PIONEER ONLINE BUSINESS ACADEMY

DEVELOPING NEW BUSINESS STREAMS

Lesson 2

BUSINESS DEVELOPMENT

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Learning Outcomes

- 2.1 Produce an ‘opportunities matrix’ that supports strategy development and responses to external threats

- 2.2 Use primary and secondary research to define the size of an opportunity

- 2.3 Identify both tangible and intangible resources that exist and those required to support a development strategy

2.1 PRODUCE AN ‘OPPORTUNITIES MATRIX’ THAT SUPPORTS STRATEGY DEVELOPMENT AND RESPONSES TO EXTERNAL THREATS

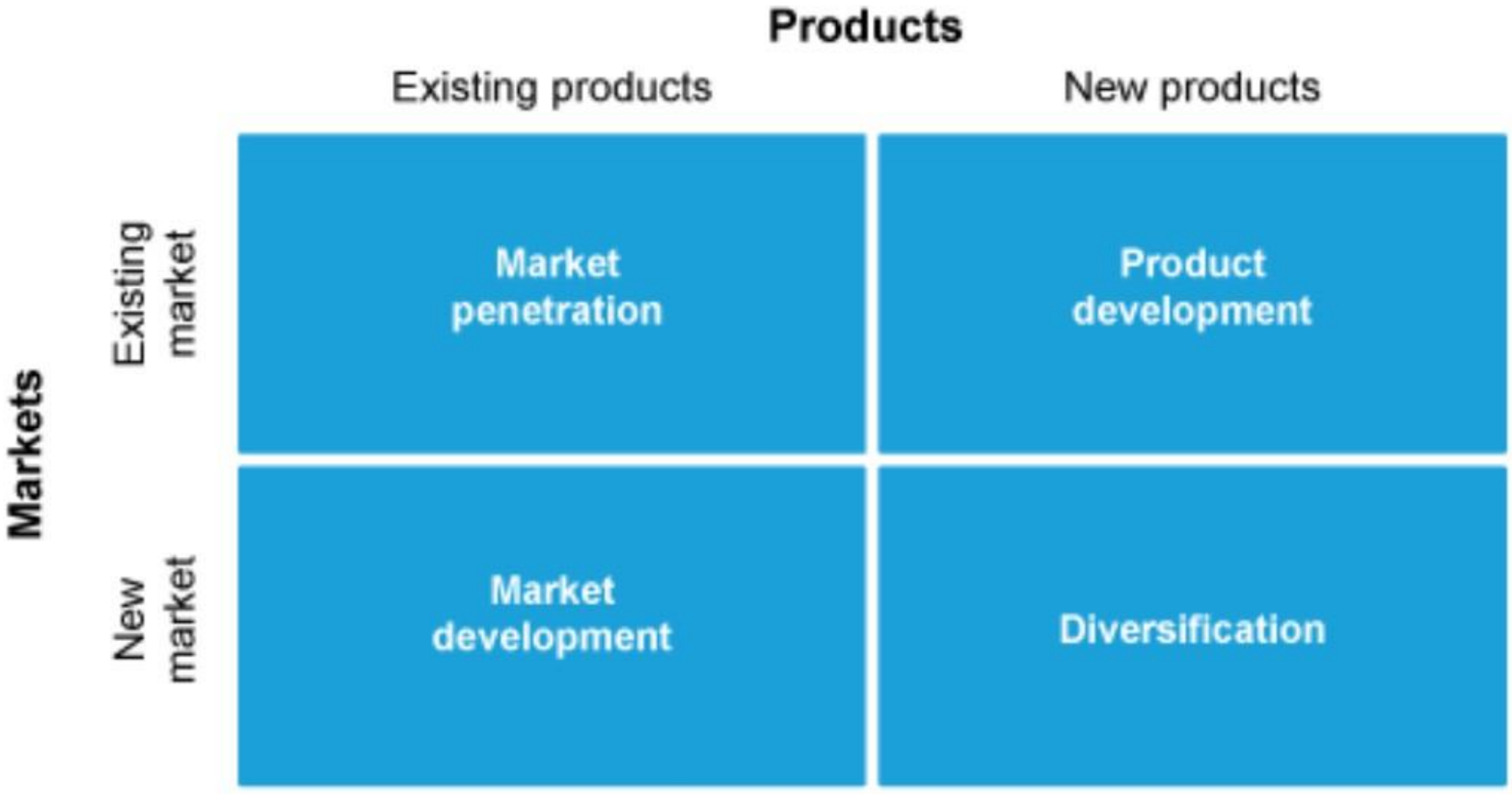
Opportunities Matrix

- The strategic opportunity matrix (sometimes called the Ansoff matrix) focuses on different growth strategies for markets and products.

