

SACE TWO

# Business Innovation

WORKBOOK

FIRST EDITION

Tom Porta

Angeline Panayi-Motus





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## THE AUTHORS

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Tom is currently the SACE and VET Coordinator at Seymour College in Adelaide, South Australia. He teaches a range of subjects including Nutrition, Psychology and Research Project, as well as Stage 2 Business Innovation. Tom undertakes responsibilities with the SACE Board for Stage 2 Business Innovation and other SACE subjects. He has taught across all three schooling sectors in his career and is a passionate advocate of inclusive learning for students with additional needs. Tom is a lifelong learner, currently undertaking his Doctoral Studies in Education with the University of Southern Queensland.

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Angeline is a highly experienced educator who has taught Accounting, Legal Studies and the numerous versions of SACE Business Courses over 40+ years of teaching. For 12 years she gained real business experience combining teaching with owning and co-managing a small business with her husband, John Motus. She has participated in SACE curriculum writing, moderation, and external marking. Her students have benefited from her passion for business as evidenced by nominations from past Stage 2 Business Studies' students for National Inspirational Teaching Awards. Currently, she is Enterprise Subjects Coordinator at Seymour College, teaching Business Innovation and Economics.

## Acknowledgements

To individuals who have contributed to this book, we say, Thank You!

- Thank you to our colleague, Angus Carey, for his willingness to read and comment on our first draft even though he had piles of marking to do during that time!
- To Tricia Yandell, Business Innovation and Career Development Manager at Loxton High School for her willingness to provide insightful feedback at a time of the year when most teachers were more than ready to say goodbye to the 2020 Academic Year.
- I, Tom, greatly appreciate my 2020 students' Emily Goold, Charlotte Smith, Hannah Hill and Eliza Fennell for allowing me to showcase their original work in our book. Thank you for working so hard to achieve your personal best and giving me ideas in the augural year of this subject at Stage 2 level.

## Publishing Information

This Workbook is part of the Essentials series, designed to support the teaching of SACE Stage 1 and 2 subjects in South Australia. It is specially designed to meet the requirements of the SACE Stage 2 Business Innovation.

The Essentials Education series is published by:

Adelaide Tuition Centre,  
21 Fourth Street, Bowden 5007.  
TELEPHONE (08) 8241 5568  
[www.essentialseducation.com.au](http://www.essentialseducation.com.au)

ISBN - 978-1-925505-39-9

First Edition 2021.

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# Message to Teachers

Through studying Stage 2 Business Innovation, our students will be purposefully prepared to engage with opportunities in our customer-centric, dynamic, digital, local and global business world. As a pool of teachers, we are to be congratulated on being trailblazers exposing our students to this cutting-edge course. The emphasis placed on developing the capabilities in the SACE Stage 2 Business Innovation (BI) Subject Outline means “learn by doing” is the nucleus of student learning. Through design thinking and direct involvement in innovation, our students will identify, design, test, iterate, and communicate viable business solutions whilst engaging with complex real-world problems.

It was Tom’s initial idea to write this Workbook, but it did not take much convincing!

Our mission is to support students in all schools to embrace this innovative course and particularly the final External Task, with confidence, passion and gusto! The emphasis on flexibility allows students to make independent, tailored choices as they navigate the path of developing their Business Plan and Pitch, but with a platform and sturdy guard rails to help them stay on track as they showcase evidence of their learning against the Performance Standards! We have adopted Covey’s approach – Habit 2: Begin With the End in Mind®.\* It is recommended that you introduce the nature and requirements of the External Task early in the year so students can keep this end goal in mind from the outset. They can choose to use the business model created in AT2 or they can choose to start fresh.

This Workbook is **not** a prescriptive handbook on how to write the External Task! As teachers, it is reasonable for us to expect that each student will present a unique and innovative Business Plan and Pitch. Our approach is to use the 30% External Task as the lens through which students view key themes, concepts, and tools that underpin the course. So, this Workbook will support student learning throughout the course. Case Study extracts are included to highlight how real businesses design, sustain and transform their businesses to inspire students and provide classroom-ready materials for teachers. The accompanying formative tasks identified by the THINK.SHARE.ACT signpost provide a range of open-ended opportunities for collaborative learning stretching critical and creative thinking skills.

The shift away from delivering content presents us with a challenge and an opportunity to be risk-takers alongside our students. The exciting aspect of our course is that it is explicitly designed to mirror the reality of an uncertain, constantly changing business environment. Ironically, with one of the few constants being change itself, we know that the resources, tools and strategies BI students use are also likely to change. The 2021 edition of this Workbook will evolve and a future digital complementary format will respond to, and mirror, the changes in our dynamic real business world.

As teachers, we are wholly committed to the open-ended, free-spirited approach of this course. However, we are realistic and acknowledge that providing students with a framework is a reasonable way of supporting them to realise their potential in this innovative course.

The overarching purpose of this Workbook is to encourage students to take risks with their learning, and ultimately produce an innovative, unique Business Plan and Pitch.

This Workbook supports the mission of the subject outline:

**“Students learn to innovate and think like designers to find and solve problems that matter to specific people in a business environment characterised by change and uncertainty.”**

Enjoy your teaching.

Best wishes

Angeline and Tom

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\*Dr. Stephen R. Covey - “Paradigms are powerful because they create the lens through which we see the world. If you want small changes in your life, work on your attitude. But if you want big and primary changes, work on your paradigm.”

*The 7 Habits of Highly Effective People* was named the #1 Most Influential Business Book of the 20<sup>th</sup> Century. Stephen Covey passed away on July 16, 2012.

# Message to Students

This Workbook is designed to support you to confidently embrace the freedom and creativity that is available in Stage 2 Business Innovation as you navigate your journey to complete your external assessment – the Business Plan and Pitch. There are lots of inspiring case studies of business owners who have taken the exciting journey of Designing, Sustaining or Transforming their business. You will be guided through the various elements you can choose to include in your Business Plan, regardless of the concept you are focusing on from the following three options:

## **DESIGNING A BUSINESS**

Create a new business based on an idea that will solve a customer problem.

## **SUSTAINING BUSINESS**

Investigating how a given business can sustain its current success now and in the future.

## **TRANSFORMING A BUSINESS**

Transforming a business to improve its potential to achieve success and stay relevant in today's digital world.

## **YOU WILL**

- Build on the knowledge and skills you have developed in the Business Skills and Business Models components of the course.
- Consolidate your understanding of how to use project management tools, create and apply business intelligence, pivot your assumptions and other understandings fundamental to the design thinking process and business innovation.
- Understand the Performance Standards that will be used to assess the skills and learning you apply to create your Business Plan and Pitch.

**BE CREATIVE AND INNOVATIVE** when selecting and presenting elements to include in your Business Plan. **ENGAGE ENTHUSIASTICALLY** with primary and secondary research. **PRIORITISE ADEQUATE TIME AND WORD COUNT** to **CRITICALLY ANALYSE AND EVALUATE** the business intelligence you collect and create to inform the decisions you make.

Consider using a submission format that reflects our contemporary business environment. Take advantage of the wealth of opportunities available in our exciting digital age to effectively connect with your audience.

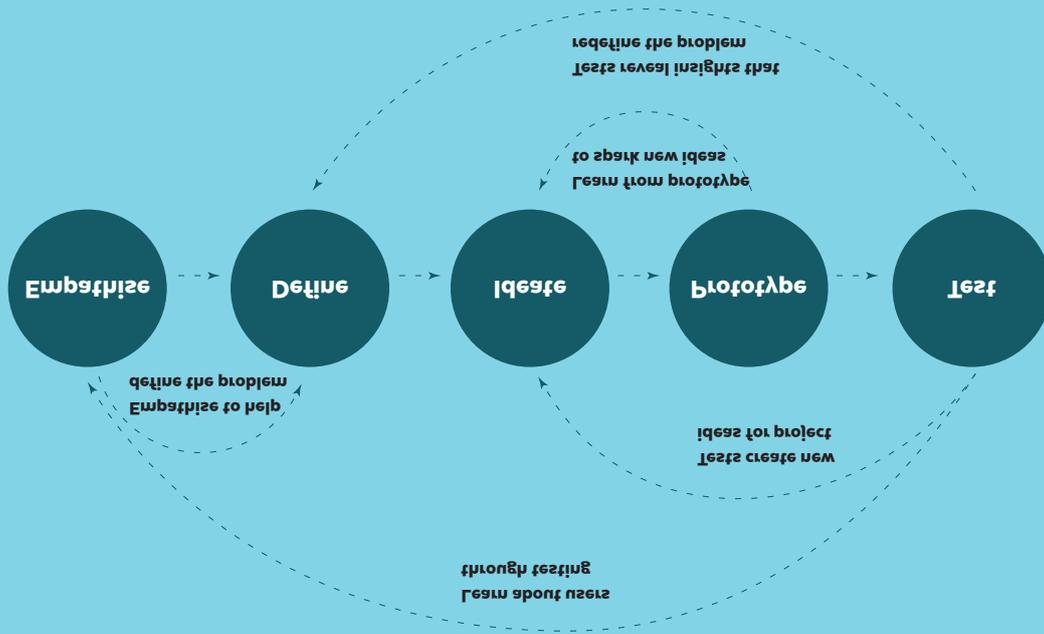
Enjoy your learning.

Best wishes

Tom and Angeline



customer base; these until they know that the user really needs their product \service to minimize their constantly using this process to introduce new ideas and they continually test and refine Business Innovation course. As you can see, this process does not end. Businesses are The design thinking process underpins the external Business Plan and Pitch' and the whole



# DESIGN THINKING: A NON-LINEAR PROCESS

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SECTION 1:

# Getting Started

## Learning Goals

By the end of Section 1 you will:

- Understand what the External Task is
- Have helpful advice to guide you to **plan** before you start
- Consider alternative submission formats
- Have a clearer understanding how to meet the Performance Standards

## 7.1

# What is the External Task?

Further information about the process used for marking external assessments can be found here: <https://www.sace.sa.edu.au/teaching/assessment/external-assessment>

Like all SACE Stage 2 subjects, assessment in Business Innovation has a 70:30 ratio.

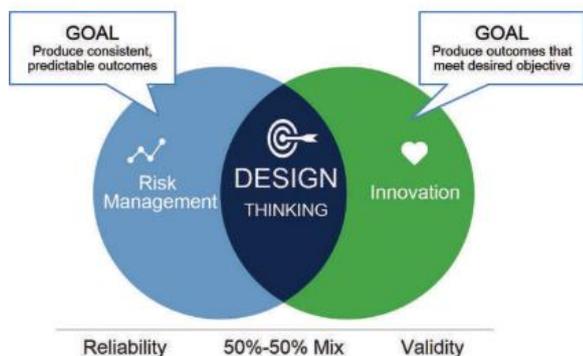
This means 70% of your learning is assessed by your teacher and 30% is assessed externally. The various tasks that make up 70% of your grade are what the SACE Board refers to as your *internal assessment*.

The SACE Stage 2 Business Innovation Subject Outline requires you to complete an *Investigation* that has two parts:

- **Business Plan**
- **Pitch**

This is your *external assessment* that has a 30% weighting. *Externally assessed tasks* are marked by someone other than your teacher.

As this task is marked by a teacher outside of your school, you are reassured that the Performance Standards are interpreted and applied consistently and the results awarded to you – no matter where you attend school – are comparable and fair with all students studying SACE Stage 2 Business Innovation.





# 1.2

## Helpful Advice before you start

### PRELIMINARY PLANNING

The first decision you need to make to complete your External Task is to decide which concept you would like to work with. Once you have made this decision the **following fundamental point** applies regardless of which context you choose.

Every decision you make is to be **CUSTOMER CENTRIC**. This idea is the central pillar of the Design Thinking Model that your Business Innovation Course is based on. So, what does this idea actually mean in practice for you? Every decision you make is made based on **WHAT THE CUSTOMER WANTS**.

**Reminder:** As stated in the subject outline you can choose to focus on the same business used in Assessment Type 2, the Business Model Evaluation. In this assessment type you would have prepared and been assessed on, the evidence of learning displayed in your Business Model Canvas (BMC) and Value Proposition/s Canvas. (VPC)

The advantage of focusing on the same business is that you would have already done the groundwork for your Business Plan.

The Business Plan is about the actual workings of the BMC and the VPC. It is your next step.

How are you going to execute what is in your BMC and VPC?

It is also fine to start afresh in this task, and then yes, you will need to spend the time mapping out a new BMC and VPC .. but .. be very clear: this mapping is FOR YOUR BENEFIT.

The External Assessment Task is NOT assessing the BMC and VPC so the external marker does not necessarily need to see these canvases! Do not include them even as Appendices.

Appendices are NOT a part of this task.

## DESIGNING A BUSINESS



### DESIGNING A BUSINESS

Should you choose **Designing Business** as your concept, you will find and investigate a problem for a potential customer, and use project management tools, such as the Lean Validation Board (LVB) or Experiment Board (EB) to validate or invalidate your assumptions. This will allow you, much like you would do, if operating in the ‘real world’, to determine if your proposed solution to the perceived problem is worth developing.

Once you have validated your problem and customer hypothesis, developed and iteratively tested your innovative solution, **then**, you will be ready to create your Business Plan and Pitch.

### SUSTAINING OR TRANSFORMING A BUSINESS

If you decide to work with either the **Sustaining Business** or **Transforming Business** concepts, you will, in the first place, need to research and select an existing business to focus on. Allocate adequate time to investigate the business’s digital footprint to find out what the business is about, their Vision, their Core Value Proposition, their Purpose and Values.

Do not rush into creating your Business Plan before you do your research. Think through carefully what aspect/s of the business you wish to transform or aspects you will focus on to ensure the business can sustain success. Spending adequate time on the first phase of testing and validating your ideas will benefit you when you are discussing, implementing and evaluating decisions to sustain or transform your chosen business. Then you will be ready to select elements to include in your Business Plan.

# Preliminary Planning

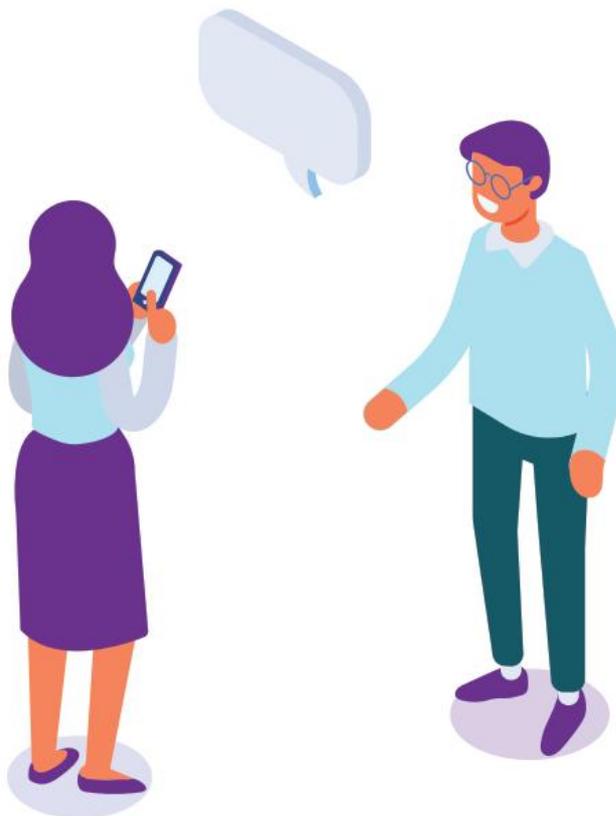
## MANAGING THE PROCESS

### PLANNING IS VITAL

There are many elements to consider when developing your Business Plan. It is vital that you carefully and responsibly manage the available time to allocate to this task in and out of class. Make it your goal to comfortably submit your work by the due date set by your teacher. It is a wise strategy to **start with the end in mind** – a polished Business Plan that is completed 72 hours before the set due date. This approach will give you the luxury to look at your work with fresh eyes, critically proofreading and editing your work to effectively communicate your ideas. The culmination of your hard work is to submit the very best standard of work you can produce. Work backwards setting yourself staggered deadlines that will motivate you to complete each task and section by a due date. The Business Plan requires much deep preliminary thought, attention to detail and time to conduct research. It will require your time both inside and outside of the classroom. Recall it has a significant 30% weighting – **it is not an assignment that can be “smashed out” a few days before the due date!**

Adopt a time management strategy that will support you over an extended period to achieve success in creating a creative, engaging and innovative Business Plan and Pitch.

In Section 6 you are introduced to digital project management tools that you can use to plan your project and keep track of the various elements, pivots and iterations that will influence your business decisions and what information you include in your Business Plan.



### 1. SET SMARTER GOALS

#### PLAN HOW MUCH TIME YOU WILL ALLOCATE TO EACH SECTION OF THE BUSINESS PLAN AND YOUR PITCH

Avoid getting bogged down with taking too much time with the first few sections, losing time for others and running out of time towards the end.

Set **Specific, Measurable, Achievable, Realistic, Targeted** goals. Plan how long you intend to spend on each section. Evaluate your progress at a set time each week. Plan how much time you can sensibly allocate to spend on each section.

Depending on how much class time you are given, and other activities you have during the week, you might aim to complete a section each week. Allocate set study periods when you will work on it, and/or if necessary, allocate a set time each weekend.

Discuss your ideas with friends or family. Seek valuable feedback that you can consider when making decisions about what information you will include. Feedback is not criticism – it is a gift that allows you to re-think, refine and improve your work! Keep the Performance Standards uppermost in your mind when deciding what to include or exclude in your Business Plan or Pitch, particularly if you find yourself exceeding the word count or allowed time limit.

### 2. PRIORITISE WISELY

As we have emphasised, there are elements of the plan that require you to carry out research. This can take time particularly if you wish to conduct primary research with customers, business owners and other key stakeholders.

You need to plan, design, test, administer and then critically analyse data before you are ready to add it into your plan. The value added to your Business Plan from the information you get through conducting a survey, questionnaire, interview or focus group will depend on the quality of your preparation. Preparing primary research tools requires thoughtful planning, testing and refining. This takes time! *Therefore, do this sooner rather than later!* A strategy you could use to prioritise your workload is to prepare an **‘important vs urgent matrix’** such as the one below. Urgent and important tasks should take priority.

	URGENT	NOT URGENT
IMPORTANT	<p><u>Quadrant I</u> urgent and important <b>DO</b></p>	<p><u>Quadrant II</u> not urgent but important <b>PLAN</b></p>
NOT IMPORTANT	<p><u>Quadrant III</u> urgent but not important <b>DELEGATE</b></p>	<p><u>Quadrant IV</u> not urgent and not important <b>ELIMINATE</b></p>

### 3. SET A TIME LIMIT

You must work within the time you have available. It may only be a few weeks. If this is the case, then ensure you set and stick to realistic time limits of how long you can spend on each section. As suggested earlier, dedicate regular time outside of the classroom to make sure you are slowly and methodically chipping away at your Business Plan. Reminder that you do not have an external exam or tests in this subject, so ensure it still gets a fair allocation of time when you are feeling pressured studying for other subjects that may have summative tests and exam revision to attend to.

### 4. TAKE BREAKS BETWEEN SECTIONS

As the Business Plan is made up of many elements, it can appear a daunting task at the beginning. Plan break times in between sections. Ensure you allow adequate time for your ideas to germinate before you include them in your Business Plan. Some of the elements may be more appealing to you than others. You may enjoy the marketing aspect but be a little less enthusiastic about the finance section. It is 'normal' to tend to gravitate more to the sections you know more about and enjoy. So, ensure you give due time to sections you might be less interested in or know less about!

Look after your mental and physical wellbeing so that your productivity level is high! You ALL have an equal quantity – 24 hours each day of the key resource, TIME. How you choose to use your time is a significant indicator of whether you will be able to meet your goals!

When you are doing your initial planning, have a big picture approach to planning your workload. Consider the demands from all areas of your life. Effective time management skills will allow to comfortably meet your deadlines and manage your workload and achieve personal excellence without having to forego valuable sleep!

### 5. ORGANISE YOURSELF

Do this from the beginning. Do not waste time due to being disorganised with the way you are storing or retrieving your resources. Store and clearly label hard or electronic copies of your resources and your work in progress. Keep everything in an orderly manner. Due dates have a way of creeping up on you, so ensure you have your resources at the ready! Make sure you save your work in progress in such a way that you can retrieve it anywhere even if your laptop or computer crashes!

### 6. REMOVE NON-ESSENTIAL TASKS

Look back at the important and urgent matrix. Tasks that are not important and not urgent are usually considered non-essential, so remove them altogether.

### 7. PLAN AHEAD

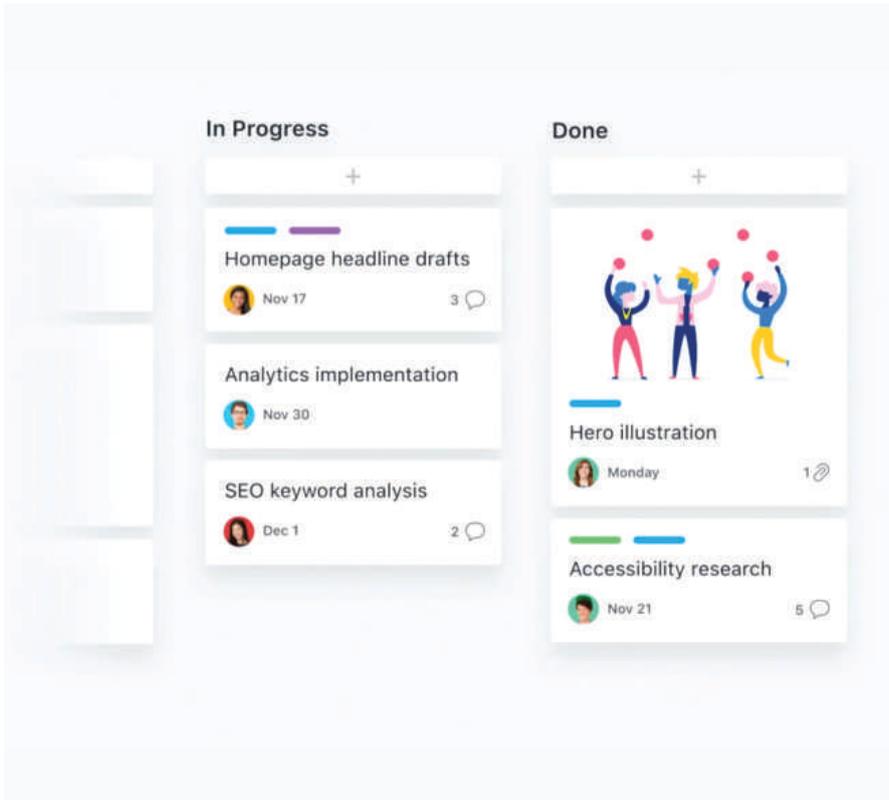
You might need to set up interviews with key people and this takes time. It is very wise to engage in primary research early in the process. The people you contact may also have competing demands on their time so they may not respond immediately, or they may want to set up to meet with you in person or on-line in the distant future. Prepare for this by contacting people well in advance. You might even start this process before the Business Plan is formally introduced by your teacher. Talk with your teachers – they are likely to be very supportive of you wanting to “get ahead early” with your primary research.

### 8. REFLECT ON AND REVIEW YOUR PROGRESS

Allocate a specific time each week where you review how you are tracking against your time plan. Where are you at? Where had you planned to be? If things have not gone to plan how will you get where you would like to be? Do you need to remove an element of your Business Plan? Do you need to review the staggered deadlines you set yourself? Are they still realistic and achievable?

Seek guidance early from your teacher if you are feeling overwhelmed at any stage or consistently challenged to meet the staggered deadlines set by yourself or your teacher. You may be trying to put too much into your Business Plan.

A Gantt Chart or other digital time management tools may assist you to keep track of when you are going to complete each section. For example, see the following link to find one that suits your needs. [www.asana.com](http://www.asana.com)?



## Boards

Make it easy for yourself to focus on current tasks and plot your progress on things you need to do later in the process. Define each stage of the Business Plan and Pitch – see immediately what’s important and where you are likely to get bogged down and plan ahead how you will manage this. Platforms such as Monday and Trello are great progress mapping tools to assist with keeping on track during the creation of the Business Plan and pitch.

A GANTT chart is another useful, easily accessed and simple to implement tool, to help you manage your project and everything you do. It illustrates the project schedule and the current status of your scheduled activities. Using a GANTT chart will allow you to effectively plan ahead what you need to do, and when you want to achieve this by.

<https://tinyurl.com/y5w6zd68>



**Think.  
Share. Act.**

Think about what traditional or digital tools you are going to use to assist you to map out your plan for the Business Plan and Pitch.

- Share your ideas with a peer or the class.
- Decide how you are going to plan out your pathway.
- Start with the end in mind. Be clear what the final due date is and work backwards.
- Follow the 8 planning steps outlined above.

# 1.3

## Submission Formats

### BUSINESS PLAN

Although you can still choose to present a conventional report as a word document, in the real world gone are the days of preparing lengthy Business Plans with only written information. Be creative and visual - use flowcharts or infographics to summarise your information. Consider displaying findings from primary research using tables, graphs and pie charts to make the data easier for the reader to access.

It is vital that you give emphasis to analysis and evaluation of information. This aspect is a critical aspect of producing a high-quality Business Plan that satisfies the Performance Standards to a high level. Read the explanations in Section 1.6. Aim to be crystal clear about what evidence of your learning is required by each of the Performance Standards.

Consider the many alternative formats accessible today with the support of digital technology that you can use to your advantage. Take a risk! Be creative with the way you present both your Business Plan and Pitch. Below are some ideas that will hopefully inspire you to do further investigation of alternative submission formats.



Canva offers a basic version that is a free design website allowing you to create a range of visual representations for a variety of purposes.

<https://www.canva.com/>



Weebly is a free website builder that allows you to build webpages. You can build multiple pages and embed in content such as images, files and videos. Weebly allows you to export your website as a zip file, which is an advantage as this is necessary for SACE submission. There are other website builders such as Adobe Spark Page and Wix.

<https://www.weebly.com/au>



Adobe Spark page is ideal for creating easy and free-flowing webpages in minutes. You do not need to have much experience with design skills to be able to use Adobe Spark page. you can couple this with Adobe Spark Post, which allows you to make stunning graphic representations of collected business intelligence, or elements of your SWOT and PESTLE.

<https://spark.adobe.com/>

A series of **Infographics** is a visual way to represent all the information in your Business Plan. It might be that you have an infographic for each section of the plan or a create a collective series.

THE BUSINESS	THE MARKET	PROJECT MANAGEMENT	THE FINANCE

## M U R A L

Mural is a collaborative and innovative platform that allows you to think visually. It consists of a series of templates and ‘whiteboards’ for you to embed content, make notes, and add visual content. It has the Business Model Canvas(BMC) and validation board templates built into it. Murals can be exported in a variety of formats such as PDF and PNG files. Below is an example of the BMC template on Mural, which can be customised to suit your plan. On the next page is an example of how you can customise your mural for your Business Plan.

[www.mural.co](http://www.mural.co)

(image created by author through mural.co)

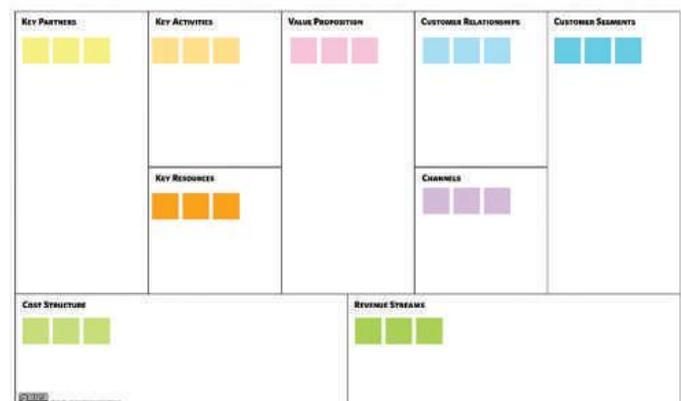


## Business Model Canvas

Use this template to plan, describe and develop your business' value proposition, infrastructure, customers and finances.



Assess your Business Model with your team.





## Think. Share. Act.

- Take some time to investigate further some of the formats suggested.
- Discuss with a peer, the strengths and weaknesses of using the alternative submission formats.
- Present your ideas to the class.
- Brainstorm other formats that could be used.
- Find some real-life examples of Business Plans using different formats.
- Public companies or start-ups who are pitching to their shareholders or potential investors are a good starting point.
- Decide what format you will use – investigate it further.
- Let your originality and creativity shine through!
- Consult with your teacher.
- Stick with your decision – do not waste time *padding* or changing your mind about the format you will use!

### BUSINESS PITCH

As you can see from the extract below, you are required to create a 2-minute Pitch. The Pitch could outline the following three key elements of your Business Plan. Whilst these three elements are given in the subject outline, they are not prescriptive. Consult with your teacher as you may believe it is more relevant to pitch different elements of your Business Plan using whatever creative means you feel is appropriate.

1. The Value Proposition
2. The Purpose and Goals of the business
3. The Future Aspirations of the business

Students create and present a Pitch to support and promote their Business Plan to an audience of potential stakeholders, such as customers, investors, and/or board members.

The audience may comprise students, teachers, members of the school and/or local community, a social media network, and business and industry representatives.

The pitch outlines the key elements of the plan:

- the Value Proposition
- the Purpose and Goals of the business
- the Future Aspirations of the business

(BUSINESS INNOVATION 2021 SUBJECT OUTLINE, STAGE 2 SACE PUBLICATION)

The Pitch can be completed in a variety of ways.

You are encouraged to move away from recording yourself in front of a PowerPoint.

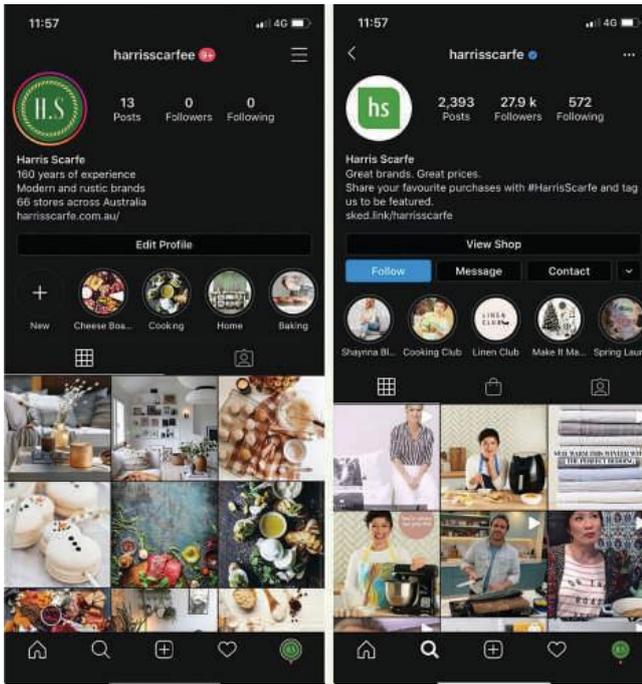
Think about ways that better suit our digital age business environment.

The pitch should be a maximum of 2 minutes and presented in multimodal format, for example:

- social media campaign
- crowd funding
- engagement competitions
- promotional movie clip
- webpage
- multimedia presentation

(BUSINESS INNOVATION 2021 SUBJECT OUTLINE, STAGE 2 SACE PUBLICATION)

Below are some innovative ways you might ‘pitch’ to stakeholders eg potential investors, customers or shareholders.



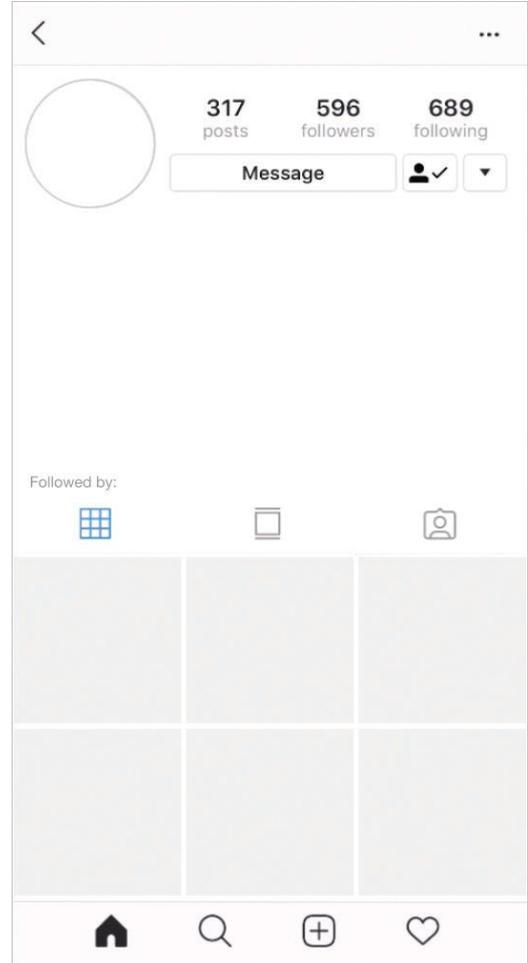
Work reproduced from Charlotte Smith with permission.

### SOCIAL MEDIA POSTS

Social media platforms such as Facebook, Instagram and LinkedIn could be used to promote your Business Plan. This could involve a series of posts, or even a series of ‘stories’. Each of these platforms has the functions to do this. For example, as part of the following student’s pitch, she decided to start by redesigning Harris Scarfe’s Instagram.

Her idea to revitalise the Harris Scarfe Brand and encourage new customers to shop at Harris Scarfe was to initially focus on transforming the Vision, Values and Purpose of the business. She completed a series of Instagram stories, highlighting her new Value Proposition of focusing on homewares, rather than clothing. As part of this, she recorded her voice over the Instagram ‘posts’ and ‘stories’, to highlight the key elements of the pitch.

Use the blank Instagram profile and post templates below to sketch out what your Pitch could look like if you choose this method.





### PROMOTIONAL CLIPS

A promotional video is intended to promote your business’s products and/or services to customers and other key stakeholders. It gives you a chance to promote your brand and products to your target audience in an engaging way, rather than just making a direct pitch to people. Promotional clips can be purely visual – in fact, some of the best promotional clips are effective because of what is shown, rather than what is said. Take this example from Tatchilla Lutheran College a few years ago.



**Think.  
Share. Act.**

Think about the following aspects. Share your thoughts.

Comment on what you believe Tatchilla Lutheran College’s Value Proposition is after watching their promotional clip.

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What is an advantage of using a promotional clip like this?  
What could be a disadvantage?

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Rather than jumping straight into a promotional clip, it is best to draft a storyboard of each of the ‘scenes’ in your clip, so you gain a sense of how your brand, products and/or services are being promoted.

Storyboard templates are readily available on the internet, or you could draw one yourself – below is an example.

Do not overlook the importance of music and graphics to convey your message as these are just as important as direct information that shows what your business offers!

You could use the following template to plan what a promotional clip might look like for your business. Otherwise, leave this blank and come back to it later once you have looked at how the pitch could be delivered as a website.

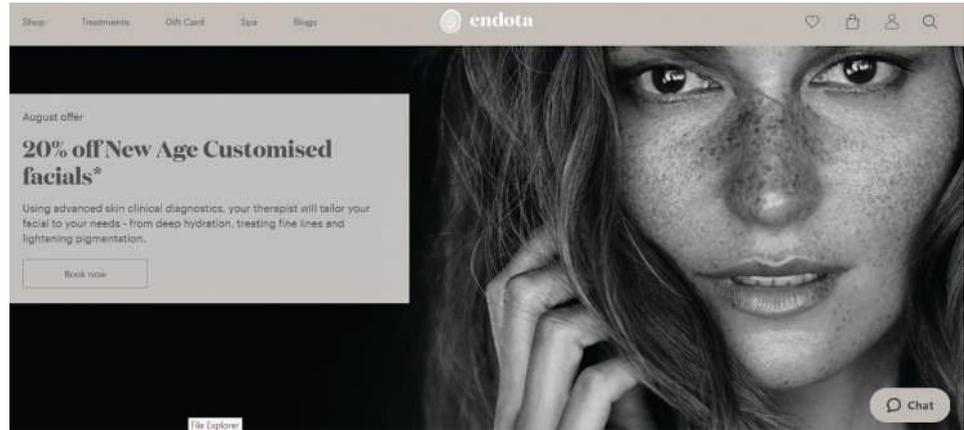
<b>SCENE:</b>	<b>SCENE:</b>	<b>SCENE:</b>

## WEBPAGE

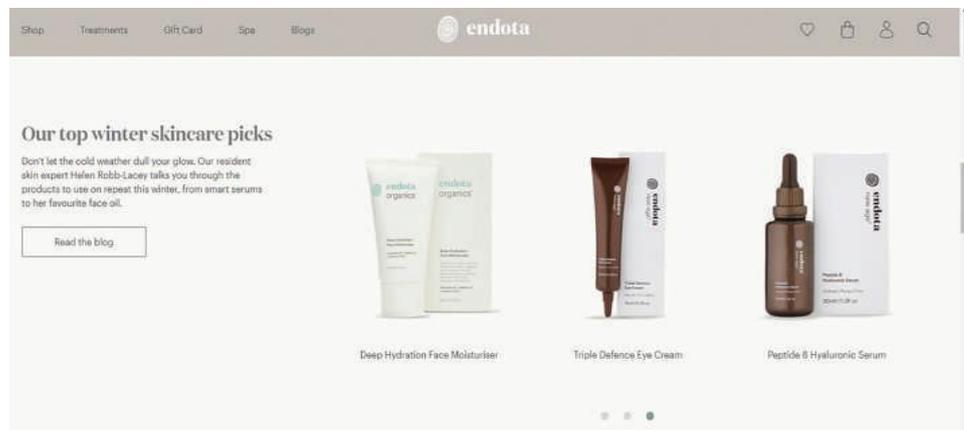
If you critically look at any business’s webpage, you will see that from the moment you land on their page, they are advertising their Value Proposition/s to you.

You might look to create a Weebly or a Wix page with visual and media content to communicate the Value Proposition of the business you design, or you may choose to transform or tweak what an existing business presents to its potential customers.

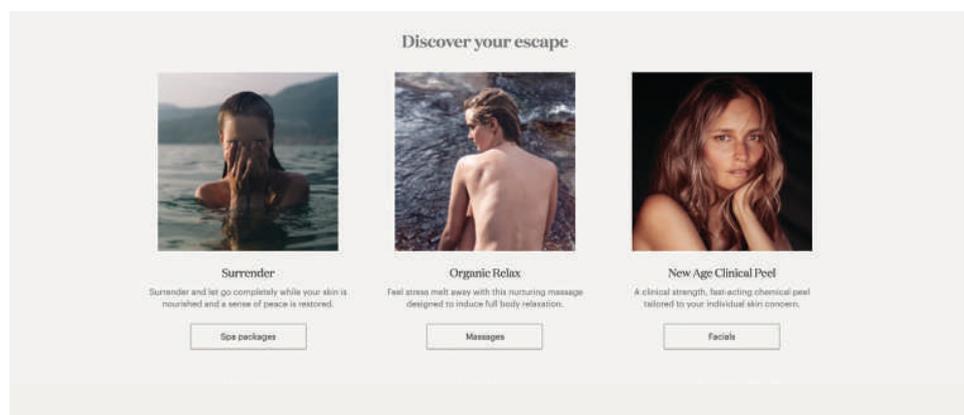
Let’s analyse Endota Spa’s website through a few screenshots.



We can see from the shot above, which is the home page for Endota, that instantly I am greeted with a Value Proposition, which features a pricing strategy. 20% off facials telling me what they are offering (a service Value Proposition); this also entices me to look deeper at their offer and consider their costing, appealing to me as the customer who wants *value for my money* because I can receive 20% off the price of the service.



Further down the page I can see Value Propositions in the form of skin care products. Our “top winter skincare picks” indicates that their Value Proposition is customised to suit the season – at the time I viewed their website it was the middle of winter. Thus, Endota have marketed skin care products to suit the winter season.



Towards the end of the website, I am presented with further Value Propositions. Note how they have not just marketed ‘massages’ or ‘face peel’ – you can see from the descriptions that they give the reader a sense of how they might feel if they engage in the service. For example, ‘feel the stress melt away with this nurturing massage designed to induce full body relaxation’ gives a sense that all my troubles will fall away from having this massage. Certainly, more enticing and engaging than just telling me that I would have a ‘massage’!



**Think.**  
**Share. Act.**

**Write down your thoughts about the Endota website.**

**Share your ideas with a peer or your class.**

What do you consider is effective about Endota’s website in terms of what message it communicates about their Vision and Value Propositions?

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Go to their website

<https://endotasp.com.au/>

- Find information on the purpose and goals of the business.
- Do they convey any information about the future aspirations of the business?
- If you were *transforming the business*, Endota Spa, to broaden their target market to capitalise on the trend to offer such traditionally “female” services to male customers, use the template on page 23 of your Workbook, and prepare a storyboard to show how could you convey this element of your transformation in a Pitch using a website format.

## CROWDFUNDING

Crowdfunding is a method of raising *capital*, ie money to be able to start your business venture. This pitch method suits small or new businesses. Crowdfunding is essentially a campaign that allows many people to contribute small amounts of money towards your business project. To do this, you start by telling people a bit about your business idea, what it is your business offers and how much money you are trying to raise.



*Go Fund Me* is a crowdfunding platform that allows people to donate through online means. You could create a fake *Go Fund Me* page as an engaging and innovative way to deliver your Pitch using contemporary digital technology.

## 1.4

# Critical and Creative Thinking Skills

Through design thinking and direct involvement in innovation, students not only develop but also understand and apply their critical and creative thinking skills.

*SACE2 BUSINESS INNOVATION 2021 SUBJECT OUTLINE*

Read the following description of the process you will be using for your External Task – it is likely that you are familiar with this process “by doing it” for some of the internal assessment tasks that you have completed.

Design thinking is an iterative non-linear cycle which involves developing a deep understanding of customers’ or users’ unmet needs within the context of a particular situation, making sense of data and discovering insights, questioning assumptions, exploring different perspectives, reframing problems into opportunities, generating creative ideas, critiquing and choosing ideas, testing through prototyping and experimentation, refining solutions, and finally implementing your innovation. Refer to diagram on page 9 if you find it easier to digest this information in a visual format.

<https://www.creativityatwork.com/design-thinking-strategy-for-innovation/>

Over the year, you have learnt how to navigate the **design thinking and assumption-based planning processes** to gain insight, clarity and focus as you anticipate, find, explore and pose solutions to customer problems and/or needs.

In this External Task you will combine your creative and critical thinking skills as you aim to create an innovative Business Plan and Pitch.

Whether you have chosen to focus on the Designing, Sustaining or Transforming Concept, your learning will be assessed using the same Performance Standards.

Refer to 1.6 on pages 28–36 to understand the emphasis placed on critical and creative *thinking* in the Performance Standards.

## 1.5

# What is the Link between Creativity and Innovation?

+ IMAGINATION  
+ CREATIVITY  
+ EMPATHY  
+ INNOVATION  
= VALUE CREATION

Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterised by the ability to perceive the world in new ways, to find hidden patterns, to make connections between what may first appear to be unrelated phenomena, and to generate solutions. Creativity involves two processes: *thinking, then producing*.

—Linda Naiman, Founder, Creativity at Work

**If you have ideas but don't act on them, you are imaginative but not creative.**

**“Creativity is a combination of powerful forces:** it's our ability to tap into our 'inner' pool of resources – knowledge, insight, information, inspiration and all the fragments populating our minds – that we've accumulated over the years just by being present and alive and awake to the world and to combine them in extraordinary new ways.”

—Maria Popova, *Brainpickings*

“Creativity is the process of bringing something new into being. Creativity requires passion and commitment. It brings to our awareness what was previously hidden and points to new life. The experience is one of heightened consciousness: ecstasy.”

**Is this possible in business? I believe so, but you must be willing to take risks and progress through discomfort to get to the finish line.**

—Rollo May, *The Courage to Create*

## Discovery

Write anticipate and find problems. Gather data, understand and empathise with unmet customer or society needs.

## Reframe opportunity

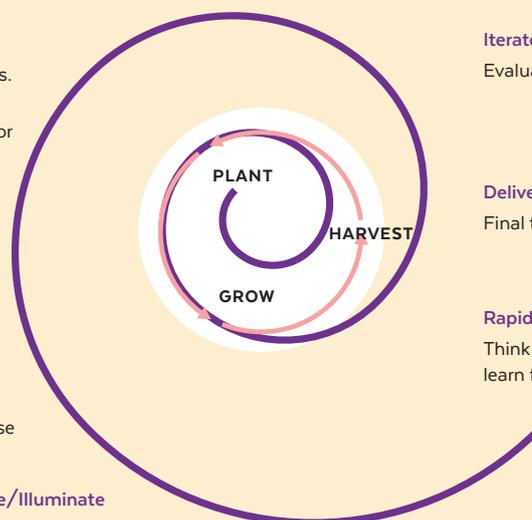
Look for patterns and insights. Question assumptions. Define your scope.

## Incubate

Feed your brain with diverse stimuli. Meditate. Sleep on it.

## Ideate/Illuminate

Experiment. Explore possibilities. Envision a desired future. Co-create. Tap into diverse ideas in your formative tasks. . Make your ideas visible.



## Iterate and scale

Evaluate. Learn. Create. Innovate.

## Deliver

Final testing, approval and launch.

## Rapid Prototype/Test

Think big, act small, fail fast, learn from end-users refine.

## Evaluate/Refine ideas

What is desirable, feasible, viable about your ideas? What are the constraints?

## 1.6

# Performance Standards

Below are the SACE Performance Standards used to assess the evidence of your learning in your External, your Business Plan and Pitch.

Two key points to take careful note of are the Performance Standards that require you to analyse and evaluate.

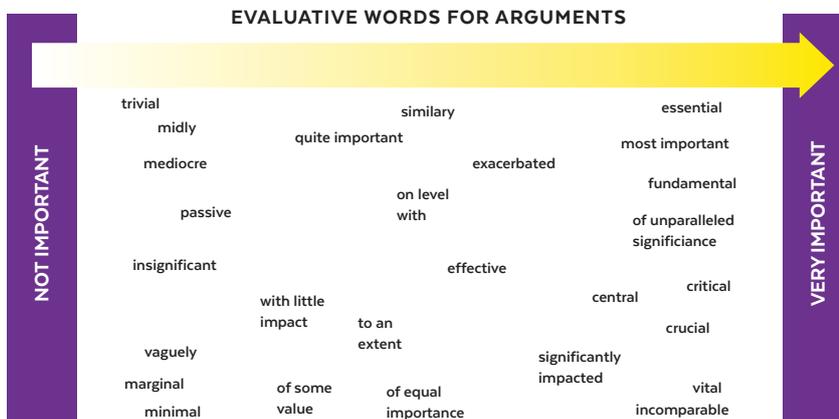
Analyse and evaluate opportunities and challenges for business in the digital age.  
Analyse and evaluate social, economic, environmental, and/or ethical impacts of global and local business.

SACE2 BUSINESS INNOVATION 2021 SUBJECT OUTLINE

This involves making a judgement based on evidence. Evaluations can quickly turn into recounts, if you do not show evidence of fully delving *into the why, how and what if?* Put simply, potential evaluations are recounts if they merely state information.

Look at the table below to get some ideas of the type of evaluative words which you can use to guide you when evaluating in your Business Plan. To satisfy the Performance Standards at a higher level, it is vital to include critical **analysis and evaluation**. Evaluation is the area students have previously not done very well. For example, some students have pasted in their Business Model Canvas from AT2, assuming that this will satisfy the requirements of the PS against which their learning in the External is assessed.

