benefit from a greater economy of scale.	***Diversification*** Aldi could consider providing delivery services for customers who do not want to perform in-person shopping. This logistics arm of the business would constitute a separate stream of income and make Aldi gain additional customers, especially those who want to shop from the comfort of their homes. All these options will require some type of investment.

Exercise – Ansoff Matrix

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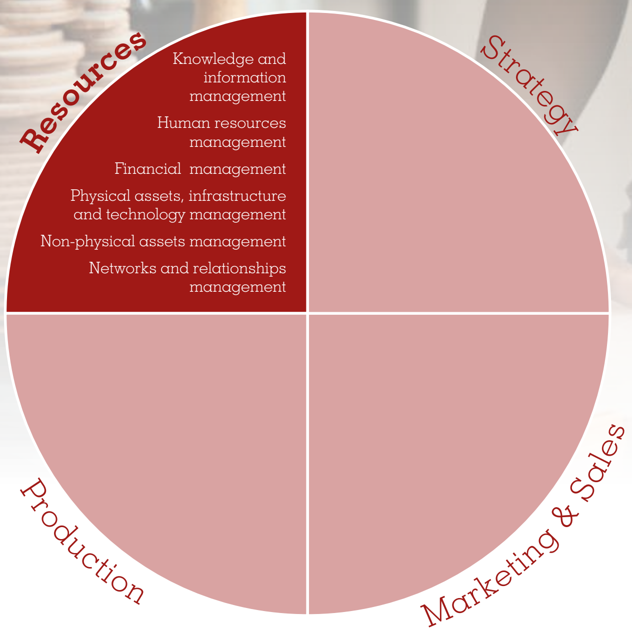
	Existing products	***New Products***
Existing markets	***Market penetration***	***Product development***
New markets	***Market development***	***Diversification***

RESOURCES


Resources
Knowledge and information management
Human resources management
Financial management
Physical assets, infrastructure and technology management
Non-physical assets management
Networks and relationships management
Strategy
Marketing & Sales
Production

The Resource chapter focuses on your businesses' assets – knowledge and information, employees and stakeholders, finances, physical and non-physical assets and how to utilise them effectively.

In this chapter you will learn:

- How to establish knowledge and information management systems
- How to establish effective human resource management processes
- How to manage your financial, physical, and non-physical assets

Outline of this chapter:

1. Case study – Driving transformation through training and development
2. Knowledge and information management
3. Human resource management
4. Financial management
5. Physical assets, infrastructure, and technology management
6. Non-physical assets management
7. Networks and relationship management
8. Exercise – SWOT analysis

Case study: Driving transformation through training and development (T&D)

Businesses need to grow and maintain their going concern status, otherwise they risk a decline after maturing.

This was starting to happen to Kabati – a television set manufacturing company based in Accra, Ghana. It had grown to be the largest television set manufacturing company in West Africa – servicing neighbouring countries such as Liberia, Côte d'Ivoire, Togo, Benin, and Nigeria.

Employee turnover was, however, extremely high due to the lack of growth and lack of internal opportunities for employees to progress their careers.

Kabati struggled to maintain its profitability over the years on account of new technologies that rivalled its core business, as well as emerging brands that built on new trends and technologies in the market.

In a bid to turn things around, the founder of Kabati decided to diversify her target market and expand her business. After conducting extensive research, she decided to start making mobile phones and first-generation computers.

She established two new departments in her business and promoted her two longest serving employees to lead them.

One department was for mobile phones. They were going to venture into the industry by manufacturing mobile phones and phone accessories, etc. The other department was going to start manufacturing first generation computers.

Case study: Driving transformation through training and development (T&D) Continued

Instead of hiring new employees with the right skills, they decided to bring in an external service provider to train and upskill existing employees. This increased the employee's morale and got them excited about their jobs again.

This was also the perfect opportunity for Kabati to look at all its processes, procedures, policies, and systems – upgrade, change, or implement new ones where required.

Kabati developed an employee lifecycle with various steps and activities under each step accompanied by an advanced talent management programme.

Kabati also implemented an information management system, where they uploaded all their intellectual property, model designs, and a knowledge management system, where employees were required to upload information about the various projects they were working on.

Kabati conducted an audit on all its physical and non-physical assets and realised that not all of its physical assets were being used, and could be sold or rented, and that not all of its physical assets were insured. This was rectified immediately.

The last thing Kabati's founder needed to do was expand her social network. She acquainted herself with people in the technology industry – application developers, website developers, and server hosts, etc. She is also exploring setting up an online store to give her business a wider reach.

KNOWLEDGE AND INFORMATION MANAGEMENT

Knowledge management means to ensure acquisition and implementation of knowledge between employees and external stakeholders. Information management means to store, retrieve, and analyse information using ICT technology.

Establishing information management systems

A critical aspect of organisations is the need to provide information in a timely and effective manner for purposes of supporting decision-making and other management functions. **Information management (IM)** concerns itself with the acquisition of information, and storage and distribution of the acquired information based on need, and finally, either archiving or deleting the information.

A number of employees are involved at various stages in the process, which includes those tasked with quality control, authorised access, use and safe disposal, and those who need it to make decisions.

A selected number of employees might have the rights to create, amend, share, or delete information according to organisational information management policies. An **information management system (IMS)** gathers and manages data that is stored in different formats and is accessible to the people who need it.

Small businesses do not usually need a dedicated IMS and can manage their office documents with normal commercial storage platforms such as Dropbox or Google Drive. The Library and Information Association (CILIP)[123] highlights the following benefits to having an IMS for your business:

- Improved usage of the organisation's technology investments
- Improved usage of 3rd party information products across the whole organisation
- Increased efficiency – right information provided at the right time
- Improved effectiveness – right information provided at the right time
- Better responsiveness and competitiveness
- Enhanced creativity and innovation
- Ensured compliance – legal and regulatory

Establishing knowledge management systems

Most organisations have one or two individuals who have been with the organisation since it started and have immense institutional, job, and industry knowledge. They execute their roles exceptionally well and when they are not around, most activities stand still. The risk in this type of scenario is clear, so how can you mitigate it? **Knowledge management (KM)** is the process of creating, using, sharing, and managing the knowledge and information of an organisation.

KM enhances the following organisational objectives: improved performance, competitive advantage, innovation, the sharing of lessons learned, integration, and continuous improvement of the organisation. A **knowledge management system (KMS)** is a tool used

by organisations to help organise documentation, frequently asked questions, and other information into easily accessible formats for employees and sometimes customers.

Using knowledge management software can help keep documentation up to date, assist customers in finding their own answers, and manage knowledge access and permissions across user groups. It is a tool that is valuable to both small businesses that are just starting out, and global enterprises that need to distribute knowledge to a wide variety of audiences.

A good knowledge management system will enable the access and repeated use of relevant information and resources across your business, which can help you with the following (INI)[124]:

- Create better products and services
- Develop better strategies
- Improve profitability
- Reuse existing skills and expertise
- Increase operational efficiency and staff productivity
- Recognise market trends early and gain an advantage over your rivals
- Benchmark against your competitors
- Make the most of your collective intellectual capital

Now, do some research on IMS and KMS and identify which one will suit your business the best. It might even be better to create and manage one in-house if your business is still small and does not have the resources to implement and maintain KMS and IMS.

HUMAN RESOURCES MANAGEMENT

This refers to the effective management of people in a company or organisation such that they help their business gain a competitive advantage. It is designed to maximise employee performance in service of an employer's strategic objectives.

A staffing plan is a strategic planning process by which an organisation under the guidance of the Human Resource Department (HRD) starts by identifying business gaps in terms of human resources, identifying possible solutions, interrogating and short-listing them, and finally, finding the best solutions to fill in the gaps. The most common solution is filling the gaps with new employees – these can be permanent or temporary employees.

Employee lifecycle

An employee life cycle is a human resource (HR) tool that classifies the different stages an employee engages in during their time at an organisation (see Figure 3), including the role HR plays in optimising that progress. It is imperative that employees' journey through the life cycle is captured and tracked accordingly. There are systems on the market that cater to capturing and managing the entire employee life cycle.

Once the organisational structure and policies, procedures, and systems have been developed and implemented to support the structure, you can design an employee life cycle suitable for your organisation (Shraddha Kakade, 2021)[125].

