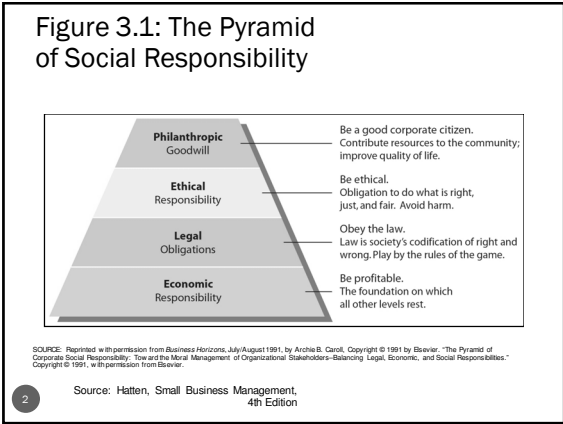


Planning Small Business

Chapter 3

Social Responsibility, Ethics, and Strategic Planning



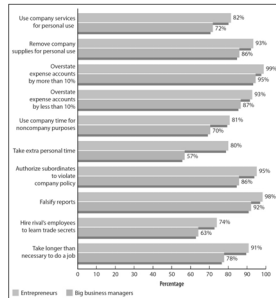
- ### Economic Responsibility
- ➔ Be as profitable as possible.
 - ➔ Make sure employees, creditors, and suppliers are paid.
 - ➔ Maintain a strong competitive position.
 - ➔ Maintain efficient operation of the business.
- Source: Hatten, Small Business Management, 4th Edition

- ### 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.
- Source: Hatten, Small Business Management, 4th Edition

- ### 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.
- Source: Hatten, Small Business Management, 4th Edition

- ### 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
- Source: Hatten, Small Business Management, 4th Edition

Figure 3.2: What Is Unacceptable Conduct?



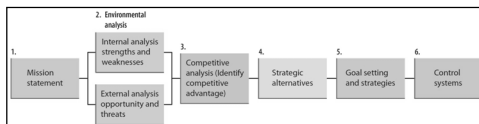
Source: "The Entrepreneurial Ethic," *BusinessWeek*, 5 October 1998.
Source: Hatten, *Small Business Management*, 4th Edition

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

Figure 3.3: The Strategic Planning Process



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

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.

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

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

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

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?

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

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

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

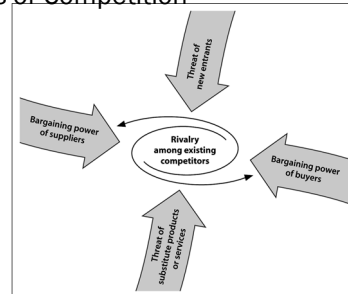
Figure 3.4: Competitive Analysis

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

Figure 3.5: The Five Forces of Competition



SOURCE: Michael Porter, "How Your Place," Inc., September 1991, 91. Reprinted from "The Five Forces for Competition" from "How Your Place" by Porter, Inc., September 1991.

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

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.

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

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

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

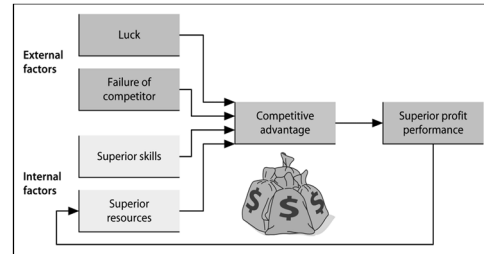
Competitive Advantage (cont'd)

- 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

Figure 3.6: Competitive Advantage Cycle



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

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

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

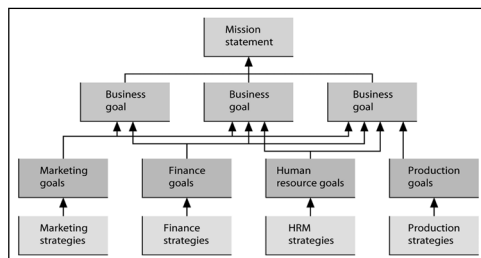
Levels of Goals

- 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

Figure 3.7: Levels of Goals



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

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