**Avoid this trap!** As we emphasised earlier, you do not even necessarily need to put in your completed BMC in the Business Plan and Pitch!



It is the **evaluation of this information** that needs to be included. This is the evidence of learning that will be assessed against the Performance Standards.

Your focus should be:

How can I show my ability to evaluate?

How can I take my evaluation to the next level?

How can I show depth in my thinking?

Let's say that I was exploring an economic impact on my particular business, as a Threat identified in my SWOT Analysis. If I simply said "Covid-19 has had many impacts on the busi-

ness because of loss of sales revenue", then this is reflective rather than evaluative. However, if I said that "a **significant** economic factor that had a **critical** impact on the way my chosen business has operated was the COVID-19 restrictions. **The incomparable** fall in sales revenue meant there was insufficient cash flow to pay **fundamental** fixed expenses such as rent."

I am showing some evaluation where I am assessing the weighting of this threat.

I could then add "**Of equal importance**, is the concern that customers' shopping habits may have **permanently changed** so they may no longer choose to shop from small retailers, preferring to continue to shop online.

...this begins to take the form of a more in-depth evaluation, elaborating on the **extent of the level** of the threat and **how and why** the economic factor has been identified as a threat.



**Think.  
Share. Act.**

<https://citymag.indaily.com.au/habits/plate-and-cup/hello-sarnie-opens-on-waymouth-street/>

AUGUST 6, 2020  
HABITS

## Hello Sarnie opens on Waymouth Street

Adelaide-made grab-and-go sandwich brand Hello Sarnie has used COVID as an opportunity to strengthen its brand, opening a third CBD store on Waymouth Street.



Words and pictures: Johnny von Einem

CityMag caught up with Hello Sarnie co-founder Andrew Pearce back in May, in the depths of the pandemic, to see how their business was coping.

“When the crisis hit,” Andrew told us at the time, “so did the stress and the panic.”

Months later, mid-morning on a Monday in late July, we meet with Andrew once again to talk about his business, and he has much brighter news to share: Hello Sarnie is opening its third store.

SECTION 1



On Thursday, 6 August, Hello Sarnie opened its new store at the 11 Waymouth Street Plaza development, offering its signature range of sandwiches, wraps, and salads, as well as a new line of ready meals.

The space is instantly familiar – forest green tiles, grey terrazzo, and light timber throughout – but with screws tightened on the design by Sans-Arc.

Hello Sarnie’s previous two stores were designed in-house, but this third store was an opportunity to make a statement of intent for the future of the brand.

“With the design, we wanted to tighten the bolts, I guess. Raise the level of the brand,” Andrew says.

“I feel as well, with so much competition around, some great competition around [on Waymouth], I feel that we needed to lift the bar on our own game as well.

“We basically questioned ourselves with everything. We went to Sans-Arc with this bunch of problems to fix,” he laughs.

Throughout the COVID shutdown, Andrew and his business partners were given a lot of time to reconsider their brand, and what it is they do well. They were also provided with an opportunity (to put it overly optimistically) to try new concepts within the business.

Looking back at the last few months, Andrew recalls being in near-constant “survival mode.”

“We didn’t even know if the business would survive, let alone undertake another shop,” he says.

“We basically put the whole project on ice. The new landlords down at 11 Waymouth were fantastic. They were really understanding, and they were like, ‘We just want to keep building the whole precinct,’ because... they could see the light at the end of the tunnel.

“We reopened up the project probably late May, early June, because obviously government support came in, which was fantastic. Obviously, we thought the business would survive the pandemic.” Andrew cautions that his business is by no means “out of the woods”, but he did find that Hello Sarnie had built a platform that was completely adaptable to the constraints of the pandemic.

“Basically, the customer picks up their own product. It’s literally contactless,” he says.

“I know it’s a bit of a buzzword, contactless, but it’s even safer than going to like for like businesses – so we felt we could be in an even stronger position by doing that. And I feel what that has done is made me look at our business and how we market our business a bit better.

“Everyone can say the buzzwords of ‘convenience’, ‘fresh’, ‘price-cautious’ – whatever those words are. But how are we different to our competitors? And I think that’s allowed us to pivot our marketing a bit more defined, and build that trust in our customers even more so.” Amid the panic of the pandemic, Hello Sarnie tried many new things – grocery boxes and fruit packs, not all of which stuck. But the brand did incorporate a new ready meal line, microwavable packs of curries and the like.

Hello Sarnie’s head chef Ben Allen worked alongside the brand’s co-founder Mike Kendall-Smith to design the range, which regularly introduces new dishes.

“It’s still made by us, locally sourced ingredients,” Andrew says, “so it still sits under the brand umbrella. It’s not like we’re doing something totally left field, but it just adds another element to the business and its offering.”



Hello Sarnie’s catering cart looking festive





## PERFORMANCE STANDARDS FOR STAGE 2 BUSINESS INNOVATION

Blue = assessed in *Business Plan* and Green = *Pitch*

	FINDING AND SOLVING PROBLEMS	CONTEXTUAL APPLICATION	ANALYSIS AND EVALUATION
A	<p>Insightful identification and exploration of problems and/or needs using a customer-focused approach.</p> <p>Highly creative generation of innovative and viable solutions to problems and/or needs using a customer-focused approach.</p>	<p>Perceptive and highly effective contextual application of decision-making and project management tools and strategies.</p> <p>Astute creation and application of business intelligence to iteratively develop business models and plans.</p> <p>Perceptive contextual application of communication and/or collaborative skills.</p>	<p>Discerning evaluation of business models and plans.</p> <p>Critical analysis and evaluation of opportunities and challenges for business in the digital age.</p> <p>Insightful analysis and evaluation of social, economic, environmental, and/or ethical impacts of global and local business.</p>
B	<p>Well-considered identification and exploration of problems and/or needs using a customer-focused approach.</p> <p>Creative generation of viable solutions with some innovation to problems and/or needs using a customer-focused approach.</p>	<p>Well-considered and effective contextual application of decision-making and project management tools and strategies.</p> <p>Purposeful creation and application of business intelligence to iteratively develop business models and plans.</p> <p>Mostly perceptive contextual application of communication and/or collaborative skills.</p>	<p>Well-considered evaluation of business models and plans.</p> <p>Mostly critical analysis and evaluation of opportunities and challenges for business in the digital age.</p> <p>Well-considered analysis and evaluation of social, economic, environmental, and/or ethical impacts of global and local business.</p>
C	<p>Considered identification and exploration of problems and/or needs using a customer-focused approach.</p> <p>Mostly creative generation of viable solutions to problems and/or needs using a customer-focused approach.</p>	<p>Considered contextual application of decision-making and project management tools and strategies.</p> <p>Competent creation and application of business intelligence to iteratively develop business models and plans.</p> <p>Effective contextual application of communication and/or collaborative skills.</p>	<p>Considered evaluation of business models and plans.</p> <p>Some critical analysis and evaluation of opportunities and challenges for business in the digital age.</p> <p>Considered analysis and evaluation of social, economic, environmental, and/or ethical impacts of global and local business.</p>
D	<p>Some identification and exploration of problems and/or needs using a customer-focused approach.</p> <p>Some generation of solutions to problems and/or needs using a customer-focused approach.</p>	<p>Some application of decision-making and project management tools and strategies.</p> <p>Some creation and application of business intelligence to iteratively develop business models and plans.</p> <p>Some contextual application of communication and/or collaborative skills.</p>	<p>Some analysis and description of business models and plans.</p> <p>Some analysis and description of opportunities and challenges for business in the digital age.</p> <p>Some analysis and description of social, economic, environmental, and/or ethical impacts of global and local business.</p>
E	<p>Attempted identification and exploration of problems and/or needs using a customer-focused approach.</p> <p>Attempted generation of solutions to problems and/or needs using a customer-focused approach.</p>	<p>Attempted application of decision-making and project management tools and strategies.</p> <p>Attempted creation and application of business intelligence to iteratively develop business models and plans.</p> <p>Attempted application of communication and/or collaborative skills.</p>	<p>Attempted description of business models and plans.</p> <p>Description of opportunities and challenges for business in the digital age.</p> <p>Description of social, economic, environmental, and/or ethical impacts of global and local business.</p>

Look at the article below, about local Adelaide sandwich business, Hello Sarnie. They have 2 stores across Adelaide, and planned to launch a third store, right in the middle of the Covid-19 pandemic here in Adelaide!

## Business Plan and Solving Problems

### PERFORMANCE STANDARDS

#### FINDING & SOLVING PROBLEMS (FSP1)

##### Identify and explore problems and/or needs using a customer-focused approach

This Performance Standard is focused on how well you show that you used a customer-focused approach throughout the development of your Business Plan. This can be shown when you refer to the content of your VPC and BMC, not *just by what you have written*, but how you gained the information e.g. through interviews with potential or existing customers, or surveys to validate or invalidate your ideas. Everything you do and every decision you make towards your Business Plan must take a Customer-centric/focused approach. Your teacher and the external marker will want to see evidence of how you have done this.

Again, keep referring back to the Performance Standards! See FSP1.

By referring to embedded quotes or information from the above research into your VPC and BMC shows you have thought about what your customers' needs are, and this has allowed you to clearly define and refine any problems or solutions. Empathy is key for a customer-focused approach; evidence of applying this skill can also be shown through reference to your primary research. Data synthesis, whereby you collate relevant data to draw your conclusions, is another way of showing a customer-focused approach. This could be when you propose the reasons for possible new ideas the business could engage in to stay digitally relevant.

#### CONTEXTUAL APPLICATION (CA2)

##### Create and apply business intelligence to iteratively develop business models and plans

This Performance Standard looks at how well you create business intelligence, whether it be from primary or secondary sources, and apply this into your Business Model and Plan. This suggests that your BMC, should not be limited to information from one source, but from a range of key stakeholders, as you are being assessed on *how well you apply the business intelligence you have created to iteratively develop – ie continually improve your solution to meet your customer's needs*. Be clear, what is being asked in this Performance Standard is evidence of how and why you have tested, iterated and modified the information in the BMC and VPC.

What evidence, what Business Intelligence, is driving each decision?

Your answers should link back to the familiar question 'What does the customer want'?

You need to show evidence that a customer-centric focus is driving any changes you suggest or have made. Show evidence of you putting into practice this cost-effective approach which puts user experience at the heart of the Design Thinking process.

In Section 6, we discuss Project Management Tools that you can use. Although the use of such tools *is not directly assessed*, they allow you to show your iterations to develop your Business Intelligence. To show a high level of evidence of learning against this Performance Standard be

##### Start-up

Identify, explore, and *analyse ways* to incorporate digital or emerging technologies to enhance the 'start-up' business model.

##### Sustaining

Analyse and evaluate the use of digital and emerging technologies in future-proofing the business

##### Transforming

Transformation may take the form of new products, services, processes, business models, and/or markets.

Identify and apply change management tools and strategies to ensure successful transitions for a business and its stakeholders during transformation.

clear - it is **not** just about collecting all of the information you can from a range of sources. It is about being selective with what you collect and picking the information that is contextually relevant from your chosen canvases. There should be a clear link between your data collection and the ability to use this data to solve a problem and create a successful business. Business Intelligence tools you could use, include:

- PESTLE
- SWOT
- Validation Boards
- Value Proposition Canvas
- Business Model Canvas

**What is the significance of the digital age?**

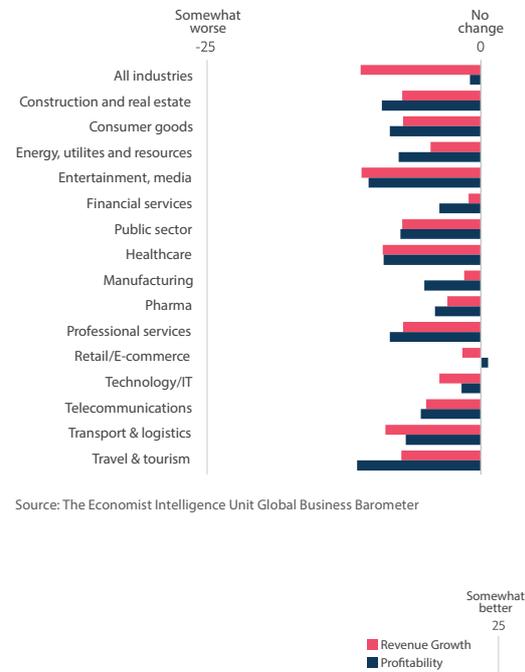
Scott Farquhar, Co-founder and Co-CEO of Australia’s global tech success story, Atlassian, predicts huge opportunities ahead for tech companies as the Covid-19 crisis inspires a generation of new ideas. For many in the technology sector, the pandemic has created massive opportunities as new behaviours from remote working to e-learning, telemedicine and online shopping have grown exponentially, in some instances, almost overnight.

**“We have to chart a course to a new state, a new way of working and living. This requires thinking, dreaming, changing workplace environments and changing practices. That’s very exciting and the upside for Australia is huge,”** says Farquhar in an upbeat interview with the Economist Intelligence Unit for Westpac IQ’s series on the impact of COVID-19 across industry sectors.

Atlassian is drawing on the strategies it learned during the GFC when the company kept hiring, innovating and making acquisitions. “This is the playbook that took us through past downturns, and we’ll apply the same principles today” insists its co-founder. The data below represents data from March 2020 which was at the height of COVID-19.

Analyse the following industry data. In Section 2 to you will gain further insight and inspiration on the challenges and opportunities for businesses in the digital age.

Could be worse: Executive expectations for the next three months.



Source: The Economist Intelligence Unit Global Business Barometer

<https://hbr.org/2020/01/competing-in-the-age-of-ai>

The digital age is not just about creating an app to simplify a business, its about redesigning how a business can function. Take a look at the following excerpt from Harvard Business Review looking at how Artificial Intelligence (AI) is redefining businesses across the world.



- Financial data
- Risk Management Tools

## ANALYSIS AND EVALUATION (AE2)

**Analyse and evaluate opportunities and challenges for business in the digital age.**

One of the key aims of the Business Plan is to critically evaluate what opportunities the chosen business has, as well as the challenges the business might face. Furthermore, business-people need to be continually thinking about the future, and how their business might withstand and respond to the pressures of changes and disruptions in the digital age.

Therefore, it is not enough to simply state the challenges and opportunities, you need to evaluate how they can help a business to sustain its longevity into the future – perhaps 5, 10 or even 20 years or longer.

The digital world is ever changing, and businesses need to keep up with new and emerging technologies to ensure they stay relevant.

How do you propose your business do this?

It is recommended you embed ways that your business can incorporate digital or emerging technologies into your BMC whilst looking at how non-digital challenges could arise as the digital world progresses. Any decisions made in response to the digital world should be justified – for example, if you plan on introducing an app into your business, explain why this is, with reference to creating opportunities, using strengths but minimising the threats to the business. Too often students consider they have addressed the challenges from changes in the digital world by merely introducing a new piece of technology. Whilst this is partly true, you need to justify your actions, as just by introducing a new piece of technology, does not mean your business is ready for the digital age.

## ANALYSIS AND EVALUATION (AE3)

**Analyse and evaluate social, economic, environmental, and/or ethical impacts of global and local business.**

This Performance Standard has a focus on looking at the external factors that influence a business. This can be done **is done** through a PESTLE analysis, as you will notice that the elements of a PESTLE are similar **to those in this Performance Standard**. See pages 78 -81 for in-depth examination of how you can effectively use the The Pestle analysis tool..As with the previous Performance Standards, it is important that you investigate the social, economic, environmental and ethical impacts from a range of business intelligence sources, both primary and secondary. Furthermore, it is not enough to simply identify the factors. As the standard suggests, you need to analyse the data you have collected as part of your business intelligence and evaluate the effect these can have on a business – which can be both positive and negative. It is suggested that your PESTLE not be broad. Think about highlighting specific factors related to the change(s) you are putting forth, or the new product/service you are introducing. A PESTLE should be proactive not reactive. It should identify the potential issues in the external environment allowing a business to be ahead of the game and their competitors by being ready to respond rather than react to challenges.

If you choose a narrower approach rather than including all the elements of your PESTLE and you create it with a contextually relevant focus, this could significantly inform your SWOT in a deeper way leading/allowing you to include more in-depth and insightful evaluation in your Business Plan. Sustainability impacts could also be included, as this is something many businesses, investors and their customers are invested in tackling, particularly with the increasing momentum locally and globally in climate change. Research, think about, and evaluate other global perspectives and trends that will have an effect on your business.

# Business Pitch

## CONTEXTUAL APPLICATION (CA3)

**Contextual application of communication and/or collaborative skills.**

This Performance Standard is the sole criteria for assessing the Business Pitch. The rest are for the Business Plan. Therefore, in your pitch, recall you are being assessed on how well you communicate and present your business. You may use the following items below. These are not prescriptive and it is up to you how creative you are with your pitch.

1. The Value Proposition(s)
2. The Purpose and Goals of the Business
3. The Future Aspirations of the Business

Your Pitch that is part of your External Report is different from the stand-up brief that you may have engaged in through the business skills' internal assessment tasks. This Pitch is more focused on trying to encourage you to present key information about your business using an engaging, authentic format. Gone are the days where businesses stand up in front of a PowerPoint, pitching to a room full of investors – many businesses find creative and alternative ways to capture their audience, and this is what is being asked of you.

**Recap some ideas we have considered:**

- A series of Instagram, LinkedIn, Facebook or other social media platform posts
- A crowdfunding campaign – this could include a fake Go Fund Me page
- Promotional Movie clip – such as those you might see in the cinema before a movie
- Engagement competitions – creating a competition to get people involved, drawing them into your business
- Pitch Presentation – with use of infographics
- Think of an original alternative format – wow your teacher and external marker with your creative ideas!

## 1.7

# Executive Summary

The Executive Summary is an optional component of the Business Plan. It will provide readers with an outline of the main information contained in your Business Plan. Although not compulsory, it is a highly useful starting point giving you a foundation from which you can get ideas for creating the 2-minute Pitch.

Aim to grab the reader's attention. The Executive Summary should be compelling and tell a story – as well as saying the critical information about your business; it should inform investors what your business is about and convey some information about you. What is your driving force in creating your Business Plan?

It should be written last but keep a running sheet of ideas you could include as you think of them. We suggest that you do not include this in your final submission. The aim of completing an Executive Summary is for the purpose of helping you summarise your key points. This could help guide you on how to structure your Pitch. The student below who created her business 'Diviner', chose not to include her Executive Summary but instead, used it as part of her promotional clip in her Pitch.

**Here are some suggested ideas to support your thinking:**

## FOR START-UPS

- Describe the need for your business opportunity. Why would consumers want to buy into your products / services and what will stop them from investing in similar Value Propositions.
- What does your target market consist of and why?
- Briefly describe the components of your business model.
- Describe the products / services and what will make them appealing to your target market.
- What is your marketing strategy?
- How will you advertise your Value Propositions?
- What strategies will you use relevant to the digital age?
- Describe the competition and your strategy for gaining the market share. What is your competitive advantage?
- Summarise your financial projections over the next few years. It is recommended you summarise the start-up costs to show what you need as a minimum for getting your business started.
- Depending on the size of your business, there will either be a simple or intricate structure of key employees, team members and/or managers.
- Describe the owners, key staff and what knowledge and skills they bring.
- How do you intend on opening your business?
- What planning and scheduling factors need to be considered to get your business up and running from this Business Plan?

Executive Summary for a Start-up.

(Work reproduced from Emily Goold with permission)



### EXAMPLE START-UP EXECUTIVE SUMMARY Diviner Refill Stations

Diviner offers water refill stations that are portable, refillable and designed for tradespeople who have limited access to water on job sites. Diviner recognises that tradespeople can often be on sites where water is not easily accessible which is a pain that we at Diviner empathise with. Our mission is to ensure that tradespeople across Adelaide and regional South Australia, stay hydrated in the most ecologically sustainable way. No longer is there a need to buy bottled water for each job site

- Diviner has created refillable stations that are hardy and easily accessible to tradespeople.

Our services include:

- Refilling of diviner stations
- Drop off and pickup at job sites
- 24-hour maintenance care

Across Adelaide and Regional South Australia, job sites for tradespeople are on the rise, thanks to the government introduction of the \$25,000 rebate scheme for renovating homes. Nine out of 10 surveyed tradespeople indicated that they wanted to be more sustainable towards the environment and have greater access to water whilst on the move and at job sites.

There is currently no business that offers this type of service in Adelaide or regional South Australia, making this a unique business venture, with ecological sustainability as a core value. Each station is solar powered, so there is no need for electricity, allowing the station to be positioned convenient to the tradespeople. We intend to partner with selected trades companies, such as Metricon and Rivergum Homes, offering them Diviner Water Stations at their building sites.

Based on the size of our defined target market, we estimate that our sales projections will be \$500,000 for the first year, with a 10% growth rate in subsequent years. We estimate that for 50 water refill stations, the total cost for product development is \$50,000 as each refill station costs \$1000 to make. As this is a partnership, each business owner will contribute \$25,000 towards the starting costs for product development.

In the first three years of operation, the objectives of Diviner will be:

- To expand our marketing and advertising to regional South Australia, once established in metropolitan Adelaide
- To keep costs of materials under \$1000
- To increase mark-up on water stations once established
- To increase employees as demand increases, to ensure callouts are prompt

**Here are some suggested ideas to support your thinking:**

### **FOR AN EXISTING BUSINESS**

- What is the purpose of the business and their mission statement?
- What does the business do and what are its core values. This may include new values, or a new purpose based on your proposed transformation.
- Recount a brief history of the business.
- Describe the products and/services that the business offers and any new products/services the business is offering as part of your transformation.
- Describe the structure of the business. Who are the owners and key employees and where is the business located or what distribution channels are used?
- What are the highlights of the business? How has the business grown over the last few years? Communicate information about the profitability and revenue the business has had. Has the business increased its market share or customers? What strategies are in place to maintain the business success?
- How will the business respond to market disruptions or new competitors?
- How does your potential transformation overcome/respond to some of the weaknesses or challenges the business faces revenue and market share?
- Provide a brief financial summary of the current costs and expenses the business faces, as well as the potential costs of the transformation or sustaining efforts you propose.
- Describe the current and future goals of the business and how these tie into the transforming or Sustaining Business concepts.
- What are the benefits of these goals?



# Business Plan proposal

The concept I will be using for my Business Plan is

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The reason I have chosen this concept is:

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## DESIGNING A BUSINESS

The problem I have found is

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My proposed alternative solutions to the problem I have found are:

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I have determined which is the most appropriate solution that customers will want by

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Testing I have done to validate my proposed ideas/solutions

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I still need to

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## TRANSFORMING OR SUSTAINING A BUSINESS

The business I have chosen to focus on is

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The reason I have selected this business is

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The research I have done about this business is

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I still need to find out

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The format I am considering for my Business Plan is

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The format I am considering for my Business Pitch is

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SECTION 2:

# The Business

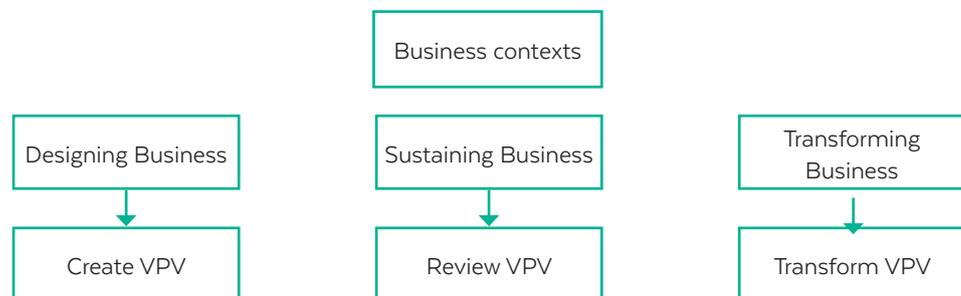
## 2.1

# Team Canvas: Vision, Purpose and Values

Consider including in your Business Plan, as appropriate:  
**The Team Canvas: Vision, Purpose, and Values**

*SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021*

<http://theteamcanvas.com/use/>



Consider if you wish to review/transform these elements of existing business in your Business Plan

## TEAM CANVAS

The Team Canvas project management tool provides practical, structured guidelines that will support you to efficiently brainstorm ideas with others. Although your External task is to be independently created and submitted, you could make effective use of the Team Canvas project management tool in your formative work.

This section in your Workbook is detailed. There are numerous formative tasks. Completion of these tasks will provide you with valuable stepping stones to support you in your summative assignment. For example, you could use the Team Canvas tool to work with others to get feedback on your ideas for creating, tweaking or transforming the Vision, Purpose and Values (VPV's) of an existing business. sustaining or transforming a business. Numerous real-world case studies are included here to inspire you about how the VPV's have influenced, guided and sustained ongoing success in businesses. Although the Subject Outline information that refers to the external task does refer to the Team Canvas, please keep in mind that if you complete a Team Canvas as a group, it is important that any information you include in your Business Plan, is not the same as that of another group member. You might like to complete a group Team Canvas as a practice. However, understand that the External is an independent task so it should only contain your own original work.

## VISION, PURPOSE AND VALUES

### VISION VS. PURPOSE

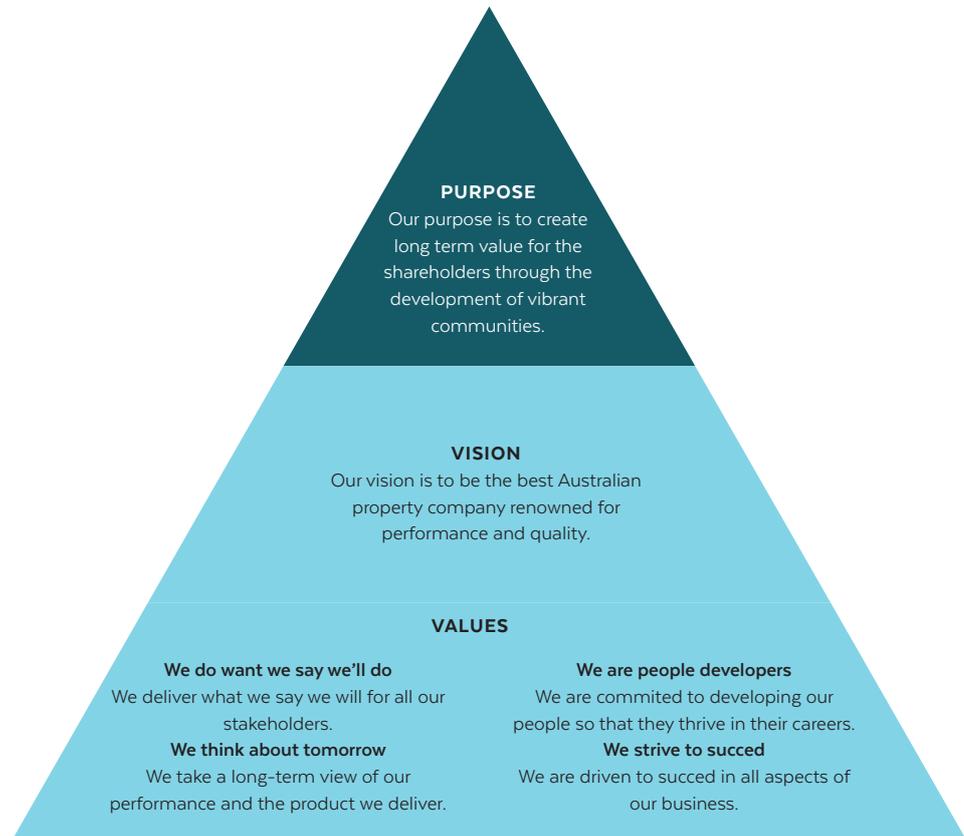
#### VISION

- Future objective
- Describes a future state you are ultimately working towards
- Some day

#### MISSION

- Present tense
- Describes why you do what you do and who benefits from this work
- Every day

Although the three pillars are different, they overlap.  
 They influence, and, are influenced by each other.  
 Take the time to understand the difference between them.  
 Understand how they fit together to create the business's identity.  
 Some firms state their Purpose first and then their Vision.  
 It is up to you how you present each pillar.  
 Use of visuals is strongly encouraged as emphasised in Section 1.



## QUICK TIPS ON HOW TO WRITE A VISION AND PURPOSE STATEMENT

Note that some firms refer to their purpose as their "Mission" – we will use the two terms interchangeably in your Workbook.

*Vision and Mission statements are linked and sometimes it is hard to distinguish which is which. A simple rule of thumb is that a Vision Statement should incorporate where you want the business to end up or be in the future. Businesses work towards their vision, by continually working on their purpose or mission – it gives them direction. As with the Vision, if you are designing a business, you will need to create your own **Purpose Statement to communicate why your business exists.***

- What will inspire your employees to strive to achieve excellent work each day?
- What impact might your business have
  - on the lives of your customers?
  - on the world?

## VALUES

Values are determined to create a certain culture in business. Values show the collective principles and guide behaviour and decision-making of employees.

- Business **values** create the business's culture.
- They influence morale and motivation.
- When morale and motivation are high, the business is far more likely to fulfil its purpose and achieve the business vision.



**Think.  
Share. Act.**

Explain in your own words or draw a visual illustration to convey what key message you believe is being communicated at the end of Page 44.

#### CASE STUDY 1

##### Tesla

In today's rapidly changing world, a company's future vision and their mission may need to be tweaked to respond to challenges in the external business environment. Tesla was founded in 2003 with the mission that people didn't need to compromise to drive electric cars- "that electric vehicles can be better, quicker and more fun to drive than gasoline cars."

Today, Tesla builds not only all-electric vehicles but also infinitely scalable clean energy generation and storage products.

<http://panmore.com/tesla-motors-inc-vision-statement-mission-statement-analysis>

Original mission in 2003

**"to accelerate the world's transition to sustainable transport."**

In mid-2016, under Elon Musk's leadership, the company changed it to

**"to accelerate the world's transition to sustainable energy."**

Think about and share your ideas with peers:

What are some likely reasons that influenced Tesla to change their Mission Statement in 2016. Research what changes Tesla has made to their business operations.

#### MISSION AND VISION

**Mission Statement:** Tesla motors designs and sells high-performance, highly efficient electric sports cars with no compromises. Tesla vehicles combine style acceleration, and handling with advanced technologies that make them among the quickest and the most energy-efficient cars on the road.

**Vision Statement:** To "create the most compelling car company of the 21st century by driving the world's transition to electric vehicles"

#### SIGNIFICANT COMPONENTS IN TESLA'S VISION STATEMENT

- Most compelling
- Car company
- 21st century
- The world's transition to electric vehicles

#### CORE VALUES

- Move fast
- Do the impossible
- Constantly Innovate
- Reason from "First Principles"
- Think like owners
- We are ALL IN

If you have selected the **Designing Business context**, you will need to create your own VPV's to inspire everyone who comes in contact with your business, both internal and external stakeholders. If you have selected the **Sustaining and Transforming Business context**, you may choose to analyse existing VPV's and then pivot and transform these to suit your new ideas on **how to revitalise the business**.

However, before you embark on this aspect of your Business Plan it is suggested that you take the time to further understand how VPV's can influence business success. To help you we will explore the role they play in the success of well-known world technology brand, Google, and some of its offshoots. We will also look at how reviewing their VPV's helped a small local Melbourne brand, Manuko, pivot, survive and grow despite the disruption to their conventional business from COVID-19 in 2020.

Regardless of the size, nature, industry or years of operation, the VPV's are important beacons in every business's journey.

<https://www.apple.com/au/accessibility/>  
 What Apple states on their website about one of their values – Accessibility.

## CASE STUDY 2

### Apple's Integrated Vision, Purpose and Values

"We believe that we are on the face of the earth to make great products and that's not changing. We constantly focus on innovating. We believe in the simple not the complex. We believe that we need to own and control the primary technologies behind the products that we make and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and the courage to change. And I think regardless of who is in what job those values are so embedded in this company that Apple will do extremely well."

*Tim Cook (Chief Operating Officer, 2009), addressing conference call with investors. Today, he is the CEO of Apple.*

### Apple Mission Statement and Vision Statement

Apple mission is "to bringing the best user experience to its customers through its innovative hardware, software, and services." And in a manifesto dated 2009 Tim Cook set the vision specified as "We believe that we are on the face of the earth to make great products and that's not changing."



**Technology is most powerful when it empowers everyone.**

- Taking a family portrait.
- Catching up over FaceTime.
- Raising the blinds to let in the morning light.
- We want everyone to enjoy the everyday moments that technology helps make possible, so we work to make every Apple product accessible from the very start.
- Because the true value of a device isn't measured by how powerful it is, but by how much it empowers you.



**Think.  
Share. Act.**

1. What is Apple's Vision?
2. What is Apple's Purpose?
3. How do their values, diversity and accessibility contribute to Apple's success?  
<https://www.apple.com/diversity/>
4. How do the latest innovative changes to Apple's products support their Vision and Purpose?  
<https://www.apple.com/newsroom/2020/09/new-apple-watch-and-ipad-features-enable-wellness-fitness-and-creativity/>

Jot down some thoughts before sharing them with your peers.

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### CASE STUDY 3

Founded in 1998, this successful company is undoubtedly one of the most famous names in the global tech industry. The core activity of this business flows directly from its original Vision. Google's most popular product is its search engine service. This product enables people to easily access information from around the world.

#### Vision

"to provide access to the world's information in one click"

#### Purpose

"to maintain global dominance as an Internet technology, software, and hardware business"

#### Values

Innovation - Excellence - Collaboration

Google fulfils the "world's information" aspect by crawling websites. They organise the information using the computer algorithms they create. Such organising of information makes it useful for users. Google fulfils the "universal accessibility" aspect of its vision by offering its products worldwide. Google provides information through its online search service. Through personalisation and analysis of extensive databases, Google fulfils their purpose as they maintain dominance in their online search service.

Google states their purpose in their corporate mission statement as do many large companies. Google's Purpose is parallel to its vision statement with the added emphasis of innovating and diversifying the product range offered to customers. This allows them to fulfil their stated purpose of maintaining their dominance in the ever-growing technology market.

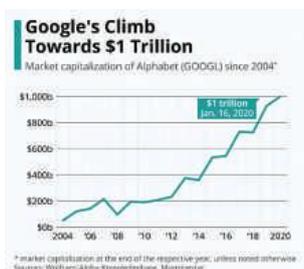
Many public companies document their VPV's in their Corporate Social Responsibility, (CSR) and stakeholder management documents including but not limited to their Annual Report to shareholders and information communicated to potential investors. As part of their CSR documents, Google discuss **what drives them** - what their Vision is, what gives them direction - **what their Purpose is** - why they exist. They also highlight the Values that guide the **attitude** and **behaviour** of staff and management when they interact with each other, customers and suppliers. Google's **key values are innovation, excellence and collaboration**. These values drive Google employees to work as a team to achieve new heights through rapid innovation.

This is evident in the business strategy of developing new products and acquisition of other progressive technology start-ups.

Google has diversified into:

- computer technology (software and hardware)
- cloud computing
- consumer electronics
- digital content distribution industries

**Google is now the fourth Big Tech company to beat the milestone.** Another tech behemoth has joined the USD\$1 Trillion Club, with the stock market value of Google parent, Alphabet, surpassing the milestone for the first time, making it the fourth big tech company to do so. *Forbes, Jan 16, 2020.*



Google combines its **Vision, Purpose and Values to achieve its success** and position itself as one of the most valuable brands in the world. Google’s VPV’s underpin their strategic choices, especially in dealing with external factors in a volatile industry environment.

“Google’s continued growth over the last decade has been due to the strength of its core advertising business, key value acquisitions like YouTube and expansion into other fast-growing areas—such as cloud computing and its indirect involvement in projects focused on using emerging technologies, like self-driving technology used by Waymo.”

Google’s **VPV’s guide them** to counteract the effects of competitors sharing the competitive global technology market. There is much controversy surrounding the significant social disruption and consequences of the impact the “tech behemoths” below are having on our global society.



**Think.  
Share. Act.**

Research the Vision, Purpose and Values of different companies.

You may choose to investigate a different group of businesses. Apple, Tesla, Amazon, Facebook, Snapchat, Twitter, Instagram, Youtube.

As you read each example, imagine you’re an employee, a customer or a potential investor or an existing shareholder.

- What Vision excites you? Why?
- What Mission or Purpose motivates you? Why?
- What Values resonate with you? Why?
- Discuss the similarities and differences between the businesses.

	VISION	PURPOSE	VALUES
Google	To provide access to the world’s information in one click.	To maintain global dominance as an Internet technology, software, and hardware business.	Innovation Excellence Collaboration
Apple			
Amazon			
Facebook			
Snapchat			
Twitter			
Instagram			
Youtube			



#### CASE STUDY 4

##### Google Maps

"The creation of **Google Maps** is a story about striving to get to what you think is your destination, only to realise you still have a long way to go!" Jamey Austin.

Whether you are planning to design, sustain or transform a business you will be inspired by this story about Google Map's Iterative Journey.

##### An Iterative Journey

*Paper maps, asking for directions, and getting lost was the norm before Google Maps, but the route from idea to finished app wasn't a smooth ride. Original founders, brothers, Lars and Jens Rasmussen twisted and turned before Google took them under their wing, and, collaboratively they created Google Map's success story!*

<https://www.atlassian.com/blog/teamwork/why-google-maps-almost-didnt-reach-its-destination>

Jamey Austin, Bead Pullen

Access this link.



**Think.**  
**Share. Act.**

How did the Vision, Purpose and Values of the original start-up iterate along the journey to becoming Google Maps?

Record your thoughts and then share them with a peer or the class.

**We're Building the World's Most Experienced Driver™**

Waymo is a self-driving technology company with a mission to make it safe and easy for people and things to get where they're going.



**CASE STUDY 5**

**Waymo**

The name Waymo was derived from its mission, “a new **way** forward in **mobility**.” Watch the following interesting Youtube clips about this Google\* subsidiary company that is working towards successfully launching their driverless technology to market. In 2015, Google provided “the world’s first fully driverless ride on public roads. The ride was taken by Steve Mahan, former CEO of the Santa Clara Valley Blind Centre in Austin, Texas. It was not accompanied by a test driver or police escort. The car had no steering wheel or floor pedals.

<https://youtu.be/o8rCOKSDMcg>

Watch the first 15 minutes where CEO, John Krafcik, shares information about the product development journey of Waymo.

<https://youtu.be/o8rCOKSDMcg>

Now watch this clip where the Head of Design at Waymo, Yoo Jung Ahn, shares her further insight about the product development journey of Waymo.

\*originally funded by Google and then Alphabet, the parent company of Google, in July, 2020. Waymo have entered into an exclusive partnership with Volvo.

Share your thoughts with your peers/class.

- Who are Waymo?
- What are they doing?
- Why are they doing what they are doing?
- What is important to them?



**Think.  
Share. Act.**

**SUMMARISE WAYMO'S**

Vision

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Purpose

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Values

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**KEY TAKEAWAYS**

- A business benefits if VPV's are clearly defined
- VPV's communicate to internal and external stakeholders what the business is about
- VPV's act as signposts for owners and employees in good times

Let's now extend our understanding to consider how **VPV's** act as a compass to redirect business focus in bad times.



Founder Matthew Hardie with partner & business manager, Inga. Manuko gift packs were created in the post-COVID lockdown.

## CASE STUDY 6

### Manuko

In response to the global COVID-19 Health Pandemic in 2020 businesses, cafes and restaurants were ordered by the Australian Government to temporarily close their doors.

“As industries began to close down around us as we entered the first lockdown in Melbourne, end of March, 2020; we bunkered down and redirected all our energy into how we would get through this – to not just survive; but thrive through these uncertain times. Many amazing things can come out of a crisis. Faced with an existential threat, we learnt some essential truths about ourselves and our business. The first thing we learnt is to focus on what really matters.

*We realised our core purpose was to create moments of pure joy for people, and our vision was to help foster a healthy life and a more sustainable world. We discovered that in hard-times, people don't just want toilet paper, rice and pasta. They also want an element of joy in their lives.*

Adapted from interview with Matthew Hardie (Founder) August, 2020

Being clear what these three pillars are for your business is a vital foundation regardless of business size, nature or industry. Manuko **transformed their business model** to not only survive the lockdown but grow their business. A key question they asked themselves: “Is our business truly sustainable?”

Our business, Manuko, specialises in creating premium organic products and raw chocolate treats, primarily serving cafes and restaurants across Melbourne and Australia so 90% of our business consisted of wholesale. The first thing we learnt **was** to focus on what really mattered.

All non-essential things got stripped away, and what we were left with is what was real and within our control. Questions we asked ourselves:

What's the core purpose that inspires us through not just the good times, but the difficult ones?

Why do people really buy our products?

Is our business truly sustainable?

Our vision was to contribute to a more sustainable world while we brought joy into as many people's lives as possible. Grit, determination, collaboration and innovation is our fuel that keeps us moving forward.

This meant doubling down on what we do best as a business, and not deviating away from our core **Vision, Purpose and Values**. What we learnt during this crisis will most likely guide us for many years to come. We were working harder than ever, being more creative than ever, waking up earlier, meditating more, saying to ourselves: “We will do whatever it takes to make this happen!”

Of course, it was stressful, it was tiring, it was uncertain. The grit was about showing up each day no matter what, while at the same time having compassion for ourselves and what we were going through. A winning mindset for us meant having a vision for where we wanted to go. Our SWOT analysis was really helpful in developing a plan and strategy and choosing to have faith in the unfolding of life.

**There are things we can control, such as our vision and what we will focus on and create, even though there is so much we can't control.**

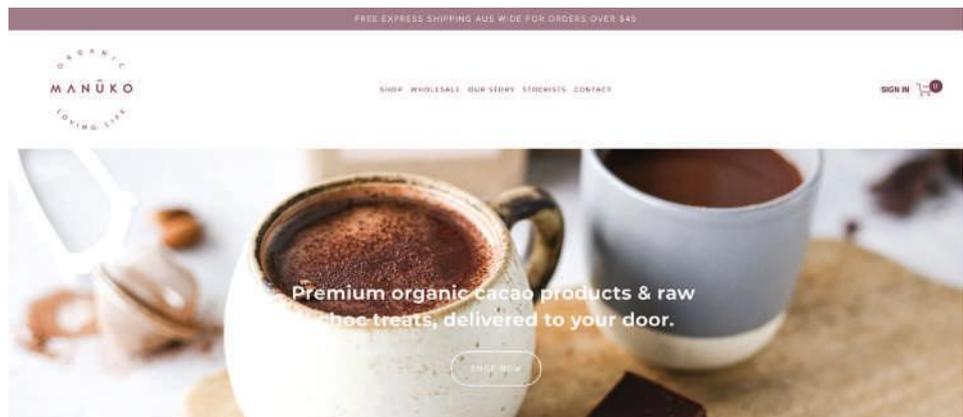
**Business is a glorious adventure, and tough times can make us stronger, more resilient, and more aligned with our core vision, purpose, values.**

The journey continues.

We just entered lockdown 2.0 in Melbourne a couple of weeks ago, and now moving into the strictest lockdown to date. We've done our SWOT analysis 2.0. We're learning a hell of a lot, we're experiencing a greater connection with our core purpose, we're investing and putting a lot of energy into new products and creations, and up-leveling various aspects of our business.

We're also experiencing greater appreciation and connection with the incredible community of customers and supporters around us. We have collaborated with our wholesale café customers and reached out directly to their customers via an on-line service. We're acutely aware that we are in the middle of winter, both literally and metaphorically. At the same time, we are keeping in mind what inspired us to create our product. Reminding ourselves of the reason we exist has given us grit and determination to keep going. It has given us a clearer future direction - spring is coming, and what we invest in now may not bear fruit until down the track. Before the lockdown, we were on track to grow 25% for the year. We took a hit as cafes and businesses around us began to close, some permanently. We just missed out on JobKeeper, and so we had to rely primarily on ourselves. But we put everything into it, and by the end of June, we had grown by 30% for the whole year. Our growth and financial success is something to celebrate. It enables us to continue to do what we do. But it's secondary to our primary drive of fulfilling on our core purpose, creating something extraordinary and wonderful for our customers and for the world, and becoming more creative and resilient in the process.

<https://www.manuko.com.au/our-story>



Jot down some points about Manuko's VPV's.

- How did a clear and integrated understanding of their **Vision, Purpose and Values** help Matthew and Inga, owners of Manuko, sustain and transform their business to overcome the negative impact of the Covid-19 Lockdown of non-essential businesses in 2020?
- Create an infographic or 2 min oral to present to the class that concisely summarises Manuko's VPV's .Jot down your thoughts to plan the content of your oral or visual Infographic to share with your class.



**Think.  
Share. Act.**

## Your Business Plan and Pitch

- Vision, Purpose and Values
- Be curious.
- Think deeply.
- Ask yourself questions as you go down the path of creating new VPV's if designing a business or revamping those of an existing business.

Recall that although the three pillars are different, they interact to determine the destiny of the business.

Assume you are designing the following business:

### VISION

To be the leading car-sharing company in Adelaide.

#### Ask yourself?

- What is something more important, which makes me want to execute this vision?
- What is the reason for my business's existence?
- What is the **Purpose** of this business journey?

#### Possible Answers:

Create positive impact on people's lives through social innovation

Make people's life easier, save them money,

Reduce emissions - preserve our environment.

#### Ask yourself?

- What do I stand for?
- What are the guidelines that will influence my decisions and behaviour?
- What are the most important principles that I want to be acknowledged for by others?
- What core values will be reflected in every activity of my business?

#### Possible Answers:

- Trust
- Safety
- Continuous improvement
- Respect for people
- Respect for the environment

## USE VISUALS TO CONVEY INFORMATION ON VPV'S IN AN ENGAGING WAY

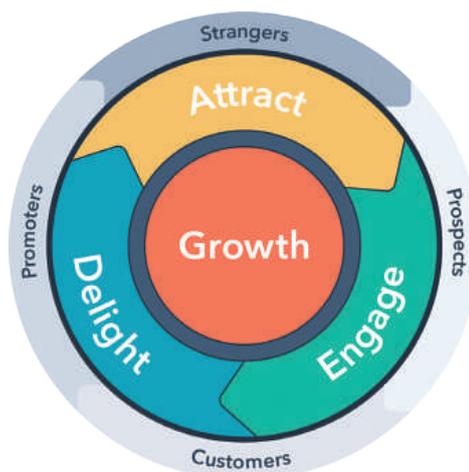
### HUBSPOT'S MISSION

There's this notion that to grow a business, you have to be ruthless. But we know there's a better way to grow. One where what's good for the bottom line is also good for customers. We believe businesses can grow with a conscience, and, succeed with a soul — and that they can do it inbound. That's why we've created a platform uniting software, education, and community to help businesses grow better every day.



HubSpot Co-Founder and Chief Technology Officer Dharmesh Shah Co-Founder CEO Brian Haligan

<https://offers.hubspot.com/define-mission-and-vision-statements>



If you are focusing on the Sustaining or Transforming context and you are yet to DYOR\* – then you need to!

### DYOR = Do Your Own Research!

#### SUGGESTED approach

- Read the About Us section on their website.
- Look at Face Book Posts
- Read Customer Reviews
- Look at Promotional materials – what values are evident?
- Find media articles about your business
- Research information about their competitors to get ideas about the culture of other businesses in this industry.
- For a public company, locate a copy of their latest Annual Report published for their existing shareholders and potential investors.



## Think. Share. Act.



<https://youtu.be/IPYeCltXpxw>

<https://youtu.be/smEqnklfYs>

Think deeply about what you will include in your Business Plan and Pitch.