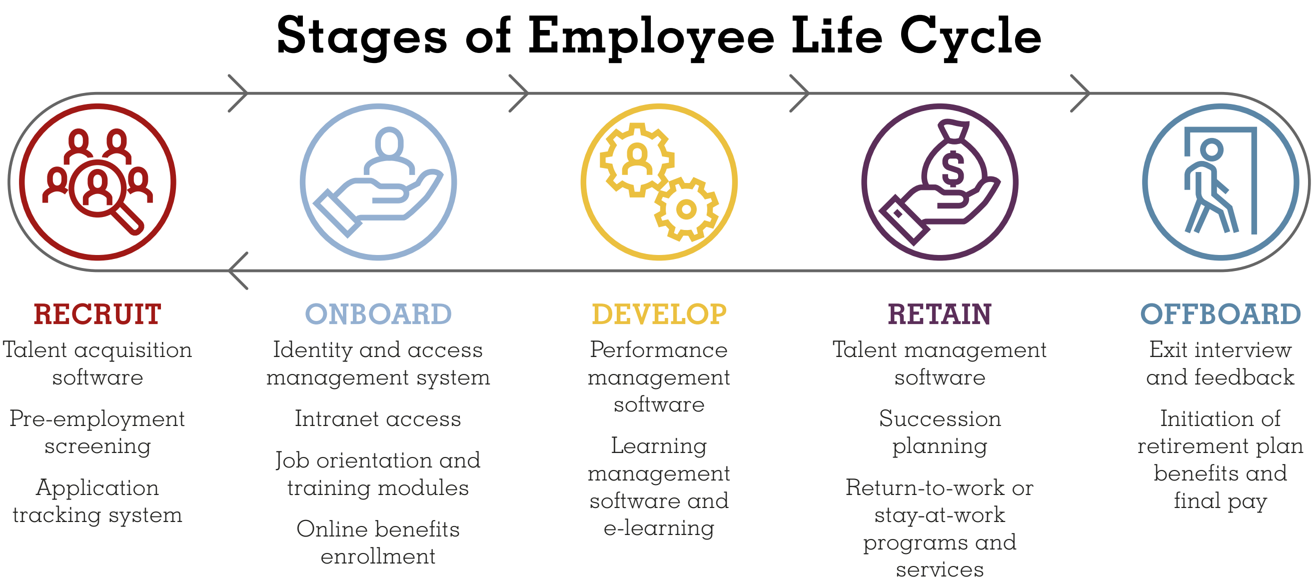


Figure 3: Stages of employee life cycle (source: [Shraddha Kakade, 2021])[126]

Recruitment

Recruitment and selection are critical steps in any organisation. The processes involve identifying the need for a job, defining the requirements of the position and the job holder, advertising the position and choosing the most appropriate person for the job. Recruiting employees with the correct skills can add value to a business. Furthermore, recruiting workers at a compensation package that is competitive to reduce on staff turnover will not only save costs, but also position the business to attract the best talents in the market. Employees should therefore be carefully selected, managed, and retained, just like any other resource.

Compensation refers to payment to an employee in return for their execution of their roles and responsibilities as contracted by the business. The most common forms of compensation are wages, salaries, and tips. Some benefits are legally obligated upon the business. Employee benefits typically include retirement plans, health life insurance, life insurance, disability insurance, vacation, employee stock ownership plans, and continuous professional development trainings, etc.

Onboarding

Onboarding largely involves acquainting a newly hired employee to the organisation. It, however, goes a few steps further than orientation. The process starts with contract negotiation and finalisation, and then moves onto uploading the employee on your internal systems. The third step entails explaining the organisation's culture to the employee, starting with its policies and procedures, then performance management, organisational structure, governance, etc. You can also break down how their compensation is structured and how the review process works. This is usually discussed during the contract negotiation process.

Human resource policies are generalised guidelines on the approach of which an organisation intends to adopt in managing its people. They represent specific guidelines to HR managers on various matters concerning employment and state the intent of the organisation on different aspects of HR management such as recruitment, promotion, compensation, training, selections, etc. They therefore serve as a reference point when HR management practices are being developed or when decisions are being made about an organisation's workforce. A good HR policy provides generalised guidance on the approach adopted by the organisation, and therefore its employees, concerning various aspects of employment. A procedure spells out precisely what action should be taken in line with the policies. Each organisation has a different set of circumstances and so develops an individual set of HR policies.

Develop

Throughout the existence of a business, new trends such as those brought about by new technologies will present themselves. As such, it is important that the organisation also keeps abreast in order to remain relevant in its industry. Training is an ongoing process where organisations help their employees acquire the knowledge and skills needed to reach their full potential and optimum performance. Training employees is about teaching them how to perform a specific task or procedure. It is usually focused on short-term gains – enabling employees to become better at their current job. An employee performance appraisal is a process – often combining both written and oral elements – whereby management evaluates and provides feedback on employee job performance, including steps to improve or redirect activities as needed. Documenting performance provides a basis for pay increases and promotions. Appraisals are also important to help staff members improve their performance and as an avenue by which they can be rewarded or recognised for a job well done.

Retain

Employee engagement is a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own well-being. Employee engagement is based on trust, integrity, two-way commitment, and communication between an organisation and its members. **Employee retention** is defined as the process by which an organisation ensures that its employees do not quit their jobs, and where employees choose to stay on with their current organisation and don't actively seek other job prospects. A high retention has the benefit of solidifying the business culture over a long period of time.

Offboard

When employees retire, find alternative employment, or decide to leave, then it will be time to **offboard them**. This generally means blocking their access to systems, and stopping their compensation, etc. But another thing to consider is conducting exit interviews to find out why they are leaving, this could highlight underlying issues that need to be addressed. Another important thing to consider is staying connected with the employee as they could potentially become a new client or refer great talent to your organisation.

"Hire character. Train skill."

Peter Schutz

FINANCIAL MANAGEMENT

Financial management means planning, organising, directing, and controlling the financial activities such as procurement and utilisation of funds of the business. It means applying general management principles to financial resources of the business.

At the core of every business, the overall objective is to attain profit maximisation. This affects each aspect of the business including managing the cash flows, monitoring the performance of the business, and formulating plans that ensure business owners make the most of every opportunity. The proper financial capabilities will remain important throughout the life of your business, irrespective of whatever stage your business is at. The financial management needs will keep changing as the business grows and circumstances change. In the case of Kabati, while there was a need to invest more into new production lines, this was rewarded by higher profit margins due to increased sales.

Business financial life cycle

A business's financial life cycle usually takes a path similar to the graph below (see Figure 2), going through the different phases at different speeds. Knowing and understanding these phases will help you plan your business' financials properly (Corporate Finance Institute [CFI], 2021a)[127].

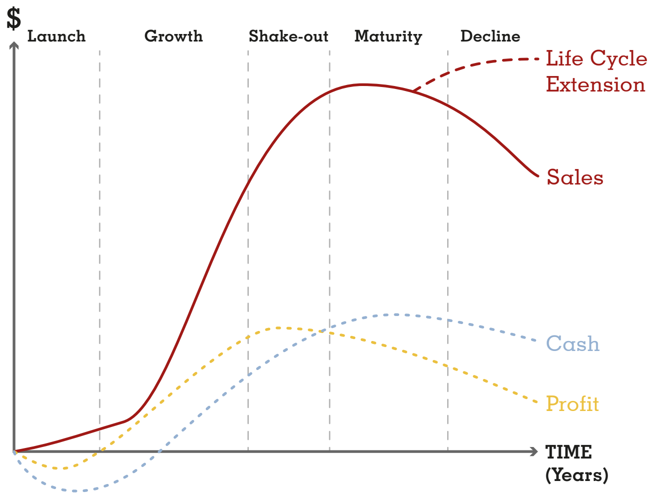


Figure 4: Business life cycle (source: Corporate Finance Institute)[128]

FUN FACT
Candy Crush brings in a reported $633,000 a day in revenue.

Phase One: Launch

Each organisation begins its operations as a business and usually by launching new products or services. During the launch phase, sales are low, but slowly (and hopefully steadily) increasing.

Phase Two: Growth

In the growth phase, organisations experience rapid sales growth. As sales increase rapidly, businesses start seeing profit once they pass the break-even point.

Phase Three: Shake-out

During the shake-out phase, sales continue to increase, but at a slower rate, usually due to either approaching market saturation or the entry of new competitors in the market. Sales peak during the shake-out phase.

Phase Four: Maturity

When the business matures, sales begin to slowly decrease. Profit margins get thinner, while cash flow stays relatively stagnant.

Phase Five: Decline

In the final stage of the business life cycle, sales, profit, and cash flow all decline (CFI, 2021a)[129].

Knowing, understanding, and implementing the concepts above can assist you to effectively establish and manage your business' finances effectively. Financial management is one of the most important business processes and if managed poorly can lead to your business failing. It is best to hire people who are trained financial professionals or to outsource their services if financial management is not your area of expertise, but it is still important for you to understand the basics.

Estimating capital requirements

Understanding the use of capital in business management is a critical concept; mismanagement of capital in a business may bring an unintended end to that business. Capital requirements refer to the cash value that a business needs to pay for its regular expenses and upcoming projects (Study.com, 2021)[132]. Kabati opted to diversify its target market and expand its business by establishing two new departments – one for its mobile phone manufacturing business and another for its first-generation computers manufacturing. Both these two departments demanded that they relook at their existing business model to determine the capital requirements for the expansion and diversification.

When determining the capital requirements for expansion or diversification in a business, it helps to review and update the business plan, this includes financial calculations that show expenses, expected revenue, and capital projects that benefit multiple years such as system upgrades (Study.com, 2021)[131].

Capital refers to financial resources or funds used to support a business. Businesses use capital to fund their operations like equipment, machinery, cash, and other resources. Financial resources are assets that make it possible for the business to produce a service or product to sell to customers. The accumulated wealth of a business, represented by its assets less liabilities, can also be called its capital. Capital can also mean stock or ownership in an organisation. Organisational funds that are held in a deposit account and those acquired from special financing sources are financial assets or capital. Capital can also be generated from equity financing or debt. There are three main types of business capital: equity capital, debt capital, and working capital.

