

# Planning Small Business

## Chapter 3

### Social Responsibility, Ethics, and Strategic Planning

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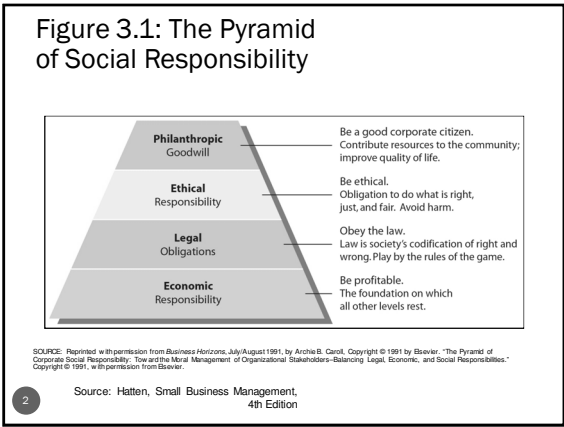
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## Economic Responsibility

- ① → Be as profitable as possible.
- ② → Make sure employees, creditors, and suppliers are paid.
- ③ → Maintain a strong competitive position.
- ④ → Maintain efficient operation of the business.

3 Source: Hatten, Small Business Management, 4th Edition

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## Dealing with Sexual Harassment

- Have a clear written policy prohibiting sexual harassment.
- Hold mandatory supervisory training programs on policies and prevention of harassment.
- Ensure that the workplace is free of offensive materials.
- Implement a program for steps to take when a complaint of harassment is received.
- Keep informed of all complaints and steps taken.
- Make sure the commitment against harassment exists at every level.

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Source: Hatten, *Small Business Management*,  
4th Edition

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## Ethics and Business Strategy

- Ethics
  - Rules or moral values that guide decision making—your understanding of the difference between right and wrong
- Code of Ethics
  - A formal statement of what your business expects in the way of ethical behavior.
  - The tool with which the owner of a business communicates ethical expectations to everyone associated with the business.

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Source: Hatten, *Small Business Management*,  
4th Edition

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## Benefits of a Code of Ethics

- Obtaining high standards of performance at all levels of your work force
- Reducing anxiety and confusion over what is considered acceptable employee conduct
- Allowing employees to operate as freely as possible within a defined range of behavior
- Avoiding double standards that undermine employee morale and productivity
- Developing a public presence and image that are consistent with your organization's ideals

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Source: Hatten, *Small Business Management*,  
4th Edition

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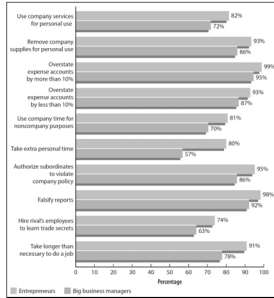
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Figure 3.2: What Is Unacceptable Conduct?



SOURCE: "The Entrepreneurial Ethic," *BusinessWeek*, 5 October 1998.  
Source: Hatten, *Small Business Management*, 4th Edition

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## Ethics Under Pressure

- Ethical Dilemmas
  - When an honest but unintentional mistake is made.
  - When cultural differences with stakeholders arise.
  - When products may offend or harm customers.
  - When bribery in deal-making is an expectation.
  - When "green marketing" may cost more.

Source: Hatten, *Small Business Management*, 4th Edition

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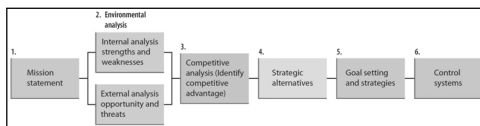
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Figure 3.3: The Strategic Planning Process



Source: Hatten, *Small Business Management*, 4th Edition

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## The Strategic Planning Process (cont'd)

- The Mission Statement
  - Describes why an organization exists.
  - Identifies the scope, direction, and purpose of the organization.
  - Specifies what the business is and how it operates.
  - Provides a public incentive for the organization to follow the announced strategy and business philosophy.

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Source: Hatten, Small Business Management, 4th Edition

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## Internal Analysis

- Reasons for Internal Analysis
  - Identify strengths and weakness
  - Overcome personal opinion bias
  - Match strengths to external opportunities
  - Prepare to react to external threats

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Source: Hatten, Small Business Management, 4th Edition

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## Competitive Analysis

- Competitive Advantage
  - Is the facet of a business that it does better than all of its competitors.
  - Is the heart of a company's strategy and its reason for being in business.
  - Must be sustainable over time to remain a benefit to the firm.
- Competitive Weaknesses
  - In what areas is the competition truly weak and therefore strategically vulnerable?

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Source: Hatten, Small Business Management, 4th Edition

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## Analyzing the Competition

- Read articles in trade publications.
- Listen to what customers and salespeople say about competitors.
- Keep a file on key competitors and regularly evaluate the collected information.
- Attend trade shows, exhibits, and conferences.
- Buy competitors' products to determine their quality and other advantages.
- Consult published credit reports on your competitors.