Revisit Section 1 to remind yourself of the flexible format options available to communicate your VPV's with your audience.

In today's crowded global market, it is likely to be the **WHY** that will have a lasting impact to inspire people to continue purchasing a product from a particular business.

Summary version of "start with why".

People like Martin Luther King Jr, Steve Jobs and the Wright Brothers had little in common, but they all started with WHY? They realised that people truly do not buy into a product, service, movement or idea until they understand the WHY behind it.

Start With Why shows that the leaders who've had the greatest influence in the world all think, act, and communicate the same way – and it's the opposite of what everyone else does. Sinek calls this powerful idea The Golden Circle and it provides a framework upon which organisations can be built, movements can be led, and people can be inspired. It all starts with WHY.

In 2009, Simon Sinek started a movement to help people become more inspired at work, and in turn inspire their colleagues and customers. Since then, millions have been touched by the power of his ideas, including more than 28 millions who've watched his TED talk based on Start With Why – the third most popular TED video of all time.



The  
Golden  
Circle



### You may like to listen to the "I Have a Dream Speech" Martin Luther King's Address at March on Washington August 28, 1963. Washington, D.C.

"I Have a Dream" is a public speech that was delivered by American civil rights activist Martin Luther King Jr. during the March on Washington for Jobs and Freedom on August 28, 1963, in which he called for civil and economic rights and an end to racism in the United States.

- Think about WHY the business you are designing, transforming or sustaining exists.
- What is the customer problem that is being solved? WHY?
- It is the WHY that will continue to inspire people. Justify this statement.

## PUTTING IT TOGETHER

If your focus is on the designing context, ideally the problem you have identified has been validated using a customer-centric approach.

Now, you are presenting your considered solution in your Business Plan and Pitch and one of your key aims is likely to include eventually earning adequate revenue to make a profit.

*However, think beyond the monetary reward.*

Your pitch may be to potential investors to inspire them to fund your start-up expenses. Take the next step and create a vibrant section in your assignment to persuade others to be excited by your ideas.

To start and grow a business, the purpose flows from the Vision and often starts with a belief in something bigger than the product or service they sell.

Read what the late Steve Jobs, had to say to get a deep understanding of what “a *belief in something bigger* than the product or service they sell” sounds like:



**Steve Jobs**  
1955-2011



Steve Jobs co-founded Apple Computers with Steve Wozniak. Under Jobs' guidance, the company pioneered a series of revolutionary technologies, including the iPhone and iPad.

“There are lots of ways to be as a person.  
And some people express their deep appreciation in different ways.  
But one of the ways that I believe people express their appreciation to the rest of humanity is to make something wonderful, and, put it out there.  
And you never meet the people, you never shake their hands, you never hear their story or tell yours. But somehow in the act of making something with a great deal of care and love, something's transmitted there.  
And it's a way of expressing to the rest of our species, our deep appreciation.  
So, we need to be true to who we are. And remember what's really important to us. That's what's going to keep Apple, Apple – is if we keep us, us.

Aim to apply this same deep thinking to the business you are focusing on for your Business Plan.

What is the **underlying reason** the business exists?

Besides the anticipated financial return, what is the reason their business is “alive”.

Recall it does not matter if your Vision and Purpose are grand using cutting-edge futuristic emerging technology that is inspiring Waymo or using available digital platforms to survive and grow despite Lockdown x2 in Melbourne in 2020 in response to COVID-19. As the owners of Manuko said, it was our

“Vision, Purpose and Values” that kept our business and business idea “alive”!

If you have selected the **Designing Business context**, you will need to create your VPV's to inspire everyone who comes in contact with your business, both internal and external stakeholders.

If you have selected the **Sustaining and Transforming Business** context, you may analyse the existing VPV's or pivot and transform these to suit your new ideas on **how to revitalise the business**.

Often you will read that Vision, Purpose and Values statements should be aspirational, *short and to the point... but this is advice is not prescriptive as some well-known successful brands do not follow these guidelines.*

Today, Apple has a very long vision statement that incorporates and unpacks numerous Values that they believe give their business model its unique DNA. They include a video clip to complement the written Vision Statement and each Value.

You could consider doing this as a part of your Business Pitch!

Alternatively, you could also convey your Purpose as part of a promotional tool in your marketing strategy as Coca Cola have done below. Consider the following case study for inspiration about sustaining or transforming a business. This iconic global business that has existed for over 130 years embarked on a digital transformation in 2018.

## CASE STUDY 7

Coca Cola

**Our Purpose:**

Refresh the world. Make a difference.

**Our Vision:**

Our vision is to craft the brands and choice of drinks that people love, to refresh them in body & spirit. And done in ways that create a more sustainable business and better shared future that makes a difference in people's lives, communities and our planet.

**Coca-Cola Mission Statement and Vision Statement**

Coca-Cola's Purpose is to "refresh the world, make a difference." its vision and mission are to "craft the brands and choice of drinks that people love, to refresh them in body & spirit. And done in ways that create a more sustainable business and better-shared future that makes a difference in people's lives, communities, and out planet."



**Think.  
Share. Act.**

- What do you notice about how Coca Cola present their Vision and Purpose Statement?
- What is the underlying message that Coca Cola is communicating to the world through their stated purpose and vision?

**COCA-COLA IS TRANSFORMING TO A DIGITAL-FIRST BUSINESS. HERE'S WHY**

Andrew Birmingham / March 30, 2018

One of the world's most iconic organisations, Coca-Cola, has embarked on a five-year plan to transform itself from a physical bricks-and-mortar operation to into a digital-first business, according to Chief Digital Officer David Godsmann.

Given the scale of the company's operations, that's quite an ambition.

Coca-Cola serves almost 1.3 billion consumers in over 200 markets around the world, and each day those consumers drink almost two billion beverages.

"I think you know that there aren't many physical shelves in the world where you can't find a Coca-Cola. If you also do the math, you'll realise that we engage with about 18 per cent of humanity every single day. And we do that with an opportunity to take advantage of all that data to create those memorable experiences," he said.

Godsmann was speaking to delegates at the Adobe Summit in Las Vegas last week, telling them the company which has managed many transformations through its long history now faces a new digital world.

- "And this is a world that is somewhat unknown to us.
- "It's a world where we need to learn more about consumers, to understand their preferences and their behaviours.
- It's a world where we need to personalise at scale.
- And ultimately it's a place where we need to bridge the physical and the digital worlds."

The driver, he said, was smart mobility.

"Consumers don't go anywhere without their mobile device."

Coca-Cola's transformation will focus on 4 areas:

- Customer experiences
- Operational transformation
- Business transformation
- Cultural transformation.

According to Godsman, "When we think about experience transformation, it's how we create more relevant, more personalised experiences for our consumers and for the *people who serve them*."

*Operational transformation is about using data and technology to accelerate change and run the business better.*

"When we talk about business transformation, it's about *disrupting ourselves* before someone else does it. And you can see in the market where we faced some of that.

And lastly, and most importantly, it's about *cultural transformation*. It's about how do we *change the fabric of a company* that has been around for 130 years and really viewed itself just as a traditional bricks and mortar company."

Saying that this is one of the hardest things Coca-Cola will do as a company, Godsman noted, "We are asking traditional brand marketers, who are really creative, bright in executing a campaign, to become experience makers. To think about the world differently."

The great challenge he identified for Coca-Cola is that all of those 1.3 billion consumers are unique with their own preferences and behaviours.

"And our consumers engage with us in very different ways. They engage with us in mobile, on the web, in social, they engage with us in virtual reality and ultimately, they're now engaging with us in voice. And voice is a really strange animal for us because voice removes your brand, your packaging and your point of sale capabilities."

### DIGITAL PAYDAY

Digital offers two big wins, he said.

"One, it enables us to create unifying experiences for these consumers, regardless of that individual's location in the world. It helps to bring them together, to enable them to experience the brands," he said.

"And it also does something else, and that's not controlled by us.

Digital actually enables consumers to participate, actively and co-create with us, in the experience that we bring to market ... Our consumers are (also) experience makers. This happens tens of thousands of times a day because of their love and their community with the brand," he said.



**Think.  
Share. Act.**

**Working as a member of a small group or pair, focus on one of the following areas of transformation and present your ideas to the class:**

- Explain what the transformation involves
- From your own experience or research, provide real examples of how Coca Colas has done this.
- Evaluate how effectively they have achieved their proposed transformation.
- How can their effectiveness be measured?

*Recall the conference where they announced their digital transformation was in 2018.*

As with the vision, if you have selected **Designing Business**, you will need to create your purpose statement to state why your business exists. If you are **designing your own business**, you will need to create your own **Purpose Statement**.

### DESIGNING BUSINESS TIPS FOR WRITING YOUR VALUES STATEMENT

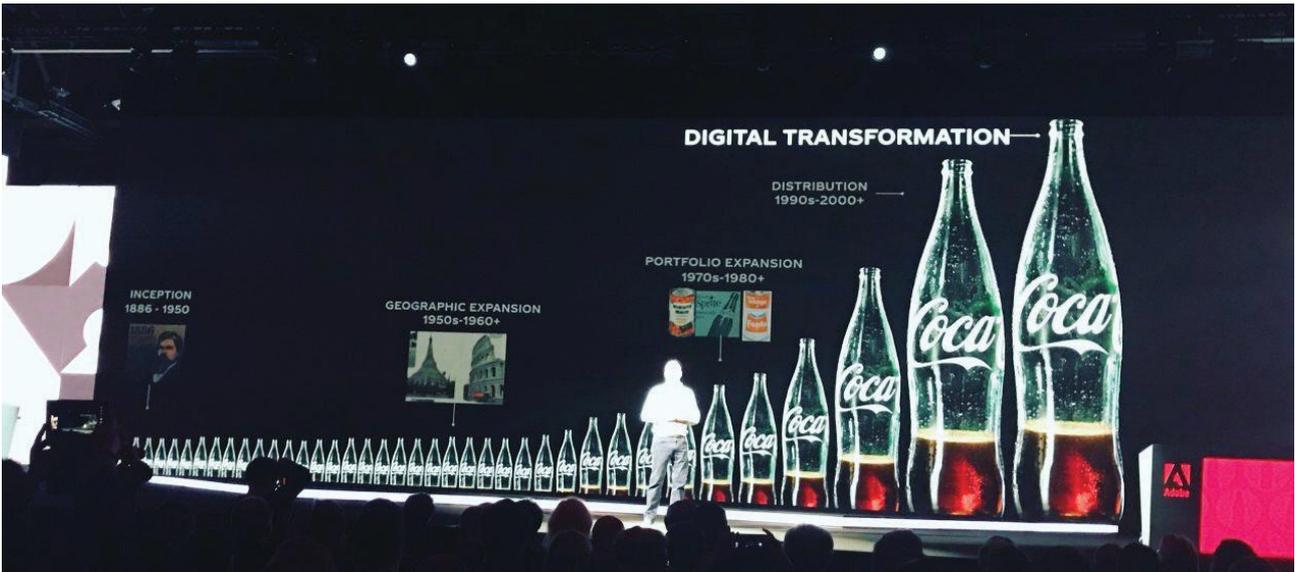
Conventionally, it is often stated that Values statements should not be long.

This point of view states that they should be easy to remember by key stakeholders.

One of Coca-Cola's TRANSFORMED Values is:

**'Be committed in heart and mind'**

- What message do you think Coca-Cola is conveying?
- Which stakeholder will this Value Statement most influence?
- How would it influence their behaviour?
- How does this Value Statement link with their Vision and Purpose?



If you have chosen the **Sustaining and Transforming Business** option, many businesses, particularly public companies owned by shareholders, include a Mission Statement that outlines their Vision, their Purpose and their Values. Their publications and website are also likely to refer to their VPV's. They regularly publish information about how well they are achieving their goals that reflect their VPV's.

You could include, reflect and analyse this type of business intelligence in your Business Plan. For example, Woolworths Holdings Limited (WHL), own Woolworths in South Africa, David Jones and the Country Road Group. They have the shared purpose of:

'Adding quality to life'  
 'exceptional quality in every product we sell and every experience we deliver, to our customers and our people'

The following guide is a useful support to get you going. <https://deliberatedirections.com/mission-vision-values/>

If your Business Plan is focusing on **Sustaining or Transforming an existing business**, you may choose to use an existing Purpose Statement, like this, or update it according to your transformation ideas or recommendations for sustaining the business.

Jot down your thoughts or draw a mind-map to summarise ideas you have about the Vision, Purpose and Values of the business you are focusing on in your Business Plan.

**Vision**

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**Purpose**

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**Values**

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## 2.2

# Value Proposition and Value Proposition Canvas

## Business Model Canvas

Consider including in your Business Plan, as appropriate:

- the Value Proposition: what is the product/service?
- Why does the world need it?
- The Business Model Canvas:
- How will you make and deliver the product/service?
- What plant, stock, and supplies do you need?
- How will customers interact with you?
- Location and Outlets

*SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021*

Value propositions are the benefits your business is offering that will add value to customers' lives; they could be in the form of a product and/or a service. Ask yourself two key questions?

- What will you offer your customers?
- Why does the world need your product or service?

You and any investors want to be confident that your product and/or service will not only attract initial sales, but that it will continue to satisfy a customer need. This will mean that there will be a sustained demand for what you offer the market.

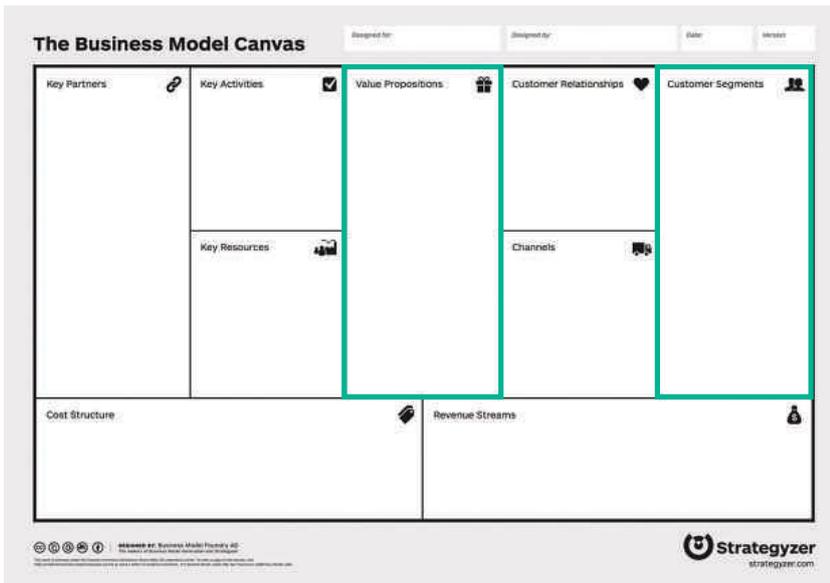
In your Business Plan, you can include each of the value propositions in whatever format you choose - a table, infographic or other formats as discussed in Section 1.

However, before you finalise the presentation of your ideas, it is highly recommended in the first instance that you consider preparing a Value Proposition Canvas (VPC).

### WHY SHOULD YOU PREPARE A VPC?

It will show you and your investors that your value proposition/s 'has fit' with the customers. The VPC complements the Business Model Canvas.

If you have already completed a Business Model Canvas, (BMC) you can use the Value Proposition and Customer Segment section from your BMC to guide you with preparing your VPC. Make some notes here about points you can use from your BMC to add to your VPC.



Whether you are designing, sustaining or transforming a business model, there is not much difference in filling out the VPC.

For Sustaining Business and Transforming Business students, your existing business will most likely already have a VPC of existing Value Propositions.

However, it is likely that they may not be captured in a VPC. If this is the case, you could prepare one and evaluate its contents as part of your Business Plan. Recall in Section 1 how we identified the Value Propositions from the ads on the Endota Spa Website

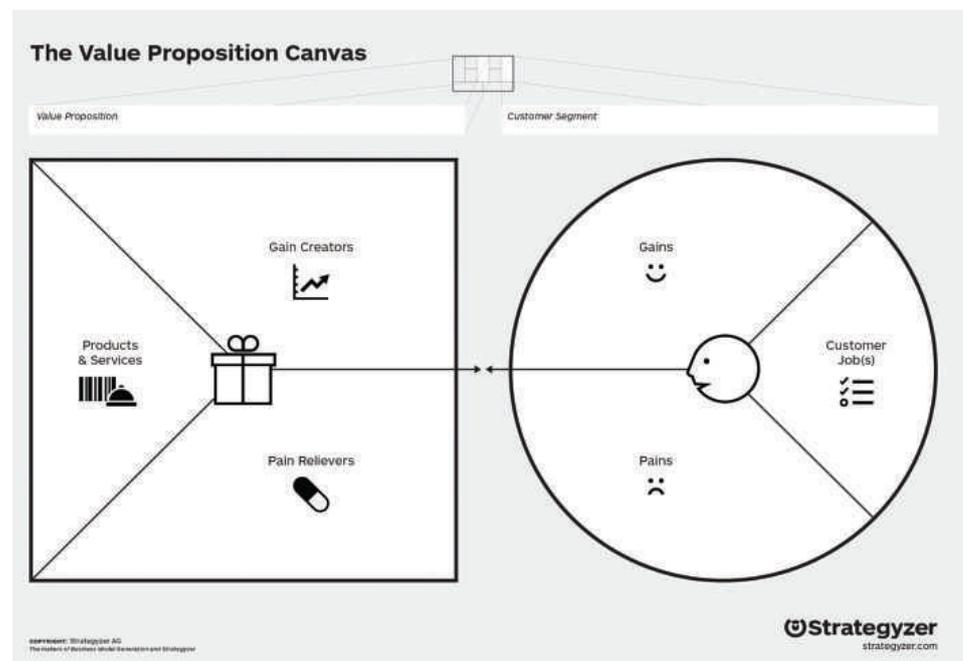
Students designing a business, it is most likely that you will a VPC populated with potential Value proposition/s. At this stage in the Business Plan, it is assumed you have are

either using the BMC and VPC from AT2 or if you have prepared new ones for this task that you have done vital market research to validate and iterate your Value Proposition/s based on customer feedback. It is important to note that it is not necessary nor beneficial to simply place a fully completed BMC and/or VPC in your Business Plan. It would be strategic to be more selective with what you choose to include, so that you can evaluate and analyse in detail. Less is more in this case. Remember, figures and tables are included in the word count, so it is important not to 'waste' words even in images - be sure to explain what they mean and the importance of how they might affect your business. For example, you may choose to only evaluate 2-3 elements of your BMC that are strictly relevant to your business explanation. You might choose to not include the BMC at all - and this is OK! It is not a requirement to include the full canvas. As we have explained in an earlier section, the reason is, if you have used the same business as AT2, then you have already completed and been assessed on the creation of the BMC before. The Business Plan itself is about the workings of your business model - we do not need to see the actual model itself, but rather, analysis and evaluation of it.

See the Value Proposition Canvas below:

[strategyzer.com](http://strategyzer.com)

- The VPC is broken into two sections:
- The *Customer Profile* (the circle) and the *Value Proposition* (the square).
- The Value Proposition maps out the Value Proposition of your business.
- The Customer Profile feeds into the sections of the Value Proposition Square - this information will also be relevant when completing *The Market* section of your Business Plan.



## PRODUCTS & SERVICES

Enter the Products and Services in the triangle on the left side of your VPC.

In this section you will describe the products and/or services that your Value Proposition is built around.

This is where you detail what you are offering to your customers.

Do not just describe the physical products you are offering.

Value propositions can include extra features or benefits if the customer uses the product – customer services, digital downloads, intangible products such as quality assurance.

Rank each of the items from most to least important based on the extent to which it reduces customer pains and increases customer gains.

## LET'S ASSUME THAT OUR VALUE PROPOSITION IS BUILT AROUND A NEW SHOWER NOZZLE FOR CAMPERS.

It:

- Is a physical product
- changes temperature and pressure of any shower
- attaches to any shower head with expandable attachments
- adjustable pressure

## PAIN RELIEVERS

Use this section to describe how your value proposition alleviates customer pains.

What do we mean by customer pains?

## CUSTOMER PAINS

What are the pains of your customers?

What do they find difficult or what annoys them in their daily life?

Customers have fears and can experience challenges in certain situations.

Customers might find it difficult to figure out how something works or might find it challenging to perform a task.

What keeps them awake at night and what frustrates them?

You might investigate the pains of the customers who are trying to perform a task that your value proposition is aimed at, or you could be more generic and list all pains of the customer in their daily life. Let's look back at our customer example of people who want to go camping – some of their pains might include:

- Expensive camping facilities
- Loud neighbouring campers
- Cold showers whilst camping
- Forgetting to pack everything

## ASK SOME OF THE COMMON PAIN RELIEVER QUESTIONS BELOW TO HELP YOU IDENTIFY CUSTOMER GAINS.

- Does the value proposition make customers feel better?
- Does the value proposition produce savings?
- Does the value proposition save time?
- Does the value proposition add more performance to an existing solution?
- Does the value proposition end some challenges the customer has?
- What social consequences does the value proposition reduce or end?
- Are any fears or risks eliminated?

## OUR TRAVELLING SHOWER HEAD HAS THE FOLLOWING PAIN RELIEVERS:

- Reasonably inexpensive and portable
- Reduces chance of infections due to increased cleanliness
- Easy to find in suitcase due to bright colours
- Reduces complaining of cold showers
- Individually customisable to suit everyone's taste in hot water and pressure

## GAIN CREATORS

Use this section to describe how your Value Proposition (s) create customer gains, as indicated in the customer profile.

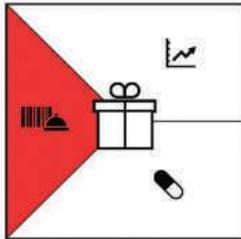
**SOME QUESTIONS TO ASK YOURSELF ARE:**

- How does the value proposition make a job or life easier for the customer?
- What positive social consequences arise from the value proposition e.g. does it give the customer status or power?
- Is it something customers are looking for?
- Does it fulfil the dreams of customers?
- Does it make customers' lives easier in some way?

**OUR TRAVELLING SHOWER HEAD HAS THE FOLLOWING GAIN CREATORS:**

- Expandable attachment makes it hassle free
- Eliminates the bucket wash
- Temperature nozzle creates a luxury shower experience
- Gives travellers the ability to have a good shower anywhere
- Saves investment in a whole shower
- 

Here is a case study to show you how the various elements in this section fit together.

**Products & Services****Pain Relievers****Gain Creators****CASE STUDY 7****Airbnb**

Airbnb is an online marketplace that offers homestay arrangements and accommodation to travellers. It boasts unique experiences to people and unique homes around the world. Airbnb allows people to earn money by hosting their house and property, and therefore has 2 types of customers. Let's imagine that Airbnb is still in its initial business stages, where the creators are deciding whether the business itself will relieve customer pains and assist them with their gains. The customer in this example are travellers looking for accommodation for a group.

**Products & Services**

- Marketplace for renting out short-term living space
- Booking online or from a mobile phone or tablet
- Booking, paying and having contact through trusted services
- Programme for home-owners
- Detailed profiles and reviews
- 24/7 Customer support

**Pain Relievers**

- Search according to personal circumstances
- Cutting middleperson results in lower prices
- Reviews of other visitors
- Easy and fast to find a place to stay
- Online booking through website or app
- A wide variety of options
- Guarantee for quality accommodation

**Gain Creators**

- Host incentive policy
- Cheap accommodation
- Exotic home like spaces
- Airbnb rewards referral
- Multiple options across price ranges
- Easy to use interface
- Find the best possible stay experience
- As you can see from the VPC, the Airbnb VPC has achieved fit.
- The pain relievers from the value proposition relieve the customers pains.
- Similarly, customer gains are achieved by the gain creators in the value map.
- Good value propositions are those that achieve fit.



In your Business Plan, you might choose to include a table of your Value Propositions, rather than including the full VPC. This can be done as shown below.

Value Proposition	Description	
Product: portable shower head	Adjustable shower head that creates hot water and adjustable pressure	\$39.99 inc GST

You could be more specific and include the pricing strategy you intend to attach to each individual value proposition. Or you may like to leave this level of detail to be included in the financial section of the plan. There may be overlap between this, the Market and the Finance sections of your Business Plan which is not a problem. You will logically integrate the key takeaways when you deliver your Pitch!

**You can choose where you think the information is most useful for the users of your Business Plan. As we said before, the Business Plan is not prescriptive and you have the choice of what you want to include - just be sure to justify it! Aim to be clear in your mind which Performance Standard any included content is satisfying!**

**Some key questions to answer in relation to your Value Propositions include:**

- Is there a market for your Value Proposition and where does it fit in the market?
- Are competitors offering something similar?
- If so, what distinguishes my VP from the competition?
- If you have created a new Value Proposition in the form of a product or service, what is the validated anticipated demand?
- How much will customers buy in one year?
- How will the Value Proposition be strategically priced?
- What is the anticipated growth potential of the product/service?

## 2.3

# Location & Distribution Channels

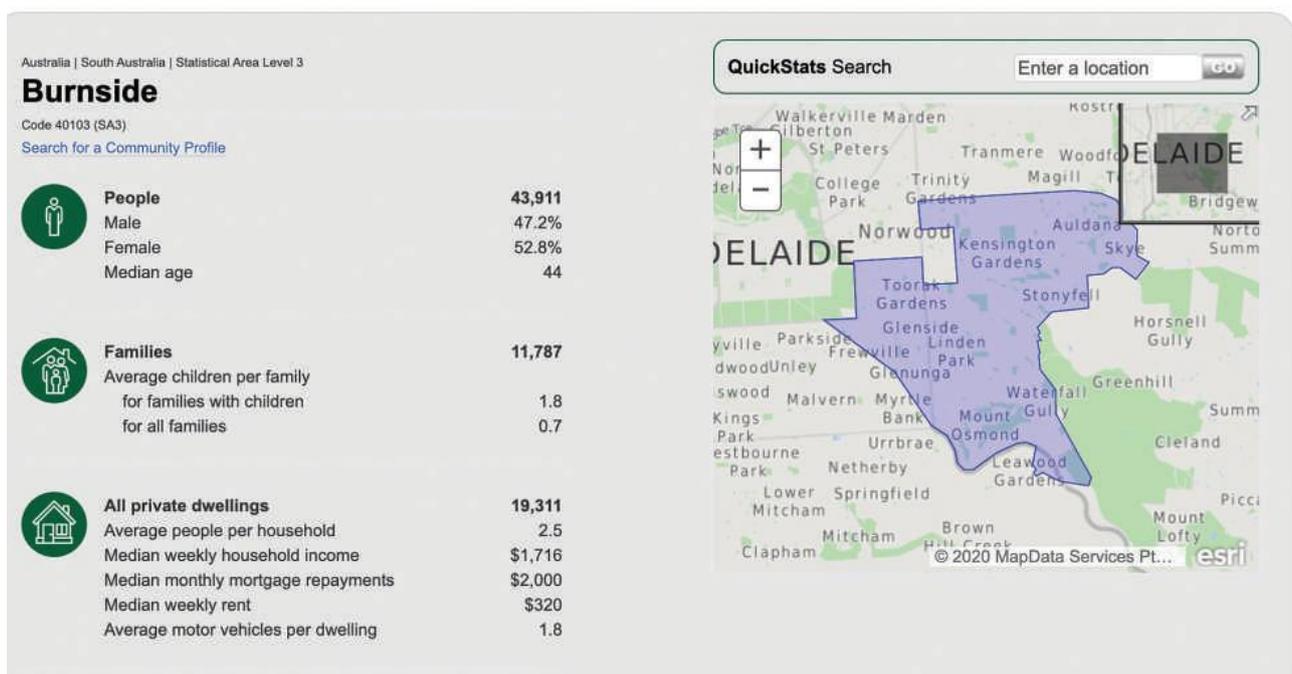
In this section, you will need to outline the location, or intended location of your business. The nature of your business will determine the ideal location for your business. For example, if your business is a producer or distributor of goods/services to retailers, you may want to be positioned in an industrial area with easy access to distribution centres. However, if your business is focused on retail goods and services, you may want to be close to other retailers or areas of high tourism and foot traffic.

For Designing Business, use the Australian Bureau of Statistics (ABS) QuickStats website to investigate demographic factors of the area(s) you want to position your business and/or target. Use these statistics to justify your decisions. For example, let's assume you decided to position your business in the Burnside area of Adelaide. Some of the key statistics from the ABS in this suburb include:

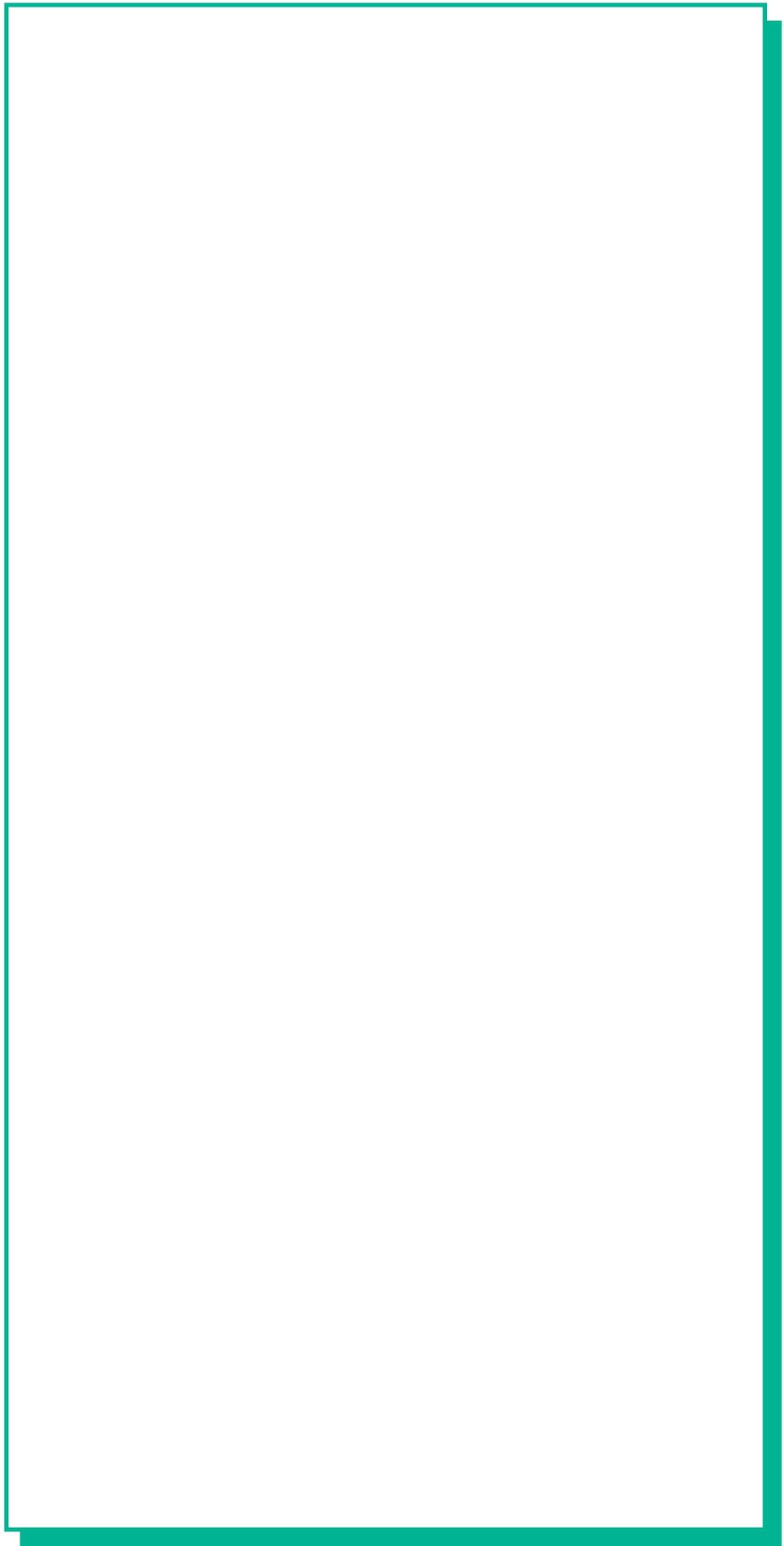
- Median age of 44
- Median weekly household income \$1,716
- 53.9% of people worked full time in 2016
- 5.9% of people were unemployed in 2016

An example of key statistics taken from the ABS Quickstats website for the burnside area [https://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/40103?opendocument](https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/40103?opendocument)

You might decide that from these statistics, you target your business towards 40-year olds, knowing that this is the median age for people living in Burnside. Unemployment is also quite low, compared with the state average, which shows a good capacity for the participants of Burnside to pay. However, in a geographical location where there was a much higher level of unemployment, say 10% which is higher than the state average, this reflects a significantly lower capacity to pay for less essential goods and services. Use the statistics to explain the advantages and disadvantages of the location of your business.









**Think.**  
**Share. Act.**

With a partner, pick a selected geographical area you would like to look at. Using the ABS Quickstats website, note some of the following aspects:

- Median age
- Percentage of males and females
- Median weekly household income
- Percentage of people with a Bachelor Degree level and above
- Percentage of people who work full-time, part-time or are unemployed

# 2.4

## Legal Requirements

### Consider including in your Business Plan, as appropriate:

Legal Requirements, Registration details/insurance requirements/ownership structure/intellectual property protection

SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021

Recall from Section 1 that the SACE Performance Standards for your External are particularly focused on you including evidence of your learning by showcasing your *critical analysis skills*. As outlined in Section 1, the Business Plan should be a maximum of 10 minutes if oral, or 1700 words if written, or the equivalent if multimodal.

Therefore, it is important to avoid falling into the trap of including lots of descriptive content in response to the extract above from the subject outline.

Ask yourself:

- How does the information I am including show evidence of my learning against the Performance Standards?
- Does summarising relevant information from a website do this?

Think carefully about what your focus will be:

Think about what *you will do* with the information to show evidence of your learning against the Performance Standards.

### Here are some tips:

**Start-up:** What legal aspects does the business need to consider? *Why? How?*

**Sustaining:** What legal aspects could impact the future success of this business?

Are there any areas that need more priority? *Why? How?*

**Transformation:** What legal aspects impact this business? *Why? How?*

Other legal aspects needing consideration? *Why? How?*



Remind yourself what *critical analysis* actually means:

There is a mountain of easily accessible and relevant information available on the internet to guide new start-ups and existing small businesses who wish to transform their business model to take advantage of digital opportunities.

Reminder again, to ask yourself:

How does the information I am including show evidence of my learning against the Performance Standards?

<https://register.business.gov.au/>

<https://www.business.gov.au/Guide/Starting>

<https://www.business.gov.au/Planning/New-businesses/Legal-essentials-for-business>

<https://www.business.gov.au/guide/digital>

<https://consumerlaw.gov.au/>

If you are designing a business, then you may need to consider some of the legal requirements specifically relevant to start-ups.

### REGISTRATIONS

If you are designing a business, you may need to comply with tax obligations. These could require you to register for:

- Australian business number (ABN)
- Goods and services tax (GST)
- Pay as you go (PAYG) withholding tax

Other optional registrations are:

**Business name** – if you if you want to trade under a particular name other you're your own, you need to register it.

**Trade-marks** – if you want exclusive rights to a business name, you need to register a trade mark.

**Website** – if you set up a website, you need to register a domain name.

### SELLERS OF PRODUCTS OR SERVICES NEED TO UNDERSTAND:

Australian Trade Measurement Laws

Displaying prices

Product Labelling

Secure Card Payments

Warranties and Refunds

### OTHER LAWS:

Environmental protections

Fair trading

Employment laws

Anti-bullying laws

Unfair dismissal

### INSURANCE

Consider cyber insurance to protect your business. The cost of dealing with a cyber-attack can be much more than just repairing databases, strengthening security or replacing laptops. Cyber liability insurance cover can help your business with the costs of recovering from an attack.

#### How to protect your business from cyber threats

Last Updated: 02 September 2020

Using the internet for business can have its benefits. But it can also increase the risk of scams and security threats. Follow our steps to help protect your business from cyber threats. A single cyber-attack could seriously damage your business and its reputation.

1. Back up data
2. Secure your devices and network
3. Encrypt important information
4. Ensure you use two-factor authentication (2FA)
5. Manage passwords
6. Monitor use of computer equipment and systems
7. Put policies in place to guide your staff
8. Train your staff to be safe online
9. Protect your customers
10. Protect yourself
11. Get updates on the latest risks

<https://business.gov.au/Risk-management/Cyber-security/How-to-protect-your-business-from-cyber-threats>

Like all insurance policies, it is very important your business understands what it needs to be covered for and why it needs such cover.

### TERMS AND CONDITIONS

As businesses operate digitally and sell their products and services through online platforms, you may need to include your policies on your website.

Commonly found policies on websites include:

- Terms and Conditions
- Privacy policy
- Returns policy

Terms and conditions help establish how visitors, users and customers use your website. As your customers may not interact with you directly before purchasing a product or service, terms and conditions may act as a contract between you and the customer.

### PRIVACY

If you collect and store your customers' personal information, you must comply with Privacy Laws. These laws detail how a business must handle personal information, especially as it relates to direct marketing purposes.

The Office of the Australian Information Commissioner has a useful Checklist to help you determine whether you need to comply with the Australian Privacy Principles. <https://www.oaic.gov.au/privacy/privacy-for-government-agencies/privacy-code-checklist/>

**The Australian Community Attitudes to Privacy Survey (ACAPS) 2020 shows that Australians want more control over their privacy** <https://www.oaic.gov.au/updates/news-and-media/australians-want-more-control-over-privacy-survey-shows/>

### SURVEY HIGHLIGHT

Most Australians believe they should have the right to ask a business to delete their personal information (84%) and to seek compensation in the courts for a breach of privacy (78%).

### Intellectual Property Protection

If you are designing a business, it may have Intellectual Property (IP) you need to protect. Before applying for your intellectual property right, it is suggested that you do a comprehensive search to make sure that it is not already registered. It is possible to register IP by yourself or seek advice from a legal professional.

Legal battles from IP stoushes can be time-consuming and expensive and may surface many years later as the following US example shows.

### Who created Nirvana's famed smiley-face logo? A legal battle gets a new claimant!

A legal stoush has erupted in the US over who owns the rights to the iconic "smiley face" that has adorned rock band Nirvana's T-shirts and merchandise for the past quarter of a century.

The iconic image – which, to its credit, remains very much in fashion with today's youngsters – was widely believed to have been designed by the band's lead singer, Kurt Cobain, who died back in 1994.

Nirvana has used the copyrighted smiley face design and logo continuously since 1992.

Last year, high-end fashion label Marc Jacobs was sued by Nirvana members after the brand released a T-shirt that looked remarkably similar to its iconic logo. Check out the similarities:

At the time, Nirvana said the design "threatened to dilute the value of Nirvana's licenses with its licensees for clothing products". For its part, Marc Jacobs counter-sued arguing the smiley face – part of its 'Redux Grunge Collection' – was a "commonplace image".

However, a new litigant has thrown his hat into the ring saying it was him and not Cobain that designed the original Nirvana logo. Los Angeles-based graphic designer Robert Fisher has now intervened in the Marc Jacobs-Nirvana court battle claiming to be the rightful creator and owner of the copyright design.

According to court documents, Fisher said he was working at the famous Geffen Records before Nirvana was signed. The designer said he was a fan of the band and asked if he could work with them on the upcoming design of their classic album, *Nevermind*. Fisher said he not only worked with the band to come up with the iconic album art for *Nevermind*, but he was "...Nirvana's go-to person for almost all of its graphic design needs".



Fisher's lawyer, Inge De Bruyn, told US music website *Billboard*: "The rule in copyright is that the individual creator of a work is to be considered its author and original owner. That really is the basic premise... And the situation is such that if Robert does not assert his rights now, he risks losing them forever." Fisher says he has no intention of seeking payment for 29 years of past use of the smiley by Nirvana, but, may seek compensation going forward. His motion will be ruled on in the coming months. "Since I drew it, I want to be known as the guy that drew it. It's as simple as that," Fisher, 58, said in an interview. "I don't think it's fair that they try and take out a copyright and say Kurt did it."

The attorney for the band, Bert H. Deixler told the *Los Angeles Times* that Fisher's claims were "factually and legally baseless" and that they would be will be "vigorously" challenged. He added that it's also unlikely to change the direction of the band's case against Jacobs. "We are marching forward," Deixler wrote. "The copying Marc Jacobs undertook for his financial benefit is very far from protectable under any theory." The fashion label's Grunge line continues, but the smiley face products are currently sold out or no longer available, though prices are still listed online as high as \$115 for the T-shirt, or higher for a sweatshirt with the same design. (Also named in the suit filed in the U.S. District Court for the Central District of California were the stores Saks and Neiman Marcus, which sold the smiley face products in the U.S.)

"It's on everything: yoga pants, sunglasses, air fresheners. They're still selling a billion T-shirts," said Fisher, whose wife bought a Nirvana smiley shirt for their son at Target a couple of years ago. "I'd see them around over the years. 'Hey, there's my shirt. Cool!' And then I'm like, 'Man, if I only had a nickel for every one of those sold,' and kind of joke and go, 'Whatever.'" The financial stakes for Nirvana vs. Marc Jacobs could be significant. Nirvana seeks "compensatory and punitive damages" from the fashion label, "in an amount to be determined at trial." The band's music and merchandise continue to earn in the millions every year.

The lawsuit against Jacobs will go to trial in 2021, following many COVID-19-related delays.

Research the decision of the US court in the above case.



**Think.  
Share. Act.**

There are interesting cases that come before the Australian Federal Court which has jurisdiction for IP cases.

How could you use this element for your External?

Apart from investigating the costs involved if IP is relevant to your product, you could research a company that has had issues with IP in the industry that your existing business is in to critically evaluate if any changes are required for your business.

You could critically analyse the extent to which the IP outcome will impact the future success of this existing business.

Below are an Australian case you could research further to understand the importance of IP laws:



**CASE STUDY**

Imagine! Its winter time and all you can think about is putting on your favourite pair of Ugg Boots to keep your feet warm. Yet you look over at your friend who is also wearing a pair, and you notice that yours are made in Australia, and theirs in the US. What if we told you that two different businesses sold boots under the name 'Ugg'. This was the beginning of a legal battle between a large US company called Deckers and small Australian business owner against the trademark of using the term 'Ugg'. Australian business owner, Eddie Oygun, took on a legal battle that cost 7 billion dollars against the US company because he believed that Ugg was an Australian brand, which constitutes a sheepskin boot. Oygun said in 2019:

"I fought this, against a \$7 billion US corporate giant, because I passionately believe 'Ugg' belongs to Australia, for any Australian company to use to make Ugg boots for the world."

Lawyer, Nick Xenophon believed that the term Ugg should never have been trademarked. It is a generic term that should have been protected by Australian governments in the past.

Research the decisions and reasons why the courts supported the US company over the Australian small business owner. Do you agree with their reasons? Why or why not?

## 2.5

# Ownership Structure

The following information will assist you to decide which ownership structure you will use if you are designing a start-up. If you are working in the sustaining or transforming context of a company and you are pitching to shareholders, then you would need to understand the role shareholders play in your plan for Sustaining or Transforming a Business. However, keep uppermost in your mind, the focus is on what customers want. If you are pitching to shareholders how you plan to transform the products sold to better meet customer needs, you need to have this focus clear in your mind. Avoid wasting words on describing the theory of how you convert from being a sole trader or partnership to a company or even presenting such information in a table that takes 500+ words! This is not what the Business Plan is about. If this information is not relevant to the product being transformed then consider just providing a very *brief overview*.

The Business Plan does not require you to explain theoretical business concepts nor define business terms. The Business Plan requires you to take a practical approach; you are presenting a plan to your audience. You are not satisfying the task if you include hundreds of words or take lots of minutes to merely or summarise business theory!

There is also excellent accessible information to give you clear guidance on how to choose a structure. Consider each option carefully, as there are key factors and rules to consider for an ownership structure. One of the key decisions you'll make when starting a business is its ownership structure. The 4 most common types of business structures in Australia are:

**Sole trader** – the simplest structure, gives you full control

**Partnership** – made up of 2 or more people who distribute income or losses

**Company** – more complex, limits your liability because it is considered a separate legal entity by the law. Simply this means the company has an artificial identity separate from its owners, the shareholders. “The company” can be sued and can sue in its own name. It also means that liabilities – ie money owed to creditors is owed by “the company” rather than by the owners, the shareholders. This is referred to as limited liability and is the meaning of the Ltd abbreviation you see after a company’s name.

**Trust** – where a trustee is legally responsible for business operations.

Aim to understand the key basic differences between each structure so you can decide which structure is right for your business if you are designing a business.

The choice of structure will depend on the size and type of business and how you want to run it. Each structure may have an impact on key areas such as tax you’re liable to pay, asset protection and costs to set up.

The chosen business *ownership structure can determine:*

- the licenses the business requires
- how much tax you pay?
- whether you’re considered an employee, or the owner of the business
- one’s potential personal liability
- how much control one has over the business?
- ongoing costs and volume of administrative and legal requirements for operating the business

Before deciding which business structure to use, the ATO suggests you get advice from a professional business adviser, lawyer or accountant. Connecting with an expert for guidance and support can save headaches later on.

If you are focusing on sustaining or transforming a business, you may consider changing the structure as one of the elements of your transformation or a requirement for future success. You can change the structure of your business throughout the life of a business. As a business grows and expands, it may be advisable to change to a different type of business structure. For example, as a business grows it may be advisable to change from a sole trader to a company. However, again you are reminded that any information included in your Business Plan on this element will add minimal value to the assessment of your Business Plan *if it is merely descriptive content, whether in the body or in appealing visuals.*

To add value, aim to critically analyse why or how the selected business ownership structure will influence future success. Decide if changing the business ownership structure is an element you wish to include in the transformation of an existing business.



**Think.  
Share. Act.**

Jot down notes to guide you to discuss with peers the key advantages and disadvantages of the different ownership structures.

Discuss if this element is relevant for you to include in your Business Plan. How will it better enable the business to satisfy the needs of customers? Justify your decision to your group.

## 2.6

# Key Personnel and Organisational Structure

## Consider including in your Business Plan, as appropriate:

Who are your key personnel?

How is your organisation going to be structured?

SWOT Analysis: What are the potential risks to your business and how will you manage them?

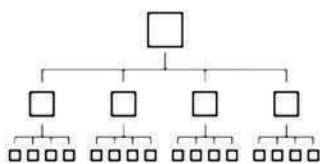
Sustainability Impacts and PESTLE.

*SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021*

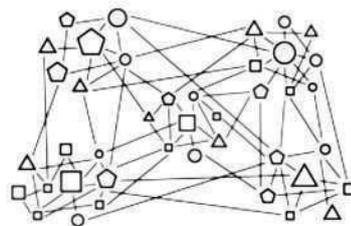
Organisational structure is different from the legal ownership structure. This refers to how the key roles of people in the organisation will be structured. The subject outline refers to “key personnel” – an alternative term that is used today is organisation of your “human resources” – the people who work in the business to achieve its Vision and Purpose, implement the Values and create the culture of the business.

Below it can be seen that progressive firms are moving away from the concept of hierarchical pyramids. This thinking is in line with the idea that the creativity of the frontline employees at the ‘bottom of the pyramid’ have been neglected, leaving enormous untapped potential in traditionally structured organisations.

<https://www.atlassian.com/company/people>



HIERARCHICAL PYRAMID



NETWORK OF TEAMS

Atlassian is an example of a progressive and successful Australian software company that puts its people first. They acknowledge that their business is only as good as the product it sells and the people who sell it.