Capital assets are those that are expected to generate value for the business over a long period of time. In the balance sheet, or a statement of financial position of an organisation, they can be found on either side of the current or long-term assets portion. These are assets that business owners derive benefits from and tend to hold on to for a period of more than one year. Examples include land and buildings, machinery, computer equipment, and vehicles. They are known as fixed assets or as plant, equipment, and property. Marketable securities, production and storage facilities, cash and cash equivalent can also be included as capital assets of a business.

The capital requirement is the total sum of funds that the business needs to realise its goals; for a business to operate, it needs to understand the amount of money it requires for its livelihood. Businesses create budgets to determine the amount of capital they will need to operate until the business is able to generate a positive cash flow. This amount can be calculated by adding up start-up costs, investments, and founding expenses together. In order to determine the amount and type of financing that can be used to generate the necessary capital, an estimation of the capital amount must be calculated. To discover the value of external funding needed, equity capital must be subtracted from the capital requirements. The difference between a business succeeding or failing is having the right amount of capital from the beginning. A high capital requirement can be a high barrier to entry to a market.

Minimum capital requirement is a banking regulation and a concept used in corporate law to specify the assets that an organisation can hold as a minimum requirement. Certain provisions of corporate law require organisations to maintain adequacy of their financial resources that consist of capital resources. Minimum capital requirement also allows for the review of the organisation's own assessment of capital needs.

Doing Business (2014)[132] shares some facts on the minimum capital requirement for doing business in different parts of the world:

- Across regions, minimum capital requirements are lowest in Europe and Central Asia.
- Of the 189 economies reviewed in Doing Business 2014, 99 do not have minimum capital requirements for firms. Some economies have never had them, while 39 have eliminated them in the past seven years.
- Minimum capital requirements are comparatively higher in low-income economies.
- Paid-in minimum capital is often a fixed amount that does not take into account firms' economic activities, size, or risk related to their activity.
- Higher minimum capital requirements are associated with less access to finance for small and medium-size firms.
- Higher minimum capital requirements are associated with weaker regulations on minority investor protections and tend to enable the informal economy.

Selecting sources of funds and determining capital composition

Sources of finance

The most fundamental aspect of starting or expanding a business is the selection of the right sources of financing. Building a healthy and profitable enterprise with a positive cash flow is reliant on getting the right capital compositions or financing mix. In organisations, funds are traditionally sourced for capital asset acquirement and the development of new products.

Sources of finance can be classified according to the time period for which the funding is required. The time period is commonly classified into the following three categories:

1. Long Term meaning capital requirements that may take a period of more than 5–20 years depending on various factors. These are for capital expenditures such as land and building, plant and machinery, etc. Refer to Figure 5 below to see the sources of finance available for this category.
2. Medium Term meaning financing for a time period of 3–5 years. This type of financing is used to bridge the gap in the meantime when long-term capital is not available. It is also used when deferred revenue expenditures, such as advertising, are made now to be written off over the same time period of 3–5 years. See Figure 5 below to see the type of financing available for the medium term.
3. Short Term finance refers to financing of a time period of less than 1 year. Short term funding requirements are to finance the current assets such as inventory of raw material, debtors, bank balance, and minimum cash. It is also known as working capital financing. See Figure 5 below for the types of short-term finances that are available to a business.

Sources of finance can also be classified according ownership and control. When capital is referred to in business it is always associated with two types of costs: (1) sharing of control and ownership, and (2) interest costs.

- Owned capital is sourced from the promoters of the organisation where they bring in the required money to start up the business. Promoters can also source owned capital from the general public by issuing new equity share. This type of capital is largely known as equity. See Figure 5 below for examples.

- Borrowed capital refers to finance sourced from outside the equity structure, it is also called debt capital. The borrower in this case has a charge of the business assets. The business then maintains a regular payment of the fixed interest and also a repayment of capital. See Figure 5 below for examples.

Lastly, sources of finance can be classified according to sources of generation which can either be internal sources of capital or external sources of capital.

- Internal sourcing is generated internally by the business; the business is able to grow by itself without the help of external parties. See Figure 5 below for examples.

- External sourcing is the capital that is generated from outside the business. Top-level finance managers must decide on the right source of external funds to source for the business. See Figure 5 below for examples.

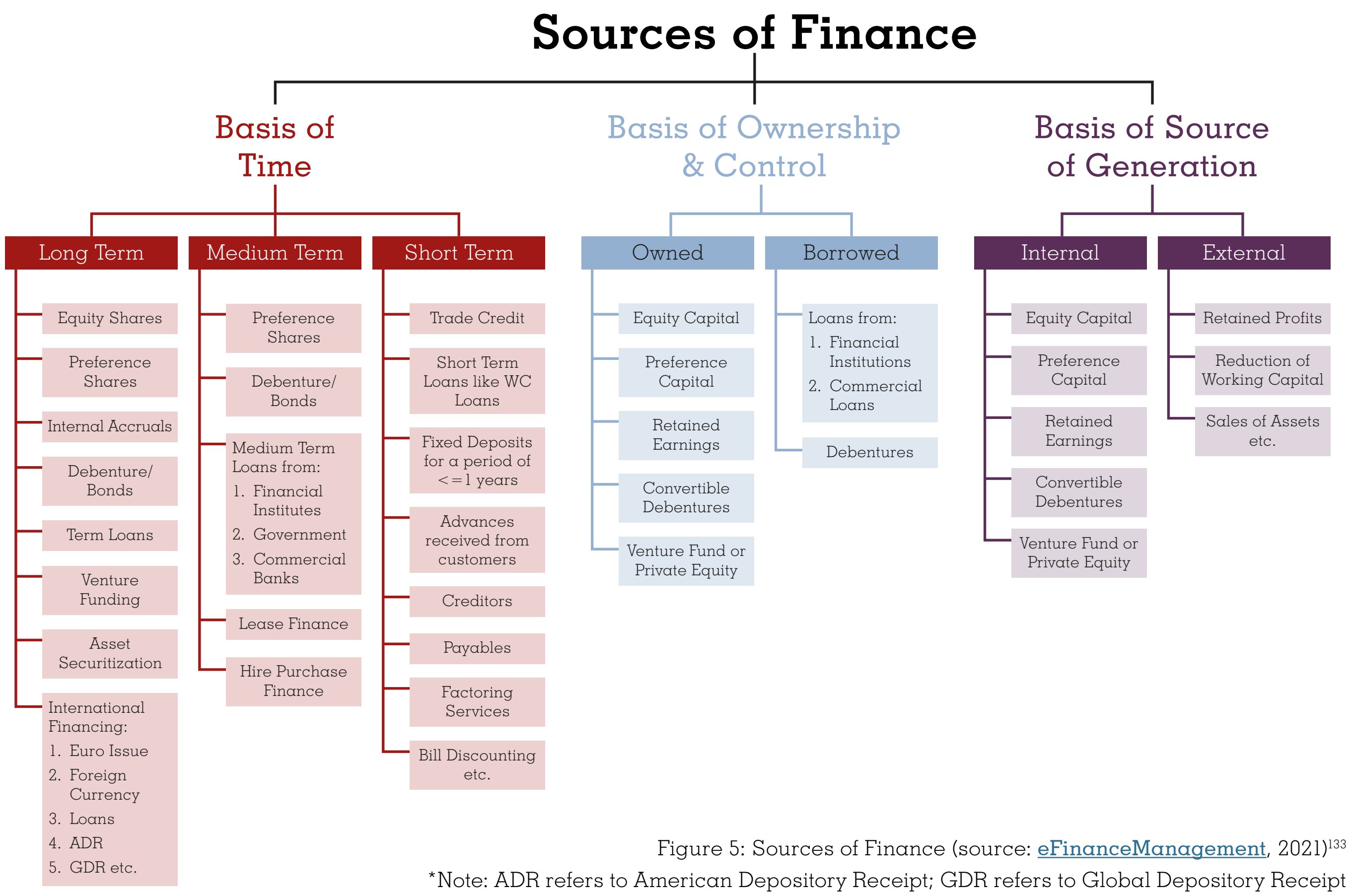


Figure 5: Sources of Finance (source: eFinanceManagement, 2021)[133]
*Note: ADR refers to American Depository Receipt; GDR refers to Global Depository Receipt

Access to finance – Attracting investors/banks

The World Bank (2018)[134] indicates that the topic of financial inclusion has been a growing interest particularly in developing and emerging economies. They are concerned that financial assets may be concentrated on a few firms, sectors, and individuals. The ability for enterprises and individuals to obtain financial services such as insurance, credit, deposits, and other risk management services is referred to as 'access to finance'. The Global Financial Development Database (Cihak, et al., 2012)[135] has captured cross-country indicators that has allowed firms to access the securities markets. They listed market concentration as a proxy variable for access to bond and stock markets. Meaning, a higher degree of market concentration reflects barriers for access for smaller or new issuers. The variables in the securities markets included the:

- Percentage of market capitalisation outside the top 10 largest organisations
- Percentage of value traded outside the top 10 traded organisations
- Government bond yields (3 months and 10 years)
- Ratio of new corporate bond issues to GDP