- It is a core business strategy tool, which suggested that there are two approaches to developing a growth strategy; through varying what is sold (product growth) and who it is sold to (market growth).

- When combined, it delivers four strategic options, each with a differing level of risk.

The Ansoff Matrix



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The Ansoff Matrix

1. Market penetration

This involves increasing sales of an existing product to an existing market through advertising and promotions.

- It is not suitable for saturated markets.
- It will only be successful if there is strong growth in the market.
- It is suitable when there is room to gain economies of scale by increasing production volumes.
- It is a minimal risk strategy.

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The Ansoff Matrix

2. Market Development

This involves selling an existing product to a new market (geographical or demographical).

It is most suited when:

- There are untapped markets
- The firm has excess capacity to produce
- There are attractive channels to access new markets

It involves medium risk as it's a combination of existing product (low risk) and a new market (high risk).

The Ansoff Matrix

3. Product Development

This is where new products are developed for an existing market. It should be noted that product development is costly and involves moderate risk.

It is most suited when:

- The firm has strong innovation capabilities
- The market is growing or changing
- The firm has high brand value

The Ansoff Matrix

4. Diversification

This involves selling new products to new markets. It is a high cost, high risk strategy.

It is most suited when:

- All markets for an existing product are dead.
- A firm is doing extremely well in one industry and wants to expand the expertise into another industry.
- A firm wants to reduce the risk of operating in only one industry.

Selecting a Strategy

The following criteria could be used for selecting a suitable strategy:

1. Alignment with your organisation's vision, mission, priorities and values
2. Capability – your organisation's competence (ability to provide a quality product or service) and capacity (ability to provide a volume of product or service, should demand warrant)
3. Market impact – the current and future size and urgency of the community need, and your organisation's current and potential future competitive position
4. Financial impact – the opportunities' potential to generate both earned income and philanthropic support

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2.2 USE PRIMARY AND SECONDARY RESEARCH TO DEFINE THE SIZE OF AN OPPORTUNITY

Research Tools

Research tools can be catagorised under two main sources:

- Primary sources:

Primary research tools are used to gather information specifically for the research project in hand.

- Secondary sources:

Secondary research sources include information that has previously been gathered for some purpose other than a current research project.

Primary Research Tools

Primary research includes collecting information specifically for the research in hand. Some of the main primary research tools include:

- Surveys
- Interviews
- Case studies
- Focus Groups
- Observation studies
- Action research
- Experiments

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Primary Research Tools

Surveys using questionnaires

- A questionnaire is a structured data-collection mechanism involving a range of question formats and completed orally or in print. This is distinct from a discussion guide or topic guide created for qualitative research in focus groups or depth interview
- Normally a questionnaire is driven by the objectives of the research. Hence it's vital to design the questionnaire in a manner to meet the set objectives
- Questionnaire surveys are often used to determine consumer behaviour, often to understand customer pain points, changes in needs and wants etc.

Primary Research Tools

Interviews

- This is one of the best contact tool used in research and it involves face-to-face interaction between researcher and respondent

- This allows researchers to ask more questions and record additional observations based on their interaction and body language

- Notably interviews are relatively expensive and time consuming

Primary Research Tools

Types of interviews:

- Face -to -face interviews have a distinct advantage of enabling the researcher to establish rapport with potential partiocipants and therefor gain their cooperation. These interviews yield highest response rates in survey research. They also allow the researcher to clarify ambiguous answers and when appropriate, seek follow-up information. Disadvantages include impractical when large samples are involved time consuming and expensive.
- Telephone interviews are less time consuming and less expensive and the researcher has ready access to anyone on the planet who hasa telephone. Disadvantages are that the response rate is not as high as the face-to- face interview but cosiderably higher than the mailed questionnaire. The sample may be biased to the extent that people without phones are part of the population about whom the researcher wants to draw inferences.

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Primary Research Tools

- Computer Assisted Personal Interviewing (CAPI): is a form of personal interviewing, but instead of completing a questionnaire, the interviewer brings along a laptop or hand-held computer to enter the information directly into the database. This method saves time involved in processing the data, as well as saving the interviewer from carrying around hundreds of questionnaires. However, this type of data collection method can be expensive to set up and requires that interviewers have computer and typing skills.