The pyramid is a familiar structure, with senior leaders at the top, a layer of middle managers, and front-line employees at the bottom. It reflects the command-and-control mentality that defined armies, monarchies and organisations for centuries. The rebel idea **is that any structure that looks like a pyramid is outdated.**

The argument is that it doesn’t suit today’s fast-moving environment, nor does it suit today’s employees. Its rigidity cannot support agility, speed or engagement. It is for this reason that progressive organisations are adopting alternatives. Flexible structures can lift adaptability of the organisation, and, stimulate those in the frontline who are the “workers”.

- How do you create such progressive structures?
- What do you need to think about?
- How do you change the way you organise the use of your people?
- Fortunately, some pioneers have illuminated the path for us.

### 1. INVERTED PYRAMID

The first step towards a more progressive structure is to simply invert the pyramid. Why? Because it is front-line employees who add the most value. Front-line employees still perform the same tasks, but they sense that the rest of the organisation is focused on supporting them. Managers still make most decisions, but they do so out of the need to serve and support the front-line—not the other way around.

**Reflect - How did COVID-19 in 2020 illustrate the importance of frontline workers?**

### 2. AUTONOMOUS TEAMS IN THE PYRAMID

The next step is to introduce autonomous teams in some parts of the organisation. This often starts in IT, because of the current spread of 'Agile' approaches. The most famous example might be the 'Spotify model'. There, developers work in autonomous teams, giving them more flexibility and agility. These employees account for about a third of the organisation. They have far-reaching responsibilities, and, determine their own way of working. The other two-thirds largely work in functions based on a traditional hierarchy, but the culture is such that their role is to enable the developers to do best fulfilling their role.

### 3. FLAT ORGANISATION WITH AUTONOMOUS TEAMS

But it is not only developers that function better in autonomous teams. The next logical step is to dismantle the whole pyramid, and, split into many autonomous teams. For some, this is a bridge too far. So, they start with an interim solution – an extremely flat organisation with as few management layers as possible.

A very large Swedish banking firm, Handelsbanken, with 460 branches has just three layers. The first, and most important, is the autonomous local offices in direct contact with customers. The second is a regional office. The third is global headquarters in Stockholm. The key difference is that in this model, local offices enjoy far-reaching autonomy. Staff at the regional and head offices do everything to serve the local offices—not the other way around.

### 4. NETWORKS OF TEAMS

Organisations that dare to smash the pyramid once and for all often organise into networks of autonomous teams. These networks may be 'served' by a small, but very efficient, headquarters. Dutch healthcare organisation Buurtzorg is a great example. They have over 1,000 autonomous teams, 'served' by a headquarters of ~50 people. That is, there is only one layer above the teams.

Teams are grouped by region, product, service or customer. They determine their own way of working, and, are fully responsible for results. They are multidisciplinary, and rarely exceed 15 employees. Efficient IT systems allow all employees to communicate with each other. Many progressive organisations also provide a group of coaches who help teams whenever they need. Note that coaches do not have decision-making authority—this would reinstate the old hierarchy.

Organisations that want to be more entrepreneurial foster healthy competition between teams by letting them share in the (financial) success or failure of their team, and the organisation as a whole.

### 5. ECOSYSTEM OF 'SMALL COMPANIES'

But these teams no longer work in a closed system. They are part of an online platform that other stakeholders can access. This is what Chinese company Haier pioneered. Their 70,000+ employees work in 4,000+ micro-businesses.

This information is adapted from:

<https://corporate-rebels.com/progressive-organizational-structure/>



### CASE STUDY 8

#### Versa

At the helm is company CEO and founder Kath Blackham. The agency has recently rebranded from Deepend Melbourne and is now considered the world's largest voice and conversational AI agency. By adopting a 'Blitzscaling' strategy, Blackham and her team have leveraged their existing experience in voice technology and conversational design and certified relationships with Amazon, Google and Microsoft. In 2019, she helped grow **VERSA's global footprint**, opening offices in Sydney, Seattle, Singapore, Japan and Mumbai; as well as growing teams in Nicaragua and New Zealand.

But Blackham's most notable recent achievement was the implementation of VERSA's four-day working week, which made **headlines around the industry**. **Under the arrangement, staff work 37.5 hours over four days**, with the office then closed on Wednesdays.

It is an initiative by Blackham and her team to improve mental health and ensure staff are healthier, happier, more efficient. **Since implementing the four-day week retention is up, sick days and mental health issues down and profit has tripled.**

Blackham has continued her "obsession" with mental health and gender equality innovations, adding initiatives such as 3pm staff walks, rate your day and gratitude checks, dogs as mental health tools, quiet areas to work or meditate on noise-cancelling headphones

She has also overhauled the company's parental policy to improve gender equality and give parents, particularly women, work-life flexibility. All new parents now receive 16 weeks additional pay, \$1,000 baby bunting voucher; a free cleaner, nappies and meal service for the first 10 weeks. Staff can bring babies in or work from home two days a week during the first six months. To find out more about

<https://womenleadingtech.com.au/>

This is an excellent website of innovative tech companies if you are looking for a progressive company to focus on the sustaining or transforming context for your External.





**Think.  
Share. Act.**

## TRANSFORMATION

- How has the VERSA CEO changed the structure of her company?
- What could be some challenges of the changes she has implemented?
- Suggest reasons why she has made these changes.
- What metrics are being used to measure the success of the changes? Why?
- What is the current structure in your business?
- How could this be changed? Why?
- Research progressive alternative structures.
- Propose an alternative structure.
- Conduct some primary research to find out the employee response to your suggested changes.
- Be visual. Include visual data of your primary research.
- Analyse and critically evaluate what the data says.
- You could investigate how some competitors in the industry that your business is in are structured.
- How does the organisational structure impact the firm's ability to remain customer-focused?

### PEOPLE AND CULTURE

Have a class discussion about why some firms today call the person who looks after staff and their needs the "People and Culture Manager".

### START-UP: WHAT IS THE STRUCTURE GOING TO BE AND WHY?

- Think about how customers will get products/services offered.
- Who will they interact with?
- Who are the key members of your team?
- How will you induct team members, so they are familiar with the values of your business' culture?



**Katie Burke**  
Chief Nurse Officer



**Kate Barker**  
Chief Financial Officer



**Kipp Bodnar**  
Chief Marketing Officer



**Yamini Rangan**  
Chief Customer Officer



**Dharmesh Shah**  
CEO, Co-Founder



**Brian Halligan**  
CEO, Co-Founder

### CASE STUDY 9

#### HubSpot

HubSpot is an example of a progressive and successful US software company. "If you've read our **Culture Code**, you know we're unreasonably picky about our peers -- our executives included. They cultivate our strong culture and work tirelessly to help our team scale and succeed.

<https://www.slideshare.net/HubSpot/the-hubspot-culture-code-creating-a-company-we-love/128>

Watch the above slideshow -select a few slides to clip, *keep and reference* to include in your Business Plan or Pitch!

- Who are the key people in your organisation?
- Map out the organisational structure of your start up or the existing business you are focusing on.
- Think about what changes you could make.
- Why would you make these?

## 2.7

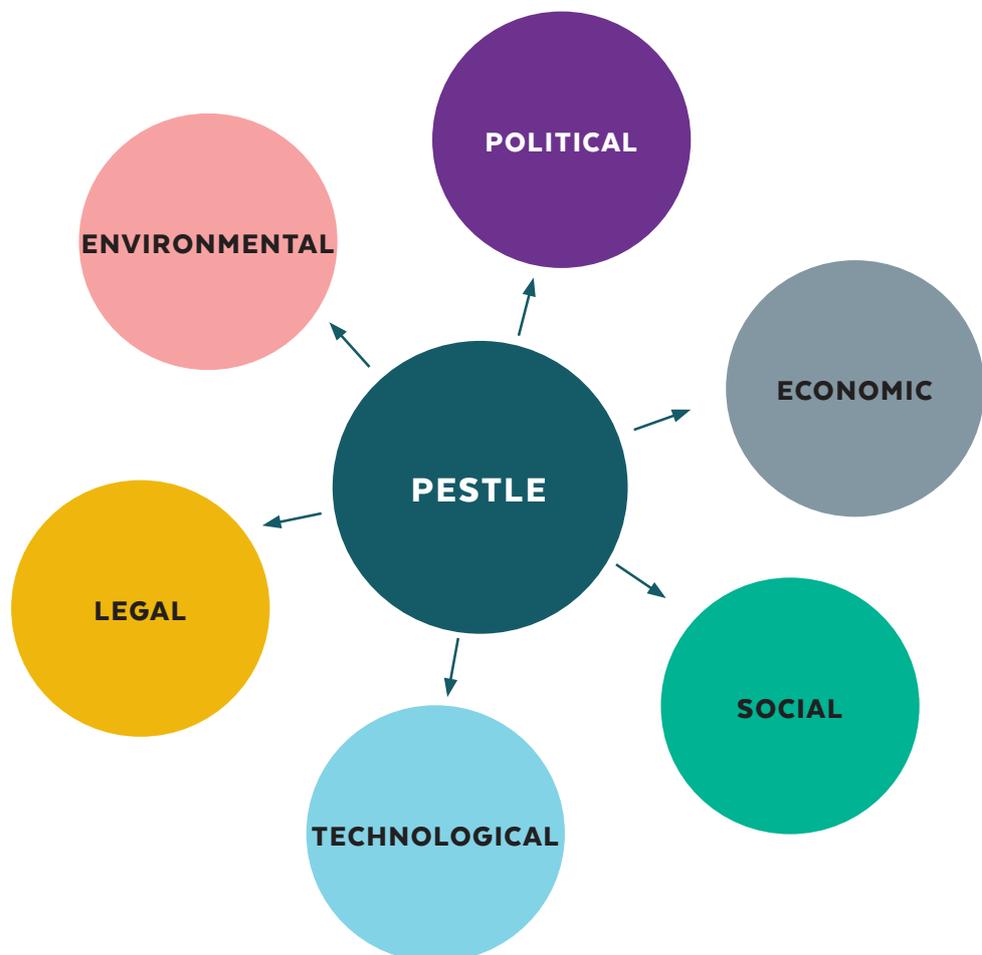
# PESTLE and Sustainability Impacts

## PESTLE Analysis

PESTLE, otherwise known as PESTEL or PEST is another business analysis tool that allows you to investigate the external factors that may be influencing your business' decisions. It lets you identify areas in the external business environment that may be impacting the performance of your business. This will assist you to develop strategies to mitigate these factors. When developing a PESTLE analysis, the aim is to concisely dot point the information rather than include long written answers. This analysis is visual and should be a quick representation of external business factors. When strategically analysing your business it is advised to complete your PESTLE first as this allows you to identify the risks and then complete your SWOT analysis. The SWOT is discussed later. Pay particular attention to the opportunities and threats, as it is from these that much of your Business Plan is born. In a nutshell, it is logical to complete a PESTLE first that informs your SWOT, which then informs your Business Plan.

Recall the hint given in Section 1 about being selective with how you use the elements of your PESTLE.

Data including graphs or infographics can also be effectively used to convey your key findings. Using your chosen business, answer the questions below in the space provided.





**Think.  
Share. Act.**

**P**

### POLITICAL FACTORS

Ask yourself:

- What is the political situation of the country or countries the business is located in?
- What impact does the government have on any decisions the business has to make?
- List the laws that are in place that affect the business.
- (Refer to the section in your Workbook on Legal Requirements)
- List the taxes that affect the business.

Refer to

<https://www.ato.gov.au/General/Tax-and-small-business/>

<https://www.ato.gov.au/General/Tax-and-Corporate-Australia/>

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**E**

### ECONOMIC FACTORS

Research :

- What are current interest and inflation rates?
- Is growth or decline predicted in the economy?
- What is the level of consumer confidence?
- What disposable income do people have? For example, in 2020, between March and May, COVID-19 had a significant impact on payroll jobs, which suffered a loss of 7.3 percent, leading people to have less disposable income. <https://www.abs.gov.au/auss-tats/abs@.nsf/Latestproducts/6160.0.55.001Media%20Release1Week%20ending%202%20May%202020?opendocument&tabname=Summary&prodno=6160.0.55.001&issue=Week%20ending%202%20May%202020&num=&view=>
- Is finance readily available for businesses?
- Are banks lending money?
- What other incentives is the Government to businesses?

A useful reference is: [www.rba.gov.au/chartpack](http://www.rba.gov.au/chartpack) - useful graphs for you to analyse to answer the above questions. You may choose to prepare a data dashboard of the relevant economic indicators that will potentially influence business performance and the decisions made by consumers.

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**S**

### SOCIAL FACTORS

Ask yourself:

- What are the demographics of the people that live near the business, or who the business targets?
- What are customers current buying, or looking to buy?
- What are the cultural trends?
- What is the current population growth of people surrounding the business?
- What is the relationship between the customer and the business like? For example, those who ride with Uber, instead of taxis, believe that its user friendly and has quick pickup service.

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T

**TECHNOLOGICAL FACTORS**

Ask yourself:

- How is the business staying connected to the digital world? And what could they do better?
- What technologies are emerging? And how can the business capitalise on these?
- How is the business utilising the Internet?

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L

**LEGAL FACTORS**

Ask yourself:

- What legislation is in place that the business has to abide by?
- What changes are currently occurring? For example, COVID-19 rules in Australia in 2020 meant that many businesses had to abide by social distancing rules, leading to less consumers and therefore, less revenue.
- How are employers, employees and consumers protected?
- What Worker Health and Safety laws are in place?

*(This is where and how you could incorporate the legal requirements section in the subject outline)*

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E

**ENVIRONMENTAL FACTORS**

Ask yourself:

- How is the business promoting environmental sustainability and what practices are in place to ensure this occurs?
- How does climate and weather impact the business?
- Does the geographical location of the business impact on certain areas of the business model?

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Let's investigate the external factors of Airbnb. Airbnb is an online market place which connects people to unique accommodation opportunities. It allows people to rent out their houses or rooms to people looking for places to stay. Begin by conducting research into the business model of Airbnb and identify areas related to PESTLE and fill in the table.



P	E	S	T	L	E
POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL

### KEY TAKEAWAYS

Culture is a set of shared beliefs, values and practices.

It is the employees who cultivate a firm's culture.

If everyone in the team puts the customer come first in everything they do, a business is far more likely to achieve and sustain success.

The hierarchical structure is outdated. A teams' approach where the workers are supported and valued by executive management for their contribution to achieving success is a hallmark of most successful companies in the 21st century.

Use the space below to keep track of any new words and their definitions that you discover over the duration of this course



**Think.  
Share. Act.**

# 2.8

## SWOT Analysis

A SWOT Analysis is a strategic planning tool used by business to allow them to identify the current strengths, weaknesses, opportunities and threats the business has. This SWOT tool lets businesses determine the internal and external factors that can impact on the business' viability, particularly the threats and weaknesses. If businesses address these negative aspects, their business can thrive by maximising opportunities and building on the business' strengths. If you have chosen to work in the Designing Business concept, you will need to complete the SWOT as a potential SWOT - detailing information related to the implementation of your business.

If you are working in the Sustaining Business concept, you will complete the SWOT with factors that are affecting the business currently and analyse the factors that are important to sustain or prevent interruption to continuing success.

Those who are transforming can use the SWOT to justify any transformations.



**Think.  
Share. Act.**

You can complete a SWOT by designing a matrix, as shown below, and answering the following questions:

### Strengths

- What is it that the business does well?
- What do customers say are the biggest strengths of the business?
- What resources are unique to the business?

### Weaknesses

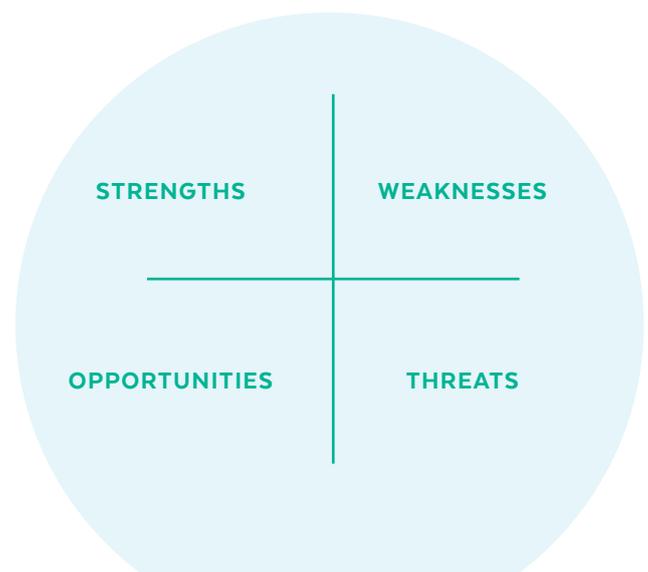
- In what areas is the business lacking?
- What could be improved?
- What are the negative views of customers and key partners?
- What resources are lacking?

### Opportunities

- What opportunities are open for the business?
- How can the strengths of the business, be turned into opportunities?
- What strategies can be put in place to increase profitability?

### Threats

- What threats could harm the business?
- What is the current competition doing that is successful?
- In what areas is your business losing revenue?
- What uncertainties lie within the business?



Let's look at the SWOT for Uber, the rideshare company that has capitalised on providing cheap transport for people who are looking to go from A to B. (information taken from <http://heartofcodes.com/swot-analysis-of-uber/>)



### STRENGTHS

A strong and well-known brand name across the world  
Use of technology  
Positive user interface and user experience

### WEAKNESSES

Negative controversies surrounding sexual harassment and aggressive strategies to take down competition

### OPPORTUNITIES

Expansion to new areas of the world  
Capitalise on rising traffic, bad public transport etc.

### THREATS

Negative controversies surrounding sexual harassment and aggressive strategies to take down competition



### CASE STUDY 10

#### Blockbuster

Blockbuster was once one of the most thriving video and DVD rental services of the 90s and early 2000s. However, in 2010, Blockbuster went bankrupt. In the US alone, they once owned over 9000 video rental stores and yet with only a decade between their success and fall, they had almost 1 Billion Dollars US debt. Interestingly, in the year 2000, Blockbuster was offered to buy Netflix, a thriving successful movie and TV streaming service, for 50 million. Had Blockbuster bought Netflix, they may have been able to survive the digital age. Let's look at what went wrong, through a SWOT analysis of Blockbuster, during the time of their peak.

#### Strengths

- Low costs
- Large share of global market
- Large selection of DVDs
- Strong store presence

#### Weaknesses

- Revenue model focuses mainly on penalising customers with late fees
- Distribution time (between movie release and rental)
- Only present as DVDs

#### Opportunities

- Move to online distribution
- Expanding to video game rental
- Once had the opportunity to focus on wide-scale video streaming

#### Threats

- Netflix has significantly lower costs and offered subscriptions to rule out annoying late fees
- Netflix meant that people could watch a video without having to leave the house to hire it.
- Many competitors

Where Blockbuster went severely wrong with their business model, was that majority of the revenue they made was through late fees, which was not part of Netflix's revenue model. Netflix was successful, not because it was similar to Blockbuster, but because it reinvented video rental and streaming to suit the digital age. Blockbuster, unfortunately, did not embrace this and continued with their shop-front DVD rental stores. By the time Blockbuster started to introduce DVD-by-mail services and scrapping of late fees, it was too late, and Netflix had almost 3 million customers with no physical store costs.

(information taken from: <https://www.businessinsider.com.au/the-rise-and-fall-of-blockbuster-video-streaming-2020-1?r=US&IR=T>)



**Think.  
Share. Act.**

Kmart, one of the most well-known retail stores in Australia, along with other major retailers have faced difficulty with staying relevant in the digital age.

Investigate the Kmart website and any other relevant information to construct a SWOT on Kmart's current standing.

With a partner, comment on the following aspects of Kmart:

<https://www.kmart.com.au/>

1. Highlight the most important Strengths, Weaknesses, Opportunities and Threats Kmart faces today.
2. For each highlight, indicate how the business could maximise these. For example, Uber's biggest threat includes a rise in competition from other rideshare companies. This could be maximised by increasing awareness of Uber in other areas, or perhaps by including positive reviews in a more prominent place, to encourage people to use Uber.
3. Given that Kmart's vision is to 'provide families with everyday products at lowest prices', (<https://www.kmart.com.au/about-kmart>) using the space below, which strategic method would you select, that would allow Kmart to achieve this and why?

S-O Use your internal strengths to maximise the opportunities external to you

W-O Reduce the weaknesses of your business by using the opportunities external to you

S-T Use the strengths of your business to reduce impact of threats

W-T Reduce the weaknesses of your business to be ready to respond to threats

4. Now attempt a SWOT Analysis for your business



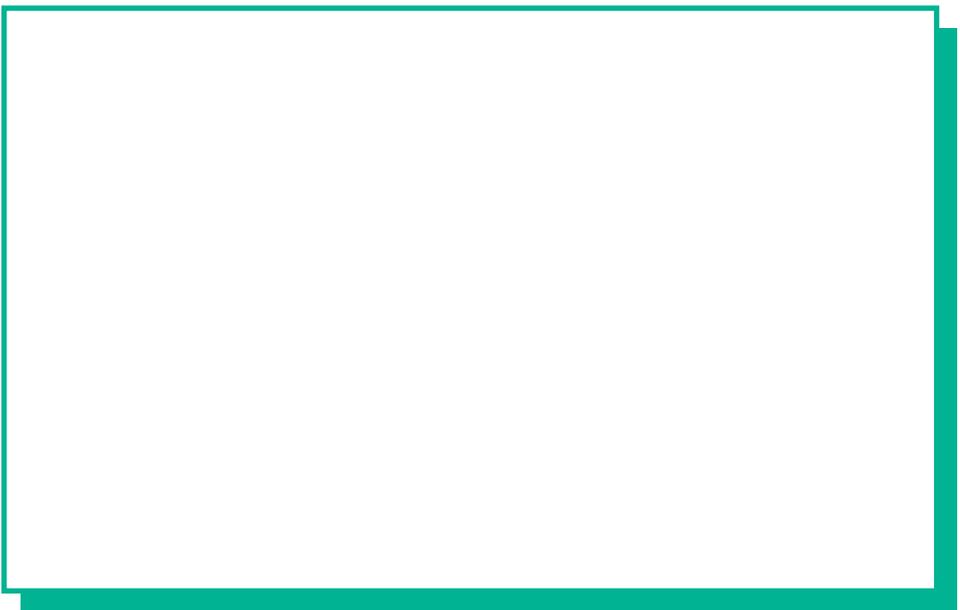
5. Once you have completed the SWOT and identified the chosen strategic method, it is important that you create goals or KPI's that the business can work on.

Simply completing a SWOT alone, without actions for follow up, does not allow the SWOT to fulfil its purpose nor allow you to show your best evidence of learning against the Performance Standards. Your Business Plan should clearly articulate the way forward for your business. This will allow you to showcase your critical thinking skills.

Remember, being selective with what you choose to include is important - quality over quantity!

6. Identify which elements of your SWOT would allow you to best show your critical thinking skills. Justify your decision to your peers.

7. Jot down key points about the KPI's or goals your business could work on. Remember, being selective with what you choose to include is important - quality over quantity





SECTION 3:

# The Market

# 3.1

## Primary and Secondary Research

**The Market:** for example, consider including, as appropriate:

- Business intelligence: market research and industry analysis
- Value proposition: who are your key customers?
- SWOT analysis: who is your competition?
- Get Keep Grow Strategy: sales and marketing plans

SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021

Throughout your whole Business Plan, you will use business intelligence tools and data to research the market and industry for your Value Proposition. It is crucial that throughout the subsections of the market analysis that you are justifying the market for your products/services. You may believe you have a fantastic idea for designing, sustaining or transforming your chosen business. Do not be misled. Even though we are focusing on primary and secondary research in this section, it's inclusion should not be limited to your discussion about "The Market". It is an expectation that you will integrate and evaluate throughout your whole Business Plan the research used to inform your Business Intelligence. The external marker will be looking for critical and creative analysis and evaluation of relevant Business Intelligence that allowed you to iterate or pivot your decisions as you aimed to provide the best solution to meet customer needs. Again, keep uppermost in your mind, that to show evidence of your learning against the Performance Standards, your Business Plan must reflect a central theme driving all your decisions – is this what my customer/s want?

However, if there *is not a customer-validated demand for your Value Proposition/s by the market*, then it is unlikely that your business idea will enjoy sustained success. You may choose to use the following methods to create Business Intelligence to inform your decisions:

### PRIMARY MARKET RESEARCH

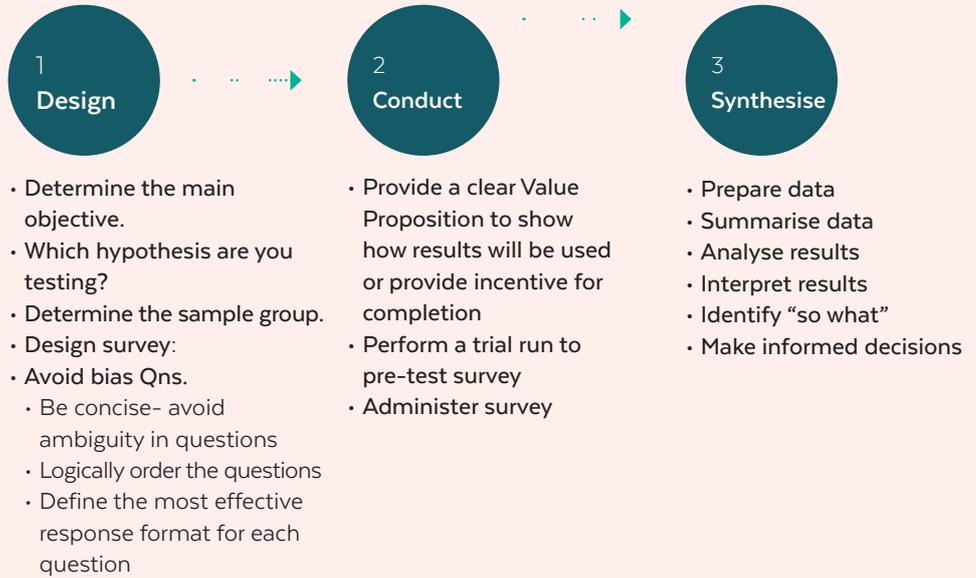
This includes surveys, observations, interviews, questionnaires or focus groups.

This is original research you yourself have carried out.

Brainstorm who you could interview, survey or engage with in other forms of testing. Remember Design Thinking Testing is **so much more** than traditional interviewing and surveying you may have done when using primary research in another subject!

As we stated in Section 1 when we discussed the importance of time management, primary research can be time consuming, so you need to plan ahead so you have adequate lead time. For example, consider the following plan for executing a survey:

## STEP BY STEP PROCESS TO DESIGN, CONDUCT AND EFFECTIVELY USE THE SURVEY DATA



You might look to complete a Lean Validation Board or Experiment Board to monitor your pivots and iterations. A Test and Learning Card can then be used to consolidate your data. These tools have been detailed further in Section 6 of your Workbook.

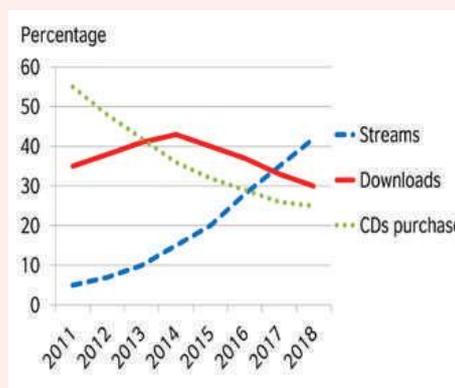
### SECONDARY MARKET RESEARCH

This consists of gathering relevant information and statistics from online research, ABS, RBA.

### PRESENTING YOUR DATA

- With both primary and secondary market research, consider using visual aids, such as infographics, to summarise key information or data collected.
- Consider using tables or graphs to present the data you have collected from primary research or secondary research.
- Remember, it is not enough to just include information in tables or figures. Analysing and evaluating the information is what will provide more evidence of your learning - i.e. adding value to your Business Plan against the Performance Standards.

Figure 1. Music Sales by Method.  
Figure 2. Sales Report & Forecasts.



Constructing a line graph to show trends over time creates an effective visual presentation of data that is easily processed by your audience. You can use graphs to summarise data collected from primary research or relevant secondary research can include data presented in graphical form. Note how Figure 1 is showing a comparison of features on the graph and has used colour to differentiate the three different types of purchases of music.

If you are creating your own graph, there are tools on Excel or other software that can make your task more efficient. Some of the commercial survey tools also have inbuilt graphical features.



## 3.2

# Business Intelligence: Market & Industry Analysis

You could start by describing the industry that your business will be, or is currently working in. The industry is made up of producers and suppliers representing a large number of firms and manufacturers of a good or service. The nature and location of firms in the supply chain of that industry may also be relevant to your Business Plan. Aim to give enough detail and background knowledge so that someone who is not familiar with the industry, can understand what it is about but avoid including a long written description copied directly from a source! As stated earlier, be adventurous and visual; use graphs, infographics or other visuals to make the information come alive!

For example, you may want to talk about the

- size of the industry
- growth rate
- what the outlook is
- any key trends of the industry

Let's look at the example of Hotels and Resorts Industry within Australia below.

## HOTEL & RESORT INDUSTRY

This industry could be described as:

**'Industry players generate revenue from operating hotels and resorts of various sizes. In addition to providing accommodation, most hotels and resorts also earn income by providing food and beverage options for guests'**

It is expected that revenue for this industry is likely to fall by 19.3% in 2020-21 due to international travel bans and less travel over the next year. Furthermore, it is likely that domestic travel will be the main revenue stream for hotel operators. However, this is likely to be short term. Annual growth fell 3.9% between the years of 2015 and 2020. Even though it was indicated that revenue was falling this financial year, conversely annual growth would increase by 6.9% between 2020 and 2025. This is still considered low revenue growth over the five-year period. There are some significant trends in this industry. Firstly, Airbnb has put significant pressure on hotel and resort operators over the past five years and is a significant competitor. COVID-19 is constraining inbound tourism activity in the 2020 year and is causing a loss of revenue. A positive element is that it is projected that international arrival numbers from India are projected to grow over the next five years. Here is an example of an infographic I could include in my Business Plan to highlight key information from above in a visually engaging format.

Once you have analysed the *industry*, you may choose to analyse your *target market*.



This may include describing the demographics of your customer and how you intend to reach the target market.

The ABS website ([www.abs.gov.au](http://www.abs.gov.au)) is a great starting point to analyse your customer demographics. Key information might include:

- Age
- Gender
- Median income
- Lifestyle preferences
- Location
- Lifestyle preferences

For example, your chosen target market might be men aged 18-35 with a median annual income of \$100,000.

You need to know how many people fit this target market as it may very well influence or determine how you are going to offer your product/service.

Are there 100 people that fit this market, or over 20 thousand? You would not want to start out producing a product for 20 thousand people if only 100 people fit the market? When you have a clear and specific target market identified you will need to conduct some research about where your business fits in the market.

Some key questions include:

- Is there a need for my product or service? (*this could be validated with a Lean Validation Board or Experimental Board*)
- has there always been a need for the product or service? or am I trying to create this need through what I am offering?
- why will customers choose my business over another? (this could be detailed more in the competitor analysis)

It can be challenging to predict market growth.

However, if you wish to comment on sales projections for your business, think about what data could assist you. One way that growth can be calculated is by using the ABS population demographic statistics from each census.

For example, in 2016, the population in Burnside, SA 5066 was 43,911 and in 2011, the population was 42,193. This shows a 4.07% increase between 2011 and 2016. Even though the census for 2021 had not been completed, it was possible to predict that an increase may have occurred, as it did between 2011 and 2016.

This reflects growth in the target market, so you could then indicate how you intend to service the needs of the growth in the target market

# 3.3

## Business Analysis Tools

Below are some of the added business intelligence tools you may want to include in your report.

### DE BONO SIX THINKING HATS

Whether you are focusing on an idea for creating a new business, or you are looking to transform an existing business, de Bono's six thinking hats analysis is useful in examining the varying perspectives associated with the idea, to allow you to arrive at a conclusion that has evaluated all the alternatives. Within the Business Plans, undertaking a six hats analysis can not only be aimed at exploring new ideas, but at exploring existing problems that may have been identified from other business analysis tools, such as PESTLE or SWOT.

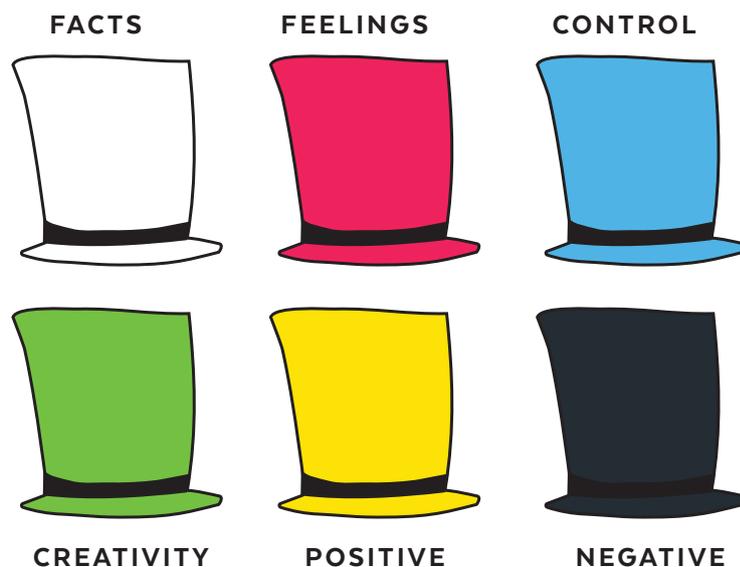
Firstly, determine whether you are looking at a new idea or project for the business, or whether there is a problem that the business needs solving.

Typically, start-up businesses would look more towards validation of original ideas, whilst existing business may want to validate an idea to make changes, or explore a problem further. Once chosen, the premise is that you 'put on' each hat and take notes of the key points that arise.

This is a really, really helpful tool to complete collaboratively or individually.

Write down the problem or idea you are going to explore further

### DR. DE BONO'S SIX THINKING HATS



Using the space provided, 'put on' each hat and answer the following questions.



### White Hat - The Facts

Ask yourself:

- What information do I know about the problem or the idea?
- What information do I lack? Or what information is missing?
- What facts do I have from the past, and can this predict what might happen in the future?

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### Red Hat - The Emotions

Ask yourself:

- What are my gut feelings towards this new business, proposed transformation, or elements that will sustain this business?
- How might other people feel about the above?
- What people are affected by the business and any proposed changes?

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### Black Hat - The Judgement (negatives)

Ask yourself:

- What could go wrong with the decisions planned for the business?
- Are there weaknesses in my plan? If so, what are they?
- What problems could be encountered as this plan is enacted?

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**Green Hat - The Benefits**

Ask yourself:

- What are the benefits this business stands to reap?
- What successes might this business see?
- What Value Propositions does this business have for its customers?

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**Yellow Hat - The Creative Ideas**

- What is my ideal vision for this business if there were no limitations?
- What are new and innovative ways the business can approach its work?
- How can I solve problems or issues whilst keeping a customer-focused approach?

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**Blue Hat - The Planning and Process**

The blue hat controls the decisions of the other hats. Ask yourself:

- How would my customers and employees view the decisions I intend to make for the business?
- Would members of the community, investors or shareholders agree with the decisions made?
- How does the decisions made affect the environment and sustainability?

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**CASE STUDY****Adelaide  
Independent  
Taxis** EST. 1991

The Taxi Industry across Australia is struggling as more people are choosing to use the services of Uber because of convenience and price. Let's say we want to transform Adelaide Independent Taxis, a major taxi company in Adelaide, to try to ensure they stay relevant in the digital age. We can use de Bono's six hats as a way of looking at this transformation from all perspectives.

**White Hat**

- Taxi industry is struggling
- Uber has overtaken taxis as the preferred mode of transport
- In Australia, most people who use taxis are over 50 years of age
- Taxis are cheaper (controlled flat fees and surge charges)
- Not technologically advanced

**Red Hat**

- Business is not as technologically advanced as Uber
- Developing an app may have benefits
- Focus on developing technological side of the business
- Be unique to Taxi Industry by being sustainable

**Black Hat**

- Cost may be high when looking at advancing technology
- Will sustainability increase customer interest?
- Will the app need to be developed by an external company - increased cost?

**Yellow Hat**

- More customer interests
- Challenges perceptions of taxis
- Sets taxis apart from other transport businesses
- Increase in possible revenue

**Green Hat**

- Electric Cars
- Develop app
- Re-brand
- Flying cars
- Self-driving taxis
- Solar powered cars

**Blue Hat**

- Introduce electric cars in stages
- Pay graphic designer to develop app
- Re-model the perceptions of taxi services
- Design taxis with engineers and designers

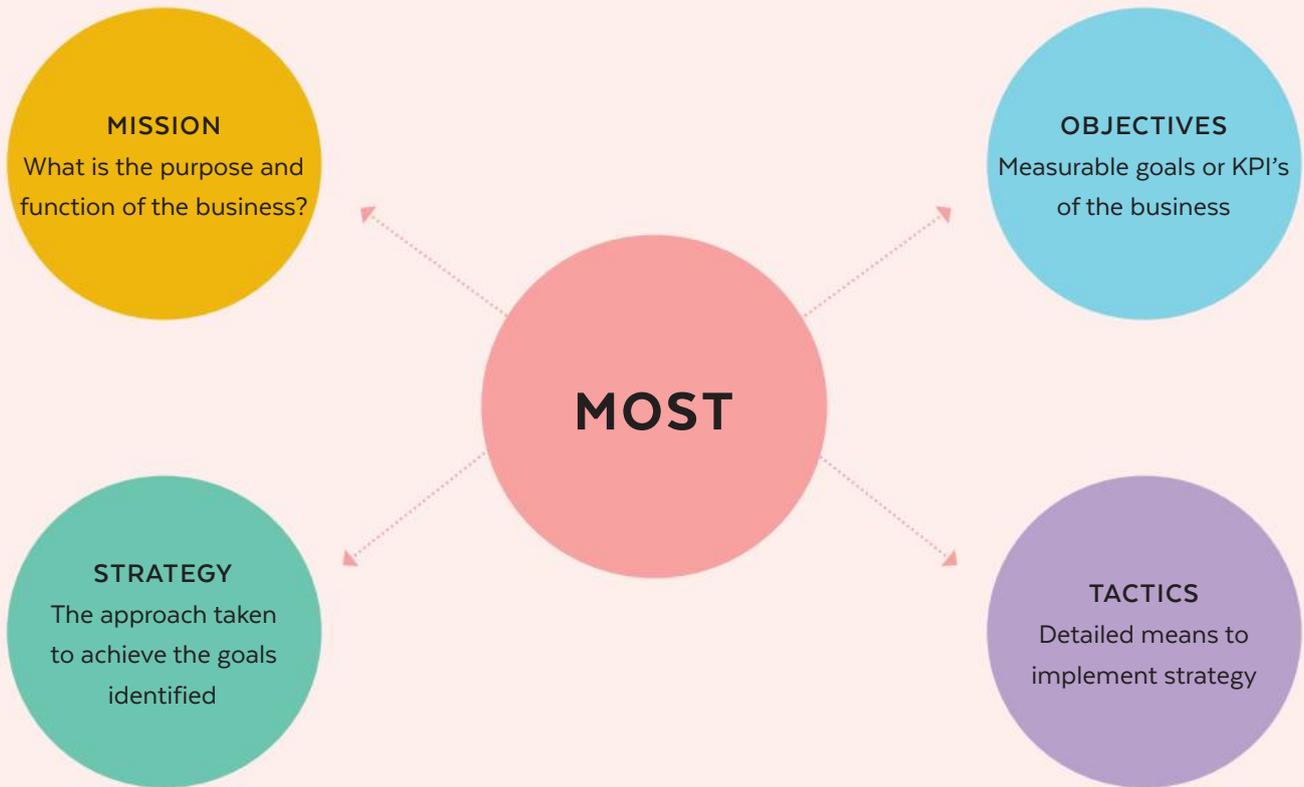
*Work reproduced  
from Emily Goold with  
permission.*

Even though this student completed a full analysis using de Bono's six hats, she did not include all of this information. She was selective with what she chose to represent and used some of these points to further evaluate. For example, when looking at the negatives (blue hat), she focused on evaluating what the cost of new technology would be for Adelaide Independent Taxis and how this would impact on revenue streams.

### MOST ANALYSIS

Unlike the PESTLE analysis, which focuses on the external factors that influence a business, the MOST analysis is used to improve internal processes by analysing the internal environment. MOST allows the business to turn their vision into realistic and achievable goals, to continue to promote success. When everyone has a clear vision and understanding of the targets the business has, it creates a team alignment. The MOST analysis aligns well with 'The Strategy' section of the Business Plan as it links clearly to goals, KPI's and the VPV's of the business.

Start by determining the current internal processes the business has, according to the sections of MOST.



Below is an example of a MOST analysis conducted on the Coca-Cola company, famous for its carbonated beverages. Use the last column to transform the MOST elements to suit the digital age.

(information used from <https://www.linkedin.com/pulse/most-analysis-sample-case-coca-cola-company-mabago-fredrick/>)



### MISSION

- To refresh the world
- To inspire moments of optimism and happiness
- To create value and make a difference



### OBJECTIVES

- People: Be a great place to work where people are inspired to be the best they can be.
- Portfolio: Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- Partners: Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- Planet: Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- Profit: Maximise long-term return to shareowners while being mindful of our overall responsibilities.
- Productivity: Be a highly effective, lean and fast-moving organisation.



### STRATEGY

- Focus on needs of our consumers, customers and franchise partners.
- Get out into the market and listen, observe and learn.
- Possess a world view.
- Focus on execution in the marketplace every day.
- Be insatiably curious.



### TACTICS

#### Work Smart

- Act with urgency
- Remain responsive to change
- Have the courage to change course when needed
- Remain constructively discontent
- Work efficiently

#### Act Like Owners

- Be accountable for our actions and inactions
- Steward system assets and focus on building value
- Reward our people for taking risks and finding better ways to solve problems
- Learn from our outcomes -what worked and what didn't

#### Be the Brand

- Inspire creativity, passion, optimism and fun



# Think. Share. Act.

Using the space below, fill in the boxes for each of the MOST sections. For a start-up business, you will need to determine these factors yourself. However, if you are focusing on an existing business, you will need to investigate, through primary and secondary research, each component. As stated earlier, searching the 'About us' section on a business's website is usually a good place to start. You might do this with a partner for an existing business before you tackle this individually.



## MISSION

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## OBJECTIVES

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## STRATEGY

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## TACTICS

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## 3.4

# Customer Target Market

In the above section, you have been introduced to tools you could use to analyse your chosen business. Note that some of this information may be also be relevant to the Key Customers Section.

In a section like this, you could highlight the key customers of your business and their profile.



For this, you could use the customer profile of the VPC.

Start by making a note of who your customer target market is. It is important that you be specific and not generic. For example, your target market might be 'couples aged 25-40, looking to invest in their first home'. Make a brief note on the canvas of the Value Proposition(s) you are offering.

As you start thinking about each section, you can use the space provided to jot down your initial thoughts. Keep these even if your ideas and thoughts change, as it shows that you have iterated using a customer-focused approach. Recall from Section 1 that this skill is assessed in the Performance Standards.

Once you have identified your target market, start by completing the customer profile with information you believe is true about the customer. You will then use primary and secondary data to fill in the any areas that need more substance. As we discuss the 3 elements of the customer profile of the VPC, I have used an example of people who like to go camping as my chosen customer market.

### CUSTOMER JOBS

What jobs are your customers trying to get done?

What is it that they do or are trying to do in their daily lives?

Whenever we think of jobs, we automatically think of 'doing' – that is to say that we think of tasks that people do, and this is certainly considered a customer job.

However, we want to look deeper than that and investigate the social and emotional jobs that customers are trying to get done.

Socially could involve customers wanting to look good, or perhaps connect with other people from around the world.

Emotionally could be related to feeling good or gaining a greater sense of security.

Some of the customer jobs involved:

- Setting up a campsite
- Escaping from the stress of their everyday work
- Wanting to feel relaxed
- Time away from social media

Can you think of other customer jobs?

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**CUSTOMER PAINS**

What are the pains of your customers? What do they find difficult or what annoys them in their daily life? Customers have fears and can experience challenges in certain situations. Customers might find it difficult to figure out how something works or might find it challenging to perform a task. What keeps them awake at night and what frustrates them? You might investigate the pains of the customer who is trying to perform a task that your Value Proposition is aimed at, or you could be more generic and list all pains of the customer in their daily life.

Let's look back at our customer example of people who want to go camping – some of their pains might include:

- Expensive camping facilities
- Cold showers whilst camping
- Loud neighbouring campers
- Forgetting to pack everything

Can you think of other customer jobs?

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**CUSTOMER GAINS**

Customer gains relate to the benefits and desires the customers are seeking. This might be social, emotional, functional or cost-saving gains. Ask yourself, what would make the customer happy? What does the customer expect and what would go beyond this?

Do not limit yourself in this section – it may take some development of business intelligence but go as far as looking at what customers dream about. You could indicate how often the customer expects this gain to occur, e.g. weekly, daily etc, and indicate how your value proposition meets this.

For travellers looking to go camping, their gains might include:

- To have an affordable camping ground to stay in
- Good shower pressure
- Being able to camp comfortably at the spur of the moment
- Inexpensive camping products

Can you think of other customer jobs?

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### CASE STUDY AIRBNB

Recall from Section 2 that we used the example of Airbnb for the value map section of the VPC. This case study now looks at the customers of Airbnb, which is the circle side of the VPC.

#### CUSTOMER JOBS

- Trying to find cheap accommodation
- Book accommodation easily
- Feel safe when in accommodation
- Hassle-free booking
- Make additional money by renting room
- Manage their own reservation
- Compare bookings
- Find the best price combined with experience
- Negotiate with travel companions



#### CUSTOMER PAINS

- Difficult to find the right place for the right price
- Difficult to find a place due to places being overbooked
- Sharing space with strangers
- Not sure what is promised is what they will get
- Hard to take the wishes of everyone into consideration
- Too many holiday homes to filter through
- Safety concerns



#### CUSTOMER GAINS

- Share the search with travel companions
- Easy comparing between holiday homes
- The experience of a local
- Meet interesting people
- Save money
- Have lots of options
- Flexible booking and cancellation



# 3.5

## Competitor Analysis

A competitor analysis is crucial in understanding how your business fares against its competitors within the marketplace. Gaining insight into the strategies and tactics your competitors are using assists you to take advantage of your competitors' weaknesses.

An aim for many businesses is to reduce the likelihood of competitors taking your market share, or, prevent them from entering the market in the first place.

Recognising weaknesses lets you create solid business strategies to improve your own business and protect its market share. There is no set template for conducting a competitor analysis and it is dependent on the information you have access to. The template can be freely adapted to suit the context of the businesses you have chosen, and the information available.

Ideally, comparing your business against two other businesses will allow you to identify opportunities and threats that are common in the market area. Recall what we said in Section 1 about using visuals rather than lots of writing. Remember, information in tables is part of your word count. Do not waste words by writing full sentences!

	ELEMENTS	BUSINESS 1:	BUSINESS 2:
Business Specifics	Employees Target Market SWOT Analysis Business Model		
Customer Specifics	Value Proposition (products/services) Product/service features Revenue Model(s) Pricing Strategies Product/service  Product/service  Customer Reviews		
Market Specifics	Market Growth Market Share Marketing Strategies		

Firstly, once you have decided on your competitors, it is suggested that you determine how much of a 'threat' these businesses are to your chosen business. One way of doing this is to decide whether the business is either a:

- Primary competitor
- Secondary competitor
- Tertiary competitor

A primary competitor is that where they are your direct competition. Your business may be selling similar products to the competitor or have the same target market with whom they sell their goods and/or services to.