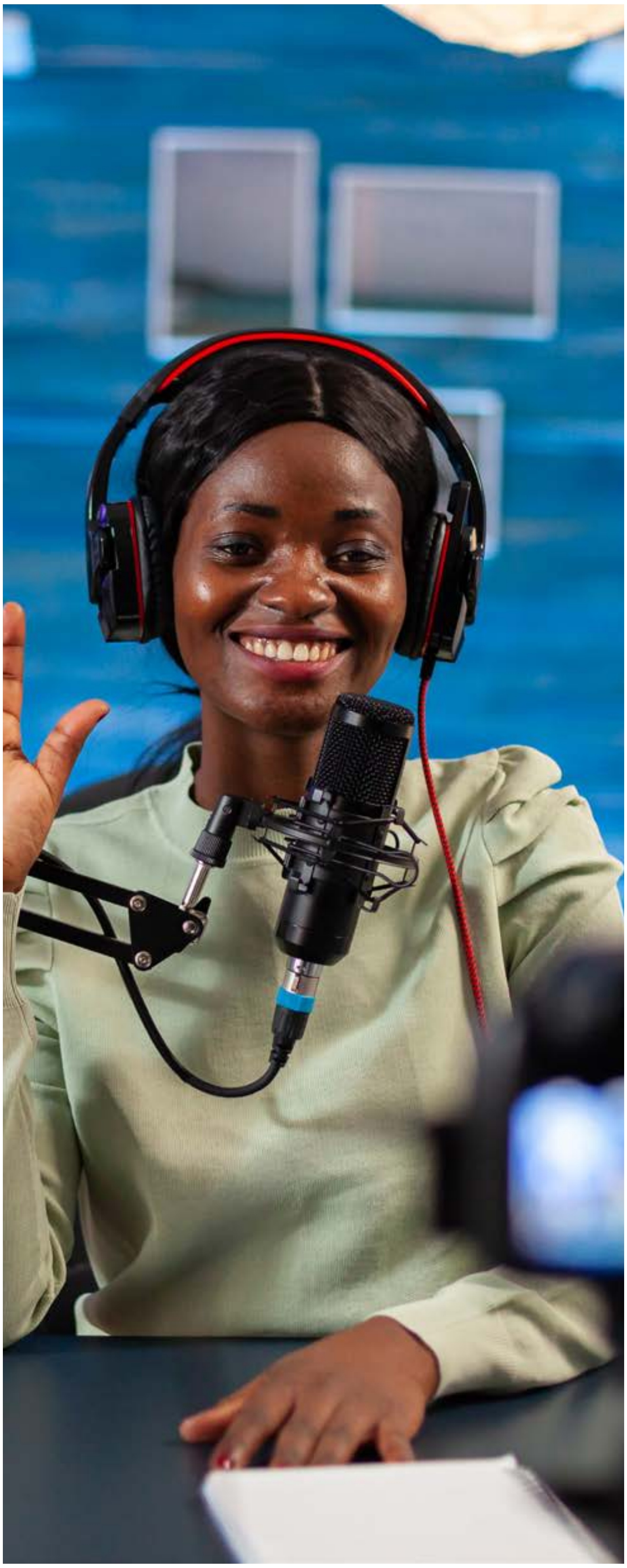
The unbanked or underbanked market refers to individuals or enterprises that have limited to no access to financial services. One of the basic rules for economics is that at equilibrium, supply must equal demand. Individuals may have access problems in credit markets, for example, but no access problem in the motor vehicle/car market. This is determined by the equilibrium price phenomenon. If the demand for cars exceeds the supply, the price of motor vehicles or cars will rise until demand and supply are equated at the new equilibrium price. This new price then serves as the financial access exclusion price for those who consider it too high; meanwhile, those who are able and willing to pay the price will own motor vehicles. Prices of goods and services can influence financial access problems for some consumers. It is important to distinguish financial exclusion due to price barriers, and those from market imperfections.

Access to finance programmes can help improve organisational performance because they are business-focused interventions. They are government subsidised loans for organisations that are intended to stimulate economic growth and provide financing to businesses where the market is unable to do so. Access to financial policies impact the organisations' productivity growth and employment.

Checkout this SheTrades Guidebook on Raising Funds for your Business[136]

Managing cash flows and other assets (Bookkeeping/Accounting)

Cash flow management is about keeping track of the flow of money in the business from one point to another and analysing the changes to it. It is the process of monitoring, analysing, and optimising the net cash amount of cash receipts minus cash expenses. The financial health of any business is measured by its net cash flow. Research has shown that 82% of businesses fail due to poor cash flow management systems. Businesses must ensure that they do not spend more than they earn to avoid having cash flow problems. Small businesses, in particular, must avoid extended cash shortages due to an overly large gap between cash inflows and outflows.



Real estate is a highly cyclical industry, meaning it booms in good economic times and slows down when the property markets soften during construction and bad economic times. Developers require significant initial capital investment and ongoing cash outflows for operations to avoid running into cash flow problems. Owing to negative cash flows for extended periods of times, many property developers have been forced into bankruptcy. Developers often run into cash flow problems before the development begins to sell, unless some or all of the development can be sold before construction.

Rapid **business expansion** can cause a business to run into cash flow problems. Business expansions involve higher rent for additional space, more capital investment for equipment, new facilities, etc., higher advertising costs, as well as higher labour costs to accommodate the new employees that may be hired.

Businesses that extend credit to other businesses or customers can also run into cash flow problems. Invoicing is a 30- or 60-day cycle in businesses, and it is not uncommon for customers to delay payment. This can cause cash flow problems for a credit extending business.

A statement of cash flow is a financial accounting requirement for businesses and shows how changes in the balance sheet (statement of financial position) accounts and income affect cash and cash equivalents. A business's cash flow can either be positive or negative:

- **Positive cash flows** occur when cash coming into the business through accounts receivables, sales, etc., are greater than the cash reserves leaving the business through accounts payable, salaries, expenses, etc.
- **Negative cash flows** occur when cash leaving the business is greater than the cash coming into the business.

The time taken by a business to convert its net current assets and current liabilities into cash is called the **working capital cycle** (WCC) (see Figure 6). The cycle reflects the efficiency and ability for businesses to manage their short-term liquidity position. The working capital cycle, calculated in days, is the time duration between buying raw materials to manufacture products and the selling of that product for the generation of cash. A short working capital cycle means that a business is able to free up its cash from the working capital faster. A long working capital cycle means the capital gets locked in the operational cycle without earning returns. Businesses can increase their efficiencies by shortening their working capital cycle to improve their short-term liquidity positions.

Working Capital Cycle

Working Capital Cycle (calculated in days) refers to the time taken by an organization to convert its net current assets and current liabilities into cash. The shorter the working capital cycle, the faster the company is able to free up its cash stuck in working capital and vice verca. The 4 key elements of WCC are cash, receivable (deptors), payables (creditors) and inventory (stock).

Working Capital Cycle = Inventory Turnover Days + Deptors Turnover (in Days) – Creditor's Turnover

Shortening of WCC

1. Reducing the credit period given to customers
2. Increase sales to reduce time taken to convert inventory into sales
3. Increase credit period from supplier of the raw materials

Sources of Short Term WC Financing

1. Line of Credit
2. Trade Credit
3. Factoring
4. Short Term Loans

Figure 6: Working Capital Cycle (source: eFinanceManagement)[137]

*Note: WC refers to Working Capital

The CFI (2021b)[138] highlights why accounting is important to small businesses. Some points they indicate are listed below:

- Keeps a record of business transactions
- Facilitates decision-making for management
- Communicates results
- Meets legal requirements

Bookkeeping is the recording of financial transactions and is part of the process of accounting in business. Transactions include purchases, sales, receipts, and payments by an individual person or an organisation/corporation. Managing your business financial activities will help you understand the flow of cash in your business, which will enable you to see where there are any issues – if there are any.

Managing different methods of payments

A **payment** is the trade of worth from one party to another for goods, or services, or to fulfil a legal obligation. Payment can vary in forms. The most common ways of making payments include the use of money; cheque; or debit, credit, or bank transfers; or a more complicated form, such as stock issues or the transfer of anything of value or benefit to the parties.

The Australian Government (2020)[139] recommends the following steps to choosing payment methods for your business:

1. Review the different payment methods
2. Consider your customers
3. Make sure it is reliable
4. Check the costs
5. Evaluate the risks

India is a developing nation that has favourable regulations, unburdened by legacy infrastructure and an increasing customer demand that encourages new technology to flourish. It is characterised by a customer base that has an increasing demand for digital payments, a highly skilled tech market, and a supportive regulatory environment. PayU is a digital payment system that is aimed at advancing access to financial services globally.

As smartphones have become ubiquitous in emerging markets such as India, it has enabled businesses that are unencumbered by aging legacy systems to adopt mobile-first digital payment solutions.

Regulatory support for payments innovation is critical in emerging economies such as India. Multiple payment types, open platforms, and interoperability are all important in breaking down the barriers to entry in markets. Indian payment providers and consumers are supported by a progressive regulator that is open to passing legislative frameworks that promote innovation, i.e. the Royal Bank of India's 2016 announcement of "demonetisation" (Chodorow-Reich, 2019)[140].