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Source: Hatten, Small Business Management, 4th Edition

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## Competitive Analysis: Areas for Comparison to Competitors

1. Image
2. Location
3. Layout
4. Atmosphere
5. Products
6. Services
7. Pricing
8. Advertising
9. Sales Methods

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Source: Hatten, Small Business Management, 4th Edition

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Figure 3.4: Competitive Analysis

Areas of Comparison	Your Business	Competitor A	Competitor B	Competitor C	Competitor D
1. Image	_____	_____	_____	_____	_____
2. Location	_____	_____	_____	_____	_____
3. Layout	_____	_____	_____	_____	_____
4. Atmosphere	_____	_____	_____	_____	_____
5. Products	_____	_____	_____	_____	_____
6. Services	_____	_____	_____	_____	_____
7. Pricing	_____	_____	_____	_____	_____
8. Advertising	_____	_____	_____	_____	_____
9. Sales methods	_____	_____	_____	_____	_____
TOTALS	_____	_____	_____	_____	_____

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Source: Hatten, Small Business Management, 4th Edition

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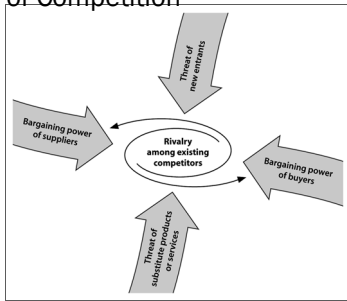
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Figure 3.5: The Five Forces of Competition



SOURCE: Michael Porter, "Know Your Place," Inc., September 1991, 91. Reprinted from "The Five Forces for Competition" from "Know Your Place" by Porter, Inc., September 1991.  
Source: Hatten, Small Business Management, 4th Edition

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### Five Basic Forces of Competition

- Determinants of Industry Attractiveness
  - Degree of Rivalry among Competitors
    - Strong industry rivalry makes industry unattractive.
  - Threat of New Entrants
    - Low entry barriers are unattractive to industry incumbents.
  - Bargaining Power of Suppliers
    - Industries with few and specialized suppliers are unattractive.
  - Bargaining Power of Buyers
    - Large customers with discretionary purchasing characteristics can make an industry unattractive.
  - Threat of Substitute Products or Services
    - Substitutes that offer buyers options to industry products and services make an industry unattractive.

Source: Hatten, Small Business Management, 4th Edition

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### Competitive Advantage (cont'd)

- Importance of Competitive Advantage
  - A business must do something better than others or it is not needed.
- Becoming Market Driven
  - Closely monitoring changing customer wants and needs
  - Determining how those changes affect customer satisfaction
  - Developing strategies to gain an edge

Source: Hatten, Small Business Management, 4th Edition

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## Competitive Advantage (cont'd)

- Benefits of a Competitive Advantage
  - Establishes a self-sustaining position in the marketplace.
  - Can set up a cycle of success.
  - Added value helps keep customers satisfied and increases market share.
  - Brings in additional resources with which to support, increase, and fortify the competitive advantage.

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Source: Hatten, Small Business Management, 4th Edition

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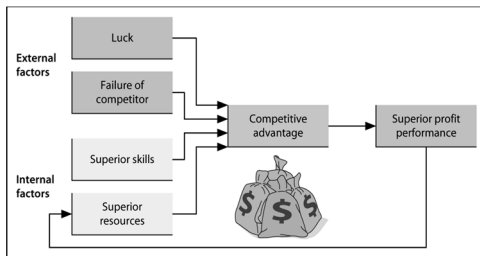
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Figure 3.6: Competitive Advantage Cycle



SOURCE: "Competitive Advantage Cycle," from Competitive Marketing Strategy, Craplet. Copyright © 1992. Reprinted by permission of Pearson Education, Inc.

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Source: Hatten, Small Business Management, 4th Edition

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## Goal Setting and Strategies

- Goals must be:
  - written in terms of outcomes rather than actions.
  - measurable.
  - challenging yet attainable.
  - communicated to everyone in the company.
  - written with a time frame for achievement.

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Source: Hatten, Small Business Management, 4th Edition

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## Levels of Goals

- **Mission Statement**
  - Describes who you are, what your business is, and why it exists.
- **Business-Level Goal**
  - Describes what your overall business is to accomplish in order to achieve the company mission.
- **Functional-Level Goal**
  - Describes performance desired of specific departments to achieve the business-level goals.
- **Strategy**
  - Is a plan of action that details how the firm will attain functional-level goals.

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Source: Hatten, *Small Business Management*, 4th Edition

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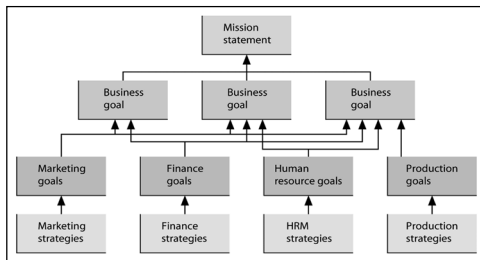
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Figure 3.7: Levels of Goals



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Source: Hatten, *Small Business Management*, 4th Edition

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## Strategic Planning in Action

- **Strategic Planning**
  - Addresses strategic growth—where you are going.
  - Looks outward at long-term prospects for products, markets, competition, and so on.
- **Business Plans**
  - Address operational growth—how you will get there.
  - Focus on internal concerns of the business—capital, personal, and marketing.

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Source: Hatten, *Small Business Management*, 4th Edition

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