A secondary competitor might sell a similar product to you. However, it could be considered either more 'high end' or 'low end' than what you or your existing chosen business offers.

A tertiary competitor are those who have related brands that may market to the same target audience as your business. However they do not sell the same product as you or compete with you in any way.

It is important that you use a range of primary and secondary sources for your competitor analysis, consider looking at each competitors' digital footprint. This can include:

- Social media platforms e.g. Instagram, Facebook, LinkedIn, etc
- Online news articles
- Reviews e.g. Google, Amazon, TripAdvisor etc
- Websites

You will be surprised with how much information you can find on the internet. Once you have filled in as much as you can find from online sources, it identifies the gaps in the competitor analysis that may need to be sought from other sources including primary sources, such as employees, customers, owners and other stakeholders. Remember, simply putting in a competitor analysis like the table on the previous page is not enough. Be selective with elements you choose to include and use these to further analyse and evaluate. Reminder, again you need to keep referring back to the Performance Standards as this is how your effort will be assessed: **What is the evidence of learning against the Performance Standards?**



**Think.  
Share. Act.**

Woolworths 

coles

Use the information found to construct a competitor analysis.

Research Coles and Woolworths

You could consider including ALDI or another local supermarket, eg IGA or Foodland for broader analysis.



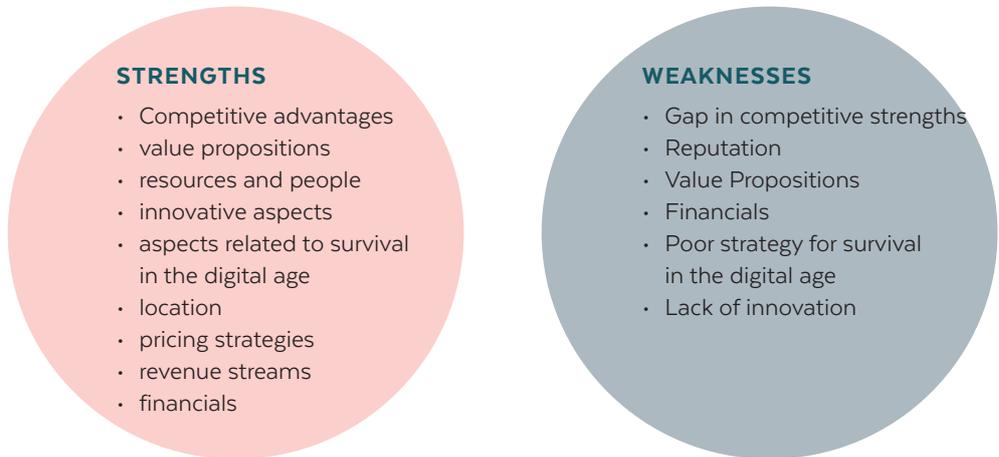
**Think.  
Share. Act.**

Investigate prominent retail department store Harris Scarfe, that went in to receivership in December 2019.

Identify below some of the competing factors that may have led to the business’s decline from a once thriving department store.



To simplify your competitor analysis, you can include the main strengths and weaknesses of your competitors in a table as shown below:



Use the table below to identify the strengths and weaknesses of your chosen main and secondary competitor. This simplified version cuts down on your word count and allows you to expand on strengths and weaknesses in an analytical way. As you can see from the above, this student was very general in their initial analysis. However, they were able to use these points to expand further and add required depth.

For example, the student may argue that the weak Value Propositions is the core weakness that needs addressing. They could analyse what aspect of the Value Propositions were a weakness. Too narrow? Inadequate? Vague in communicating value added for potential customer? They could then evaluate why this is considered the core weakness and what the consequences are. Furthermore, a student could suggest changes and show insight of how management of the other weaknesses are integrated and could be addressed once the Value Propositions are improved.

<p><b>MAIN COMPETITOR</b></p> <p>Strengths</p>	<p>Weaknesses</p>
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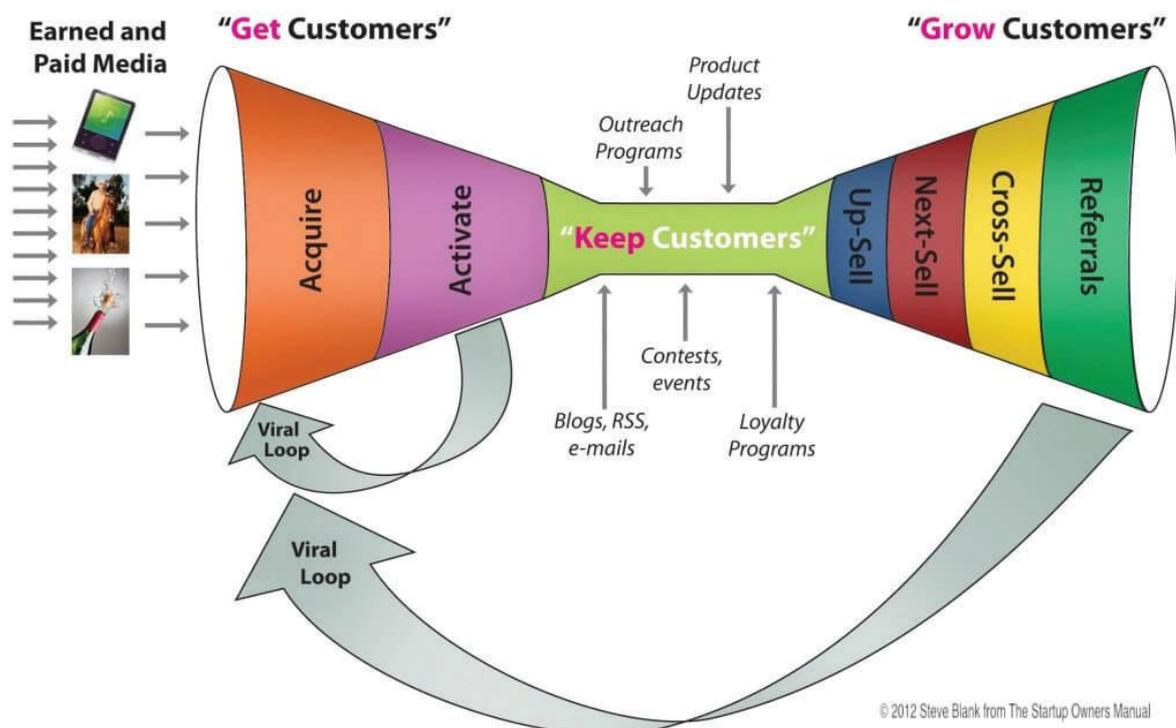
<p><b>SECONDARY COMPETITOR</b></p> <p>Strengths</p>	<p>Weaknesses</p>
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# 3.6

## Get Keep Grow Strategy

Being able to identify who your target market is crucial. However being able to identify how you will gain more customers, keep your existing customers and grow them further is pertinent in ensuring the success of your business. No matter which business concept you are working in, you need to identify how you intend to get, keep and grow your customers. Throughout this model you will need to use each element as a way of explaining your sales and marketing techniques. Let's unpack this:

- **Get** – identify how you intend to acquire customers and get them to purchase your value propositions
- **Keep** – whether you have existing customers now or are looking to the future of when you do have existing customers, how are you going to ensure you keep them as customers for longer periods of time. Keeping customers is less expensive than having to acquire them again.
- **Grow** – how will you sell to existing customers and will you offer more or alternative value propositions to keep their engagement?



### GET

'Get' is about how you intend to get customers interested. Look back at your Business Model Canvas at the value proposition, channels and customer segments sections and identify what will get customers into the 'funnel' as indicated on the left of the above cycle.



## Think. Share. Act.

Some key questions to ask yourself:

- What will attract people to your business?
- What activities will you engage in to get customers engaged? advertising, emails, Facebook ads, blogs social media posts, publications etc.  
It is likely that these activities will be paid, so make note of the cost and ensure they fit into your budget. Use the space below to plan out your marketing and sales plan.  
Once you have acquired initial customers, you will want them to become active customers who pay for your Value Propositions, depending on the pricing strategy and revenue model you have indicated in the financial section of your report.
- Will you get them to sign up to a loyalty program?
- Does your Value Proposition involve a freemium or subscription service?
- Is there an app that keeps customers connected?

### KEEP

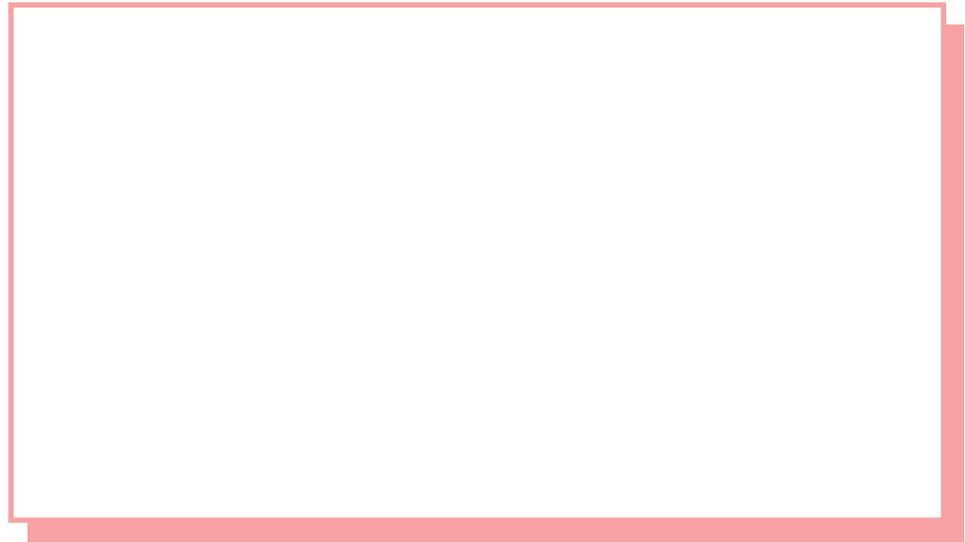
Keep is about keeping customers engaged and ensuring that you will not lose them. Keeping customers engaged can include:

- Loyalty programs
- Events
- Social media
- Blog posts
- Newsletters

## GROW

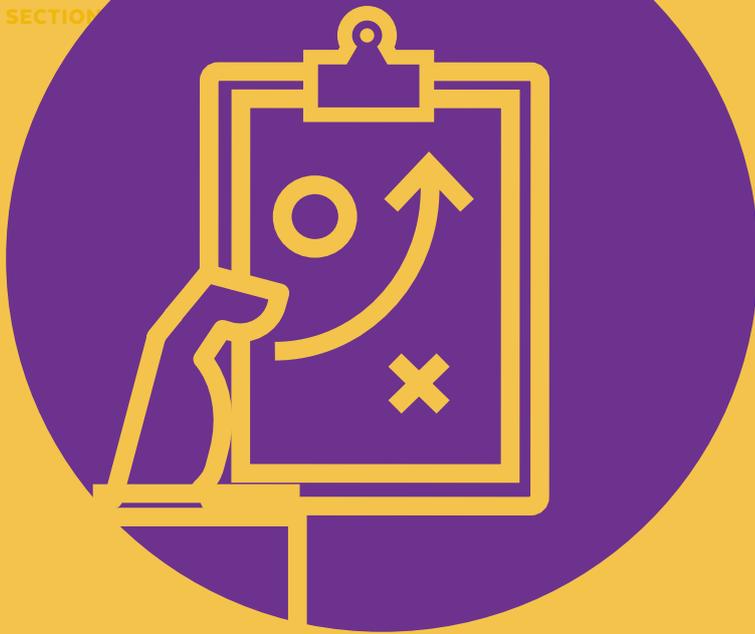
Grow is about selling to existing customers. This is much cheaper than trying to acquire new customers. Think about:

- Can the Value Propositions be bundled?
- Can premium features be added to existing Value Propositions?
- Can a product be upsold by appealing more to customer needs and wants?
- Can products be cross sold?
- How can you get customers to refer others to the business (as indicated by the viral loop in the cycle)?



## KEY TAKEAWAYS

- Industry and Market analysis are not the same – you will use the data from these two sources of analysis to inform how you believe your business will fare over the next few years
- Use the Competitor Analysis to highlight potential opportunities for your business to gain hold of a larger proportion of market share
- You must be clear about who your customer base is and why.
- It is not enough to just get customers to your business, you need to plan how you intend to keep them, as recurring customers, and how you can continue to grow your business.



SECTION 4:

# Project Management Strategies

# 4.1 Goals

Consider including in your Business Plan, as appropriate:  
 Project Management Strategies for example,  
 Short-term and long-term goals  
 Action Plans to achieve the Vision and Purpose of your business

*SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021*

In the same way that we advised you in Section 1 to set yourself goals to allow you to achieve the best outcome on the completion of your Business Plan and Pitch, you are encouraged to do likewise for your business as indicated in the subject outline extract above.

To grow and implement the Vision, Purpose and Values of the business, the creation of short-term and long-term business goals provide a strong incentive for all the people in your business to work towards common outcomes. However, it is not adequate to merely list a series of goals if you are working in the Designing Business context or to include the goals of an existing business from their website or other publications.

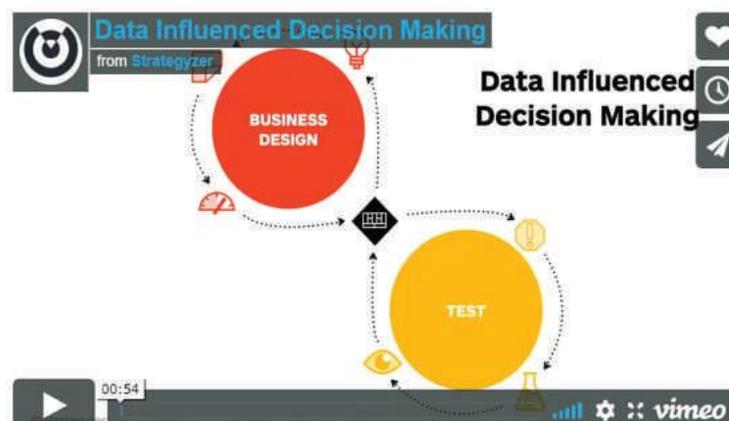
To achieve your best grade, we again remind you that you are required to show evidence of your learning against the Performance Standards. Look closely at the Performance Standards on page 28 of this Workbook. It may be a good idea to either photocopy and enlarge them to A3 size and have them visible at home where you study or print a copy and laminate it so you can frequently refer to it. For example, think about how you could show evidence of your critical analysis skills or how you have used business intelligence to make informed decisions about which goals the business will aim to fulfil.

You may decide to link your discussion about goals to your SWOT analysis. Show in-depth understanding of how you will use goal-setting to minimise risks and utilise opportunities for the business to continue to flourish in an ever-changing digital age. You will often read that successful businesses are agile. What does this mean? It's about the ability to respond quickly to changing circumstances, to be flexible, creating a business culture that puts customers first, whilst remaining profitable.

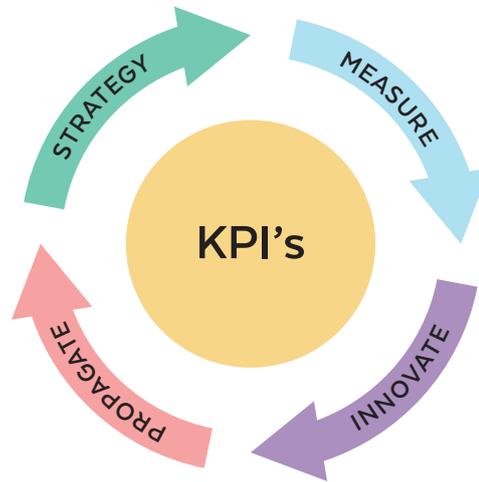
“Test early and test often” is the mantra for start-ups using the design thinking model. **Through the iterative process you are likely to have practised in earlier tasks, you will understand that an agile approach has replaced high-level drawn out design with frequent redesign.** Data influenced decision making drives innovation in our ever-changing business world.

Watch this short video on data influenced decision-making.

<https://vimeo.com/455651752>



This agile approach encourages the use of shorter-term goals that are regularly reviewed. Why? To measure if they are delivering results to users of your product – your customers. Flexible processes allow you to maximise the time spent on tasks that add value to the business’s performance. Engaging in close communication with your customer’s needs and aiming for continuous improvement through testing and feedback will move you closer to achieving your financial and non-financial targets which are often referred to in the business world as *KPI’s – Key Performance Indicators*.



## Key Performance Indicators (KPI's)

You will recognise the following approach to setting KPI's from the personal time management approach we encouraged you to use in Section 1.

KPI's should be SMART:

- Specific
- Measurable
- Achievable
- Relevant
- Time-bound

BASELINE

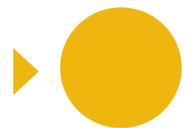


START

ACTIVITY



GOAL



DESIRED  
FINISH

S	M	A	R	T
SPECIFIC	MEASURABLE	ATTAINABLE	RELEVANT	TIME BOUND
The goal is clear and straightforward.	The goal can be simply and objectively measured.	The goal is achievable with the given resources.	The goal is high-priority and important.	There is a specific end date to the goal.

- All goals share some common attributes.
- A goal has a beginning and end.
- A goal can typically be broken down into sub-goals often called objectives.
- Activities ie actions should be guided towards achieving a goal.
- You may recall that in Section 1, we added **E R to SMART – set SMARTER GOALS** by Evaluating and Reviewing your business goals.



**Think.  
Share. Act.**

Use the table below to fill in your SMART short term and long-term business goals and their target date. This information can then be transformed into a more visually engaging format. Less words, more impact!

SHORT TERM GOALS	TARGET DATE	LONG TERM GOALS	TARGET DATE

In the space below the table comment on why these goals are relevant.

- You may choose to think about:
- How do they fit in with your firm's Vision, Purpose and Values?
- How do they allow you to proactively respond to the external challenges you identified when using the PESTLE analysis tool?
- How do they compare with the goals of your competitors?

## 4.2

# Can Agility and Planning Co-exist?

As we stated above, continuous small incremental changes and regular evaluation reduce the implementation risk and make it easier to stop non-profitable projects before they incur huge losses. The flexibility to revise and re-prioritise projects at an early stage is essential in today's fast-moving business world. Businesses that adopt agility at each level but also combine a flexible approach with traditional techniques so that they have a transparent and reliable approach to "how they do business" understand that an attitude of "we don't plan, we're agile" is likely to result in a business that loses direction and struggles to succeed. Some level of formal planning is essential. Agility – flexibility and quick response to customer needs due to changes in one or more factors in the market or external environment is not an excuse to abandon all discipline that comes from planning.

## **SIMPLIFICATION MAY BE THE FIRST KEY**

As we discussed in Section 2, it is no longer considered necessary to have an excessively complex organisational structure with too many layers that complicate the processes, add extra costs and time delays to get tasks done. Of course, it depends on the industry as to how much autonomy or accountability individuals are given in the firm. The key aspect though is that those closest to delivering to the customer to satisfy their needs should be able to make decisions that best fulfil customer needs as quickly as possible should a problem occur. A hierarchical structure and fear of failure culture is likely to also be a culture that is resistant to change. To achieve the potential benefits of responding early to customer needs, an agile culture is needed across all levels of a business.

Such a culture is significantly influenced by leadership or the owner in a smaller firm. What does this mean? It means management needs a comprehensive plan for managing the expectations of the business, reversing resistance to change,

Encouraging drive, enthusiasm, motivation, and productivity whilst ensuring all employees have the skills they need to behave with agility. Employees deal better with change in a creative, flexible, agile and decentralised environment where they can execute their tasks autonomously but with a clear, shared Vision, Purpose and Values. The digitally enhanced and richly connected world we live in today creates new challenges and opportunities for designing effective collaboration and communication for this way of working.

## **COLLABORATION AND DIGITAL TRANSFORMATION - PATH TO SUCCESS?**

Having everyone working together to achieve shared goals of your business is an effective path to success in our dynamic business environment. As we saw from the Apple and Google case studies, collaborating with others towards common goals helps push beyond the obvious and create unique solutions. Digital connectivity connects Teams using lean visualisation tools.

Using software provided by firms like Atlassian including providing value-added capabilities such as managing work flows, increasing collaboration between work groups and making progress fast and simple. It allows users to easily personalise their views of complex issues and understand them by sharing multiple dimensions of knowledge, It is this transfer of knowledge, more than the digital tools themselves which will allow enterprises to remain competitive and agile in the future. If you are working in the sustaining or transforming context, then you may choose to review the processes that are used by your chosen firm to manage their workflows and communication systems.

Agility allows you to stay focused on what matters, and continuously adapt to the latest information, rather than sticking to your original predictions. Its about eliminating or reducing

activities that consume resources without actually adding any value to the business's profit. It also makes work more rewarding and enjoyable, resulting in a more engaged workforce, creating a culture that attracts star performing employees. Agility gives your business a framework to maintain a balance between running the business to meet set goals and changing the business to achieve growth through rapid and continuous innovation. One such area where there is clearly evident is in the request for more flexible work arrangements.

Your generation, generation Z, and generation Y and X have been demanding a new way of working and buying products anytime, anywhere. Mobility is the new norm. COVID-19 in 2020 has expanded the target group requesting more flexible work arrangements following the forced work from home rules imposed by the Government. Digital transformation of work processes has exponentially progressed at a rate that has left any firm not embracing such change on the backfoot. Accessing and using new technology improves agility whilst meeting employee flexibility needs.

**\*SME - Small-Medium sized Enterprise are defined by ABS as firms employing less than 20 people**

In Australia in 2019 there were 2,065,523 small businesses in Australia employing less than 19 people, accounting for 97 per cent of all Australian businesses by employee size. Access this link to appreciate the importance of small business in Australia! <https://tidybiz.com.au/pages/what-is-a-small-medium-enterprise-sme>

### **MANY SMES\* TO CONSIDER REMOTE OPERATIONS BEYOND LOCKDOWN**

More than one million small businesses across Australia are expected to continue operating remotely after the lifting of COVID-19 restrictions. This was the information gleaned from the recent research conducted by global technology platform, Zoho, which prepared the Remote Working Revolution Report, together with Telsyte. The research found that 32% of small businesses already preferred to work remotely before the pandemic hit. It also reveals that a further 18% of small businesses are keen to make the shift towards remote work in the future, in the wake of realising its benefits during current lockdown restrictions.

With connectivity, cost and accessibility of Cloud Technology improving across Australia, Zoho predicts the number of businesses making the online shift will increase further. "The nature of work will change as the number of deciding to work remotely and from home will skyrocket, even after lockdowns and social distancing restrictions are lifted," Vijay Sundaram, Zoho's Chief Strategy Officer said: "If there's one thing business owners and workers are understanding in the wake of COVID-19 it's that a job is something you do, rather than somewhere you go." Sundaram added, "Digital transformation of work has traditionally been the domain of big business, but in recent months technology has helped hundreds of thousands of small businesses pivot their operations and workforce."

Inside Small Business Magazine, Winter 2020.



<https://www.zoho.com/r/auremoteworkstudy.html>

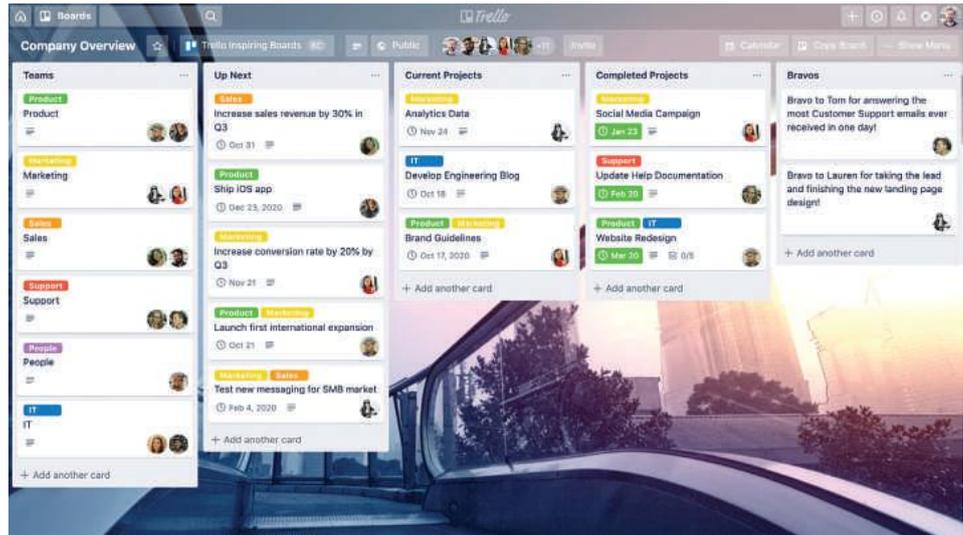
If you are focusing on the Sustaining or Transformation context for your External, you may like to investigate how a small business might adjust their work processes to solve a problem such as high absenteeism, high staff turnover or low levels of productivity resulting from low engagement from employees.

Firms can now record their goals and KPI's taking advantage of the agility provided by a range of software available. Atlassian, the highly successful Australian tech company introduced to you in Section 2, have launched a variety of software products that allow firms of all sizes to improve their operating efficiency by integrating business functions. For example, the publisher of your Workbook uses Trello, software designed by Atlassian. This software enables stakeholders in the firm to easily be able to track the progress of a proposed publication as it travels from idea to writer to

illustrator and designer to proof-reader to printer.

Businesses are under pressure to digitally transform. Flexibility afforded by using digital platforms can increase productivity, reduce costs, and improve profit.

See the integrated operating system using software like Trello below:



**Think.  
Share. Act.**

- How many emails have been saved by using this integrated software?
- What other advantages can you identify
  - Rank the advantages in order of highest benefit for business, owners, employees and customers
  - Justify why you state this is an advantage.
  - Which goal does this advantage support?
  - List some disadvantages of using such digital technology.
  - Justify why do you believe this is a disadvantage.
  - Which goals will be supported by implementing such software?
  - Which goal may be delayed or not reached because of implementing this software in the business you are focusing on?



## 4.3 Action Plans

Looking back at all the elements of your Business Plan so far, it is highly recommended that you create a **Action Plan** on how to implement the relevant goals for your business regardless of which context you are working within. The Action Plan is likely to identify the How? Question – where are we now? Where do we want to be? How are we going to get there?

Objectives are then identified – think of them as stepping stones that will allow the business to achieve its goals. This will work towards achieving the Vision and Purpose. The Values will guide behaviour and decision making at every step of the pathway to fulfilling the Objectives, Goals, Purpose and Vision.

The actions are likely to be related to some of the tools and elements we have referred to in earlier sections:

- Vision, Purpose and Values
- SWOT Opportunities
- Creation of the Value Propositions
- Marketing and Advertising
- Get Keep Grow cycle

For start-up businesses, indicate how you will get your business up and running with your Value Proposition/s.

For existing businesses, indicate how you will achieve the transformation of its Value Proposition/s or sustain where the business is currently at. **Remember, it's not just about filling in a table and adding it directly to your Business Plan.** Think about how you could elaborate on this and evaluate the effect that your action plan could have on your business.

You could complete a table with headings, but a table takes up a lot of words! Once you have completed this table, transform the information into a flow chart instead. Use concise summary points to present each idea. Consider using a flow chart that effectively and visually shows the process or workflow. Look at the examples below and access the link that follows to get more ideas.

However, whichever format you use, it is not about just adding it into your Business Plan. Reflect on it, and evaluate the effect your Action Plan could have on your business.

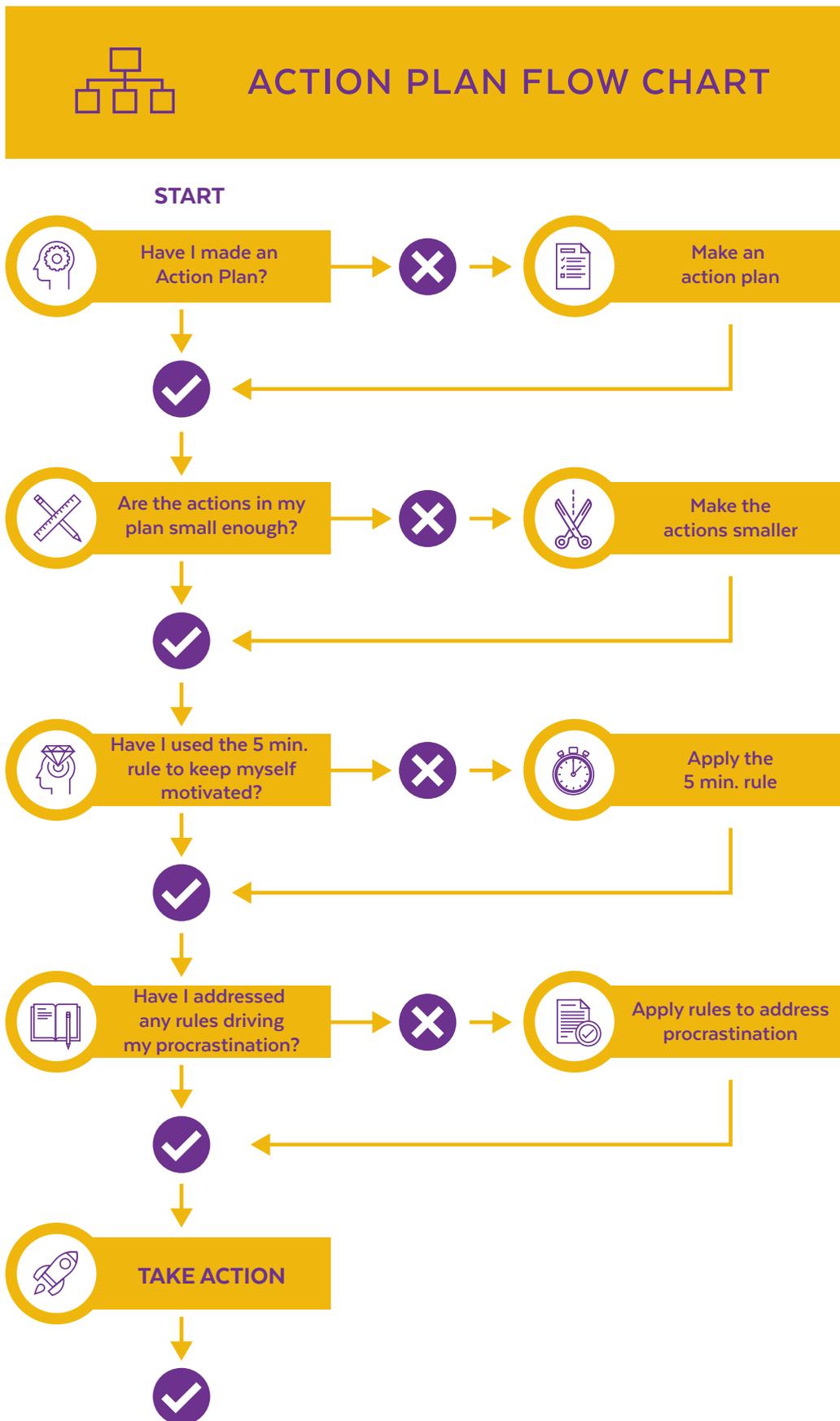


**Think.  
Share. Act.**

ACTION	ADVANTAGES	DISADVANTAGES	DATES FOR INITIATION AND FOLLOW UP	COSTS

# The Planning Process





Once you have determined your short-term and long-term goals and decided how you will measure your achievement, it is important that these goals and actions reflect and fit in with your Vision, Purpose and Values of the business. The aim is to create an integrated business model regardless of its size and to show your relevant stakeholders that your actions are all leading in the same direction? Which direction? Towards your strategic direction.

In keeping with the emphasis already given numerous times, you are by now familiar with what is important for you if you wish to maximise your success in this task against the Performance Standards. It is important that you not only present tables with interesting well thought out information or describe your planned goals in aesthetic pleasing infographics. Recall that important question “Why”? Why have I chosen or revamped these existing goals depending on your chosen context.

How will you do this? Justify your choice of goals, explain why they are crucial to the success of your business in the short term and in the future. You may like to design an original infographic that clearly shows the link between your goals and actions and how these contribute to the Vision and Purpose of your business. Such information will provide valuable business intelligence for your Pitch to convince potential investors to believe in your business like you do. Think about Tesla that we introduced in Section 2 – it took them years to yet to make a profit and yet shareholders were and are willing to invest in and finance the business dream of Elon Musk. It was, and, is the ‘Why’ that these investors believe in. Recall that Tesla has shown agility by tweaking their Vision to respond to changing business intelligence about what they should be focusing on to sustain success. We will unpack this even further in Section 5 when we examine the role of finances in business success.

Look at the visual below to get some ideas of how you can use business intelligence to make decisions about which initiatives your business should give priority to achieve its goals.



## Westpac's record \$1.3 billion AUSTRAC money laundering fine explained

By business reporter [Michael Janda](#)

Posted Thu 24 Sep 2020 at 4:06am, updated Thu 24 Sep 2020 at 4:15am

Westpac has agreed to pay the largest fine in Australian corporate history — a \$1.3 billion civil penalty for more than 23 million breaches of anti-money laundering laws.

But what exactly did it do wrong and how does the penalty stack up?

### What are the laws Westpac broke?

To help police and security agencies stop international crime and terrorism the Federal Government passed the Anti-Money Laundering and Counter-Terrorism Financing Act (2006).

This law places many requirements on financial institutions and other key groups that handle large or cross-border money movements to report certain transactions.

According to the Federal Government's Department of Home Affairs, the five major requirements are for organisations to:

- Register with the regulator if they are captured by the laws
- Set up and maintain adequate systems to monitor for money laundering and terrorism financing risks
- Know their customers by verifying their identity
- Report any suspicious transactions to the regulator within specified time periods
- Keep appropriate records of transactions

## KEY PERFORMANCE INDICATORS (KPI'S)

As we have stated earlier, an essential part of your Business Plan and Pitch will be the Vision, Purpose and Values, Short-term, long-term goals and Action Plans of your business. Regardless of the context you are working in, it could be useful to allocate time and attention to in-depth thinking and adequate time to research or create business intelligence that supports you to create and critically analyse these foundation elements in your Business Plan and Pitch. They are the DNA, the culture that is the driving force of your business! However, as a previous business owner, Angeline used to remind her staff of an old saying “if you do not know where you are heading, you are likely to end up somewhere else” and if “you cannot measure it, you cannot monitor it”.

Recall we have discussed that it is fine to “end up somewhere else” because you have iterated in response to vital customer feedback as without customer validation for why they need your product, you do not have a sustainable business. You will recall our earlier discussion about agility, exploiting digital capabilities and collaboration. We emphasised that although we are living in a digital age where we can empower our employees to make decisions about how they organise their work to fulfil their role, we still need a way of measuring how they are performing against the business goals. The metrics used will depend on the purpose, size, nature and industry of your business.

The metrics can be linked to the business goals or they may involve a performance review of individual employee performance. Often in business, employees

are given KPI's that will be used to measure their performance. In larger firms, performance reviews are often focused on the extent to which an employee has met their individual KPI's. Like most aspects of business in our current changing world, there is some disruption in the real world about this conventional way of measuring employee performance.

What are we actually wanting to measure?

How productive the employee is against the business goals?

Banks in particular have been highly criticised and chastised by retired High Court Justice. On the 1 February, Royal Commissioner Kenneth Haynes issued his *"Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry"* Report. This was a result of an approximately 18-month investigation into the practices and workings of the financial sector in Australia including a number of highly publicised public hearings. Numerous banks including most recently, Westpac, got themselves into trouble with the law as their single-minded focus on achieving their KPI's led to a culture that was misdirected towards achieving your KPI's at any cost! The result was a disaster.



**Think.**  
**Share. Act.**

Numerous banks including most recently, Westpac, got themselves into trouble with the law as their single-minded focus on achieving their KPI's led to a culture that was misdirected towards achieving your KPI's at any cost!

*Analyse what the above statement means.*

Will the \$1.3 billion fine solve the problem?

Why or why not?



## Think. Share. Act.

### KPI'S APPLY TO ALL BUSINESSES

They may be simple if you are a small business owner who owns a bakery BUT data driven digital transformation could improve the processes and outcomes for even a small locally owned bakery.

- See the points below that describe some of the processes used.
- List their KPI's.
- How could digital transformation using available and emerging technology improve this bakery's processes and outcomes?
- Analyse the benefits and the costs.
- Refer back to the Trello dashboard on page 114.
- *Research any other digital tools that would improve this bakery's performance against their KPI's.*
- Evaluate how digitally transforming their processes would allow the small bakery to deliver on the following Value Proposition for customers "We will have the right product available at the right time."

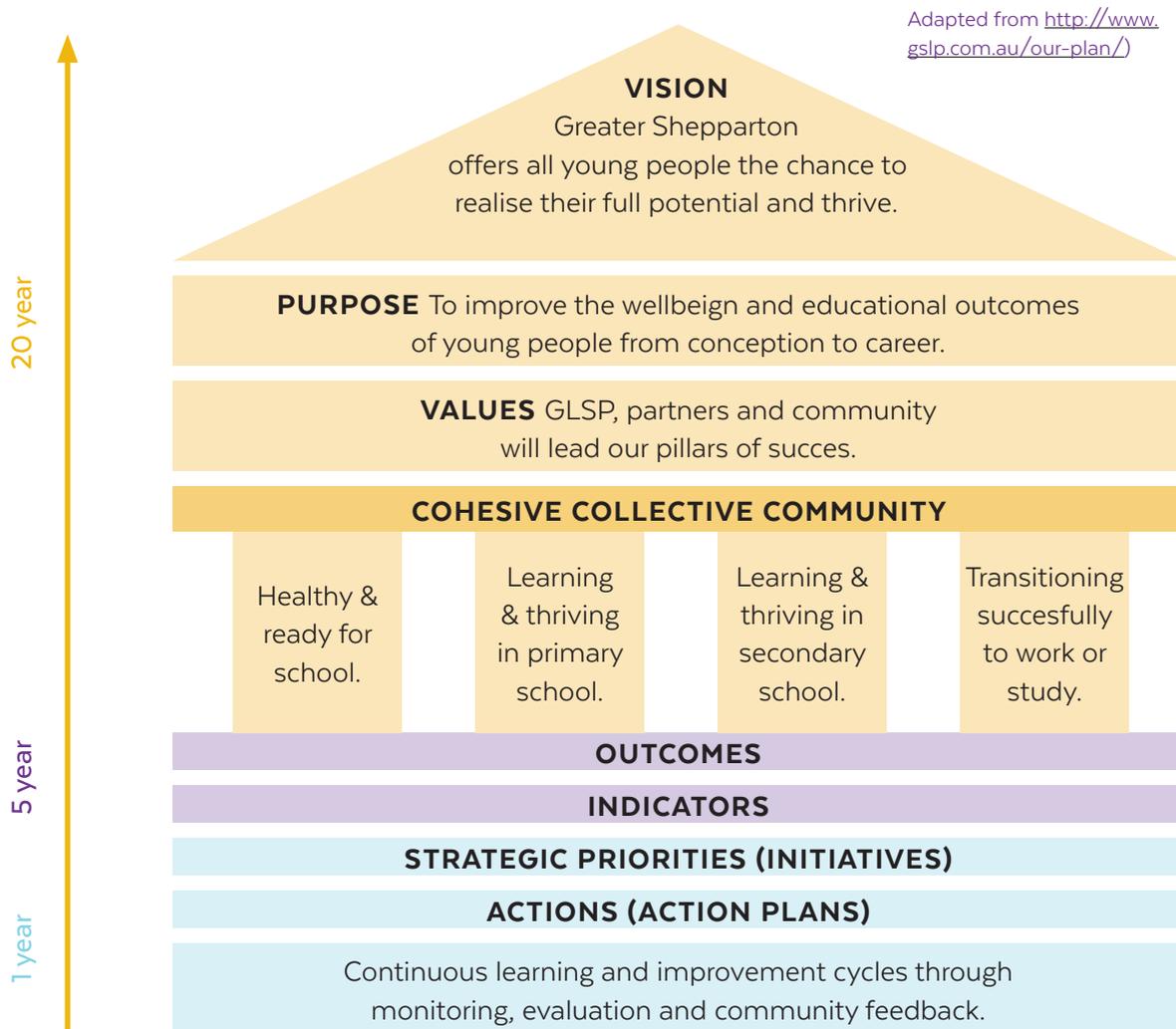
- Each week the employees had to phone the bakery to find out their shifts for the following week.
- They had to collect their hard-copy payslips each week.
- Every day, the employee who did the "close" had to phone their employer before locking up and give a short report including the following information:
  - No of customers, cash revenue, credit card sales, cash discrepancy between tills and cash register point of sale figures entered.
  - What time did bakery run out of key products?
  - How many more customers asked for each product?
  - What products did customers request that we did not bake?
  - Confirm that they had left a note for, or, phoned the bakers if necessary, to let them know of any orders from retail or wholesale customers that meant bakers would need to either change the order that they bake products or start baking earlier than 3 am? (This information was recorded in a communications book during the day by employees)
- Answer the question
- How did the sales figure today compare with the target sales figure?
- What was the dollar value of the wastage?
- What products did not sell well today?
- Were there any complaints? Compliments from customers?

Some successful, progressive firms have ditched the whole idea of annual Performance Reviews against KPI's. Netflix has decentralised their organisation so there is less time and associated angst allocated to trying to meet KPI's set by a line manager. Netflix have restructured their business into small teams who set their own KPI's and regularly meet to ask each other three questions:

- What should we start doing?
- What should we stop doing?
- What should we continue doing?

Brainstorm with your peers, what benefits may flow from small teams of Netflix employees setting their own KPI's. Discuss any negatives.

ADVANTAGES	NEGATIVES



## DIGITAL BUSINESS TRANSFORMATION IN AGRICULTURAL SECTOR

The AlphaBeta report concluded internet-enabled digital tools could lift the value of farm production by \$15.6 billion (20 per cent) with \$8 billion from technologies that collect information to help producers make data-driven decisions to manage their farms through precision farming. Technologies that provide farmers with real-time information about the state and performance of their farms, such as soil moisture sensors for water efficiencies, had the potential to add another \$4.3 billion, he said. Farm automation which replaced human labour including autonomous tractors had the potential to contribute another \$3.3 billion.

### A BRIEF OVERVIEW OF THE REFRESHED JOHN DEERE STRATEGY

Over the years, Deere & Company has proactively studied changes in its major global markets to better understand and meet the needs of customers around the world. The company has recently refreshed its strategy to address these changes.

Here, we've provided a summary of the revised John Deere Strategy. You can also watch the video below to get Chairman and CEO Sam Allen's perspective on it.

This video below uses a kernel of corn as an example – representing one human being in the world. For every one of these, John Deere's customers have to provide food, fuel, clothing, shelter and infrastructure. By 2050, the global population is expected to reach 9.7 billion. It's hard to visualise just how many people (or kernels of corn this is), but the video does a good job of explaining what a huge responsibility it is.



## THE JOHN DEERE STRATEGY

### CORE VALUES

Helping John Deere customers meet the needs of 9.7 billion people is an enormous challenge. How can the company meet that challenge? By executing the John Deere Strategy.

From the very beginning, John Deere has been based on four core values:

1. **Integrity**
2. **Quality**
3. **Commitment**
4. **Innovation**

The company aims to live up to these values in everything that they do, in order to stand out from the competition.

## SUCCESS FACTORS

Integrated enterprise means that John Deere leverages the strengths and capabilities of three types of businesses through a line of high-performance teamwork. Ag and Construction are the twin engines of the company's global growth. They are complemented by the Turf and Forestry businesses. These supporting businesses help make all of the businesses work better.



Foundational success factors are the core strengths that have guided John Deere's success for generations. These are the things that John Deere does well, and will continue to invest in.

1. **Exceptional operating performance**
2. **Manufacturing and supplying excellence**
3. **Distinctive product quality**
4. **Extraordinary global talent**
5. **Civic and environmental stewardship**



To help meet new challenges, John Deere has established 5 critical success factors. By using data in innovative ways, analysing it to help customers make better decisions and to help the company find new opportunities.

1. **Deliver measurable customer value**
2. **Technology and analytics leadership**
3. **Best-in-class integrated solutions**
4. **World-class distribution system**
5. **Win in aftermarket**

**JOHN DEERE'S ASPIRATIONS**

Realising the company's aspirations (ensuring sustainable growth) will require game-changing innovation, discipline, and expansion. John Deere is committed to being the best in the world at providing data-enabled equipment solutions to agricultural customers. To the increasingly global construction customers, the goal is to gain market share from competitors and achieve a higher level of financial performance.

<https://tinyurl.com/yywhbkpe>

**FINAL THOUGHTS**

That's the refreshed strategy, which aims to provide employees clear direction and motivation for everything that they do. For investors, it provides a clear picture of where the company is today and where we expect to be years from now.

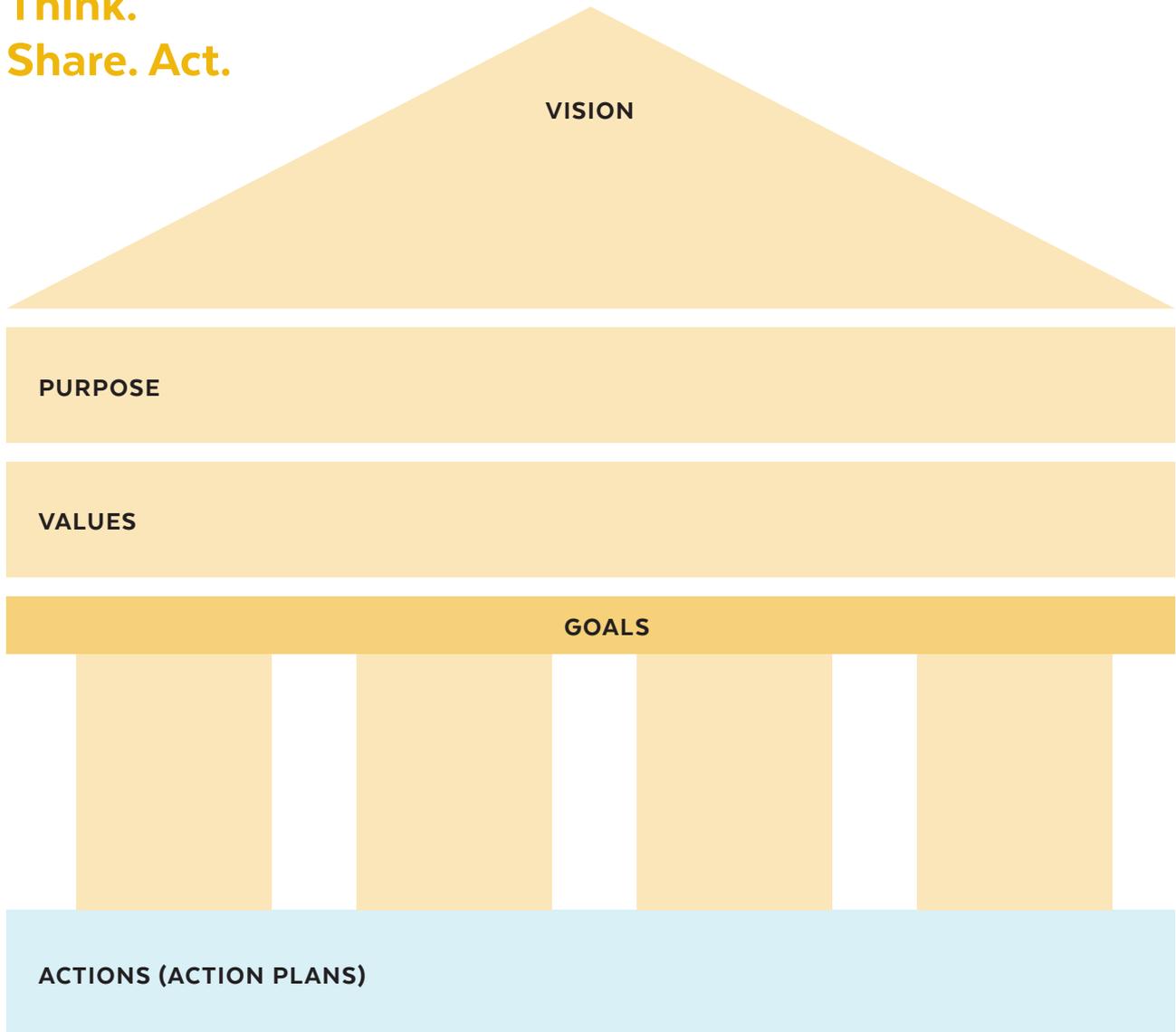
While much of the refreshed strategy is familiar, John Deere is making big adjustments to meet the needs of customers around the world. Ultimately, this is much more than a strategy; it's a promise to continue pursuing quality and innovation to make customers more efficient and profitable.