PayU transaction volume skyrocketed by 80% after the new legislation announcement. When it comes to worldwide payment innovation, emerging markets are becoming global leaders.

Financial compliance consists of the procedures, guidelines, actions, and business culture that adheres to government legislation, internal business policies, as well as industry regulations.

Businesses operate on a **fiscal year** which is the annual financial accounting period for businesses. They prepare financial statements and budgets based on their fiscal year. Annual financial obligations are included in the budget and fiscal year business planning cycle.

Business **financial obligations** include all the debt that the business has agreed to pay including taxes and utilities. The business and the individual owners are obligated by the terms of contracts to make tax payments on the agreed date for the agreed amount as per the contract. Compliance includes:

- Signing on the dotted line for purchases on credit cards, obtaining separate obligation for a specific phase of the business, use of credit line
- Personal financial obligation to the business, including personal assets and liability, particularly in sole proprietorship or partnership

Only in incorporated businesses are the owners' personal assets protected from the business fiscal obligations.

Financial regulations are important because (Amadeo, 2021)[141]:

- Regulations protect consumers from financial fraud.

- Effective government oversight prevents organisations from taking excessive risks.
- Laws like the United States Sherman Anti-Trust Act prevent monopolies from taking over and abusing their power.
- Without regulation, a free market creates asset bubbles.

Managing risk of exchange rate volatility

Exchange rate volatility is the risk related to unexpected movements in the exchange rate. The exchange rate, usually between two currencies, is the amount at which one currency is exchanged for another. Foreign currencies have a tendency to appreciate or depreciate in value and this may affect the profitability of foreign exchange trades. Exchange rate is an important macro-economic variable that can influence an entire economy and has been a subject of discussion amongst academics, policy makers, and economic agents since the 1970s. Sources of exchange rate volatility are economic fundamentals such as the interest rate, current account deficits, the stability and economic growth of a country, inflation rate and the balance of payments, which became more volatile in the 1980s and early 1990s. The measurement of the amount the exchange rates change, and their frequency of change is called "volatility" (Segal, 2021)[142].

Countries today need to choose which exchange rate regime is the best for them to adopt, the debate is whether to have a fixed, pegged, or floating rate regime. Policy makers rely on information about how different macro variables influence the exchange rate volatility so they can conduct the most appropriate policy.

Businesses use models that can estimate the exchange rate volatility when estimating the risk that it faces. According to the 2020 Nordea study[143], small to medium businesses underestimate their currency risks which makes currency fluctuations threats to them. The terms used to define measures devised by businesses to protect the value of their assets or liabilities and cash flows from fluctuations of the exchange rate are the foreign exchange risk management strategy or the FX hedging strategy.

Foreign currency risks aren't completely avoidable, but they can be mitigated by individual investors using various investment instruments such as futures, currency forwards, or options. They can also be mitigated through the use of hedged exchange-traded fund.

Segal (2021)[144] gives us a great example of the global impact of currencies:

Euro Fears (2010–2012): Concerns that the deeply indebted nations of Greece, Portugal, Spain and Italy would be forced out of the European Union (EU) led the euro to plunge 20% from 1.51 to the dollar in December 2009 to about 1.19 in June 2010. The euro recovered its strength over the next year, but that only proved temporary. A resurgence of EU break-up fears led to a 19% slump in the euro from May 2011 to July 2012.

Implementing financial controls systems

The means by which an organisation's resources are monitored, controlled, directed, and measured are called financial controls. Financial controls are important in ensuring the accuracy of reporting, protecting the organisation's resources, and eliminating fraud. There are policies and procedures, that organisations use to control and direct the allocation and usage of its financial resources. Financial controls are at the very core of operational efficiency and resource management in any organisation. If financial controls are to be implemented correctly, it is important to understand their objectives and benefits.

Types of financial control

A valid and commonly accepted classification at an academic and professional level establishes three major typologies of financial control (Captio, 2015)[145]:

1. Immediate or directional financial control: Consists of using a 'classic' vision of financial control.
2. Selective financial control: This is a more specific type of control than the former, as it is focused on certain areas of the business to assess compliance.
3. Postdate financial control: The principal characteristic of postdate financial control is that it is carried out once operations have already taken place.

Implementation strategies

Financial controls need to be designed and based on very well-defined strategies. The directors of the organisation need to be able to detect anomalies in budgets, balance sheets, and other financial aspects. They also need to put profitability, sales volume, and other parameters to the test to establish different operational scenarios.

Financial control implementation steps:

- **Analysis of the initial situation:** Conducting a reliable and exhaustive analysis of the organisation's current situation across many areas; profitability, cash, sales, etc.
- **Preparation of forecasts and simulations:** Based on the initial analysis results, a set of simulations and forecasts of different scenarios and contexts can be prepared.
- **Detection of deviations in the basic financial statements:** Financial statements are documents that organisations create in preparation of their annual accounting; the balance sheet, income statement, and the cash flow statement.
- **Corrections of deviations:** Taking proper decisions for corrective actions to get the organisation's accounts on the right track.

PHYSICAL ASSETS, INFRASTRUCTURE, AND TECHNOLOGY MANAGEMENT

The importance of managing physical assets to effectively structure, bundle, and leverage organisational resources.

A **physical asset** is an item of economic, commercial, or exchange value that has a material existence. Physical assets are also known as tangible assets. For most businesses, physical assets usually refer to properties, equipment, and inventory (Hayes, 2019)[146].

Planning and scheduling resources effectively

Resource planning and scheduling is the processes of investigating what kind or resources (people, machinery, equipment, technological devices, space, etc.) are going to be required, for how long, and where in order to complete a task or an activity, and then putting a plan and schedule together.

Resource planning and scheduling will differ depending on your business and industry. Resource planning and scheduling for manufacturing businesses requires a factory, machinery, equipment, and people. A restaurant will require people, space with a sitting area and a kitchen, and cooking and serving utensils. The same goes for a consulting business – it is highly dependent on people and their knowledge and skills. An excavation business, on the other hand, such as mining, is highly dependent on natural resources.

Managing resources needs live data to help with tracking your costs and the time spent on certain activities to manage your budget and stay on schedule. Resource management software can provide you with relevant and timely information. Below are other benefits of having a resource management tool (Project Manager)[147]:

- Track resource costs
- View availability of team
- Balance team's workload
- Integrate resources into project plan
- Automatic calculation of actual vs. planned costs
- Keep updated on team's hours with automatic timesheets

Managing assets risks – Insurance

Asset risk management is the process of managing the risks your organisation's assets might be associated with. Assets can be anything from the physical building to the machinery, equipment, or vehicles. Previously, only physical assets were insured; today, however, even

"Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured" (Kagan, 2021)[148].

Life Cycle Engineering[149] suggests that there are at least five risks that primarily contribute to an organisation's failure to optimally manage their assets:

1. Not knowing what they have
2. Over- or under-maintenance

3. Improper operation
4. Improper risk management
5. Sub-optimised asset management systems

Having an effective risk management framework is crucial to managing the risks around your business' assets. Thus, conducting regular audits of those assets will ensure that you have a comprehensive view of your business' assets.

Using and adapting to information and communication technologies (ICT)

Information and communications technology (ICT) is technology that facilitates communicating such as telecommunications, broadcasting, information management systems, audio-visual processing and transmissioning systems, and network-based control and monitoring functions.

In 1994, when Kabati released a new television set, they took beautiful pictures on analogue cameras; created posters for pamphlets, magazines, and newspapers, printed them and distributed them house-to-house or sent them to magazines and newspapers to be included in the next issue at a fee.

Today, however, when Kabati releases new technology, it sends their new products to media outlets, social media influencers, and content creators. They will then review the products on their respective pages (such as Instagram, Twitter, and YouTube) to their followers. Media outlets will review the products and share their reviews with their various distribution/content sharing platforms.

The advantages of ICT are numerous and revolutionary in nature, especially when it comes to business and organisational growth (White, 2021)[150]. Some benefits include:

1. Improves communication across all levels of the organisation
2. Cuts costs
3. Encourages strategic thinking.
4. Protects information
5. Cuts through cultural barriers

Learn more[151] about the respective software available, and which ones might work for your business.

NON-PHYSICAL ASSETS MANAGEMENT

This means to ensure intangible assets are protected and add value to the business.

FUN FACT Warner Music owns the copyright to the song "Happy Birthday".

"A **non-physical asset** (intangible asset) is an asset that is not physical in nature. Goodwill, brand recognition and intellectual property, such as patents, trademarks, and copyrights, are all non-physical assets. Non-physical intangible assets exist in opposition to physical (tangible) assets, which include land, vehicles, equipment, and inventory" (Kenton, 2020)[152].

Registering intangible assets: intellectual property, copyrights, patents, trademarks, and trade names

Intellectual property consists of various types of intangibles assets. These are explored in more detail below (Kenton, 2021c[153]; Maverick, 2019)[154]:

! An idea is not a form of intellectual property.