Primary Research Tools

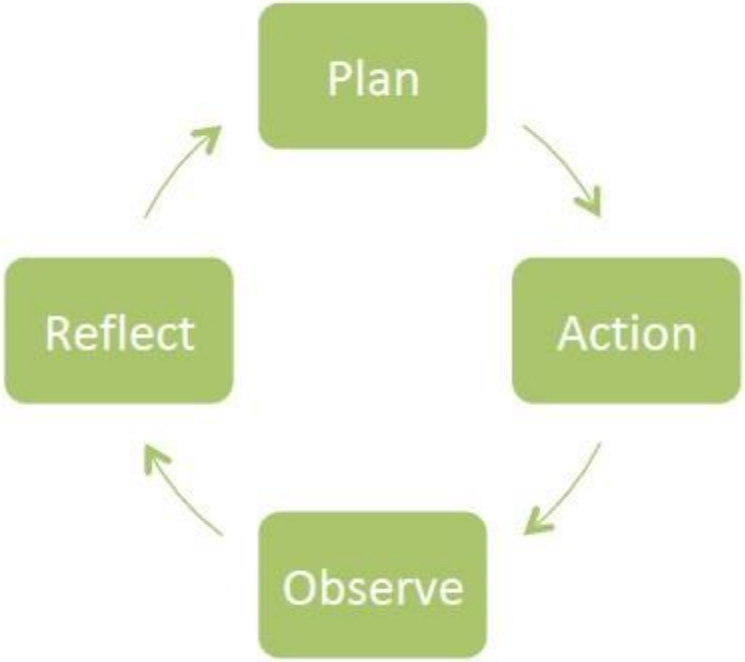
Case Studies

- Case study is an in-depth investigation/ study of a particular situation and widely used for testing theoretical models in real world/ practical situations
- Some scholars define case study as a research strategy, an empirical inquiry that investigates a phenomenon within its real-life context
- There are arguments for and against case study research. When considering case studies, they provide more realistic and practical responses than pure statistic surveys. Further, statistical surveys reveal percentages and other numerical values while case studies reveal insights and reasons. And also, case study is narrow and limited to one particular context and the findings can’t be extrapolated or generalised.

Primary Research Tools

Action research

- Action research conducts experiments by making changes while simultaneously observing the results
- Action research can simply be defined as “learning by doing”



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Primary Research Tools

Action research is a reflective process of a problem solving led by individuals working with others in teams.

Kurt Luwin is the initiator of term Action research and he described Action research as a “comparative research on the conditions and effects of various forms of social action and research leading to social action” that uses “a spiral of steps, each of which is composed of a circle of planning, action and factfinding about the result of the action”.

Primary Research Tools

There are several benefits of action Research.

- Researchers have the autonomy to define problem and develop/implement the inquiry
- It improves participant's learning and knowledge
- Collaboration enriches insights
- It integrates theory and practice
- Greater understanding on own practices and behaviours

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Primary Research Tools

Observations

- Observation is a data gathering approach where information on the behavior of people, objects and organisations is collected without any questions being asked of the participant.
- It is a non-verbal means of obtaining primary data as an alternative or complement to questioning
- Observation research is one of the fast-growing areas of marketing research.

Primary Research Tools

Experiments

- Experimental research is when researcher maintains control over all factors that may affect the result of the experiment/ study
- The main purpose is to observe the effect of the manipulation of the independent variable on the dependent variable
- Experimental research allows investigator to manipulate variables and identify cause-effect relationships between variables

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Secondary Sources

Secondary research sources include information that has previously been gathered for some purpose other than a current research project.

These secondary sources could include previous research reports, newspaper, magazine and journal content, and government and NGO statistics.

Sometimes secondary research is required in the preliminary stages of research to determine what is known already and what new data is required, or to inform research design. At other times, it may be the only research technique used.

With the advancement of new technology, there's a large amount of secondary data within customer databases and external sources available to the marketing researcher. However this data is only of value if it's relevant to the objectives of the particular research project.

Secondary Sources

Benefits of using secondary sources

★ It is cheap or free of charge

★ It may provide an answer to the problem

★ It can guide or provide direction for primary work

★ It can suggest methodologies for data collection

★ It can indicate problems with particular methodologies

★ It can provide historic or comparative data to enable longitudinal studies

Secondary Sources

Weaknesses of secondary sources

★ It's not related to the research question

★ It may not be directly comparable

★ Data may be incomplete

★ Data may relate only to certain markets

★ It may not be available

★ Data for international markets may be more expensive and unreliable

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2.3 IDENTIFY BOTH TANGIBLE AND INTANGIBLE RESOURCES THAT EXIST AND THOSE REQUIRED TO SUPPORT A DEVELOPMENT STRATEGY

Strategic Capability

Strategic capability is the adequacy and suitability of the resources and competences of an organisation for it to survive and prosper. (Johnson et al, 2005)

Resources:

- Tangible resources – physical assets of an organisation
- Intangible resources – non-physical assets of an organisation

Competences

The activities and processes through which an organisation deploys its resources effectively.