Prepare an infographic or visual diagram to summarise the information from the Case Study on page 122-123 that summarises the transformation of John Deere's business model.

You may like to adapt the following diagram, design your own visual or go to one of the following websites to get further inspired! Refer back to the completed diagram on page 121 for inspiration!

**Think.  
Share. Act.**





<https://www.canva.com/create/infographics/>

 **infogram**

<https://infogram.com/>

### KEY TAKEAWAYS

Businesses set short and long-term goals to give all stakeholders, but particularly, employees and investors where the business is heading.

- Goals are achieved through actions, which is why an Action Plan sets out for employees their objectives - what they need to 'do'.
- In decentralised workplaces using digital technology to improve work processes, employees are involved in setting as well as implementing the firm's strategic compass.
- KPI's are a metric for measuring how well the business is meeting its objectives in a specified time frame.
- Agility, collaboration and effective use of digital technology are hallmarks of progressive, innovative, firms who are able to enjoy sustained success. Continuous improvement is an essential feature of every business today regardless of size, age or industry.





SECTION 5:

# The Finances

# 5.1 Financial Objectives and Targets

## BUSINESS PLAN

A Business Plan builds on the information contained in a business model.

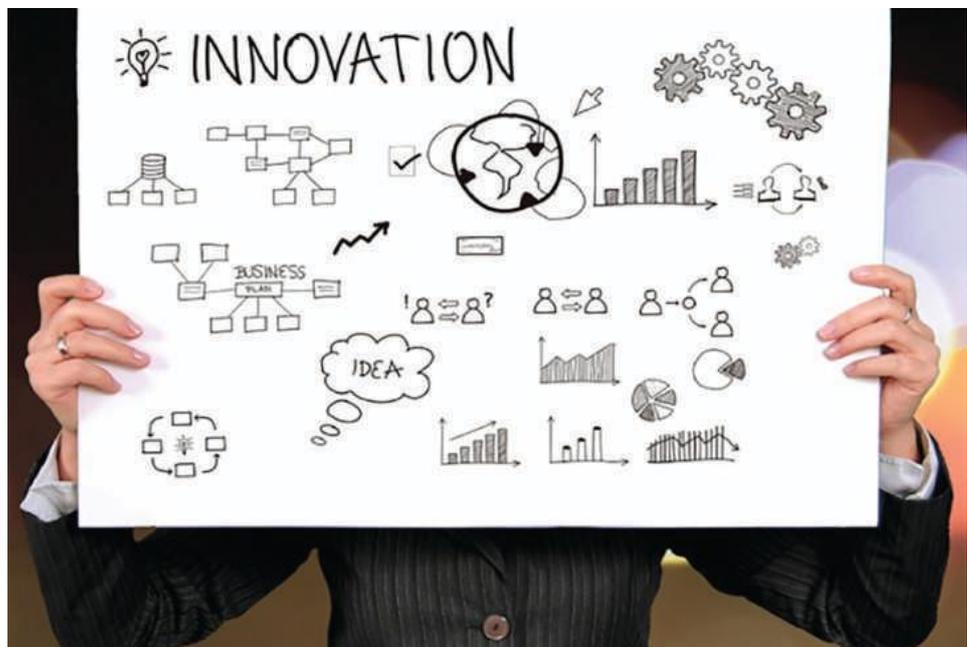
It is a document that describes the goals and objectives of a business and the strategies it will use to achieve these.

It is a road map to provide direction and a reflective tool to measure progress.

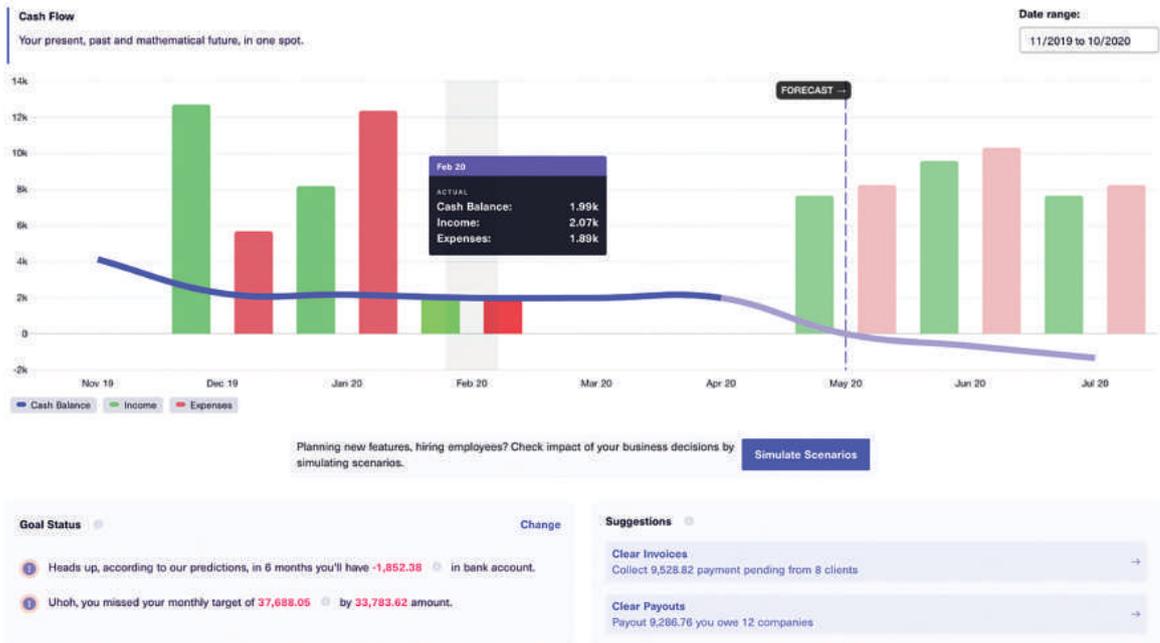
The Business Plan should include the business; the market; project management strategies, and the finances.

*SACE BUSINESS INNOVATION SUBJECT OUTLINE, 2021*

In this section will focus on the elements of your Business Plan that can provide direction and be used as a reflective tool to measure financial progress.



Bar graphs, pie charts and other visuals can be used to effectively communicate financial data. Regardless of how innovative a product is, it is only going to “make money” for a business when target customers are willing to part with their money and buy it! Thus, we will examine revenue streams and pricing strategies and use of KPI’s to measure and evaluate business performance. Annual budgets, cash flow forecasts, funding and capital requirements and the preparation of breakeven analysis and reports including the Balance Sheet, Revenue Statement will be briefly explained so you have the context, it is strongly advised that you use available software if you choose to include such data in your Business Plan or Pitch.

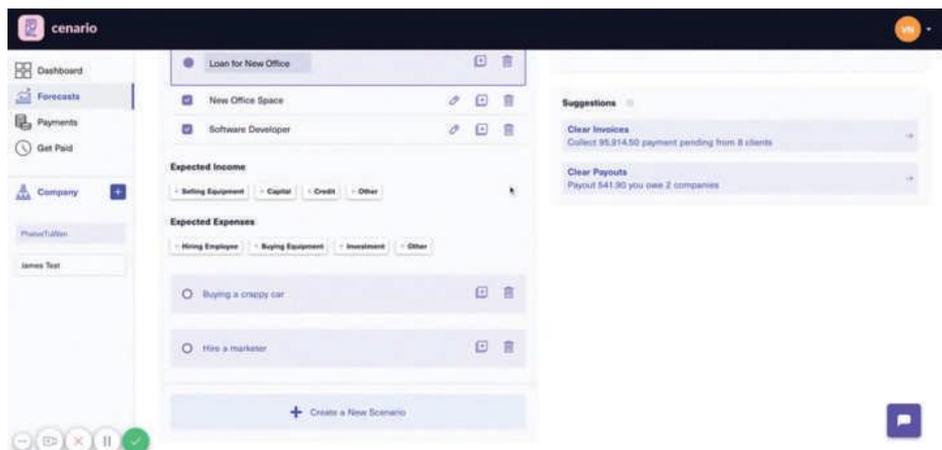


<https://www.cenario.co/how-it-works>

In today's rapidly changing business landscape, all business continually evolve and innovate. This is a response to one of the few constants faced – **change!** Having a basic financial awareness to understand the key relevant data that measures business performance is something that has **not** changed!

However, gone are the days of needing to spend inordinate amounts of time, particularly as a small business owner, trying to manage cashflow using manual spreadsheet-based solutions! The disruption caused by COVID-19, has been a turning point for many firms. Co-founder of the Cenario platform states that there has been an acceleration in the adoption of artificial intelligence (AI) by small business owners seeking to access fast, accurate insights and analytics to help them make more informed decisions to manage their cashflow and predict their financial future. Much of the financial data can be easily captured and created into interesting visuals using easily accessible software. Here is what Cenario present as their Value Proposition on their website landing page.

Understanding data is hard.  
We make it simple.  
Focus on making better data-informed decisions for growth.  
**Predict the future, effortlessly.**  
Understanding your numbers & predicting the future has never been so easy.



Using such software will enable a businesses owner to focus on *understanding* how *Revenue*, *Profit* and *Cashflow* significantly influence a business's ability to achieve and sustain success. This is still an essential business skill. You do not have to be a financial or computer whizz or study Accounting, but basic financial literacy is a vital stepping stone to understanding and analysing the metrics used to measure financial performance.

Remember, it is up to you how much emphasis you give to the topic of finances in your External! Reminder – when you are deciding what to include given the limited word count or time – you cannot include detailed information on everything. We have captured for you the information from the subject outline at the beginning of each section – but be clear – the information in each section is a guide. Our aim is to provide you with a framework so *you can choose what to include in your Business Plan and Pitch*.

As we have repeatedly stated, your work will be assessed according to the extent that you show evidence of your learning against the Performance Standards. However, in your Pitch, particularly if you are pitching to potential investors, it may be in your interest to showcase your understanding and ability to critically analyse the relevant metrics. Potential investors may want you to explain to them the potential risks and rewards before they are willing to part with their funds to finance your business's activities. The following sections are presented to upskill your financial literacy. It is of little value repeating the underpinning theory in your Business Plan. You want to show how to use the data to create Business Intelligence that will inform business decisions. You may choose to take advantage of the demo models on web-sites promoting platforms like Cenario. <https://www.cenario.co/how-it-works>

## KEY PERFORMANCE INDICATORS (KPI'S)

What do the KPI's mean that are used to measure the performance of your new business you have designed or how will you finance any planned transformation or what evidence can you show using the KPI's of how an existing business will sustain its success? We introduced the use of KPI's in the last section. Recall a KPI is a way of using metrics to communicate the progress made towards a measurable goal. By metric we mean a standard for measuring or evaluating something. In this section we focus on KPI's in the context of setting financial objectives and targets.

## VALUE OF SETTING FINANCIAL OBJECTIVES

The key benefits of setting financial objectives include:

- sharing a clear focus for the entire business
- measuring success or failure for the business
- reducing risk of business failure from inadequate cash flow
- financing different business operations
- providing targets to make informed investment decisions
- indicating potential rate of return to investor

### THE MAIN TYPES OF FINANCIAL OBJECTIVES

These can be summarised as follows:

#### Revenue Objectives

*Common revenue objectives relate to:*

- Revenue growth (% or value)
- Sales maximisation
- Market Share

#### Cost Objectives

*Cost minimisation is a common financial objective*

- controlling the fixed and variable costs of a business
- calculating the break-even output
- calculating cost per unit and linking costs to targeted efficiency measures  
eg – labour productivity, utilisation of capital equipment

**Profit Objectives**

- Most businesses aim to maximise profit
- Profit objectives = central plank of the overall financial objectives

**Alternative financial profit objectives:**

- Specific level of profit (in absolute terms)
- Rate of profitability (as a % of revenue) or Return on Investment
- Growth targets – monthly, quarterly or yearly
- Meet or exceed industry benchmarks of profit margins

**Capital Structure Objectives**

*Refers to the balance of finance provided by*

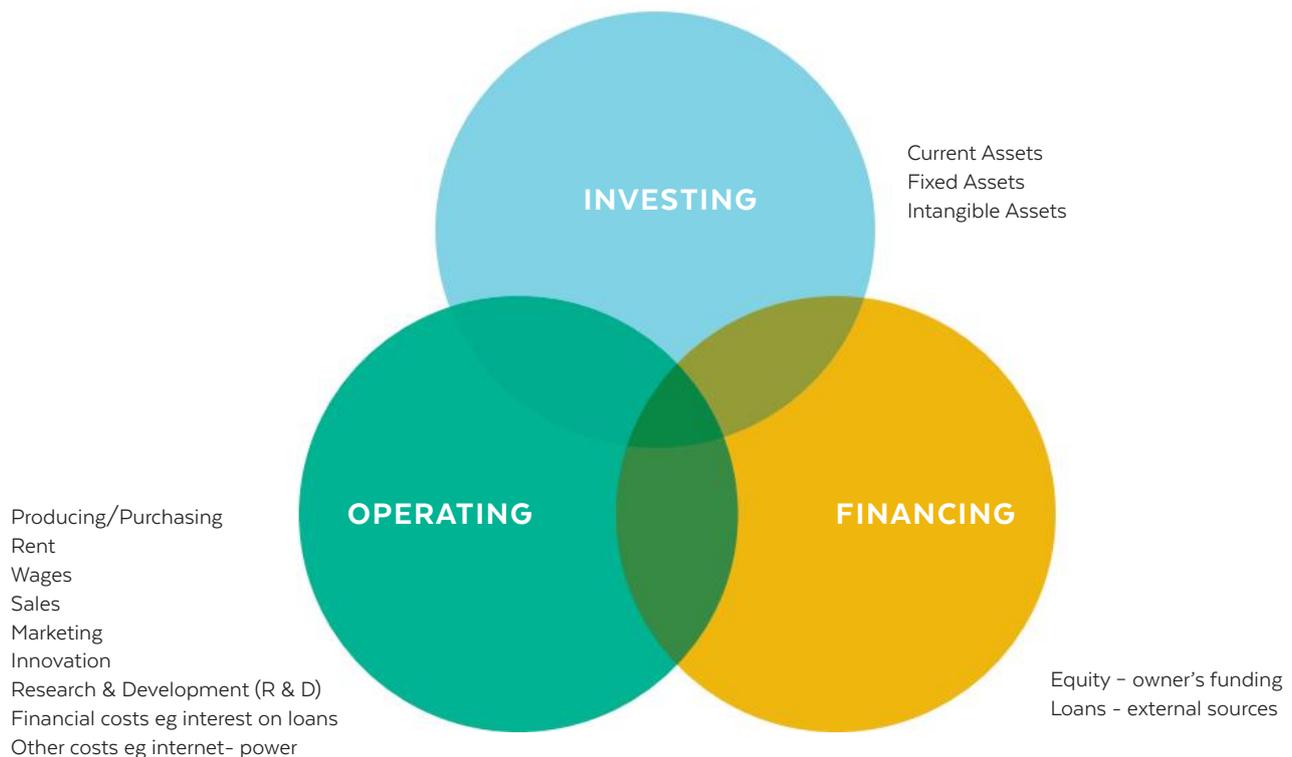
- equity eg share capital/owner's funds
- debt

Two key capital structure objectives are:

- *gearing ratio – (the % total business finance that is externally provided )*
- *debt /equity ratio (the proportion of business finance provided by debt compared to equity)*

**OVERVIEW OF BUSINESS ACTIVITY**

The following elements capture 3 fundamental aspects of business activity.



The investing and financing elements of a business are included in the business report commonly prepared and used by financial advisers, owners and investors, known as the *Balance Sheet*. Below we unpack the components that make up this financial report.

ASSETS	Current	Fixed	Intangible
Assets are things the business owns that can be used to generate revenue.	Working capital	Building	Intellectual property
	Inventory (stock)	Vehicles	Patents, trademarks
	Debtors	Machines	Goodwill
	Cash	Equipment	Brand recognition
LIABILITIES	Short term	Long term	These are amounts owed by the business to external creditors.
<ul style="list-style-type: none"> <li>Short term- to be repaid in less than 12 months</li> <li>Long term - to be repaid in period more than 12 months</li> </ul>	Trade Creditors eg Suppliers of raw materials	Bank loans	
	Employee entitlements eg holiday leave	Loans from other investors eg Angel Investors	
	Overdraft		
OWNER'S EQUITY	Shareholder's Funds	Owner's contribution of Funds	<i>(Assets - Liabilities = Owner's Equity)</i> Calculated by deducting total liabilities from total assets.
This is the business's net worth - ie what the business is worth to the owner.	Shareholders provide funding to businesses with an ownership structure in the form of a company.	Owner's funds lent to the business	
		+ Profits	

## ASSETS

### WHAT THE BUSINESS OWNS

Assets are what the business owns that can be used to generate revenue. An intangible asset is an asset that is not physical in nature. Goodwill, brand recognition and intellectual property, such as patents, trademarks, and copyrights. In opposition to tangible assets, fixed assets include buildings, vehicles, equipment, and inventory. Note how current assets are grouped separately. This provides users of the information with critical insight regarding the liquidity of the business. The concept of liquidity in business refers to the ease with which assets can be converted into cash to pay debts by the due date. Generally, current assets are far more *liquid, ie easily converted into cash*, than fixed assets. Fixed assets are purchased with the intention of making an ongoing contribution to generating revenue for the business rather than being sold to pay wages or rent!

Be clear, even though we use the term 'cash', we are not referring to a narrow definition of having physical notes and coins. Broadly speaking we are referring to having adequate liquidity that enables a business to pay its debts on time. The current asset of Debtors - individuals or firms who owe the business money - is a current asset. Its liquidity depends on whether the debtors will pay you on time! Stock or Inventory as it is alternatively called in business, is a current asset. The metric, *Stock Turnover*, measures how quickly you can sell (turn over) a given level of stock in a given time period. Thus, the liquidity of this current asset depends on how quickly you can sell your stock. Another term that is used in business to measure and track financial progress in relation to the Current Assets is *Working Capital*. This is a financial metric which represents operating liquidity available to a business. "Capital" in this business context is loosely used as another word for 'money'. Essentially, Working Capital is the money small businesses have available to fund day to day operations. If you also study Economics, you will know capital has a more specific meaning in that subject! Sufficient Working Capital is required to meet the operating costs in the short term: eg paying wages, paying for raw materials or stock and paying for utilities such as power as well as servicing debt e.g. paying interest. More importantly, additional working capital is required if the business is aiming to grow and take advantage of new opportunities to innovate. Working capital is often referred to as the heartbeat of any business! It can give you some important data. Firstly, it gives information

about the short term financial health or liquidity of the business. It will tell you if you have enough cash for unexpected expenses or if you have got too much cash tied up in stock or cash in the bank earning no interest! Or most importantly if you are running the risk of becoming insolvent – unable to pay your bills – we will return to this shortly when we unpack why there is a famous saying in business, “Cash is King”!

## LIABILITIES

### WHAT THE BUSINESS OWES

This is money the business owes to external creditors. To some extent, it gives a picture of how the business’s assets have been financed. We say to some extent, as it may be that internal equity (owner’s funds) and profits reinvested in the business have also been used to fund assets. Liabilities are classified into short-term and long-term. The repayment time frame influences the business’s ability to repay the debt and sustain success.

By law, businesses are obliged to pay their liabilities at the agreed time. The terms of agreement are usually captured in a document called a contract, which is legally enforceable. Put simply, this means you could be sued and taken to court if you do not pay your debts as agreed! Not being able to pay creditors is one of the most common reasons business close down! Key creditors include the ATO, banks and suppliers or trade creditors as they are often called.

Using external sources of finance to fund innovation refers to funds provided by banks or other financial institutions. Business Intelligence should be analysed to make an informed decision if sourcing funds from outside the business will increase earnings and profits. You can prepare a projected Revenue Statement, a Swot Analysis and/or a Cost/Benefit Analysis to advise your existing business if you are working in the Sustaining or Transforming an existing business context.

As discussed above, generally, debt must be paid back in a given time frame. Regular repayments on the borrowed loan must be made, as well as *interest, the cost of borrowing the money*. You need to show evidence that the business can generate adequate earnings to make these payments. In the recessionary post COVID-19 environment, historically low interest rate levels meant “money is cheap to buy”! At times like this, it may be prudent to use debt to finance business innovation! Depending on the nature of your business, it may also qualify for government grants to finance innovation. To support small businesses, during the COVID-19 period, many banks were encouraged by the RBA to allow SME’s to defer their repayment plans on loans.

## EQUITY

### OWNER’S INVESTMENT IN THE BUSINESS

This section of the Balance Sheet sets out what the business is worth to the owner. Equity refers to finance contributed by owners of the business. This may have been funds to start the business but can also be added to if there are plans to expand. If the ownership structure is a company, then shareholder’s equity is the term used. It is often the case that the original founder/s float the business on the share market and offer shares to the public to raise funds for further expansion. The founders may still have a majority shareholding in the company.

Equity capital can also be raised by taking on a partner, if the business ownership structure is a sole trader or a partnership. Another private investor/s can also contribute funds. Selling off an unproductive asset is a further strategy that could be used to raise funds to support innovation. For example, in the post COVID-19 environment if an accounting company owned a large building in a prime location in the CBD, they may find less need for this real estate due to more employees choosing to work remotely from home. The firm may decide to sell the building. Proceeds could be redirected to fund innovative digital transformation and emerging technology such as AI to improve the efficiency of the firm’s processes. They could then lease back a smaller part of the building from the new landlord. Below are some positives and negatives of relying on Equity funds.

Advantages	Disadvantages
Owner retains control	Finance may be limited
No need to repay the money	Owner’s money is tied up in business
No interest paid	Alternative investment of owner’s funds may give higher return

Most external sources of finance are in the form of **debt**, which refers to the funds provided by banks, other financial institutions, government and suppliers. Debt must be paid back over time, with interest. Sourcing funds from outside the business should result in increased earnings and profits. Regular repayments on the loans must be made, so the business must generate sufficient revenue to make these payments.

Assume a business with a sole trader form of ownership has

- Assets worth \$100,000
- Liabilities worth \$50,000

If the business has decided to cease trading, it would pay what it owes to external creditors and the value of the business to the owner would be \$50,000. So Owner's Equity = Assets minus *Liabilities*.

Of course, this is a highly simplified example. Students studying Accounting would know it depends on what price the assets fetch when sold – if they are valued at their historical cost – what you initially paid for them, depending on the nature of the asset, the market may pay more or less than what the Balance Sheet value is. In this course, the important thing is to have a basic understanding of what Assets, Liabilities and Owner's Equity refer to.

Furthermore, it is the relationship between these balances that creditors and investors are more interested in. We will look at relevant KPI's that do this shortly. The types of questions that can be answered by analysing the nature, value and interrelationship of the current assets and liabilities of the business are:

- Has the business got adequate liquidity to meet its short-term debts?
- Has the business got spare liquidity that can be used to expand the business?
- Can the business afford to take on another loan to finance expansion or innovation?

The Balance Sheet is considered a standard financial report if you want to get a loan from a bank or attract investors. Even though any available commercial bookkeeping software will create a balance sheet report from entered data, many business owners rely on accounting professionals to analyse the data to tell them what the figures mean for their business.

Understanding the basics allows you to compare the data against given KPI's to convey information to investors. For example, they will be able make informed decisions about whether the business has the capacity to take on more debt to finance further investment into emerging technologies. In creating such Business Intelligence, you could use financial ratios to review the business's liquidity. You could assess the level of cash flow, debtors, and creditors to provide input into the decision-making process and assessment of risk. Below is an example of what a simple balance sheet could look like for a firm supplying funeral services.

<b>BALANCE SHEET</b>			
Basic Funerals			
Balance Sheet as at 4th January 20X0			
<b>Assets</b>		<b>Liabilities (External Equity)</b>	
Funeral Supplies	5000	Bank Loan	3000
Cash	1000	<b>Owner's Equity</b>	
Debtors	4000	Capital	3000
		Profit	4000
<hr/>		<hr/>	
Total Assets	10 000	<b>Total Equities</b>	<b>10 000</b>

Revenue, expenses and profit are other essential figures that a business needs to track. Commercially available software can provide a dashboard homepage that provides a real-time overview of the essential financial information including charts comparing income and expenses, invoices and bills that need immediate attention.

A timeless quote states that, in business, revenue is **vanity**, profit is **sanity**, but cash is **King**.

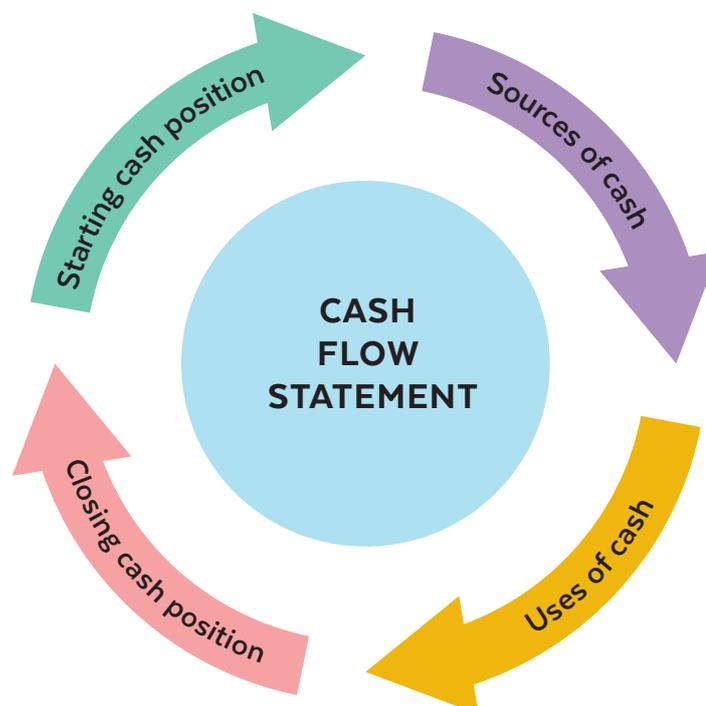
- Why is cash *King*?
- What is the difference between revenue and *profit*?
- Why is revenue *vanity* and profit *sanity*?
- What is the link between these three concepts?

With adequate cash flow, a business can achieve other financial objectives. Recall, assets are things the business owns that can be used to earn revenue. What is revenue? Revenue is income from sales – converting the Value Propositions from the good or service offered to the consumer as a solution to their problem that they are willing to pay you for. Essentially, revenue is the result of the consumer being willing to pay for the Value Propositions your business offers.

Recall that a financial objective is a specific target related to the financial performance of a business. We will unpack below each of the concepts. We start with cash, often referred to as cash flow in business and then we will consider revenue and outline various revenue models and the pricing strategies that can be used to earn revenue. In an ideal world, a business will make or sell something or provide a service and get paid immediately. This is the case in business to consumer transactions but much business activity is actually business to business. In this situation, your customer is another business. In reality, businesses have to often wait for many weeks before they see payment from their sale. Working capital that we referred to earlier is required to cover the gap and allow a business to continue trading. For start-ups there may be a significant period of outlay with no immediate return on their outlay. There is no revenue stream in the early days.

As the saying above infers, a firm can boast about its very high levels of revenue but that does not mean the business is earning a profit. A simple definition of profit is: *revenue minus costs = profit*. If a profit is not earned, then the business is not yet giving the owners a return on the money they have invested in the business. Nevertheless, there are examples of well-known companies operating today that are perceived to be successful using metrics like the increase in their share price, but they may not yet be making a profit! Tesla is a good example. Later in this section we will examine more closely why firms can sustain success even though they are yet to make a profit. Think back to your discussion in Section 2 about why Tesla broadened their Purpose! Recall our earlier discussion about the concept of liquidity. As long as a business can continue to pay its debts as they fall due, it is lawfully able to continue operating even if it is not making a profit. However, once a firm cannot pay its debts, it is on shaky ground. It is for this reason that the old saying Cash is King still applies today.

During the COVID-19 era of 2020, the Government stepped in to support businesses that could not pay their debts due to the effect that temporary forced closure had on their revenue. Job keeper payments were made available to businesses who could show evidence that



they had experienced at least a 30% fall in their revenue. Many businesses had to negotiate with their landlords as they were struggling to pay fixed costs like rent. The changes to the Bankruptcy Laws for small business in response to COVID-19 disruptions to normal business operations is also a response to the critical role played by cash flow in business.

<b>ABC LTD</b>	
<b>Cash Flow Statement</b>	
<b>Month ended 30 June, 20X0</b>	
<b>Operating Cash Flows</b>	
Cash received from customers	6000
Cash paid for advertising	-1000
Operating cash flows	5000
<b>Investing Cash Flows</b>	
Purchase of equipment	-16000
Investing Cash Flows	-16000
<b>Financing Cash Flows</b>	
Issued Shares	80000
Dividends Paid	-2000
Financing Cash Flows	78000
Change in Cash	67000
Cash - 1/6/20X0	(15000)
Cash - 30/6/20X0	52000

A typical cash flow objective might include the maximum level of debt.

- **SOURCES OF CASH**

- **USES OF CASH**

- The starting cash position as at 1/6/20X0 was - \$15000. In Accounting, it is common practice to indicate if a figure is negative by putting it in brackets so reads as -\$15000.
- The closing cash position as at 30/6/20X0 was \$52000.

The **CASH FLOW STATEMENT** is a financial report that indicates the movement of cash receipts and cash payments resulting from transactions with parties outside the enterprise over a given period.

The purpose of the Cash Flow statement is to assess the ability of the business to:

- generate a positive cash flow where inflows are greater than outflows
- service its debts or outgoings (pay interest on loans or GST owed to ATO)
- potential to fund any desired future expansion or innovations
- acquire and be able to service external debt as necessary
- pay drawings (if sole trader/partnership) or dividends (if a company)

## **DIGITAL SOLUTIONS FOR CASH FLOW GAPS**

You may like to investigate more progressive financial companies that are using digital methods to use trade and debtor finance as alternative funding method that bypasses traditional bank loans. It avoids inherent risks of small business owners having to use their personal assets eg family home as collateral if they wish to access extra funding for their business activities and innovation. They also offer solutions to minimise the “cashflow gap” – the familiar concept to business owners that describes the time between the date when a business pays out cash for stock or materials and the date cash is received from customers when a good or a service is sold.



<https://monoova.com/case-study>

<https://youtu.be/xVPMg8BDp3s>

Alternatively, small businesses may be able to take advantage of buying bulk upfront which may give them more bargaining power with pricing when negotiating with suppliers. This would allow them to lower costs in the same way that large businesses do. We use the term, economies of scale, to describe this process. The advantage of this is that lower costs can potentially widen profit margins.

An example is Digital payments service provider, Monoova. Their entire process takes place digitally with the help of technological enablers. For instance, their customers have access to the Moneytech Exchange Platform – a self-service platform where a business uploads invoices to secure funding. Cash is released from a business's outstanding invoices that debtors owe to them. Such facilities can effectively alleviate cashflow problems which is a well-documented pain point for thousands of growing small-medium sized businesses. Access the following links to investigate further how this digital cash flow solution works.

## FINANCIAL METRICS

The decision to engage more deeply with financial metrics depends on your interest and the context you are working in. Below is a list of commonly used metrics used by business owners and investors to evaluate the financial performance of their business.

PROFITABILITY RATIOS	LIQUIDITY RATIOS	SOLVENCY RATIOS
Return on Owner's Investment (%)	Working Capital (Ratio)	Total Debt/Total Assets (%)
Return on Assets (%)	Quick Asset (Ratio)	

### PROFITABILITY RATIOS

Measure the earning capacity of the business.

Aim is to be as high as possible.

Analysis

1. Return on assets (%)

$$\frac{\text{Net profit}}{\text{Total Assets}}$$

2. Return on owner's investment (%)

$$\frac{\text{Net profit}}{\text{Average owners equity}}$$

$$\text{Average owners' equity (OE)} = \frac{1 + 2}{2}$$

$$\text{Opening} + \text{Closing OE} =$$

### LIQUIDITY RATIOS

Measures the ability of the firm to meet its short-term debts.

Lower than 1 means the business is unable to meet its debts.

Higher than 2 means there is excessive idle cash lying around which could be used more effectively to generate maximum revenue.

- |   |  |
|---|--|
| <p>1. Quick Assets (ratio)</p> $\frac{\text{Current assets} - \text{stock inventory}}{\text{Current liabilities} - \text{overdraft}}$ | <p>2. Working Capital (ratio)</p> $\frac{\text{Current assets}}{\text{Current liabilities}}$ |
|---|--|

### ANALYSIS

- *Quick Assets* - current assets with higher liquidity - able to convert to cash within 90 days.
- *The Working Capital Ratio* indicates whether a business has adequate liquidity in short-term assets to cover short-term debts.

## WORKING CAPITAL

To calculate your working capital, you divide the total current assets by total current (short-term liabilities) - this leaves you with a ratio which is the equivalent of the working capital position of the business. A positive working capital number indicates that the business has sufficient capital (recall this means 'money') to meet its operating requirements - pay its bills in the short term to run the business. A negative figure indicates that the business may have a shortfall.

Anything under 1 is a signal that the business needs to take action to improve the situation. They may need to borrow additional funds. Negative Working Capital could prevent a business from investing in innovation or growth initiatives, or at worst, prevent them from having the money to pay their current liabilities on time. It is for this reason that cash flow projections and budgets are a vital part of responsible business management. KPI's are the metrics that are used to measure the actual performance against targeted or projected objectives.

**Cash Conversion Cycle** is a quick way to understand how soon you should see a return on your investments. How long will it take for the money you have spent to come back into your business? To understand this metric, it is useful to understand three important numbers:

*Inventory days* - how long is your stock sitting on the shelf? Recall we used the term turnover earlier. Or how long have you spent making something that you are going to sell? Even in a small bakery this is an important metric - maybe specialty cakes should be priced according to complexity - ie how many hours it takes to make the cake rather than on size?

*Debtor days* - note that debtors can also be called accounts receivable in business. How long does it take you to get paid? It's in the interest of any business to minimise the time period as much as possible.

*Creditor days* - how long does it take you to pay your invoices? Creditors can also be referred to as accounts payable in business. Invoices refers to a document that records how much you owe your creditor following a given transaction -eg bakery buying flour and other ingredients to make their bread and cakes. It's in your interest to maximise the number of days you have to pay amounts owing to your creditors. This is referred to as the 'terms of trade'. 7-day, 14-day



## Think. Share. Act.

or 30-day terms may be negotiated with your suppliers.

Challenges occur depending on the nature of your business. Think about the farmer's long cash conversion cycle! Other seasonal businesses such as a wholesaler or specialist retailer of Christmas decorations.

Choose one or more of the following scenarios to have a group or class discussion using some of the terms and concepts unpacked in this section so far.

1. Using the concepts including the Cash Conversion Cycle and Working Capital, have a group or class discussion to analyse why the Christmas Shop pictured below has also opened a speciality Teddy Bear Shop under the same roof?
2. Using the concepts in the above section, analyse how fast fashion may have been a response to Working Capital and Cash Conversion Cycle issues,
3. Using the concepts in the above section, analyse the challenges farmers face with their Working Capital and Cash Conversion Cycle?
4. Using the concepts in the above section, analyse the challenges the AFL and football clubs face with their Working Capital and Cash Conversion Cycle.



Kevin Thomson, 2020.

Jot down some notes on your thoughts so you can contribute to the class discussion.

## REVENUE

- Recall our definition of revenue.
- It refers to how customers pay for a solution to a problem from which they perceive they gain value.
- In simpler terms, it is how a business earns income.



Refer to the links below to get support on how to set up a budgeted profit and loss statement and how to use financial tools to analyse business finances.

<https://www.business.gov.au/finance/accounting/how-to-set-up-a-profit-and-loss-statement>

<https://www.business.gov.au/Finance/Accounting/Analyse-business-finances>

The Profit and Loss Statement (P & L) or Income Statement as it is sometimes called measures revenue earned and expenses incurred in earning that revenue. It is from this information that the profit or loss in a given period is able to be calculated. As with the Balance Sheet this financial report can be automatically generated using easily available software. Your focus in this course should be on understanding the data so it can inform your decision making.

**GROSS PROFIT = Net Sales less Cost of Goods Sold (relevant to firms selling a good)**

**NET PROFIT = Gross Profit + Other Revenue less other expenses**

**(common for other expenses to be grouped as Selling, Administrative and Financial Expenses)**

A budgeted P & L Statement can help you develop sales targets and guide you when deciding on the price of your goods or services so you can earn a profit. To do this, you may like to use financial tools like:

- break-even
- profit margin
- mark up

## REVENUE MODELS V STREAMS

Be clear about the different terms:

- A revenue stream is a business's single source of revenue.
- A firm can have zero, one or multiple revenue streams, depending on its nature and size.
- A revenue model is the strategy of managing the business's revenue streams and the allocation of resources for each revenue stream. If there is only one revenue stream then this is also the revenue model.
- A business model is the structure of all aspects of the business, including revenue model and revenue streams, and, describes how they all work together. Refer to earlier sections where we unpacked the BMC.

Start-ups may have no revenue stream in the early stages. Eventually, most businesses must develop at least one kind of a revenue stream because without a revenue stream, the business just keeps using up money on a business idea until the money runs out. The exception to this situation is when investors passionately believe in the long-term benefits of an idea and continue to provide enough cash to sustain the business during its formative stages. Read about Google's journey with finance in its early start-up phase.

### Friends, Family and Angel investors.

The domain name for Google was registered on September 15, 1997, and the company was incorporated on September 4, 1998. The business was originally based in the garage of a friend of the original founders.

Google was initially funded by a 1998 contribution of \$100,000 from Andy Bechtolsheim co-founder of Sun Microsystems. The founders also received money from three other Angel Investors in the same year, Amazon.com founder Jeff Bezos, Stanford University Computer Science Professor, David Cheriton, and entrepreneur Ram Shriram. Between these initial investors, friends, and family Google raised around 1 million dollars, which allowed them to set up their business in Menlo Park, California. After some additional, small investments, a new \$25 million round of funding was announced on June 7, 1999, with major investors including the venture capital firms Kleiner Perkins and Sequoia Capital.

**Profit** grew to \$143.0 million in the **first** two quarters of 2004, from \$58.9 million during the **first** six months of 2003, the first year it made a profit.

<https://news.crunchbase.com/news/look-back-ipo-google-profit-machine/>

	Mar 31, 2002	Jun 30, 2002	Sep 30, 2002	Dec 31, 2002	Mar 31, 2003	Jun 30, 2003	Sep 30, 2003	Dec 31, 2003	Mar 31, 2004	Jun 30, 2004
(in thousands, except per share amounts) (unaudited)										
<b>Consolidated Statements of Income Data:</b>										
Revenues	\$ 42,285	\$ 78,525	\$ 130,787	\$ 187,911	\$ 248,618	\$ 311,199	\$ 393,942	\$ 512,175	\$ 651,623	\$ 700,212
Costs and expenses:										
Cost of revenues	5,692	20,407	39,622	65,789	87,195	117,401	170,390	250,868	315,398	326,377
Research and development(1)	6,183	6,457	9,053	10,055	12,505	17,492	32,774	28,457	35,019	45,762
Sales and marketing	7,294	11,176	11,704	13,675	17,767	24,822	36,575	41,164	47,904	56,777
General and administrative	4,135	5,653	7,313	7,199	10,027	12,535	13,853	20,284	21,506	25,577
Stock-based compensation(2)	3,774	3,735	6,182	7,944	36,418	34,165	73,794	84,984	76,473	74,761
<b>Total costs and expenses</b>	<b>27,078</b>	<b>47,428</b>	<b>73,874</b>	<b>104,662</b>	<b>163,912</b>	<b>206,415</b>	<b>327,386</b>	<b>425,757</b>	<b>496,300</b>	<b>529,254</b>
Income from operations	15,207	31,097	56,913	83,249	84,706	104,784	66,556	86,418	155,323	170,958
Interest income, expense and other, net	(501)	(310)	(677)	(63)	(47)	766	464	3,007	300	(1,498)
Income before income taxes	14,706	30,787	56,236	83,186	84,659	105,550	67,020	89,425	155,623	169,460
Provision for income taxes	6,780	14,194	25,929	38,356	58,859	73,382	46,594	62,171	91,650	90,397
<b>Net income</b>	<b>\$ 7,926</b>	<b>\$ 16,593</b>	<b>\$ 30,307</b>	<b>\$ 44,830</b>	<b>\$ 25,800</b>	<b>\$ 32,168</b>	<b>\$ 20,426</b>	<b>\$ 27,254</b>	<b>\$ 63,973</b>	<b>\$ 79,063</b>
Net income per share:										
Basic	\$ 0.07	\$ 0.15	\$ 0.26	\$ 0.37	\$ 0.20	\$ 0.24	\$ 0.14	\$ 0.19	\$ 0.42	\$ 0.51



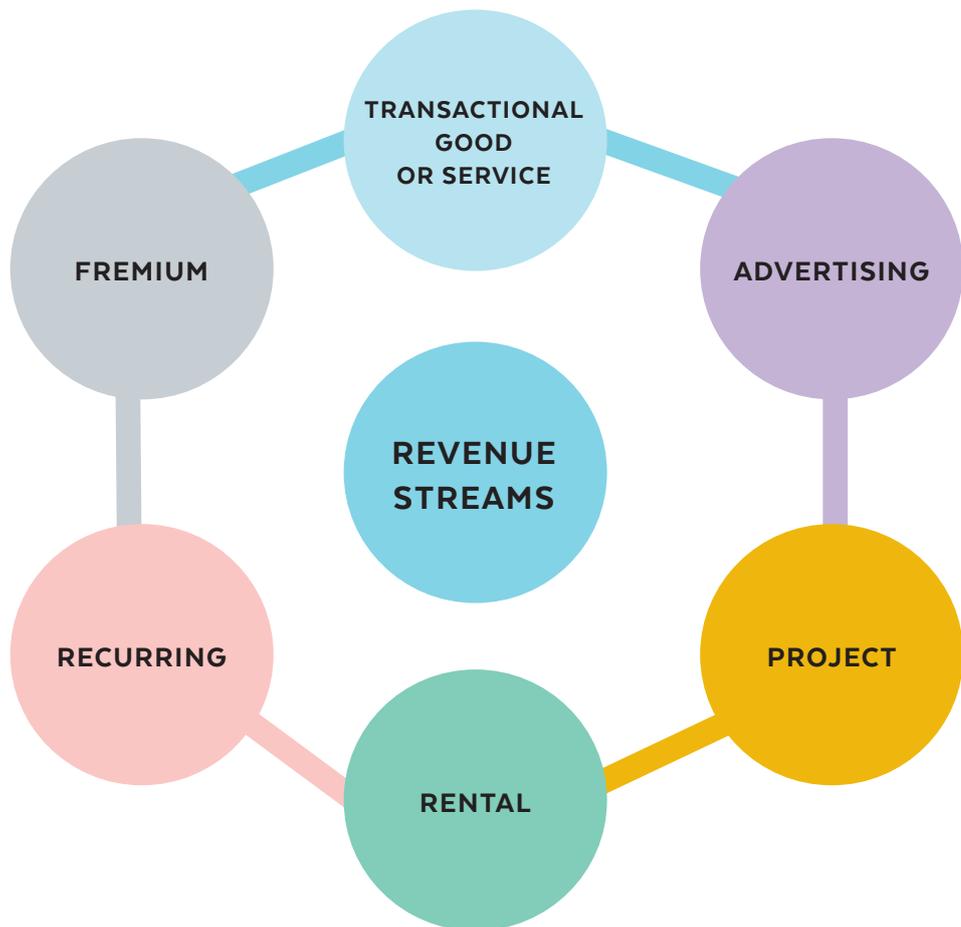
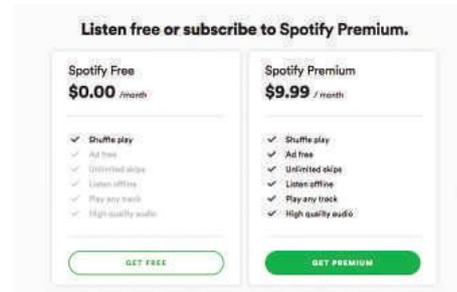
**Think.  
Share. Act.**

As you can see, Google was growing at a tremendous rate, regarding its revenue and profit, when it filed to list on the New York Stock Exchange to become a public company. The firm's first two quarters of sequential growth rate in 2003 was just 7.5 percent, but the year-on-year comparison Google set in the second quarter of 2004 calculates to a 181.6 percent growth rate and as Google's revenue grew, its net income grew, as well. In the first half of 2004, Google's revenue totalled \$1.351 billion, from \$559.8 million in the first half of 2003. Profit grew to \$143 million in the first 6 months of 2004, an increase from \$58.9 million during the first six months of 2003.

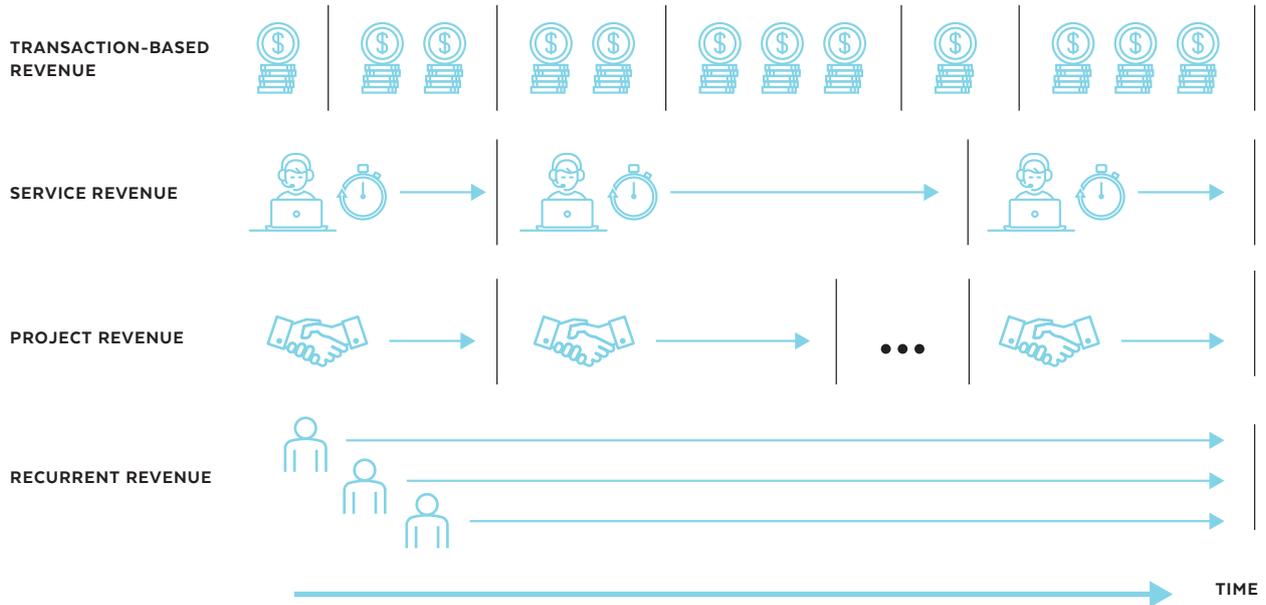
With reference to this extract, distinguish the following terms:

- Revenue
- Net Income
- Profit
- What was the % increase in Google's profit from 2003 to 2004?
- Comment.