- **Patents** – A patent is a property right to a business owner that is typically granted by a government agency. An example of a patent is the Coke formula.
- **Copyrights** – Copyright gives authors and creators of original material the exclusive right to use, copy, and duplicate their material. It protects the way ideas are expressed. For example, J.K. Rowling has the copyrights to all the Harry Potter books.
- **Trademarks** – A trademark is the process of establishing brand recognition in the marketplace. It can be associated with or it can be part of a trade name, and provides legal protection for the use of names, logos, symbols, or organisational slogans. Coca-Cola is an example of a trademark.
- **Trade names** – A trade name is the official name an individual as a sole proprietor or an organisation chooses to do business.
- **Franchises** – A franchise is a license that a business, individual, or party (referred to as a franchisee) purchases, allowing them to use the name, trademark, proprietary knowledge, and processes of a business (referred to as the franchisor).
- **Trade secrets** – Trade secrets are registered procedures, systems, devices, formulas, strategies, or information that is confidential and exclusive to the organisation using them.

Managing and protecting electronic digital assets (databases, software, etc.) – Cybersecurity

Digital assets are all your business' intangible assets in a digital format. For example, company software, documents, pictures, videos, audio, and other relevant digital data. This content is usually on employee-issued company computers (which are physical assets) or storage devices. **Digital asset management (DAM)** has become a growing discipline with the growth of technology. Small businesses usually have an internal DAM process, but larger businesses often procure DAM software, which enables then to manage their digital assets more effectively.

Here are some benefits of having DAM software (Canto)[155]:

- Organises digital assets in a central location
- Automates workflows and enhances team creativity
- Locates media files quickly using sophisticated search capabilities
- Manages press kits and picture collections
- Automates watermarking for images
- Manages permissions through extensive copyright functionality
- Tags images automatically and uses facial recognition

Goodwill and how it affects your brand's value (includes public relationships and public image)

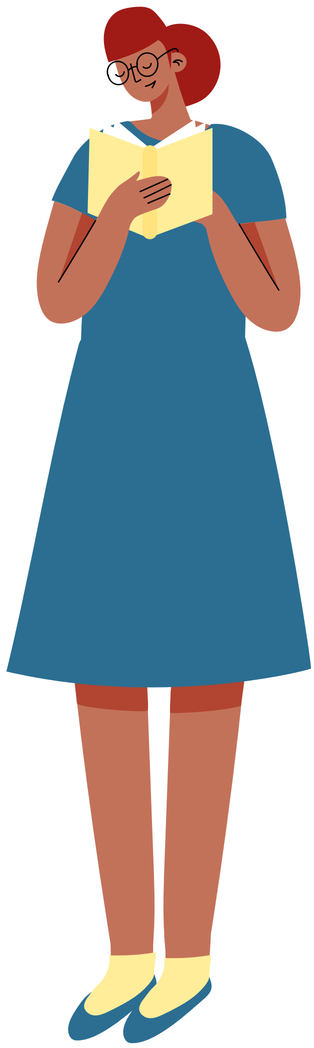
Goodwill is the value of the brand of the business, which is calculated as an asset. It is particularly important during an acquisition because it significantly increases the value of the business. It looks at things like the size and loyalty of its customers and how it manages those relationships, good employee relations and compliance with labour regulations, and unique proprietary technology.

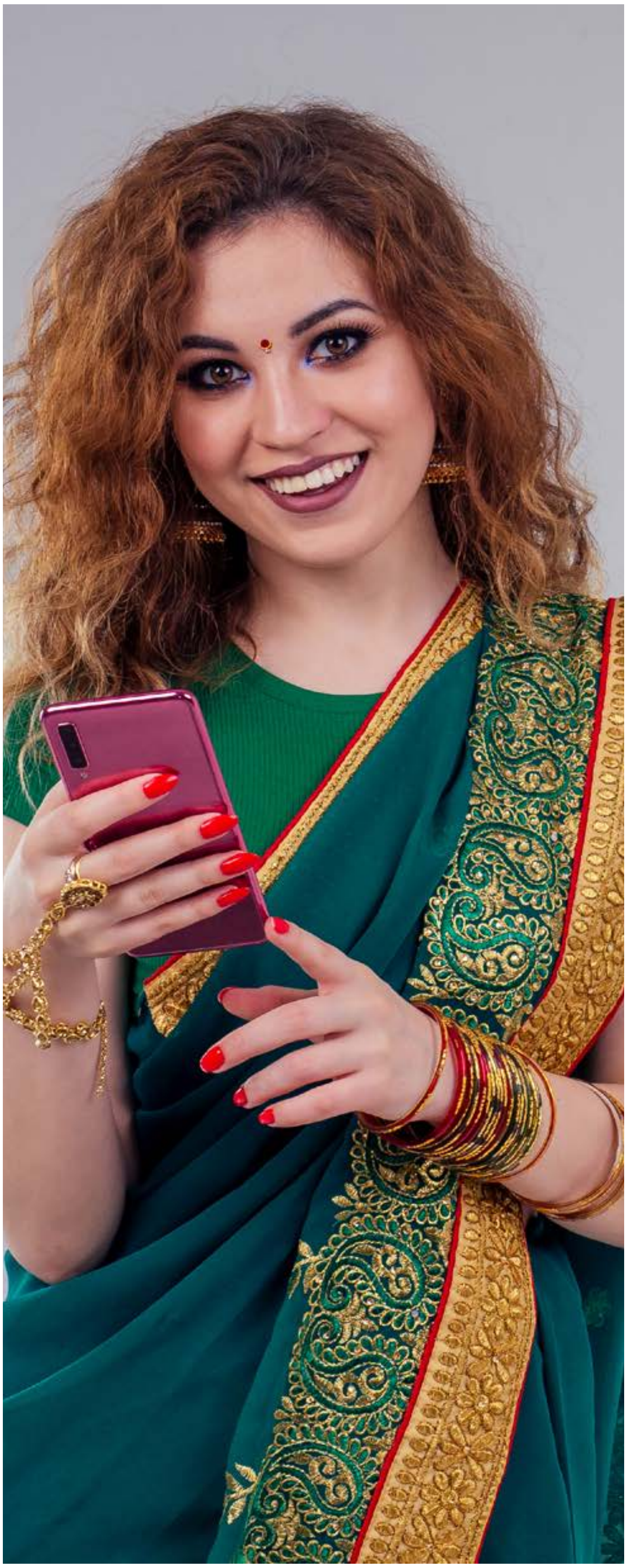
There are generally two types of goodwill (Kaur)[156]:

- **Purchased goodwill** "arises when a business concern is purchased, and the purchase consideration paid exceeds the fair value of the separable net assets acquired".
- **Inherent goodwill** "is the value of a business in excess of the fair value of its separable net assets".

There are several factors that contribute to the creation of goodwill, such as MBN Market Business News (2020)[157]:

- Expectation of future economic benefits: creation of new products and services, attracting new customers, and acquiring other businesses.
- Going concern value: using business assets to generate income.





NETWORKS AND RELATIONSHIPS MANAGEMENT

This refers to managing (initiating, expanding, maintaining, reducing, and ending) relationships with different types of counterparts, including customers, suppliers, competitors, and others. It is concerned with building trust and handling conflicts in relationships, and understanding how these influence the company's value creation, innovativeness, and productivity.

The term **social capital** refers to positive human interaction. The positive outcome may lead to useful information, innovative ideas, and future opportunities, which can be used to contribute to the success of an organisation.

Identify your business and your own personal social capital and how the different people you identified can help your business in various ways. Some of the people that you identified may be connected to other people who can become new clients, introduce you to new markets, or help you reduce your production cost. Social capital is one of the most underutilised, yet most powerful business resources.

Implementing a client relationship management system

Having a central location where employees can log client engagements can benefit your business in multiple ways. **Client relationship management** (CRM) is a structured way of managing your business' engagements with your consumers, especially if those engagements are long-term and are repetitive in nature. There are also numerous CRM systems on the market. It might be useful to investigate these, what they can do and if they are suitable for your business. With a CRM, you can:

- Have a single view of your clients
- Visually display your sales activities
- Organise and maintain your customer information
- Forecast your sales process
- Streamline and scale your sales cycle
- Automate your workflow
- Engage and build consumer relationships

Implementing a supplier relationship management system

Supplier relationship management (SRM) is the discipline of intentionally planning and dealing with all interactions with third-party organisations that supply goods and/ or services to your organisation to enhance efficiency and optimise the intended output. In practice, SRM involves forming closer, more collaborative relations with key contractors in order to obtain and realise new value and reduced risk of failure.

There are numerous SRM systems on the market. Depending on the size of your organisation, you might consider investing in one, but smaller businesses can create an in-house process and tool (built on excel) and use that.

The benefits of a structured SRM process and system QuickBooks Commerce (2020)[158]. are listed below:

- Reduced costs – digitising and automating your SRM process can help you reduce headcount or use your headcount more efficiently.
- Increased efficiency – having an SRM will make decision-making around suppliers simpler and faster.
- Stable pricing – clear and transparent view of how various suppliers charge for their products and services.

Stakeholder management – Managing relationships with different types of counterparts

A business relationship is an understanding between individuals or organisations started for commercial purposes, which is sometimes formalised with legal contracts or agreements.

