PIONEER ONLINE BUSINESS ACADEMY

DEVELOPING NEW BUSINESS STREAMS

Lesson 1

BUSINESS DEVELOPMENT

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Learning Outcomes

- 1.1 Use the TOWS matrix to identify a response to a future opportunity or threat

- 1.2 Identify the business planning links between marketing, finance, HR and operations

1.1 USE THE TOWS MATRIX TO IDENTIFY A RESPONSE TO A FUTURE OPPORTUNITY OR THREAT

TOWS Matrix

- The TOWS Matrix is derived from the SWOT Analysis model, which stands for the internal Strengths and Weaknesses of an organisation and the external Opportunities and Threats that the business is confronted with.
- The acronym TOWS is a variant of this and was developed by the American international business professor Heinz Weirich.
- The TOWS Matrix is aimed at developing strategic options from an external-internal analysis and is a practical tool, particularly in the fields of business administration and marketing.

TOWS Matrix

	INTERNAL FACTORS		
EXTERNAL FACTORS		Strengths (S)	Weaknesses (W)
	Opportunities (O)	Strengths/ Opportunities (SO)	Weaknesses/ Opportunities (WO)
	Threats (T)	Strengths/ Threats (ST)	Weaknesses/ Threats (WT)

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TOWS Matrix

- The TOWS Matrix can also help with brainstorming and developing great.

ideas to generate effective marketing strategies and tactics.

- Furthermore, the model goes beyond merely finding out the strengths and weaknesses within an organisation and what opportunities and threats there are in its environment.

- It forces organisations to really think about how they can improve themselves, how they can guard against threats and become more aware of their expertise and potential shortcomings.

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SWOT And TOWS

- Whereas SWOT Analysis starts with an internal analysis, the TOWS Matrix starts the other way around, with an external environment analysis; the threats and opportunities are examined first.

- From that standpoint, an organisation gets a clear picture of its environment and the opportunity to think about strategy and what direction the company will go in. Next the company's strengths and weaknesses are considered; what it's good at internally and what it's not so good at.

- The external analysis is linked to the analysis and the resulting TOWS Matrix can help an organisation to make decisions better, seize opportunities and protect itself better against threats.

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Strategies Using TOWS Matrix

- Strength/Opportunity (SO) – Use firm's strengths to exploit opportunities.
- Weakness/Opportunity (WO). Creating strategies to overcome weaknesses and then take advantage of opportunities. So, you mitigate weaknesses, to exploit opportunities.
- Strength/Threat (ST) – Creating strategies to exploit strengths to overcome any potential threats.
- Weakness/Threat (WT). The final option looks least appealing; after all, would relish using a weakness to overcome a threat? With Weakness/Threat (WT) strategies

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TOWS Matrix Example

Internal factors / External factors	Strenghts (S)	Weaknesses (W)
	S1 There is a large group of very experienced professionals working within the organisation who have a lot of expertise.	W1 The organisation takes little initiative when it comes to customer acquisition and waits for customers to come to them.
Opportunities (O)	**S-O strategies**	**W-O strategies**
O1 Strong desire from vocational educators for partnerships with organisations for apprenticeship positions	S1-O1 Partnering up with educators by offering apprentices positions	W1-O1 Presenting the company as an accredited apprenticeship provider
Threats (T)	**S-T strategies**	**W-T strategies**
T1 Increasing competition from cheaper Polish workers.	S1-T1 Emphasize that workers have accredited diplomas to comply with legal and safety requirements	W1-T1 Offer maintenance service by apprentices at reduced rates

1.2 IDENTIFY THE BUSINESS PLANNING LINKS BETWEEN MARKETING, FINANCE, HR AND OPERATIONS

Operational Planning

Once a strategic business plan is set at top level, each department/ function needs to create operational plans to define their focus for the near future.

A strategic plan outlines the company's long-term vision and how all departments should work together to achieve it.

An operational plan is department focused and outlines what each department will focus on for the near future.

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Human Resources Department

The human resources department is responsible for the management of people. The responsibilities of the HR department will include:

- Recruitment - the process of finding appropriate people for a given role. This includes advertising a vacancy, selecting candidates for interview, managing contracts of employment, job descriptions and so on…
- Training - both new and existing staff will need training to help them develop and improve their skills and this will be the responsibility of the HR department.
- Wages and Salaries - HR department determines the pay and benefits for each job and keeps records of attendance for calculates wages.

- Employee relations and welfare - this includes pay negotiations with employees, disciplinary procedures, considering grievances of employees as well as health and safety, social activities etc.

Accounting and Finance

The accounting and finance department is responsible for all issues related to the management of money and the flows of money around the business and between the firm and other firms or customers.

- **The** Accounting function involves the collection, recording, presentation and analysis of financial data. This may include 'management accounts' for the directors of the firm to view on a regular basis or the public or 'financial accounts' for anyone to view (if the firm is a public limited company).

- The Finance function, on the other hand, is concerned with raising the money required for all business operations and the decision-making on how and where that money should be spent.

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Accounting and Finance

The responsibilities of the finance function include:

- Sources of finance -decisions about the most appropriate source of finance for each activity.
- Cash flow -the way in which money moves in and out of the business. It is important to balance and manage these flows. If too much money flows out at a given time, the firm is in danger of insolvency.

- Credit control - the process of collecting debts and managing payments. At any given time a firm will be owed money by its customers and may owe money to its suppliers.

Marketing

The responsibilities of the marketing department may include:

- Researching the market - identifying market opportunities, examining the nature of customers and potential customers, understanding the target market for the good or service, testing consumer reaction to potential products and so on.

- New product development - The marketing department will test if there is a market for the product, identify the features or characteristics that the product

requires and may carry out test launches of the product in advance of the full product launch.

- Marketing mix - the marketing department will develop the mix of strategies that will help with selling the product. This includes the pricing of the product, the promotion, the nature of the product and the distribution channels for the product.

Operations

The responsibilities of the production department may include:

- New product development - in association with the marketing department
- Research and development (R & D) - R&D refers to systematic investigation or innovation; the outcomes of which are new or improved materials, products, devices, processes, or services. Prototypes of new products may be tested by the marketing department with potential customers.

- Production planning - the production department will consider the layout of the facility, the optimum location of production, the method of production, the type of machinery and so on.

Operations

- Quality control - the quality of the product or service is crucial if the reputation of the firm is to be maintained and enhanced.
- Distribution - the production department will organise the distribution of the good or service to the customers. This may be through middlemen or 'intermediaries' such as retail shops or agents or direct to the customer through e-commerce.
- Purchasing and stock control - the production department is responsible for the purchase of stocks or raw materials required for production.

Components Of An Operational Plan

An operational plan may contain:

- detail any current responsibilities or commitment of the department
- include a SWOT analysis of the department
- analyse previous performance
- collect and review historical information on income and expenses
- create financial forecasts
- determine departmental goals and initiatives
- align individual plans with wider business strategy
- draft tactical plans and propose budget, resource, timescales, etc

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Aligning operational plans

- Every function plays a crucial role in achieving organisational objectives. In simple terms, Operations make the product, Finance organise funds to make sure the product is profitable, Marketing promotes the product and HR organises human resources to for production, finance, marketing and sales.

- Strategic plans give direction for operational plans and make sure that all departments are working towards a common goal.