## TYPES OF REVENUE STREAMS



## TYPES OF REVENUE STREAMS



### Why are Revenue Streams Important?

#### #1 Revenue is a **Key Performance Indicator (KPI)** for all businesses

- Financial analysts need to be able to recognize the revenue streams from which the company generates cash

#### #2 **Performance prediction differs** between different revenue streams

- Recurring revenue provides consistent cash inflow
- Transaction-based and service revenues tend to fluctuate with customer demand
- Project revenue is the most volatile because it is largely contingent on customer relationships

#### #3 **Different forecasting models** are needed for different revenue models

- Recurring revenue forecast model should have a uniform structure and consistent prediction pattern
- Project-based revenue forecast model needs continuous monitoring of latest project opportunities

corporatefinanceinstitute.com



**Think.  
Share. Act.**

Access this link on the different types of revenue streams.

<https://corporatefinanceinstitute.com/resources/knowledge/accounting/revenue-streams/>

#### Distinguish:

- Revenue stream
- Revenue model
- Business model
- List 5 different types of revenue streams.

## TRANSACTIONAL REVENUE

### ONE-TIME SALE OF GOOD OR SERVICE E.G. GROCERY SHOPPING, HAIRCUT

This method is one of the most direct ways of generating revenue. A business provides a good or service and customers pay them for it.

- Advantage: consumers are attracted to this experience because of its simplicity, low risk and wide choice available. Customers simply pay for the good or service –no more or less.
- Disadvantage: much competition as used by countless businesses and therefore, less money to be made for everyone who uses this method to earn revenue. Businesses need to continually focus on generating new sales.

Today many businesses try and complement this revenue stream with transactional marketing such as using email technology to personalise the relationship aiming to build customer loyalty and repeat business. eg email to inform customers of product updates, special offers and loyalty rewards

## SERVICE REVENUE

### BASED ON SELLING TIME E.G. SOLAR SYSTEM INSTALLATION, PAINTER, ELECTRICIAN, HIRING A LAWYER

- Advantage : does not require a large upfront investment
- Disadvantage : cost of time is easy for competitors to compete on; depending on the skill level of the service sold, consumers can negotiate lower price; hard to upscale.
- By implementing a services-based revenue model, income stream could be highly uneven, and may also remain low compared to other models.

## RECURRING REVENUE

### AS THE NAME SUGGESTS, REVENUE THAT OCCURS ON A REGULAR BASIS, SUCH AS MONTHLY OR ANNUALLY.

- There are many types -eg, buying razor blades at a supermarket is considered transactional (and they are expensive!). However, Tom now buys his razor blades from the dollar shave club. This is now recurring (and cheaper!)
- Many businesses lease equipment or vehicles – ie rental revenue for seller but is also recurring revenue.
- Advantage: revenue is more predictable and do not have to allocate resources to resell to customer for each revenue instalment
- Disadvantage: long sales cycle and large upfront investment

Here are many examples: <https://simplicable.com/new/recurring-revenue>

- Subscription Model is another popular type of Recurring Revenue Stream
- Angeline's daughter working as an Engineer in the Pilbara in WA, looks forward to her Delicious Magazine that arrives each month – a gift subscription from Mum! Much cheaper and more convenient than buying it each month from a newsagency!
- Freemium – Spotify, Netflix, Kayo
- Advantage: – cost saving, large user base
- Disadvantage:- burns cash reserve for non-paying customers

## PROJECT REVENUE

### REVENUE FROM A ONE-TIME PROJECT E.G. CONSTRUCTION BUILDING COMPANIES

- Advantage: – usually repeat customers and word of mouth – often about relationships; requires time to build relationships but does not require a large upfront financial investment
- Disadvantage: uncertainty – no certainty when next sale might occur – rely on predictions based on previous data



Think.  
Share. Act.

## ADVERTISING REVENUE

**USUALLY COUPLED WITH ONE OF THE OTHER REVENUE MODELS - MEDIA BUSINESSES TYPICALLY EARN REVENUE FROM ADVERTISING. EG. GOOGLE**

- Advertisers pay websites to display advertisement to visitors on their site
- Advertisers pay website owners to refer visitors to the advertiser's website
- Advertisers pay website owners to display advertising messages and provide click-through functionality to the advertiser's site
- **Advantage:** If you have an audience, you can almost always find companies that want to pay to reach it.
- **Disadvantage:** When economy is in downturn, people don't typically pay for advertising; many ads are annoying leading to low click through rates.

## KAYO SPORTS: WATCH SPORT LIVE & ON-DEMAND

[kayosports.com.au](http://kayosports.com.au)

Analyse the likely sustained success of this newish Subscription service.

1. What revenue model is being used?
2. How many revenue streams does Kayo have?
3. Assess its appeal to AFL footy fans like members of Angeline's household who only watch AFL footy! What are the Value Propositions offered?
4. What are the advantages and disadvantages of Kayo's revenue model?
5. How likely is it that this business can achieve scale?
6. What metrics will you use to assist you to predict the answer?

**Kayo Sports is an over-the-top video streaming subscription service available in Australia, owned by Streamotion.**

**The service offers sports live and on demand from Fox Sports, ESPN, beIN Sports, and Racing.com.**

**As of 4 August 2020, there were 590,000 subscribers, of which 542,000 were paying.**

**Launched:** 26 November 2018; 21 months ago

**Parent:** Foxtel

**Key people:** Ant Hearne; (Executive Director)

**CEO:** Julian Ogrin

**Headquarters:** Artarmon, New South Wales, Australia

Wikipedia, October 2020

Stream all your favourite sports Live & On-Demand including AFL, NRL, Football, Motorsport, Cricket and more. New customers get your 14-day free trial

<p><b>SIGN IN</b> Please sign in. Email Address. Password Show. Login. Forgot ...</p>	<p><b>WHAT CONTENT IS AVAILABLE AS...</b> Live Coverage? Replay Available? What Games? NFL, Sept - Feb ...</p>
<p><b>SPORTS</b> Motorsport - AFL - Basketball - Rugby League - Football - Golf</p>	<p><b>WHAT DEVICES AND BROWSERS...</b> Kayo is compatible with mobile, several web browsers ...</p>
<p><b>BASIC\$25/MTH14 DAYS FREE TRIAL</b> Start your 14 day FREE trial today! First payment 20 Oct 2020 ...</p>	<p><b>WATCH SPORT LIVE &amp; ON...</b> Stream all your favourite sports Live &amp; On-Demand including ...</p>

## Making “Freemium” Work



Adapted from article by  
Vineet Kumar  
May, 2014 Harvard Business  
Review

Over the past decade “freemium”—a combination of “free” and “premium”—has become the dominant business model among internet start-ups and smartphone app developers. Users get basic features at no cost and can access richer functionality for a subscription fee. If you’ve networked on LinkedIn, shared files through Dropbox, watched TV shows through Netflix or listened to music on Spotify you’ve experienced the model firsthand. It works for B2B companies as well eg HubSpot.

Several factors contribute to the appeal of a freemium strategy. Because free features are a potent marketing tool, the model allows a new venture to scale up and attract a user base without expending resources on costly ad campaigns or a traditional sales force. The monthly subscription fees typically charged are proving to be a more sustainable source of revenue than the advertising model prevalent among online firms in the early 2000s. Social networks are powerful drivers: Many services offer incentives for referring friends (which is more appealing when the product is free). And freemium is more successful than 30-day free trials or other limited-term offers, because customers have become wary of cumbersome cancellation processes and find indefinite free access more compelling.

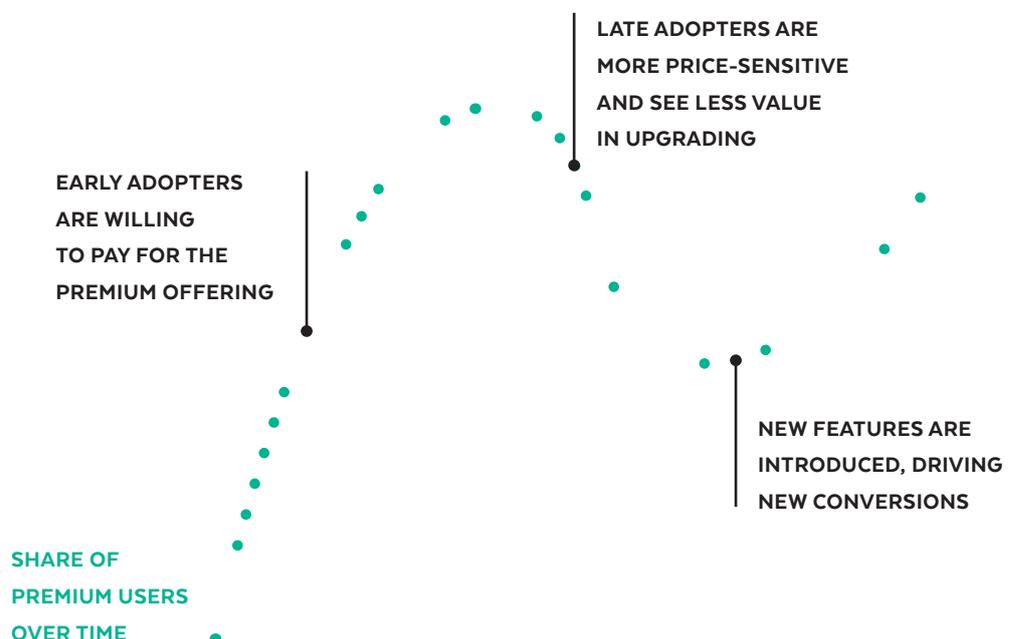
But despite its popularity and clear benefits, freemium is still poorly understood. It has inherent challenges, as demonstrated by the many start-ups that have tried but failed to make it work. For several years I have studied freemium

models in depth—through this work I’ve come up with six questions that start-ups considering a freemium model should ask.

### WHAT SHOULD BE FREE?

Let’s say you’ve created a digital product that has 20 features and you’ve chosen five that will be free to anyone who registers on your site. Users who want the other 15 will have to pay. How do you know whether you’ve made the right choices? And if you suspect that you haven’t, what should you do?

### THE LIFE CYCLE OF UPGRADES



**READ MORE**

Recall that one of the chief purposes of freemium is to attract new users. If you're not succeeding with that goal, it probably means that your free offerings are not compelling enough, and you need to provide more or better features free. If you're generating lots of traffic but few people are paying to upgrade, you may have the opposite problem: Your free offerings are too rich, and it's time to cut back. This kind of fine-tuning was evident at the New York Times website. After years of unrestricted access, in 2011 the paper began limiting users to 20 free articles a month; people had to subscribe if they wanted to read more. Over subsequent months the company realised it was still giving away too much and was getting too few subscribers as a result, so in 2012 it cut the number of free monthly articles to 10. Start-ups should expect to do similar tweaking to find the optimal balance between traffic and paying customers. The balancing act can be tricky: Users may revolt when asked to pay for things they are accustomed to getting free.

**DO CUSTOMERS FULLY UNDERSTAND THE PREMIUM OFFER?**

Communicating two sets of benefits complicates your marketing efforts. If customers don't clearly grasp what they would gain by upgrading, you will monetise fewer of them than you otherwise might.

Dropbox and LinkedIn are a study in contrasts. The former has attracted 200 million users with a simple proposition: Everyone who enters a username and a password gets two gigabytes of cloud-based storage free. If people run out of space, they can pay \$9.99 a month (or, alternatively, \$99 a year) for 100 GB of storage. The free version is adequate for basic documents, but anyone who wants to back up photos or other media quickly hits the limit, and the reasons to upgrade are obvious.

For many LinkedIn users, the advantages of upgrading are murkier. I've used LinkedIn for several years to keep in touch with colleagues, and I routinely receive e-mails urging me to upgrade—but the ongoing value of doing so is not apparent. (The company offers four premium subscriptions, some aimed at specific customer segments, such as recruiters or salespeople, and most featuring deeper search functionality, better e-mail capability, and more visibility into who has viewed your profile.) Although LinkedIn is successful—it was one of the first freemium companies to go public—it could probably monetise more users if the distinctions between its free and paid offerings were clearer.

**WHAT IS YOUR TARGET CONVERSION RATE?**

Imagine that you're the CEO of a freemium start-up and you're handed a report showing your conversion rate (the percentage of free users who have upgraded to a premium plan) for the most recent quarter. What figure do you hope to see?

A rate of 1% is probably too low, especially if you rely on subscription revenue alone. Some players, including the New York Times and LinkedIn, also collect online ad revenue. It signals either that too much of what you're providing is free—giving users little reason to upgrade—or that consumers don't understand or value your premium features.

But, less obviously, a very high conversion rate isn't necessarily good. Remember that one of the benefits of a freemium model is the ability to generate traffic. Suppose that 50% of the users of your free product upgrade to premium. You might think that your model is working well; but perhaps your free product is not very compelling, which will limit your potential acquisitions. All other things being equal, you would do better to convert 5% of 2 million monthly visitors, for example, than to convert 50% of 100,000 visitors. The best long-term strategy is generally to aim for a moderate conversion rate (in my research, I've found that most companies' range from 2% to 5%) coupled with a high volume of traffic. If you're targeting a small market, you should aim for a higher rate.

**ARE YOU PREPARED FOR THE CONVERSION LIFE CYCLE?**

Let's assume you're attracting plenty of traffic and new users, and your conversion rate is 5%. You want to forecast growth and revenue. Can you simply draw a couple of straight lines, on the assumption that the rate will hold steady?

No. Early adopters are less price-sensitive than others, so they are more likely to upgrade. And often they are people for whom the value proposition is unusually compelling. (For instance, recruiters were early adopters of LinkedIn, because their business depends on their ability to identify and connect with professionals.) So over time, conversion rates typically dip as the

user base expands to include people who are more price-sensitive or who see less value in the service. Although freemium companies universally have a very low marginal cost for each new user—otherwise the model wouldn't make sense—those costs aren't zero. At a minimum, free users put demands on server space and customer service.

### HOW FOUR COMPANIES USE THE MODEL

	Dropbox	LinkedIn	NYTimes.com	Spotify
<b>WHAT IT IS</b>	A cloud storage and file-sharing service	A social media site for professional networking	A digital, enhanced version of the print newspaper	A music streaming and downloading service
<b>WHAT'S FREE</b>	2 GB of storage, with up to 16 GB more for referring friends	Creating a profile, making connections, basic communication	10 articles a month	Unlimited music, interspersed with ads
<b>WHAT'S PREMIUM</b>	100 GB of storage for \$9.99 a month	Advanced searches and communication, starting at \$19.95 a month	Full access, starting at \$3.75 a week	Downloads and ad-free streaming for \$9.99 a month
<b>HOW MANY USE IT</b>	More than 200 million users (free and premium)	277 million users (free and premium) at the end of 2013	53.8 million visitors in December 2013; 760,000 subscribers	24 million users, of whom 6 million are subscribers

Companies that fail to understand these realities may feel a cash crunch as the number of free users grows and the cost of servicing them therefore rises. This is often the reason that companies launched with freemium models pivot away, converting to free time-limited trials or eliminating free offerings altogether.

### ARE USERS BECOMING EVANGELISTS?

It's important to recognise the full value of your free users, which takes two forms: Some of them become subscribers, and some draw in new members who become subscribers. In our HBS working paper and in ongoing research, we have found that a free user is typically worth 15% to 25% as much as a premium subscriber, with significant value stemming from referrals. We have also found that firms can increase the value of referrals by carefully managing referral incentives and communications. If you're considering a freemium model, pay close attention to why and how satisfied users might help your product go viral.

### ARE YOU COMMITTED TO ONGOING INNOVATION?

It's a mistake to see freemium merely as a customer acquisition tool and to drop the free version when new customers stop coming in or when the upgrade rate dives. Users who join late are typically harder to convert; therefore, in order to keep increasing upgrades, you'll need to keep increasing the Value Propositions offered via your premium services. Smart companies view freemium not only as a revenue model but also as a commitment to innovation.

Dropbox is a good example. When it launched, in 2008, it was primarily a service for backing up files. It then began offering shared folders, making it a collaboration tool. Newer features allow for automatic syncing of smartphones and other devices and for automatic uploading of photos. Over time the user interface has improved as well. Each new feature has increased the value of the premium offering.

In today's digital era, when the marginal costs of many products are dropping, businesses continue to increasingly turn to the freemium model. Across industries ranging from media, where companies are forced to rely less on advertising revenue and more on subscriber revenue to education, where players may eventually seek to monetise mostly free online course, the model is destined to grow even more attractive and looks like it is here to stay for a while. Companies can boost their odds of success by considering the six key questions above.



## Think. Share. Act.

1. What should be free?
2. Do customers fully understand the premium offer?
3. What is your target conversion rate?
4. Are you prepared for the conversion life cycle?
5. Are users becoming evangelists?
6. Are you committed to ongoing innovation?

- Divide into groups:
  - Take one of the above questions from the article.
  - Digest what it means and give a 2-minute summary to the class.
- Jot down your key points here:**

If you are working in the designing context, then revisit the information you may have considered in another task about revenue models. Recall it is not enough to merely state what you plan to use but to show evidence that you have considered the advantages and disadvantages of each so you can select the best revenue model for your business.

Out of the revenue streams discussed, recurring revenue is the most predictable income to a business. It is expected that the cash inflow remains consistent with a stable customer base. In contrast, transaction-based and service revenues tend to fluctuate with customer demand and are more difficult to foresee. Seasonality is also often a major factor contributing to the variability in sales of goods and services.

Project revenue is the most volatile and risky revenue stream because it is largely contingent on customer relationships. Therefore, businesses need to invest a considerable amount of time in managing their relationships to maintain this revenue source.

Understanding the revenue stream enables you to predict the pattern of cash inflow, and therefore be able to quickly observe unusual movement or changes in the revenue trend, and identify the causes. This is where budgeted revenue statements are most useful. Financial analysis can provide a meaningful explanation for variances. Action can then be taken to improve future outcomes.

### **ASSESSING FINANCIAL PERFORMANCE: THERE IS BENEFIT IN PLANNING AHEAD. WHY?**

Many small businesses start with a good idea, validated by their customers in an identified niche market and there is a tremendous amount of enthusiasm to drive their Vision to succeed. Having a clear financial goal in mind assists in shaping a broader business strategy for the budget period and with a focused sense of purpose

Recall in Section 4 we discussed the need to set clear, specific smarter goals that give direction. At all times but particularly in the uncertain times like the post COVID-19 era, it is beneficial to measure results against a previously set plan – a budget.

Having a budget in place allows a business to make important financial decisions

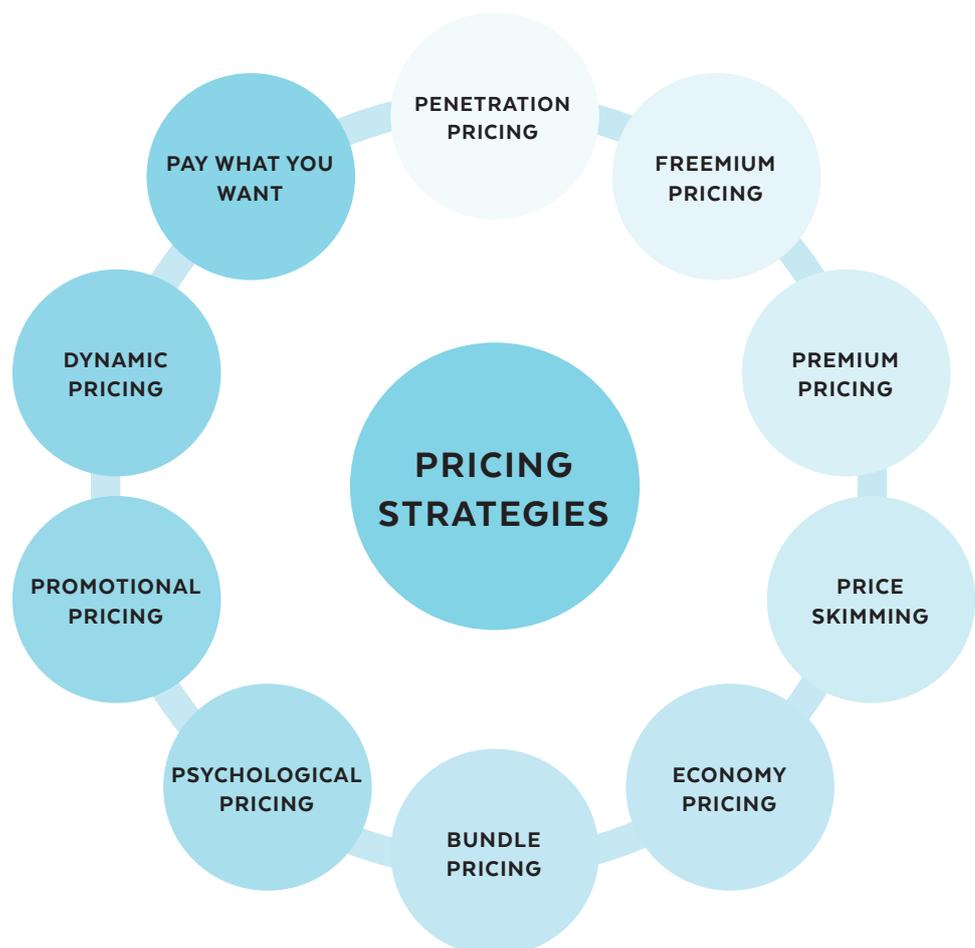
- around setting revenue budgets and sales strategies
- of whether to invest in capital expenditure and team development
- whether to allocate personal remuneration to the owner/s
- manage an unexpected cash flow crisis
- identifying variance between projected v actual figures against KPI's -
- This also applies if the business starts focuses on growth/brand awareness rather than revenue and profit in the early phase.

## Pricing

- Pricing is the process used to set the price that a product is sold for in the market.
- Pricing of products can be a difficult decision.
- If prices are set too high, customers may switch to competitors.
- Setting prices too low, may devalue the product in the eyes of consumers, and, can have a negative effect on profits!

As there are LOTS of ways you can price, you will need to do further investigation. Working in the designing context you may choose to include strategies based on:

- cost + mark-up
- competition
- perceived value
- product



When choosing a pricing strategy, it's also important to keep your overall marketing strategy in mind to ensure your strategies complement one another.

### FIXED-PRICE

There are various types of pricing strategies within each of the different categories. You will find the different types named in the brackets. For example, surge pricing (as indicated in the brackets) is a type of ‘fixed-price’ pricing strategy.

### PRE-DEFINED PRICES

- Fixed price for individual products, services or extra Value Propositions.
- Price depends on the number/quality of Value Propositions (product features).
- Buying premium sports channels subscription is considered product feature dependent.
- Prices change based on market conditions

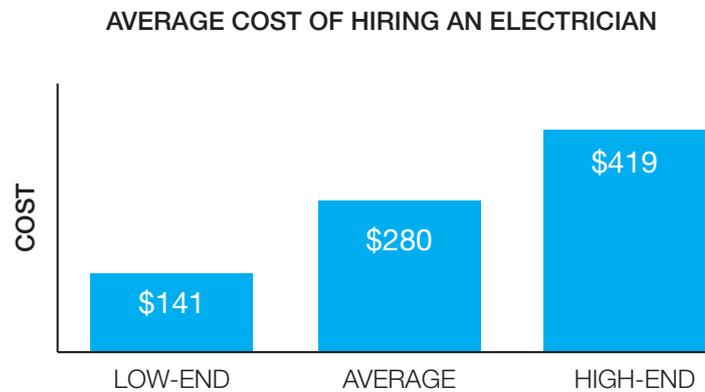


- Price negotiated between two or more partners depend on negotiation power and/or negotiation skills (negotiation/bargaining)
- Price depends on inventory and time of purchase (normally used for perishable resources such as hotel rooms or airline seats) (surge pricing)
- Price is established dynamically based on supply and demand e.g. Central Market - competing fruit and vegetable stalls close to closing time (real-time market)
- Price determined by outcome of competitive bidding (Auctions)



## COST-BASED PRICING STRATEGIES

- A strategy that adds a small margin or mark-up to the costs of producing and distributing the product or service (Cost-plus pricing).
- Calculate relevant costs per hour (charge per hour)



## COMPETITION-BASED PRICING STRATEGIES

- A safe way a small business can remain competitive without eating into profits.
- This means pricing of your product is close to the market price leader (Going rate pricing)

### Going Rate Pricing

Going rate pricing is when a business sets the price of their product or service based on the market price. This pricing strategy is often used to price similar products, like commodities or generic items, that have little variation in design and function.

HubSpot

## VALUE BASED PRICING STRATEGY

A strategy where value is determined based on what customers think a product or service is worth, rather than actual costs. The value is determined through market testing. For example, sometimes customers will pay more for a good or service, if it saves them a lot of time (Value Pricing)

Luxury, prestige or exclusive value of products and services, premium cost and high expectations of quality, performance and service (premium pricing)

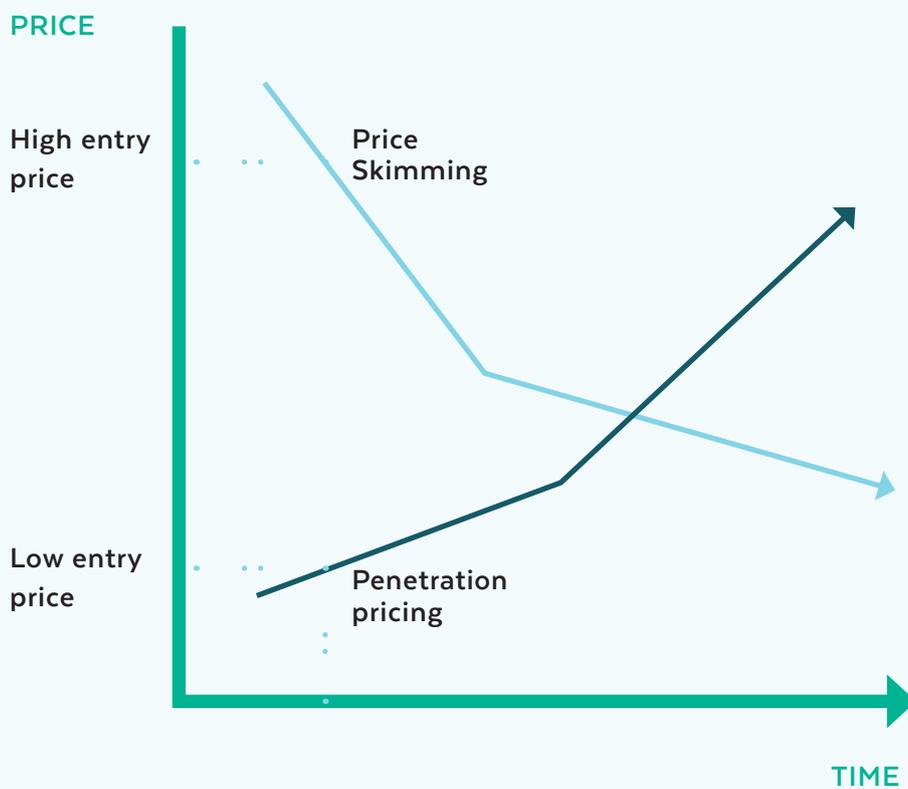
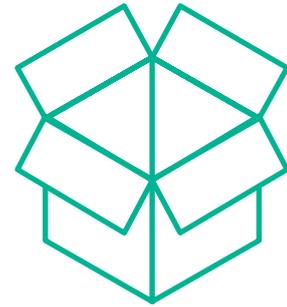
Setting a low initial price to get your product or service onto the market, then raising prices to normal pricing (penetration pricing)

High initial price to get customers excited who desire products or services in high demand and highly valued, then lowering the price once profits are made, to increase market size (skimming pricing)

Setting a low cost to attract customers in the hope they will buy more low cost items with their purchases (loss leader pricing)

## PRODUCT-BASED PRICING STRATEGIES

- Loss leader products are those products which don't contribute to profit. The key motive is to reach and influence customers to connect with the brand.
- Loss leader products build sales volume which creates brand awareness.
- Seller needs to monitor this strategy as over-reliance on loss leader products may negatively impact the brand integrity and lower profits!



### IMPORTANT NOTES

- You cannot mislead consumers as this is a breach of Australian Consumer Law.
- Recommended Retail Price (RRP) is only a recommendation to a retailer.
- Predatory pricing is illegal - reduce pricing to get rid of small competitors (also known as destroyer pricing)

Refer to

- <https://www.accc.gov.au/business/pricing-surcharging/setting-prices>
- <https://www.accc.gov.au/business/anti-competitive-behaviour/imposing-minimum-re-sale-prices#withholding-products-to-prevent-loss-leader-selling->

PROFITABILITY RATIOS	MARKET ENTRY	PRICE TACTIC
Penetration pricing 	New	Keep low until established in market
Price skimming 	New	High price then lower gradually over time
Promotional pricing 	Existing	Low for a short spell then return to normal
Destroyer pricing 	Existing	Keep low to eliminate competitors then raise
Demand oriented pricing 	Existing	Low if demand is low, high if demand is high

If your proposed transformation of an existing business is going to include a suggested change to pricing strategy(ies) it is important to test this with key stakeholders in the business.

- Why have you chosen this strategy?
- Does the business owner approve the change of price strategy?
- What was the feedback from other stakeholders?
- Does your proposed change shift the competitive advantage of your firm?
- Why or why not?
- Do/did you need to pivot?

### POSSIBLE TRANSFORMATION PROBLEMS



#### PROFITABILITY PROBLEM

“Why has my company’s profit decreased by 10%?”



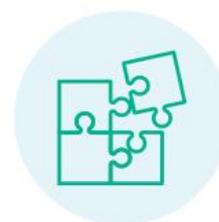
#### ENTERING A NEW MARKET PROBLEM

“Should we enter the Chinese market?”



#### INTRODUCING A NEW PRODUCT PROBLEM

“Should we introduce this new product X?”



#### MERGERS & ACQUISITION PROBLEM

“Should we buy out Company Y, a smaller competitor?”

- Company ABC’s profit has been growing by 20% every year for the past 5 years.
- In 2019, the company ABC’s profit went down by 10%.

Company ABC profit has been growing by 20% every year for the past 5 years. But this year the company ABC profit went down by 10%

ABC COMPANY (\$A)						
	OVER THE PAST 5 YEARS					FOR THIS YEAR
	2014	2015	2016	2017	2018	2019
Profit (\$A)	\$1,000.00	\$1,200.00	\$1,440.00	\$1,728.00	\$2,073.60	\$1,866.240
Growth rate (%)	20%	20%	20%	20%	20%	-10%



## WHY DID THE PROFIT UNEXPECTEDLY GO DOWN?

### PROBLEM, TRANSFORMATION AND KEY QUESTIONS TO ANSWER.

#### THE PROBLEM

- A neutral description with facts that the stakeholders impacted will agree with. eg the company's market is mature so there are no growth opportunities now.
- Desired Outcome: Change to the situation
- eg could profit be increased by reducing costs by 10%

#### TRANSFORMATION

- could introduction of digital technology and/or emerging technologies save admin wage costs OR improve labour productivity to lower costs?
- What other change/s to process, product or price could be introduced?
- Review marketing strategies.
- How could revenue be increased?
- Review Value Propositions, revenue model, pricing strategy

**Use cost-benefit analysis to analyse and evaluate the impact of digital and emerging technologies on the transformation**  
**Stage 2 Business Innovation Subject Outline, 2020**

Assume we decide to achieve lower costs through implementation of digital technology:

**QUESTIONS**

- What time frame would it take to achieve this change?
- Who would be impacted?
- How might they be impacted?
- What are the short-term and long-term impacts?
- How will we measure impact on staff morale due to layoffs?
- How will we mitigate damage to our brand?

Action - Present a proposed new budget of lower costings.



**Think.**  
**Share. Act.**

## The Finances

### DESIGNING A BUSINESS

If you are working in the designing context, then revisit the information you may have considered in another task about revenue models.

- Recall it is not enough to merely state what you plan to use but to show evidence that you have considered the advantages and disadvantages of each so you can select the best revenue model for your business.
- Identify the revenue and pricing streams you will implement for your start-up.
- How much are people willing to spend and how often will they pay!
- What tests have you done to validate your assumptions about what is the best revenue model and pricing strategy for your business?
- Did you have to pivot based on feedback?
- How? Why?

### SUSTAINING A BUSINESS

If you are working in the sustaining an existing business context, apply your understanding of revenue streams and pricing strategies to identify the current revenue and pricing streams of the existing business.

- What business intelligence will you use to assess whether the current revenue stream and pricing strategy will sustain the business?
- How will you test the assumptions you make?
- What KPI's will you use to make informed decisions?
- Investigate trade and debtor finance, alternative funding methods bypassing traditional bank loans. eg <https://monoova.com/news/get-to-know-monoova>
- Use outcome from break-even analysis to inform decisions.
- Identify the KPI's to be monitored as part of the Transformation Plan.

### TRANSFORMING A BUSINESS

If your proposed transformation of an existing business is going to include a suggested change to pricing strategy(ies) it is important to test this with key stakeholders in the business.

- Why have you chosen this strategy?
- Does the business owner approve the change of price strategy?
- What was the feedback from other stakeholders?
- Does your proposed change shift the competitive advantage of your firm?
- Why or why not?
- Did you need to pivot? What changes did you make?
- Why? How?

### KPIS: FINANCIAL OBJECTIVES AND TARGETS

List the KPI's for your financial objectives.

These may include:

- Sales targets
- Profit targets
- Cost reduction targets.
- Cash flow forecasts
- Start-up costs involved with marketing your business as well as other costs related to the start-up
- What are some of the product and operating costs?
- Use available software to prepare an annual budget, break even analysis and cash flow budget.

A wide range of tools for are available on the website below:

<https://www.business.gov.au/finance/accounting>

### FINANCIAL SUMMARY

If the purpose of transforming the business is to seek additional financing for expansion, then you may like to consider including a brief financial summary

- Future goals – describe your goals for the business.
- If you are seeking financing, consider explaining how additional funding will be used to expand the business.
- Revenue increase? Costs increase? Profit increase?
- Time frame?
- Financial analysis – summarise the financial plan including projections for at least the next 12 months, ideally next 3 years. Time frame depends on the state of the economy – post COVID-19 it is challenging to project too far ahead.

**While 2020 was a tough year for small businesses, a whopping 92% still held high hopes for the future, as the following research showed.**

According to the *Amazon Launchpad Innovation Report* released in October 2020, a strong sense of resilience underpinned this optimism.

#### **28% of small to medium businesses (SMEs) said they turned the COVID-19 shutdown period into an opportunity to innovate**

- Among the SMEs who embraced innovation
- some found new revenue streams (27%)
- or launched online as an **eCommerce business** (23%);
- others created products (17%)
- or transformed existing ones (18%).
- A further 35% of respondents said isolation gave them a chance to review and revamp their Business Plan, while 38% said it helped them focus more on creativity.
- *These findings were based on surveys with over 1,000 SMEs.*

### MORE WAYS TO ACCESS BUSINESS FINANCE

However, the report also found that on a practical level, some challenges stand in the way of businesses making strides to innovate and adapt.

“More than a quarter of SMEs (29%) said that the lack of available funding is the biggest barrier to innovating or growing the business for the remainder of 2020 and more than half (55%) lacked guidance and mentorship during this time,” Amazon Australia’s head of Launchpad, Chadd Ciccarelli said.

Launchpad is Amazon’s platform for Aussie start-ups, entrepreneurs and SMEs to sell cutting-edge products to consumers. And it’s now offering five grant packages, each worth over \$80,000 AUD (including \$20,000 in cash and access to mentors), to help address those concerns around funding and support.

As for why small businesses need that extra capital, respondents listed the following as their top reasons: growing digital presence (15%), expanding into the overseas market (15%), staffing (15%), creativity (11%), and eCommerce (10%).

Besides Amazon’s grant, there may be other ways for Aussie SMEs to get their hands-on funding as they look to innovate or transition back into ‘business as usual’.

#### Summary

The Government of South Australia has established a Small Business Grant program funded from the \$650 million Jobs Rescue Package to support South Australian small businesses that employ staff and are subject to closure or highly impacted by the shutdown restrictions announced by the Government as a result of the corona virus (COVID-19).

Eligible businesses will be provided with a once-off \$10,000 grant to support them to manage in these unprecedented circumstances.

#### Eligibility

Businesses are eligible to apply for a Small Business Grant provided they meet the following criteria:

- Have an Australian Business Number (ABN) and were carrying on the operation of a business in South Australia as at 1 March 2020
- Employ people in South Australia as at 1 March 2020
- Have an annual turnover of more than \$75,000 (excluding GST)
- Have been subject to closure or highly adversely impacted by COVID19 related restrictions
- The enterprise does not engage in illegal activity.

Businesses eligible for the Commonwealth Job Keeper payment will be deemed to be highly adversely impacted by COVID-19 restrictions.

<https://www.treasury.sa.gov.au/Growing-South-Australia/COVID-19/small-business-grant-covid-19-assistance-guidelines#:~:text=The%20Government%20of%20South%20Australia,as%20a%20result%20of%20the>

### CROWDFUNDING

In Section 1 we referred to crowdfunding as a format you may choose to use for your Pitch to potential investors.

Here is a summary of some of the features of this financing option.

Pledges are typically made through a web-based platform, with each person contributing a chosen amount, often a relatively small amount towards the overall goal.

It is not just for hi-tech start-ups. In the post-COVID-19 climate, firms have used this funding method to address a variety of challenges including cash flow shortages. To recap it is simply a way to raise money from a large number of people – the “crowd”. Although charities are effectively using this funding strategy to raise donations, in business it is usually reward-based debt-based or equity based.

Reward-based crowdfunding typically involves the pre-sale of a product or service. It can be used to assist with cashflow – effectively providing an interest-free loan. It could be used to help fund minimum order quantities or to launch a new product to market.

Debt-based crowdfunding or market-placed lending as it is sometimes known, is suitable for businesses with a steady cashflow. It involves a business taking a loan from a number of individuals – the crowd – as opposed to one institution.

Equity-based is where the business owner/s give away shares in their business in return for capital investment. It is similar in principle to the platform available to large companies who float their company on the Sharemarket through an IPO offering to source shareholder equity funds. The following three questions from Jill Storey, CEO. ReadyFundGo will enable you to decide if your new or existing business could suitably use this funding tool.

*Is yours a B2C (business to consumer) or B2B (business to business)?*

Reward-based crowdfunding has been more successful for B2C.

*Does your business have a loyal customer base?*

Crowdfunding for existing businesses with a loyal customer base cuts some of the time involved in the pre-campaign phase and has a higher success rate.

*Can I create some enticing rewards?*

When customers or “backers” support a crowdfunding campaign they often forego receiving their purchase immediately in return for an incentive to back a project. In order to engage supporters, it is key to offer a great deal of discount that they cannot get at other times, or a unique reward or experience.

## CASE STUDY

The Lawnbrook Estate Vintage 2020 COVID-19 Rescue Package campaign met all three of the above criteria and was able to successfully use crowdfunding to help them get through the challenges of COVID-19 forced closure. Rebekah and Bruce Wilson, owners of Bickley Valley Vineyard, winery and restaurant have their vineyard, winery and restaurant on the same property in Perth Hills in WA. In normal times, they generated a revenue stream from their restaurant to help subsidise their wine production.

Then COVID struck and their revenue from their restaurant came to an abrupt halt. The 2020 Vintage was shaping up to be a “ripper” according to Rebekah. With the restaurant closure, they were no longer confident they could bottle their prized 2020 Vintage.

They were quick to respond to the challenge they faced and recognised that reward-based Crowdfunding could work to help them generate the cash to pay for the bottling of their wine. The grapes were already picked, the wine was already in production but without cash to fund the bottling their vintage would have gone down the drain.

We did our research and decided the ReadyFundGo Crowdfunding platform was the one that suited our purpose - to pre-sell our Vintage. The fact that it was Australian based was a big drawcard. They offered their popular table wines at significant discounts and exceeded their campaign goal with pre-orders that saved their 2020 vintage.

Read their full story.

<https://readyfundgo.com/our-crowdfunding-journey-lawnbrook-estate/>

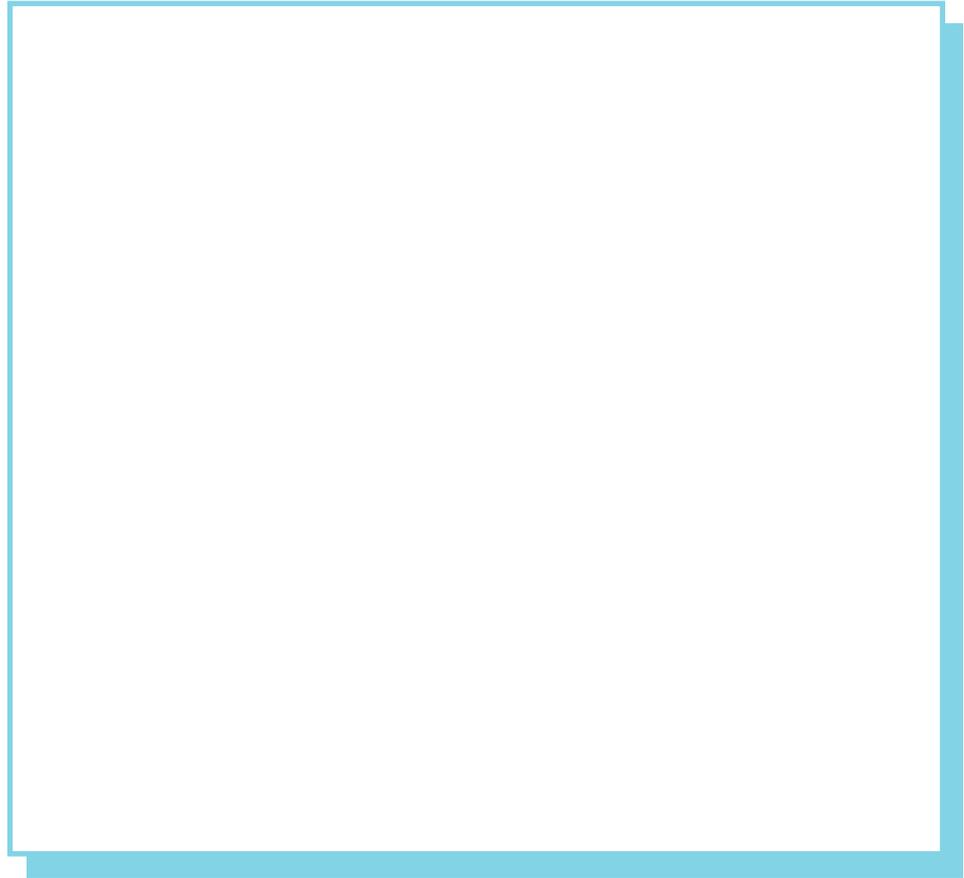


**Think.  
Share. Act.**

The Australian Securities and Investment Commission (ASIC) reported that 51% of business failure in 2019 could be put down to inadequate cashflow and only 32% as a result of trading losses.

The 2020 COVID-19 pandemic generated an unprecedented cashflow crisis for many businesses. Companies of all sizes have faced a substantial drop in sales revenue with cash inflow drying up almost instantaneously but cash outflow remaining in place for much longer.

What opportunity is available using the crowdfunding model to rescue such businesses?



**“Five times bigger than music” Spotify for news’ start-up Inkl is growing as consumer demand for media shifts**

Gautam Mishra (top left),  
Bronwen Clune (bottom  
right) and the Inkl team.



Founded in 2014 by Gautam Mishra, Inkl is a subscription service allowing consumers to access news from more than 100 different, trusted sources for one fee. The pandemic has changed consumer behaviour in all manner of sectors, and that’s no different when it comes to news. In the 2020 financial year, the startups revenue doubled. Interestingly, more than half of that growth happened since February, which was the beginning of the COVID-19 pandemic. But, as is often the case, COVID-19 has simply accelerated trends that were already happening.

**The media sector has seen “some pretty big changes in a fairly compressed period of time,” said Mishra. First, traditional media outlets were seeing a drop in advertising revenues. “We knew Facebook and Google were taking money out of the market, but nothing like this,” Mishra says. “It’s been really enormous.”**

Bronwen Clune, Inkl’s freshly appointed vice president of growth, points out that the challenge of unsubstantiated news is nothing new.

**“The pandemic actually exposed the power of news, and that misinformation can actually put lives at risk, said Clune about how important it is that the information we get is reliable.”**

Inkl provides that same experience, “but obviously everything we’re delivering is via verified news organisations”, Clune says. However, while the social media giants do host some questionable news sources, they haven’t been all bad, she suggests. They’ve played a part in normalising the practice of reading news from various sources, and even reading various pieces covering the same story. People are less inclined to rely on one publication — digital or otherwise — for all of their news. “While they’ve created a lot of chaos in the industry, people have changed the way they consume news, and we’ve just got to keep up and keep evolving with that.”

This is a major change in consumer behaviour, Clune notes. And it’s not something that’s going to be temporary. Inkl isn’t reacting to the crisis, she says. “We just have a solution to misinformation and we can solve that problem,” she says.

It’s about time

That’s not to say Inkl isn’t taking advantage of the opportunity that has presented itself. Clune says the team is working on new products and new aspects of the business, particularly with a focus on helping journalists build sustainable incomes. But, it’s early days. Mishra also hints that we may see a funding round in Inkl’s not-too-distant future. “I’ve seen a very marked change in investor appetite in funding high-quality news projects,” he says.

What he does say for sure is that the opportunity here is a global one. One of the decisions the founder made in the startup’s earliest days was to make Inkl a global platform from the start, rather than growing country-by-country, he explains. “That was sort of terrifying in the early days,” he admits. “But we’re seeing the benefit of doing that now, because we’re seeing a lot more interest from publishers around the world.” More and more publishers are approaching Inkl, rather than the other way around, Mishra says.

It’s validating, in a way, he adds. As all founders know, leaving your job to launch a startup is daunting, and it can be tricky to know whether your audience will be receptive. “It’s pretty clear now that all the rationale, the analysis and the thinking behind what we’re building was correct. It’s nice to get that validation from the market.”

This is where founder resilience comes into play, Clune says, holding a bashful Mishra up as an example of that. He saw a problem that was about to emerge in an industry and started building the tool to tackle it, she says. “In some ways, the vision was very early, but certainly had that foundation not been laid we wouldn’t be in the position we’re in right now,” she adds. “Most journalists who work in the industry can see the writing on the wall. “It’s not a surprise to any of us that the moment to solve this is becoming critical.”