That includes the relationship between different stakeholders in a business network, such as those between employers and employees, employers and business partners, and all other organisations a business associates itself with. Beside consumers and suppliers, an organisations' business relations may include a long list of banks, stockbrokers, the media, and service providers, among others. Business relations can also be with local governments, governmental, and international agencies.

One of the reasons behind Kabati's huge success in West Africa is their business network. They have been able to establish strategic and useful relations with important stakeholders such as the government, local and international agencies, multinationals, and other big organisations in the area.

Mind Tool Content Team[159] recommends the 5 steps below when communicating with your stakeholder. Remember, the aim of your communication with your stakeholders is to create a win-win situation and maintain their support for your business.

1. Summarise each stakeholder's status
2. Decide what you want from each stakeholder
3. Identify your key message to each stakeholder
4. Identify your stakeholder communication approach
5. Implement your stakeholder management plan

Activeness and membership of business associations

Business associations are membership organisations engaged in promoting the business interests of their members from a specific area or industry. These associations typically perform activities that would be unduly costly or time-consuming for an individual organisation to perform by itself, including networking, lobbying, information gathering, research, and setting industry standards.

Association spokespeople contend that by combining their voices under one banner, organisations are able to establish a strong and unified presence and effectively protect their shared interests. Some business associations are strict about who they accept for membership, so if an organisation is part of that association people know that that organisation and its business have met and continue to meet those high standards. Once an enterprise is accepted as a member it can advertise its membership, which can help give an extra edge over other non-member competitors.

ITC SheTrades[160] is one such business association which prides itself of connecting female entrepreneurs with opportunities, arming them with knowledge and coaching them along their entrepreneurial journeys – at a global level.

The World Economic Forum[161] (WEF) is another global association that connects various stakeholders. Being part of the WEF is seen as a prestigious honour because it is quite challenging to become a part of it and businesses that are part of the organisation have to meet very high standards.

Most countries, regions, industries, and sectors have business associations that cater or address specific needs, so it is always worthwhile learning about associations in your area of business.

Inspiring story

VP of Branding & Business Development & Co-Founder of NuBank: Cristina Junqueira

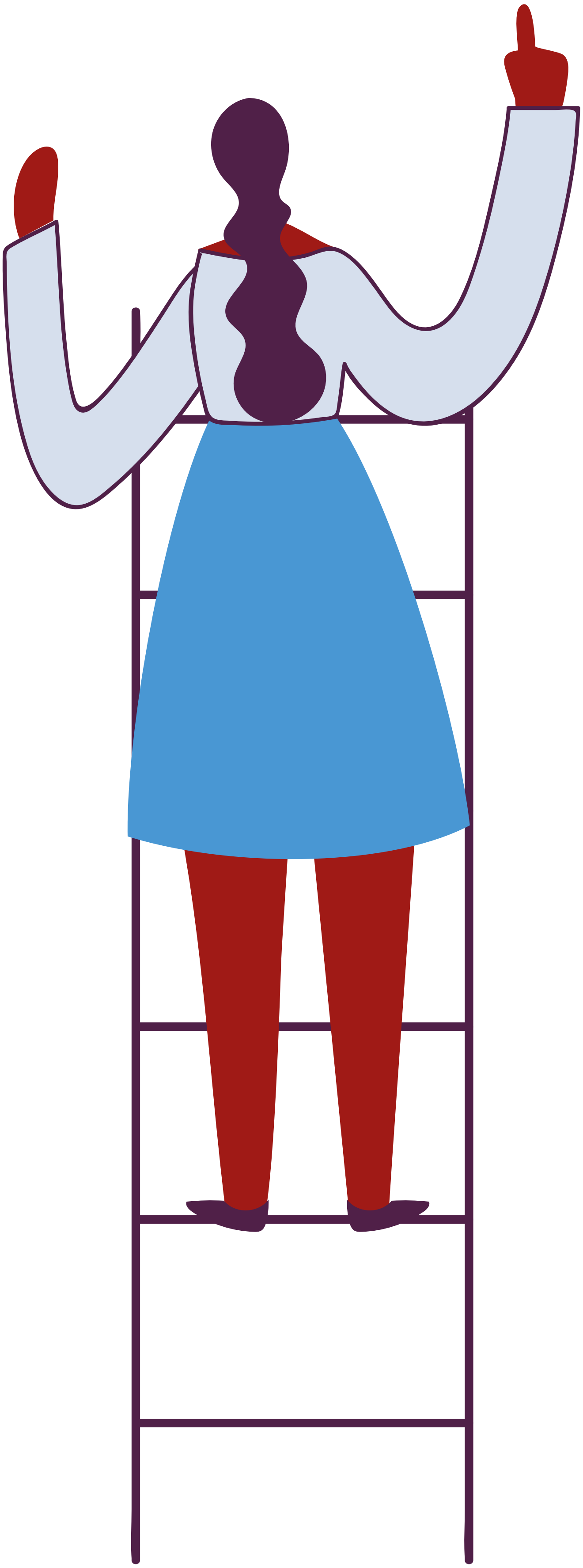
Total funding amount: $707.6 million

Investors include: Tencent Holdings, Founders Fund, Sequoia Capital, Fortress Investment Group, DST Global, Goldman Sachs, Tiger Global Management.

Nubank is an online bank based in Sao Paulo, Brazil, and serves over 25 million customers. Nubank is the largest independent digital bank in the world. It has a fintech model that can thrive anywhere in the world – it offers lower interest rates, lower banking costs, a fee-free credit card, and a customer-friendly mobile banking app.

"I worked for the largest incumbent bank in Brazil for five years," she told Fortune magazine, "and I was just done making rich people richer. I was trying to make a lot of changes to make consumers' lives better and failing miserably at it. And at some point, I was like, 'you know what? I'm done'". Cristina Junqueira[162]

Source: Crunchbase[163], Fortune[164] and Fintech[165]



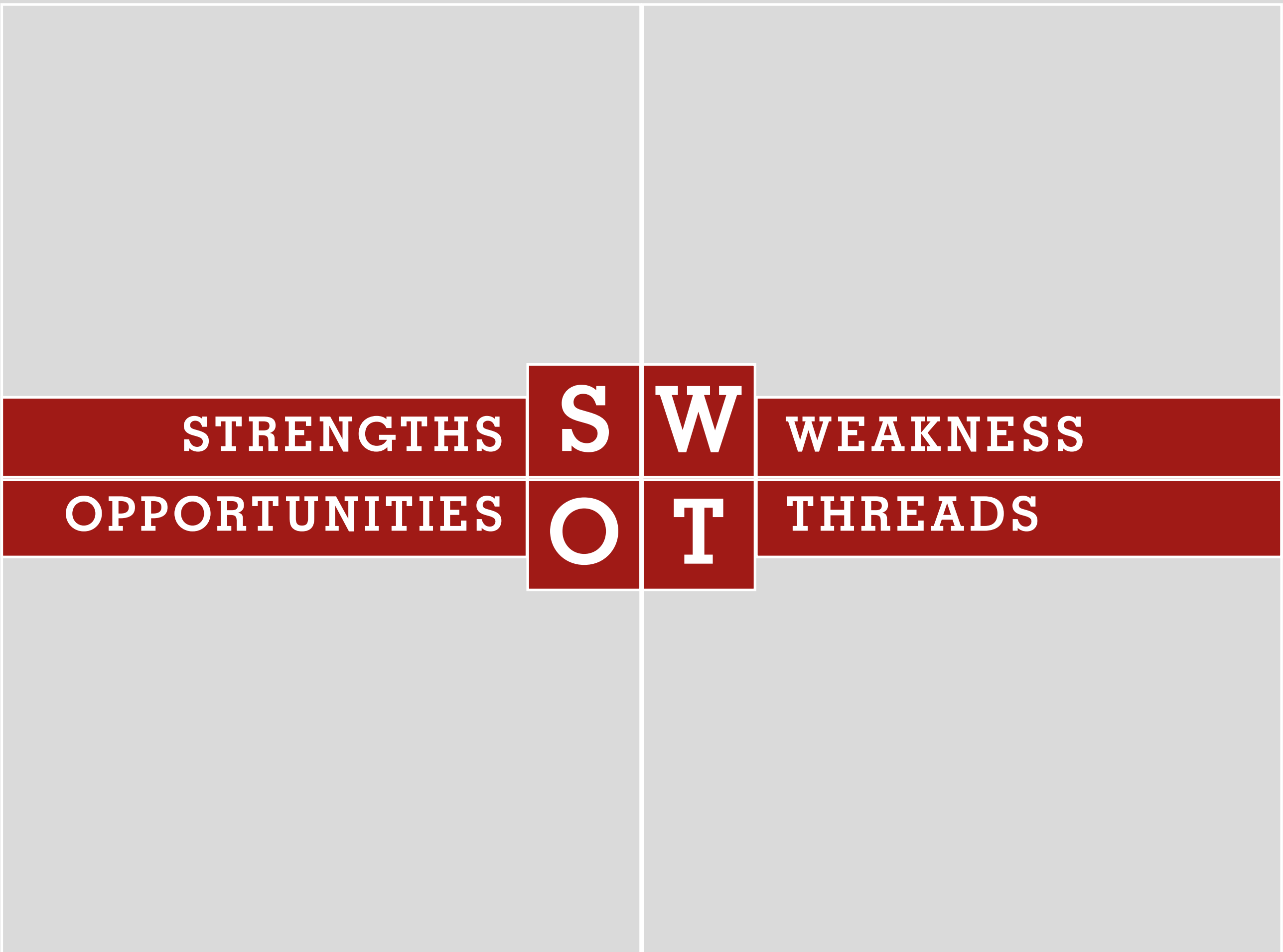
Completed exercise: SWOT Analysis

A SWOT analysis helps you identify the strengths, weaknesses, opportunities, and threats your business has and how to exploit and mitigate against them. Using the diagram below, identify and list your business' strengths, weaknesses, opportunities, and threats.