Some things never change

At a time when many media businesses are struggling, Inkl’s growth shows a wider acceptance of a new era of media, beyond just going digital. That will ultimately be good for the industry, Mishra says.

“It’s going to really accelerate the path to a more sustainable future for publishers.”

There were two main reasons Mishra took the plunge and launched Inkl, he says, recalling many discussions with his wife about the decision.

“One is that there’s this huge market opportunity — it’s five times bigger than music,” he says. “But on the other side, this is a fundamental problem that the world has to solve.” In an era of unprecedented upheaval and disruption, there are always things that remain the same. The need for sustainable, reliable news sources is one of them.

“You’ve got to solve some of those issues, and make sure people understand what is and isn’t real. That’s one of the things that hasn’t changed.

“The only thing that will change is the urgency around some of those conversations.”



**Think.  
Share. Act.**

Work with at least one peer.  
Prepare a 2 min pitch to potential investors to convince them to invest in this business.  
Aim to persuade them that this is a sustainable business and use evidence based reasoning.

## KEY TAKEAWAYS

### KPI'S - KEY PERFORMANCE INDICATORS

Various financial metrics can be calculated to measure the business performance:

Profitability Ratios

Liquidity Ratios

Return on Owner's investment

Balance Sheet is a financial report showing balances of assets owned, liabilities owed and owner's equity at a given point in time.

Assets are listed in order of liquidity - those most easily converted into cash are listed first

**Assets = Liabilities + Owner's Equity**

Income Statement is a report showing all revenue earned and expenses incurred over a given period. It determines the financial performance - ie profit or loss of a business.

**Revenue - expenses = Profit (or loss).**

### CASH ≠ PROFIT

Cash transactions can involve Assets, Liabilities, Owner's Equity, Revenue and Expenses.

Profit is calculated by taking the expenses from the revenue and therefore only involves Revenue and Expenses.

A business can be profitable but have no cash.

Cash is King.

A business can continue to operate even if it is not yet profitable but if it has no cash to pay its debts it can be forced by law to cease to operate.

This is a common cause of business closure - cash flow shortage!

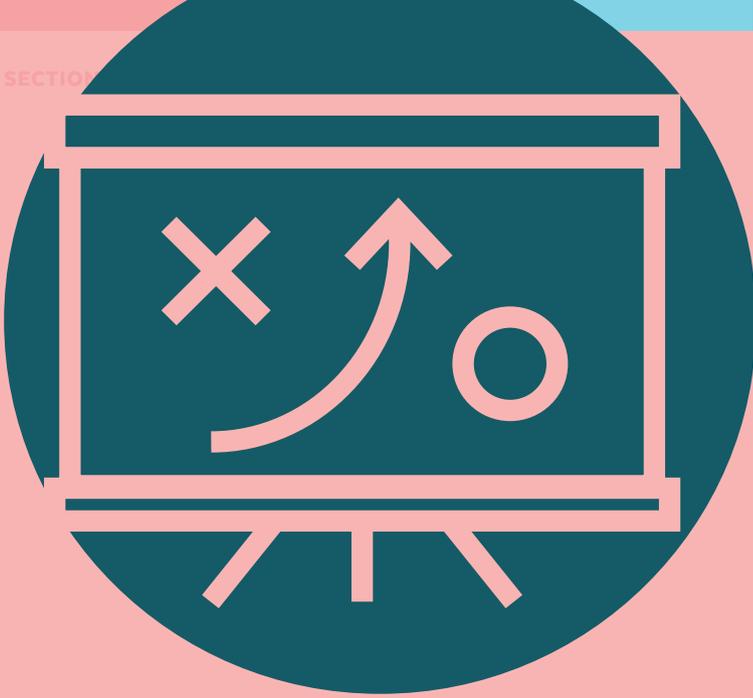
### SOURCES OF FINANCE FOR INNOVATION OR EXPANSION :

Equity

Debt

Government Grants

Crowdfunding



SECTION 6:

# Decision Making Tools & Strategies

# 6.1

## Why use Project Management Tools

### CAPABILITY - CRITICAL AND CREATIVE THINKING

Applying skills in project management to track progress in the development of a business product or service

Performance Standard – Contextual Application 2

*Astute creation and application of business intelligence to iteratively develop business models and plans*

SACE STAGE 2 2021 BUSINESS INNOVATION SUBJECT OUTLINE

Although project management tools are not directly assessed, these tools will allow you to keep track of your pivots and iterations in response to feedback received from primary research in your Business Plan. Therefore, indirectly this process will influence your ability to show evidence of learning against the Performance Standard CA2.

The Lean Validation Board and Experiment Board are two highly useful tools that allow you to track your business decisions. These are detailed below. Given their similar formats and outcomes, it is suggested that you pick *one* of these canvases to work with.

You can use these to test the following in the development of business intelligence that you will use to create your Business Plan and Pitch.

- Financial information – projected revenue streams and pricing strategies
- Idea and problem validation
- Testing Business assumptions

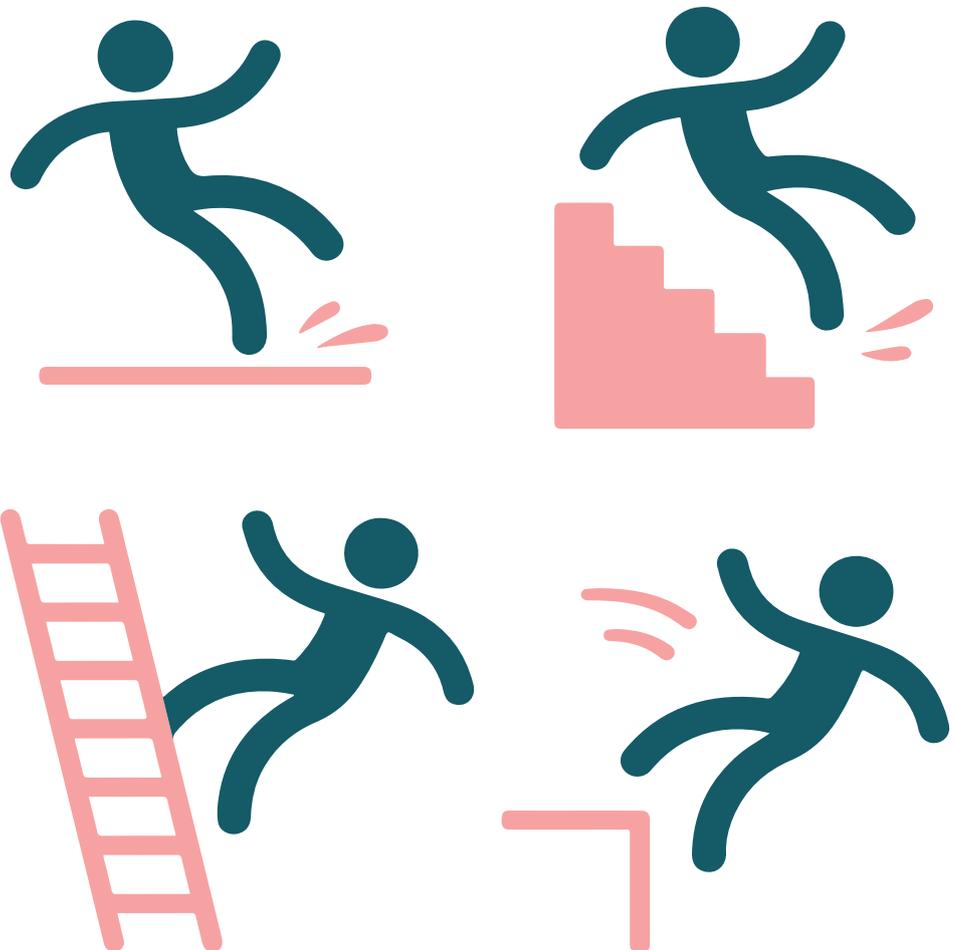
There are many more decision making and tracking tools out there. Our list is not prescriptive or exclusive. Our aim is to provide you with a little guidance introducing a few of these tools to “whet your appetite” and inspire your innovation mind-set to do your own further research! Be willing to take a risk as an independent learner – investigate the tools and strategies available – select the ones that best suit your purpose!



## 6.2

# Lean Validation Board

The Lean Validation Board (LVB), developed by Lean Startup, is a board that will allow you to track your business decisions and pivots, where necessary, to quickly validate your problem in the eyes of the important end user – your customer – in the early stages of your start-up business. Resist the temptation to start conceptualising your solution just yet if you are focusing on Designing Business. If you are focusing on transforming or sustaining a business, you could use the LVB to test out your ideas with the impacted stakeholders. This is why the ‘solution hypothesis’ section has been blanked out in the starting section.



<https://medium.com/>

It was Thomas Edison who famously said:

*I have not failed, I've just found 10,000 ways that won't work*

Recall the guidance from successful entrepreneurs – test quickly, test often, fail fast and iterate so that you can pivot in response to the feedback you get from the market before you have invested too much time or money in a solution that will not work.

Begin by conceptualising your customer and problem hypothesis.

The image shows a 'Validation Board' template from Lean Startup Machine. It is divided into several sections:

- Header:** 'leanstartupmachine' logo and 'Validation Board' title. Fields for 'Project Name' and 'Team Leader Name'.
- Track Pivots:** A grid with columns for 'Start', '1st Pivot', '2nd Pivot', '3rd Pivot', and '4th Pivot'. Rows include 'Customer Hypothesis' (with tip: 'For two-sided markets, always validate the higher side first'), 'Problem Hypothesis' (with reminder: 'Limit your study into problem space to ALL CASES. Do not write more than 3 words on any sticky note'), and 'Solution Hypothesis' (with tip: 'Do NOT define a solution until you've validated the problem').
- Design Experiment:** A section for 'Core Assumptions' with the tip: 'Clear all pivot sticks from this area after each experiment is completed'. Below it, a box for 'Core Assumptions' with the definition: 'Any assumption that, if invalidated, will break the business'.
- Riskiest Assumption:** A yellow box asking 'Which Core Assumption has the highest level of uncertainty?' with sub-sections for 'Method' (What is the lowest cost way to test the Riskiest Assumption? Choose Experiment, Pitch, or Conierge) and 'Minimum Success Criterion' (What is the weakest outcome we will accept as validation?).
- Results:** A central arrow pointing right with the text 'GET OUT OF THE BLDG' and a stick figure icon.
- Invalidated/Validated Grid:** A 2x6 grid. The left column is 'Invalidated' (if invalidated, shut at least one Core Hypothesis) and the right column is 'Validated' (if Validated, determine and test the next Riskiest Assumption). The grid cells are numbered 1 through 6.

At the bottom, there is a URL 'www.ValidationBoard.com' and a copyright notice: '© 2012 Lean Startup Machine. You are free to use it and earn money with it as an entrepreneur, consultant, or executive, as long as you are not a software company (the latter need to license it from us)'.

<https://www.leanstartupmachine.com/validationboard/>



You want to word the problem and focus on the customer's point of view in all your thinking, writing and creating.

For example, if you have chosen to develop a Business Plan based on an entirely new business idea you will be testing whether the problem is actually a problem for your chosen customer market. This could be worded as 'we believe (our business) that newlyweds who plan their honeymoon have the problem of not knowing where to go, that is affordable, and, promotes a honeymoon 'feel'. If you are working with either the Transforming or Sustaining an Existing Business context, you might choose to explore a new customer target market, or a new problem that you believe the business faces. You might look to use the LVB to keep track of ideas you want to implement as part of transforming or sustaining your chosen business.

Secondly, list the core assumptions that relate to your problem.

A core assumption is any assumption, that if proven invalidated (or not true), your business would fail. An assumption is something we tend to believe is true, even without evidence.

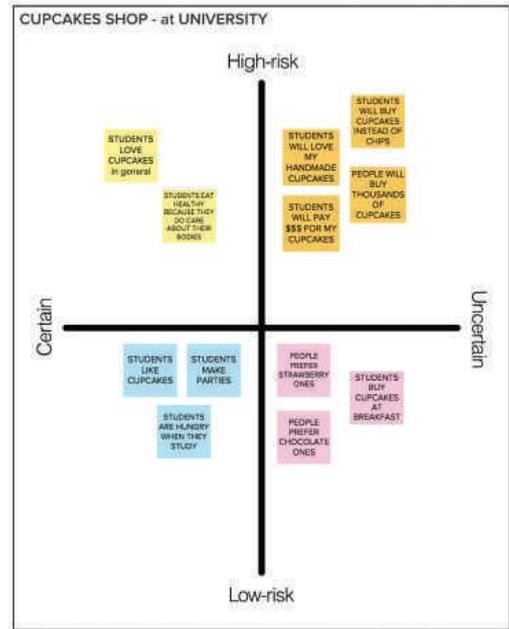
For example, in the case of the above newlywed's problem, an assumption may be that newlyweds are overwhelmed with too many locations to choose from, or that newlyweds know where to go but cannot be bothered doing the planning themselves.

When you have come up with as many assumptions you can brainstorm, you need to select the assumption that is your 'riskiest assumption'. The riskiest assumption is the assumption that you have the least amount of knowledge or evidence about, and if proved untrue, would cause your business to fail. The riskiest assumption can be found by assessing the probability that it is true; against the impact it has.

For example, an assumption could be deemed the riskiest if the probability of it being untrue is the highest, and it has the highest impact. An assumption grid can assist you in mapping this out. This template can be found on mural.co and could be done collaboratively.

This is an example of how to use an Assumption Map (source: <https://tinyurl.com/y2cxnpz8>)

For students who have selected to transform or sustain an existing business, it might be that the riskiest assumption is related to financial aspects such as revenue models and pricing strategies. It may be that you look to test assumptions surrounding new Value Propositions or other areas related to the Business Model Canvas.



Think.  
Share. Act.



Use the Lean Validation Board below to start tracking your decisions related to the business you are focusing on in your Business Plan or try out the activity below using the Experiment Board.

lean**startup**machine

## Validation Board

Project Name:

Team Leader Name:

Track Pivots	Start	1st Pivot	2nd Pivot	3rd Pivot	4th Pivot
Customer Hypothesis	<small>Tip: For one-sided markets, always validate the riskier side first</small>				
Problem Hypothesis		<small>Remember: Limit one sticky note per box. Write in ALL CAPS. Do not write more than 5 words on any sticky-note.</small>			
Solution Hypothesis	<small>Tip: Do NOT define a solution until you've validated the problem</small>				

**Design Experiment**

Tip: Clear all pivots from this area after each experiment is completed

### Core Assumptions

Any assumption that, if incorrect, will break the business

**Riskiest Assumption**

Which Core Assumption has the highest level of uncertainty?

**Method**

What is the lowest-cost way to test the Riskiest Assumption?

Choose: Exploration, Pitch, or Convergence

**Minimum Success Criterion**

What is the weakest outcome we will accept as validation?

**Results** →

## GET OUT OF THE BLDG

Invalidated	Validated												
<small>If invalidated, pivot at least one Core Hypothesis</small>	<small>If validated, brainstorm and test the next Riskiest Assumption</small>												
<table border="1" style="width: 100%; height: 100px;"> <tr><td style="width: 50%; text-align: center;">1</td><td style="width: 50%; text-align: center;">2</td></tr> <tr><td style="width: 50%; text-align: center;">3</td><td style="width: 50%; text-align: center;">4</td></tr> <tr><td style="width: 50%; text-align: center;">5</td><td style="width: 50%; text-align: center;">6</td></tr> </table>	1	2	3	4	5	6	<table border="1" style="width: 100%; height: 100px;"> <tr><td style="width: 50%; text-align: center;">1</td><td style="width: 50%; text-align: center;">2</td></tr> <tr><td style="width: 50%; text-align: center;">3</td><td style="width: 50%; text-align: center;">4</td></tr> <tr><td style="width: 50%; text-align: center;">5</td><td style="width: 50%; text-align: center;">6</td></tr> </table>	1	2	3	4	5	6
1	2												
3	4												
5	6												
1	2												
3	4												
5	6												

Only put the Riskiest Assumption from an experiment in these boxes. Record data & learnings separately.

www.ValidationBoard.com © 2012 Lean Startup Machine. You are free to use it and earn money with it as an entrepreneur, consultant, or executive, as long as you are not a software company (the latter need to license it from us).

## 6.2.1

# Experiment Board

Example from <https://jobsearch.gov.au/content/documents/0211%20-%20Experiment%20Board.pdf>

The Javelin Experiment Board is very similar to the LVB.

However, this canvas has some further tips to assist you with the wording of each section. Like the LVB, it is used to validate or invalidate your ideas to move you faster towards creating a business that will enjoy sustained success.

Javelin Experiment Board		Project Name:	Team Leader Name:				
Start here. Brainstorm with stickyies, pull it over to the right to start your experiment.		Experiments	1	2	3	4	5
Who is your customer? Be as specific as possible. <small>(Required 5 min)</small>		Customer					
What is the problem? Phrase it from your customer's perspective. <small>(Required 5 min)</small>		Problem					
Define the solution only after you have validated a problem worth solving. <small>(Required 5 min)</small>		Solution					
List the assumptions that must hold true, for your hypothesis to be true. <small>(Required 10 min)</small>		Riskiest Assumption					
Need help? Use these sentences to help construct your experiment.		Method & Success Criterion					
To form a Customer/Problem Hypothesis: I believe my customer has a problem achieving this goal.	To form a Problem/Solution Hypothesis: I believe this solution will result in quantifiable outcome.	<b>GET OUT OF THE BUILDING!</b>					
To form your Assumptions: In order for hypothesis to be true, assumption needs to be true.	To identify your Riskiest Assumption: The assumption with the least amount of data, and core to the viability of my hypothesis is...	Result & Decision					
Determine how you will test it: The least expensive way to test my assumption is...	Determine what success looks like: I will run experiment with # of customers and expect a strong signal from # of customers.	Learning					

Start by brainstorming your customer/s in the customer segment of the brainstorm section. Allow 5 minutes to brainstorm collaboratively or individually who your business aims to target and move your preliminary decision to box 1 next to 'customer'. Spend 5 minutes brainstorming all the problems this potential customer has, making a concerted effort to word the problem from their perspective. It is important that at this point, you do not consider the solution, until you have validated if your problem is a problem for that customer. As with the LVB, you need to select the riskiest assumption and the method you will test this. In order for your assumption to be worth developing a solution for, your assumption must hold true to a minimum success criterion, which you have deemed is appropriate. You now need to **'get out of the building'** and perform primary and secondary research regarding your riskiest assumption. Businesses do this in the early stages to ensure they develop a solution for a problem that actually exists IN THE EYES OF THE CUSTOMER!

Your assumption may or may not hold true, but do not be disheartened if it does not. You will discover new insights into the problem and customer from your research that may surprise you. For example, you might find out that your problem is a problem, but not for the customer you intended, meaning that you now WILL pivot your customer hypothesis. Decide on the result and the decision from your research and whether you met your criterion. There will always be learning, so state any key learnings in this section.

Once you have validated the problem and customer hypothesis you can decide on a solution. This solution will need to be tested, using the same process of riskiest assumptions, to determine

if people actually want your proposed solution. For example, let say you believe that the solution to your problem is to develop an app, your riskiest assumption might be ‘all people will want to use an app’, or ‘all people have phones with app capabilities’. Here you will test the riskiest assumption again and if it holds true, you know your app could be successful. Should your assumptions not hold true, you may need to pivot your solution again and complete further testing. For your Business Plan, it is assumed that you have done some research in determining of your new business, transformation, or method of sustaining a business could work, however, it is not crucial that you pivot multiple times to try and get validation. Going through the process is more important than spending lots of time validating your ideas.

Use the blank Experiment Board below to keep track of your pivots and business decisions.

## Experiment Board

Project Name:

Team Leader Name:

	Experiments	1	2	3	4	5
Start here. Brainstorm with stickies, pull it over to the right to start your experiment. Who is your customer? Be as specific as possible. <span style="float: right; font-size: 0.7em;">Time Limit: 5 Min</span>	Customer					
What is the problem? Phrase it from your customer's perspective. <span style="float: right; font-size: 0.7em;">Time Limit: 5 Min</span>	Problem					
Define the solution only after you have validated a problem worth solving. <span style="float: right; font-size: 0.7em;">Time Limit: 5 Min</span>	Solution					
List the assumptions that must hold true, for your hypothesis to be true. <span style="float: right; font-size: 0.7em;">Time Limit: 10 Min</span>	Riskiest Assumption					
Need help? Use these sentences to help construct your experiment.						
To form a Customer/Problem Hypothesis: I believe <u>my customer</u> has a problem achieving <u>this goal</u> .	To form a Problem/Solution Hypothesis: I believe <u>this solution</u> will result in <u>quantifiable outcome</u> .	Method & Success Criterion				
GET OUT OF THE BUILDING!						
To form your Assumptions: In order for hypothesis to be true, <u>assumption</u> needs to be true.	To identify your Riskiest Assumption: The assumption with the least amount of data, and core to the viability of my hypothesis is...	Result & Decision				
Determine how you will test it: The least expensive way to test my assumption is...	Determine what success looks like: I will run experiment with # of customers and expect a strong signal from # of customers.	Learning				

Download Experiment Board and watch case studies at [www.javelin.com](http://www.javelin.com) © 2014 Javelin. You are free to use it and earn money with it as an entrepreneur, consultant, or executive, as long as you are not a software company (the latter need to license it from us).



## Think. Share. Act.

### VALIDATION BOARD OR EXPERIMENT BOARD ACTIVITY

In small groups, work together to identify a common problem that exists between you all – for example, do you get annoyed when your quilt moves within its cover, or when mum and dad ask you to pack the dishwasher? Form your customer and problem hypothesis. For example, your customer hypothesis might be teenagers aged 16-18, with a problem hypothesis that they get annoyed when their bed quilt moves within the cover.

Determine your core assumptions and decide upon your success criteria. Walk around the room and ask your classmates questions related to your core assumption and record the results. Did the respondents validate or invalidate your assumption?

If your assumption was validated – great work! If it was not, think about what your respondents said – was there any learning that could help you pivot the customer or the problem?

Test new assumptions with other classmates again and repeat if not validated. Here are two examples of students who undertook this activity. However, one validated their assumption and the other needed to pivot before validation.

EXAMPLE OF VALIDATED ASSUMPTION

Javelin Experiment Board		Project Name:	Team Leader Name:				
<p>Start here. Brainstorm with stickies, pull it over to the right to start your experiment.</p> <p>Who is your customer? Be as specific as possible. <small>Time Limit: 5 Min</small></p> <p><i>The targeted customer is female teenagers aged 14-19 that have trouble sleeping</i>  <i>young girls aged 10-15</i>  <i>working dads that travel</i>  <i>old people that are lonely</i></p> <hr/> <p>What is the problem? Phrase it from your customer's perspective. <small>Time Limit: 5 Min</small></p> <p><i>It is challenging to sleep due to fluctuating body temperature</i>  <i>It is hard not being aware of how far way your parents are when they are picking you up as they can't text while driving</i>  <i>younger children wear through shoes too quickly</i>  <i>arent healthy options when traveling</i></p> <hr/> <p>Define the solution only after you have validated a problem worth solving. <small>Time Limit: 5 Min</small></p> <hr/> <p>List the assumptions that must hold true, for your hypothesis to be true. <small>Time Limit: 10 Min</small></p> <p><i>Teenagers want to sleep better</i>  <i>teenagers have a fluctuating body temperature</i>  <i>teenagers don't sleep well</i>  <i>dads that travel want young children healthy food options</i>  <i>have to wait to be picked up</i>  <i>old people don't have many friends</i>  <i>old people are lonely</i></p> <p>Need help? Use these sentences to help construct your experiment.</p> <p>To form a Customer/Problem Hypothesis: <b>I believe my customer has a problem achieving this goal.</b></p> <p>To form a Problem/Solution Hypothesis: <b>I believe this solution will result in quantifiable outcome.</b></p> <p>To form your Assumptions: <b>In order for hypothesis to be true, assumption needs to be true.</b></p> <p>To identify your Riskiest Assumption: <b>The assumption with the least amount of data, and core to the viability of my hypothesis is...</b></p> <p>Determine how you will test it: <b>The least expensive way to test my assumption is...</b></p> <p>Determine what success looks like: <b>I will run experiment with # of customers and expect a strong signal from # of customers.</b></p>		Experiments	1	2	3	4	5
Customer		We believe female teenagers aged 14-19					
Problem		they have trouble sleeping due to being too hot or too cold throughout the night					
Solution							
Riskiest Assumption		it is hard to sleep due to fluctuating body temperature					
Method & Success Criterion		if 70% of surveyed people agree that they have issues sleeping due to their body temperature it is successful					
<b>GET OUT OF THE BUILDING!</b>							
Result & Decision		Though a survey it was found that 87.5% of people struggle sleeping due to body temperature					
Learning		Found that 100% of people interviewed are located directly under a AC or heater while sleeping					

Credit - 2020 from Eliza Fennell, used with permission

EXAMPLE OF INVALIDATED ASSUMPTION WITH PIVOT

Javelin Experiment Board		Project Name:	Team Leader Name:				
<p>Start here. Brainstorm with stickies, pull it over to the right to start your experiment.</p> <p>Who is your customer? Be as specific as possible. <small>Time Limit: 5 Min</small></p> <p><i>- Teenage girls</i>  <i>- 30-40 year old women</i>  <i>- Drag Queens</i>  <i>- Elderly women</i></p> <hr/> <p>What is the problem? Phrase it from your customer's perspective. <small>Time Limit: 5 Min</small></p> <p><i>- Removing different types of nail polish (shellac, SNS, acrylics)</i>  <i>- Finding clothes that fit</i>  <i>- Phone turning out of battery</i>  <i>- No wifi</i></p> <hr/> <p>Define the solution only after you have validated a problem worth solving. <small>Time Limit: 5 Min</small></p> <hr/> <p>List the assumptions that must hold true, for your hypothesis to be true. <small>Time Limit: 10 Min</small></p> <p><i>- Teenage girls can afford to remove their nail polish</i>  <i>- Quality &lt; price</i>  <i>- Do not care about nail health</i></p> <p>Need help? Use these sentences to help construct your experiment.</p> <p>To form a Customer/Problem Hypothesis: <b>I believe my customer has a problem achieving this goal.</b></p> <p>To form a Problem/Solution Hypothesis: <b>I believe this solution will result in quantifiable outcome.</b></p> <p>To form your Assumptions: <b>In order for hypothesis to be true, assumption needs to be true.</b></p> <p>To identify your Riskiest Assumption: <b>The assumption with the least amount of data, and core to the viability of my hypothesis is...</b></p> <p>Determine how you will test it: <b>The least expensive way to test my assumption is...</b></p> <p>Determine what success looks like: <b>I will run experiment with # of customers and expect a strong signal from # of customers.</b></p>		Experiments	1	2	3	4	5
Customer		<i>Teenage Girls</i>	<i>Teenage Girls</i>				
Problem		<i>Having to remove different types of nail polish when it is expensive.</i>	<i>Remove nail polish incorrectly, causing nail damage</i>				
Solution							
Riskiest Assumption		<i>All teenage girls can afford to remove their nail polish</i>	<i>Do not care about nail health</i>				
Method & Success Criterion		<i>Survey teenage girls</i>	<i>Survey teenage girls</i>				
		<i>75%</i>	<i>75%</i>				
<b>GET OUT OF THE BUILDING!</b>							
Result & Decision		<i>Results were inconclusive to the problem</i>	<i>Teenage girls do care about nail health</i>				
Learning		<i>Choose to skip it off, pivot must occur.</i>	<i>More market research required - pivot must occur</i>				

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## 6.3

# Tools for Testing Ideas, Problem Validation, Business Assumptions

## TEST CARD

The test card allows you to quickly design an experiment or test, to determine if your hypothesis is true or false. Remember, that if an assumption or hypothesis holds true, you have validated part of your business. It allows you to decide on how you are going to measure your hypothesis and what the success would look like.

Let's revisit our earlier problem we identified: that you believe that newlyweds have the problem of deciding where to go for their honeymoon. This would be your belief, which would be taken either from your LVB or EB.

To verify this belief, I might decide that I intend on surveying 20 newlyweds or engaged couples on their attitude towards picking a honeymoon destination – this is filled in as part of step 2. Step 3, which looks at my metric could be that I intend to measure the attitudes themselves of couples and that if there are more negative views to picking a destination that my assumption holds true. This leads in to step 4, where I decide that if 15 out of the 20 surveyed newlyweds hold a negative attitude towards picking a destination, that my hypothesis is proved correct. You should use a test card each time you design a test for a hypothesis or assumption.

Use the test card below to design an experiment for your chosen assumption. Remember, this does not get included in your Business Plan. Below is an example too to guide you.

Example from <https://www.strategyzer.com/blog/posts/2015/3/5/validate-your-ideas-with-the-test-card>

Example from <https://assets.strategyzer.com/assets/resources/the-test-card.pdf>

Test Card



**Think.  
Share. Act.**

### Test Card

Test Name	Deadline
Assigned to	Duration

**STEP 1: HYPOTHESIS**

**We believe that**

Critical:

**STEP 2: TEST**

**To verify that, we will**

Test Cost:    
 Data Reliability:

**STEP 3: METRIC**

**And measure**

Time Required:

**STEP 4: CRITERIA**

**We are right if**

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## Test Card

Strategyzer

<i>Test Name</i> <b>Survey</b>	<i>Deadline</i>
<i>Assigned to</i>	<i>Duration</i> <b>4 days</b>

**STEP 1: HYPOTHESIS**

### We believe that

Camping families have problems with lukewarm or cold showers at caravan parks.

Critical:

**STEP 2: TEST**

### To verify that, we will

Create a survey that questions regular campers about the showers/amenities at caravan parks and their feelings surrounding levels of hygiene during camping trips.

Test Cost:   
 Data Reliability:

**STEP 3: METRIC**

### And measure

Where families go camping, if they enjoy showering while camping, standards of caravan park amenities and unfavourable experiences with cleanliness while camping. (Will be measured subjectively through opinions and scaled questions.)

Time Required:

**STEP 4: CRITERIA**

### We are right if

If 70% of survey respondents validate our riskiest assumption; that all campers want showers.

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## LEARNING CARD

The Learning Card goes hand in hand with the Test Card and is designed to capture customer insights. You can use this as a reflection tool of the learnings you found from your test card.

### STEP 1

Outline the hypothesis you tested using the test card. This was, as indicated in the earlier example, that newlyweds have the problem of deciding where to go for their honeymoon.

### STEP 2

Dictates that you described what you observed.

For example, you might have interviewed 20 newlyweds and from this observed that the majority of them were overcome with joy when speaking about having someone plan their honeymoon for them.

### STEP 3

Therefore, a key learning could be that newlyweds desire to have someone else plan their honeymoon, as it is too stressful for them to do so themselves.

**STEP 4**

This allows you to make a decision and action regarding this new learning.

**ACTION**

Perhaps a personalised app could that puts newlyweds in touch with honeymoon planners, is something you could test further in your EB of LVB.

Use the learning card below to fill in any learnings from the test(s) you have completed on your Business Plan ideas. Another example has been provided to you for the learnings of someone who looked at campers having the problem of cold showers.



**Think.  
Share. Act.**

Example from <https://www.strategyzer.com/blog/posts/2015/3/9/capture-customer-insights-and-actions-with-the-learning-card>

Example from <https://assets.strategyzer.com/assets/resources/the-learning-card.pdf>

## Learning Card

**STEP 1: HYPOTHESIS**

We believed that

**STEP 2: OBSERVATION**

We observed

Data Reliability:

**STEP 3: LEARNINGS AND INSIGHTS**

From that we learned that

Action Required:

**STEP 4: DECISIONS AND ACTIONS**

Therefore, we will

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# Learning Card



*Insight Name*    **Survey**

*Date of Learning*

*Person Responsible*

**STEP 1: HYPOTHESIS**

**We believed that**

Camping families have problems with lukewarm or cold showers at caravan parks.

**STEP 2: OBSERVATION**

**We observed**

**FROM SURVEY:**

83% of people usually go camping with their families, but only go together once or twice a year. Most campers do not stay in caravan parks, but rather at beaches or national parks. 71% do enjoy showering while camping, which validates the riskiest assumption. On average, campers rate caravan park showers a 5/10. Many have had unfavourable experiences with showers/cleanliness while camping.

**Data Reliability:**

👍
👍
👍

**STEP 3: LEARNINGS AND INSIGHTS**

**From that we learned that**

People do not go camping as often as we originally thought, and most of the time they are not even in caravan parks. The majority of people like to be clean while camping, but most caravan park showering facilities are not up to their standards. Our riskiest assumption was validated, but we also learned a lot about other factors to do with cleanliness while camping.

**Action Required:**

☑
☑
☑

**STEP 4: DECISIONS AND ACTIONS**

**Therefore, we will**

Re-evaluate our riskiest assumption. Although our riskiest assumption was validated (all campers want showers), the survey produced other results that could lead us to change our problem hypothesis in the future to "have problems with general cleanliness during camping trips." Instead of "have problems with cold or lukewarm showers at caravan parks." This may mean that our riskiest assumption was not actually the riskiest, as there were no pivots involved.

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## KEY TAKEAWAYS

- Project management tools may be non-assessed in the Business Plan, but are pivotal in keeping track of your business decisions and pivots.
- Project management tools allow you to design relevant primary research when testing business ideas, such as new problems, new customers and solutions.
- Project management tools allow you to critically reflect on any unexpected learning, ultimately benefiting your Business Plan in making it have a more customer-centric approach.
- The Project Management Tools in this section are not an exhaustive nor prescriptive list.
- You can use any Project Management tool or application that you see fit, however these are some of the most common in the design thinking “world”!

# 6.4 Risk Management Tools

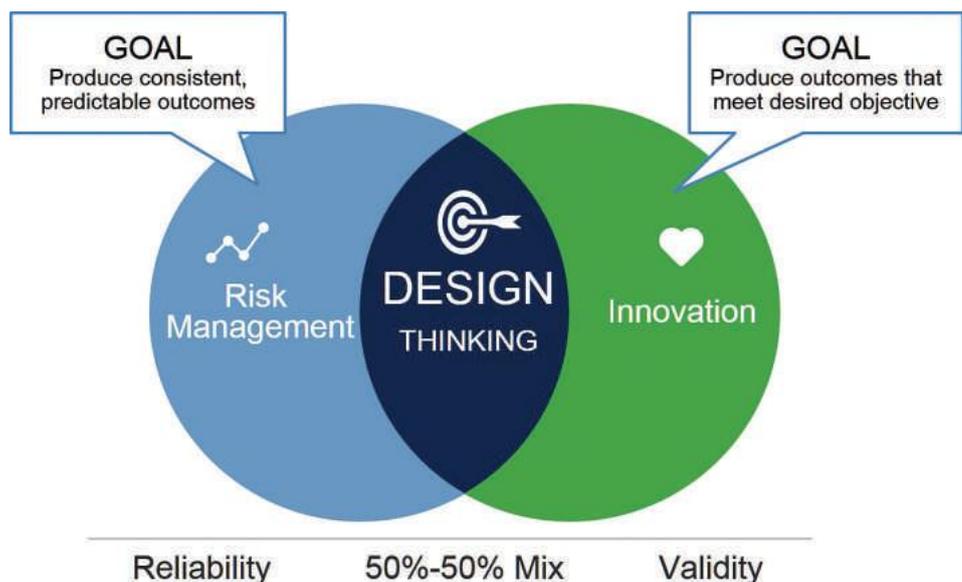
*Recall that whilst your aim is to meet your customer's needs in the best way possible. at the same time, you are also focused on maximising the opportunities for predictable business success.!*

Section 5 on The Finances supported and encouraged you to gain a basic level of financial literacy to monitor and measure your risk in financial terms.

The familiar figure below from Section 1 shows the overlap between these two key threads that combine to form the ultimate purpose of your Business Plan.

On the innovation side, design thinking targets the desire for a valid outcome that creates a reliable solution to meets customer's needs in the best way possible.

On the risk management side, you are seeking through iterative prototyping to limit the risk of an unpredictable outcome that potentially blocks your business success.



As a student studying Stage 2 Business Innovation, the ultimate aim is for you to understand that by utilising the design thinking concept to propel your innovative business initiative in our ever-changing digital local and global business environment. You are seeking to create a reliable solution to a customer needs through iterative prototyping that limits the risk of an unpredictable outcome that prevents sustainable business success.

Here is a simple process to guide your thinking when designing or choosing a tool that will support you to consider including a Risk Assessment Matrix or Risk a Management Tool to

1. Think about the risk.
2. Outline the risk in a concise statement.
3. What are the potential effects of the risk?
4. Think about the effects in combination with the risk categories of your PESTLE tool.
5. Use a Matrix to highlight the probability of it happening.
6. What kinds of impact would it have?
7. Give each impact a rating.
8. Make recommendation on how the risk can be solved or reduced etc.

guide your decision-making in your Business Plan.

Here is an example of the type of templates you could adapt or access the link below to get ideas on how to create an original one that suits your context. It may be that you wish to use a tool that shows a broader perspective covering Risk Management or one that focuses spe-

### RISK ASSESSMENT MATRIX TEMPLATE

RISK RATING KEY	LOW	MEDIUM	HIGH	EXTREME
	0 – ACCEPTABLE OK TO PROCEED	1 – ALARP (as low as reasonably practicable) TAKE MITIGATION EFFORTS	2 – GENERALLY UNACCEPTABLE SEEK SUPPORT	3 – INTOLERABLE PLACE EVENT ON HOLD
	SEVERITY			
	ACCEPTABLE LITTLE TO NO EFFECT ON EVENT	TOLERABLE EFFECTS ARE FELT, BUT NOT CRITICAL TO OUTCOME	UNDESIRABLE SERIOUS IMPACT TO THE COURSE OF ACTION AND OUTCOME	INTOLERABLE COULD RESULT IN DISASTER
LIKELIHOOD				
IMPROBABLE RISK IS UNLIKELY TO OCCUR	LOW – 1 –	MEDIUM – 4 –	MEDIUM – 6 –	HIGH – 10 –
POSSIBLE RISK WILL LIKELY OCCUR	LOW – 2 –	MEDIUM – 5 –	HIGH – 8 –	EXTREME – 11 –
PROBABLE RISK WILL OCCUR	MEDIUM – 3 –	HIGH – 7 –	HIGH – 9 –	EXTREME – 12 –

cifically on risk assessment as shown in the two matrixes below.

This simple matrix template is designed to aid the assessment process, providing a quick view of the relationship between the likelihood of occurrence and the severity of impact, as well as the number of risks that fall into each category. The colour scheme makes it easy to distinguish among the different ratings, so you can present an overview of the levels of risk that need to be addressed. <https://www.smartsheet.com/free-risk-management-plan-templates>

**An example Risk Assessment method is shown below:**

Risks will be assessed by impact and likelihood using a 1 to 4 numeric scale. The combined score is the risk priority and will drive the response to each risk.

**Likelihood scale:**

1. the risk is very unlikely to happen for example it is statistically unlikely, or action has already been taken to reduce the likelihood.
2. the risk is unlikely to happen, but is not unheard of, for example a supplier goes unexpectedly into liquidation or a regulatory change forces a change of materials.
3. the risk is likely to happen for example rain in January when planning an outdoor publicity launch or it is a common risk on projects of this type.
4. the risk is highly likely to happen, perhaps it is a common occurrence on projects or a common issue with location, environment, materials, equipment or the technology used. For example, publication of new texts projects is often impacted by delay in actioning feedback on proofs.

**Impact scale:**

1. the risk will have little impact, perhaps there are plans or procedures in place that will reduce the impact, or there is a simple low-cost alternative. For example, holding a Skype or Zoom meeting if a key person is unavailable to meet in person.
2. the risk will have some impact, but it can be managed or reduced easily. For example, getting cover for a non-critical staff member who is off sick or a short delay while a contingency is put in place.
3. the risk will have a significant impact. It is likely to require involvement of senior management and trigger a re-assessment of the business case. For example, equipment failure causing a delay to the go live date.
4. if the risk occurs the project will no longer be viable, perhaps the business case can no longer be achieved, the additional costs would make it ruinous or the delay would be so long as to make the project pointless.

**RISK ASSESSMENT MATRIX**

Once you have rated a risk by impact and likelihood you can use a matrix to show the priority/importance of the risk.

**An example Risk Assessment Matrix is shown below:**

Risks with a priority between 1 – 3 will be accepted (no action will be taken).

Risks with priority between 4 – 8 will be managed using the most appropriate risk response.

Priority 9, 12 and 16 risks may result in the project being cancelled or put on hold until a risk

		RISK IMPACT			
		1	2	3	4
RISK LIKELIHOOD	1	1	2	3	4
	2	2	4	6	8
	3	3	6	9	12
	4	4	8	12	16

**RISK BREAKDOWN STRUCTURE DIAGRAM**



# Glossary

This glossary has been adapted from the 2020 Stage 2 Business Innovation Course Outline.

**assumption-based planning**

A method of project management that begins with identifying and testing the biggest assumptions about a business and adjusting plans and decisions accordingly.

**Balance Sheet - A financial report**

Listing the assets, liabilities, and capital of a business at a particular point in time. The balance of income and expenditure over the preceding period, ie profit or loss is included in the Capital section.

**break-even analysis**

A method of calculating how much a business needs to sell to cover costs.

**business intelligence**

The result of collecting, analysing, and evaluating data to produce actionable information to aid in decision-making; for example, identifying bestselling products and poorly selling products.

**business model**

The plan a business has for its successful operation, which identifies sources of revenue, the intended customer base, products, and details of financing.

**Business Model Canvas (BMC)**

A template used to develop new or evaluate existing business models and used to help a business align its strategies in a more effective and efficient way.

**Business Plan**

The plan a business uses to describe the strategies it will use to achieve its goals (usually identified in the business model).

**capital**

Wealth in the form of money or other assets available for starting a company or investing in an existing business.

**Cash flow**

The total amount of money being transferred into and out of a business- this flow affects the liquidity of a business.

**Competitor Analysis**

Tool used to recognise strengths and weaknesses of competitors to determine how your business can increase their market share.

**Corporate Social Responsibility (CSR)**

An approach to business that aims to sustainably deliver economic, social, and environmental benefits to all stakeholders.

**cost structure**

The fixed and variable costs incurred by a business.

**creditor**

A person or business to whom money is owing.

**crowd funding**

The practice of raising money (often small individual amounts) from a large number of people through social media platforms.

**customer-focused approach**

*or customer-centric approach*

*see also human-centred design*

Putting the perspectives and needs of customers at the centre of business decision-making.

**De Bono's Six Thinking Hats**

A tool used for planning and thinking about processes that allows you to take an objective look at all sides of decision.

**debtors**

A person or business that owes money.

**Demographic factors**

Demographic data refers to socio-economic information expressed statistically, including age, race, sex, employment, education, income, marriage rates, birth rates, no of children in a family etc.

**Design Thinking**

An iterative process that draws on logic and creativity in order to solve problems and identify, test, and refine actionable solutions.

**digital and emerging technologies**

new, innovative technologies that can change or influence business.

**digital tools**

Software programs or web-based resources that make tasks more efficient.

**equity**

Equity is measured for accounting purposes by subtracting liabilities from the value of an asset.

It is also used to describe the financing of a business by the owners, as opposed to debt financing.

For a company, it represents the value that would be returned to a company's shareholders if all the assets were liquidated and all the company's debts were paid off.

**Experiment Board**

A board used by businesses, devised by Javelin, used to test business assumptions

**financial awareness**

The ability to recognise and develop an understanding of key financial information including revenue models, pricing strategies, cost structures, and cash flow requirements.

**Financial ratios**

Ratios serve as a useful comparative tool of analysis. eg calculating profitability, debt.

Ratios provide meaningful information to a firm's management and investors to analyse and compare relationships between different pieces of financial information. Using numbers to calculate financial ratios from the balance sheet, income statement and cash flow statement allows you to create different types of business intelligence that can be interpreted to make informed decisions.

**Get Keep Grow Strategy**

Marketing or customer relations strategies designed to attract, retain, and increase the number of customers.

**human-centred design**

A creative approach to problem-solving that puts customer or stakeholder perspectives at the forefront of the process.

**Industry**

An umbrella term that represents a large number of companies that sell similar products and/or services

**infographic**

A visual representation of information and data designed to make concepts understandable at a glance.

**Innovation**

The action or process of innovating.

Includes original invention and creative use of new ideas, products, services and processes or can improve the way a business is run by transforming more effective processes, products or ideas.

**inventory**

See stock.

**Iterate**

To do the same process over again (perhaps with new assumptions or new knowledge gained)

**Key Performance Indicator (KPI)**

A measurable value that demonstrates how effectively a business is achieving its goals and/or objectives.

**Lean Start-up Process**

A streamlined process for developing businesses and products using testing and validation of hypotheses. The process of receiving feedback from customers quickly and often reduces financial risk.

**Learning Card**

A project management tool to record learnings from research to guide further business decisions

**Liabilities**

In an accounting sense this refers to an amount of money owed. plural noun: liabilities. Money owed to creditors by a business

**Liquidity**

See cash flow. The ease with which assets can be liquidated – ie turned into cash.

**Market**

*Narrow meaning* – falls under the term of industry and represents a smaller number of businesses where people meet to buy and sell goods and services.

*Broader meaning* – refers to the whole economy – can refer to global and domestic market

**Market Growth**

The increase or decrease in the size of a market for a product or service over time.

**Market Share**

The percent of total sales in an industry generated by a particular business.

**monetise**

Earn revenue from an asset or business activity

**MOST Analysis**

A term used to turn a business's Vision, Purpose and Values into internal processes the business can use to achieve these three pillars used to identify a business.

**Owner's Equity****Pain point**

Something that bothers or inconveniences a customer; a problem waiting for a solution; for example, it takes too long to order take away food

**PESTLE/PEEST/STEEPLE**

Acronyms for factors that can impact a business and affect its decision-making processes: political, economic, environmental, social, technological, legal and ethical.

**Profit**

Revenue minus expenses

**Profit and Loss Statement**

*Also known as Income or Revenue Statement*

**Profitability**

The degree to which a business activity yields profit or financial gain.

**Pricing Strategy**

How businesses price their Value Proposition(s) to make money.

**Research & Development (R & D)****revenue**

Income generated from business activity

**Revenue Model**

A framework for generating financial income

**Revenue Stream**

A source of revenue of a business.

A revenue stream is generally made up of either recurring revenue, transaction-based revenue, project revenue, or service revenue.

**Shareholder**

Profits distributed as dividends to shareholders

**Shareholder equity**

Is the company's owners claim on assets after debts have been paid. Equity is equal to a firm's total assets minus its total liabilities.

**Stakeholder**

Is a party that has an interest in a business and can either affect or be affected by the business activity.

**stock**

Another term for inventory of raw materials or finished goods In the case of finished goods or merchandise, it refers to inventory kept on the premises of a shop or warehouse and available for sale or distribution. Can also be used as alternative term for "shares" in a company.

**SWOT**

A tool that is used to analyse a business's situation - acronym for Strengths, Weaknesses, Opportunities, and Threats.

**Target Market**

*also referred to as Market Target*

The audience your business plans to target. Usually quite specific and includes demographic factors

**Test Card**

A project management tool used to design experiments to test assumptions related to the customer, problem and proposed solution.

**Transformation**

A way of changing to keep a business relevant for the future.

**Validation**

A tool to help entrepreneurs stay focused while undertaking a Lean Start-up Process.

**Value Proposition**

A proposition that articulates why customers would choose to buy the product or service of this business instead of that of competitors.

**Working Capital**

Is the difference between a company's current assets, such as cash, accounts receivable (debtors) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable (creditors)