STRENGTHS (S)	WEAKNESS (W)
Kabati has a strong West African footing; it's a favourite local brand and is seen as an important job creator and economic contributor. Kabati understands the West African economy and has a great network across the value chain – from manufacturers, suppliers and logistics.	Due to Kabati's success in West Africa, it has become comfortable and complacent, risking being disrupted by new innovative players. Kabati buys some of its material from a local manufacturer, which is more costly than if it imported the material from manufacturers in other countries.
OPPORTUNITIES (O)	**THREADS (T)**
There are other products Kabati can produce using its existing resources, such as mobile phones and laptops. It can also use Amazon to explore and expand into other markets – Amazon facilitates the warehousing and distribution of your products at a fee.	Affordable no-brand Chinese imports are a huge threat to Kabati. International brands are entering the West African market and are poaching Kabati's employees. Political changes in the region are a constant threat to Kabati's West African dominance.

Exercise: SWOT Analysis

A SWOT analysis helps you identify the strengths, weaknesses, opportunities, and threats your business has and how to exploit and mitigate against them. Using the diagram below, identify and list your business' strengths, weaknesses, opportunities, and threats.



Conclusion

We designed this guidebook with the hope that you will learn a few new concepts that you can apply to your business or share with your peers and employees. We hope that the case studies will show you that all businesses face challenges but can find creative and suitable ways to deal with them and remain sustainable. We have included tried-and-tested business exercises that we think will help you explore different ways of thinking and solutioning to explore a new market or remain competitive in your current market. Being competitive involves using various business concepts to optimise your business, introducing new ways of doing things to cut costs and implementing new ideas and strategies to grow and expand your business. Most importantly, we hope that it will help and empower you to seek out new opportunities for your business during this challenging time, whether it is exploring new markets or optimising your internal process to increase revenue and remain competitive.

> "Business opportunities are like buses, there's always another one coming."
>
> Richard Branson

This unique platform allows women-owned businesses, organisations, companies, and ITC SheTrades partner institutions to:

1. Connect with diverse businesses and build a strong network through which you can strike business deals, increase your credibility, and open doors to new opportunities!

2. Offer and source products and services. Women-owned businesses can sell their products and services by posting offers on the platform. Buyers can then peruse offers, make orders, and even post their own tenders on which sellers can bid.

3. Learn new skills through a wide range of FREE e-learning materials. The Virtual Learning Space (VLS), online courses, live webinars, and market tools cover various trade-related topics to equip women entrepreneurs with knowledge and skills to grow their businesses.

4. Participate in workshops, trade fairs, and other business events. Within a growing number of countries, women entrepreneurs registered with SheTrades are given opportunities to attend dynamic and enriching in-country activities, all of which are made possible by ITC SheTrades partners and sponsors.

5. Stay up to date with ITC SheTrades activities, news, success stories, videos, publications, and more. There is a lot of action to be witnessed, information to be shared, and conversations to be had within the SheTrades community. Check out the different pages on the platform and take part in interesting discussions within the forums.

Join SheTrades

Annexure

Best practice

Best practice through benchmarking

Applying best practice means learning from and through the experience of others. One way of doing this is through benchmarking, which allows you to compare your business with other successful businesses. This will give you the opportunity to learn from their mistakes and copy some of the initiatives that they implemented successfully.

Benchmarking also gives you the opportunity to see how you fare in comparison to your competitor and how to differentiate yourself. For example, is your product superior, can you thus sell it at a higher price, or is your product a bit inferior in quality, but could be offered at a lower price because there are consumers who want that?

Best practice through standards

Standards are fixed specifications or benchmarks that are established by independent bodies. Technical standards are precise specifications against which a business can measure the quality of its product, service, or processes. Management standards are models for achieving best business and organisational practice.

Some countries have technical standard services which can test and give your business a stamp of approval for meeting certain technical standards. This standard can then be used to market your product and gain your consumers' trust.

Obtaining consumer feedback on the quality and standard of your product or service, and using it on your advertising, on your website, or on Google is another way of using standards to promote your product or service.

Best practice through strategic partnerships

There are various strategic partnerships with different businesses that can help take businesses to the next level, introduce businesses to different markets, or provide businesses with access to resources. Identifying them, establishing win-win scenarios, and working together can help provide businesses with a strategic advantage. Partnerships are mutually beneficial business relationships.

An example of a good strategic partnership is between Salesforce and Amazon Web Services (AWS)[166]. Both organisations are exploring the same market and offering complementary services – their partnerships allow them to access each other's client bases and offers a convenient comprehensive solution and easy integration between their respective offerings.

Additional resources

Here are additional articles and online tools on the four competences discussed above that you can access and use and additional business-related ones.

01 | Strategy:

Harvard Business Review – The 4 Types of Innovation and the Problems They Solve[167]

Harvard Business Review – Visualising Sun Tzu's The Art of War[168]

Entrepreneur – 9 Ways Your Company Can Encourage Innovation[169]

02 | Marketing and Sales:

Small Biz Trends – 20 Incredible Marketing Best Practices Examples[170]

Disruptive Advertising – What is Digital Marketing and How Do I Get Started?[171]

Deloitte – Re-invent sales for the 21st century[172]

03 | Production:

Global Hitachi-solutions – 11 Trends That Will Dominate Manufacturing in 2021[173]

Welcome to the United Nations Conference on Trade and Development – Sustainable Manufacturing and Environmental Pollution (SMEP)[174]

Manufacuting.net – The Principles of Lean Manufacturing[175]

Foundation for the Social Promotion of Culture – Guide of Good Environmental Practices[176]

04 | Resources:

Tech target – Guide to building an effective employee experience strategy[177]

Social Capital Research and Training – Benefits and Importance of Social Capital[178]

World Trade Organisation – TRIPS – Trade-Related Aspects of Intellectual Property Rights[179]

General:

Harvard Business Review[180] – Management practices magazine

Entrepreneur[181] – Entrepreneurial magazine with various regional spin-offs

Forbes[182] – Business magazine with various regional spin-offs

Mindtool[183] – Website that explains various business concepts and provides tools

Investopedia[184] – Website that explains various financial concepts

List of Abbreviations and Acronyms:

3BL	Triple Bottom Line
ADR	American Depository Receipt
AI	Artificial Intelligence
ASQ	American Society for Quality
AWS	Amazon Web Services
CEO	Chief Executive Officer
CFI	Corporate Finance Institute
CIPD	Chartered Institute of Personnel and Development
COO	Chief Operations Officer
COGS	Cost of Goods Sold
COVID-19	Coronavirus disease 2019
CRM	Client Relationship Management
DACI	Driver, Approver, Contributor, Informed
DAM	Digital Asset Management
EBIDTA	Earnings Before Interest, Depreciation, Taxes and Amortisation
EIA	Environmental Impact Assessment
ERM	Enterprise Risk Management
EU	European Union
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GLP	Good Labour Practice
GRC	Governance, Risk and Compliance
GVC	Global Value Chain
HR	Human Resource
HRD	Human Resource Department
ILO	International Labour Organisation
IM	Information Management
IMS	Information Management System
ISO	International Organisation for Standardisation
JIT	Just-In-Time

KM	Knowledge Management
KMS	Knowledge Management System
KPI	Key Performance Indicator
M&S	Masters and Son
MH&L	Material Handling & Logistics
INI	Invest Northern Ireland
PESTLE	Political, Economic, Sociological, Technological, Legal and Environmental
QA	Quality Assurance
QC	Quality Control
ROI	Return on Investment
SDG	Sustainable Development Goal
SIA	Social Impact Assessment
SMEP	Sustainable Manufacturing and Environmental Pollution
SOPS	Standard operating procedures
SRM	Supplier Relationship Management
SWOT	Strengths, Weaknesses, Opportunities, and Threats
T&D	Training and Development
TMS	Transportation Management System
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
USP	Unique Selling Position
VICS	Vendor Inbound Compliance Standards
VLS	Virtual Learning Space
VP	Vice President
VUCA	Volatility, Uncertainty, Complexity and Ambiguity
WC	Working Capital
WCC	Working Capital Cycle
WEF	World Economic Forum
WTO	World Trade Organisation

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#SheTrades

CONNECTING THREE MILLION WOMEN TO MARKET BY 2021

Women's economic empowerment is not a matter for government policy, the private sector, or social change alone. All have critical roles to play. This is why the International Trade Centre (ITC) has launched the SheTrades initiative, which seeks to connect three million women entrepreneurs to market by 2021.

ITC | SheTrades UKaid from the British people