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Strategic Capability

Resources and competencies can be sub-divided in to two categories based on their capacity to underpin the competitive advantage;

	Resources	Competences
Threshold capabilities	Threshold resources	Threshold competences
Capabilities for competitive advantage	Unique resources	Core competencies

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Strategic Capability

- Threshold competencies and resources do not underpin the competitive advantage.

They are needed to meet the customer's requirements at a minimum level and thus, ensure organisation's survival.

- Unique resources and core competencies on the other hand underpin competitive

advantage and hence, they are not easily imitable and obtainable.

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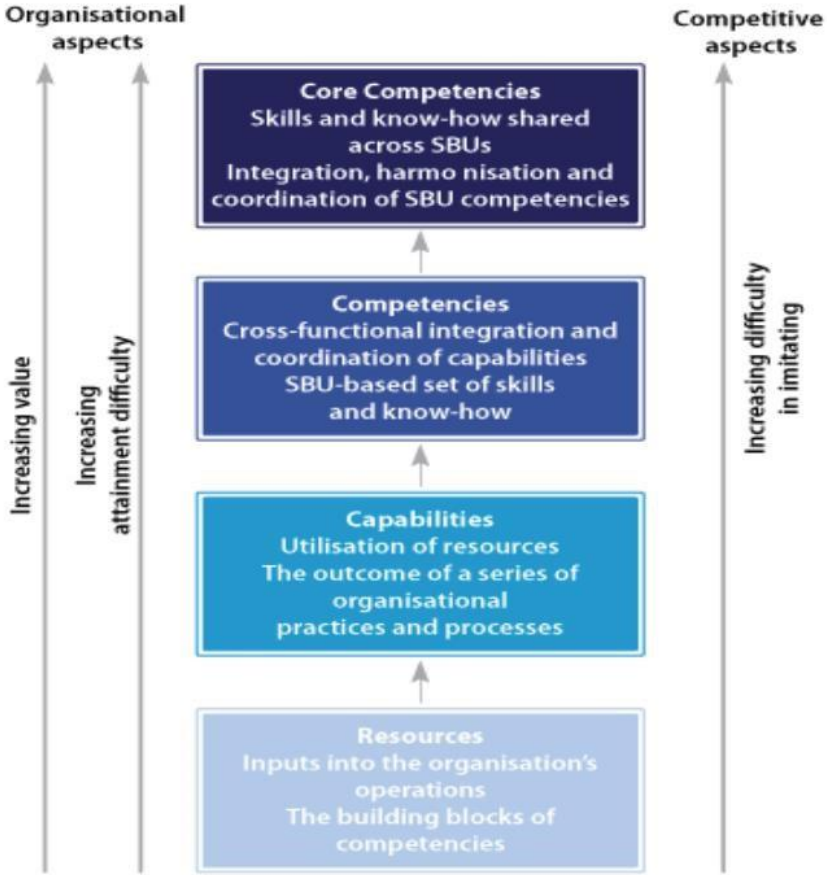
Strategic Capability

The Hierarchy of Organisational Competencies and Capabilities



Adapted from Mansour (1998)

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Strategic Capability

- Resources are the bottom most layer of the hierarchy. Resources can be converted into capabilities by utilizing them in an effective manner to achieve the organisational goals. When the organisation excels at its capabilities, by achieving a high level of cross functional integration and through coordinating resources, capabilities can be turned into competencies.

- When competencies are shared across SBUs through effective knowledge management systems, competencies are turned into core competencies.

Strategic Capability and Competitive Advantage

Resources should have the following characteristics if they are to create a sustainable competitive advantage:

- Value – capabilities that the firm holds should enable it to create value
- Rarity – uniqueness of the resources and capabilities
- Robustness – nature and complexity
- Non-substitutability – inability to substitute the products/ services or competencies

7S Framework

- The factors discussed earlier are generally in agreement with the key success factors or prerequisites for effective implementation strategy, as identified by McKinsey.

- These success factors are presented in the McKinsey 7s Framework, a tool made to provide answers for any question regarding organizational design.

- The emphasis of the framework is “coordination over structure”, which also supports how strategy implementation is described to involve the entire organisation and not just select departments or divisions.

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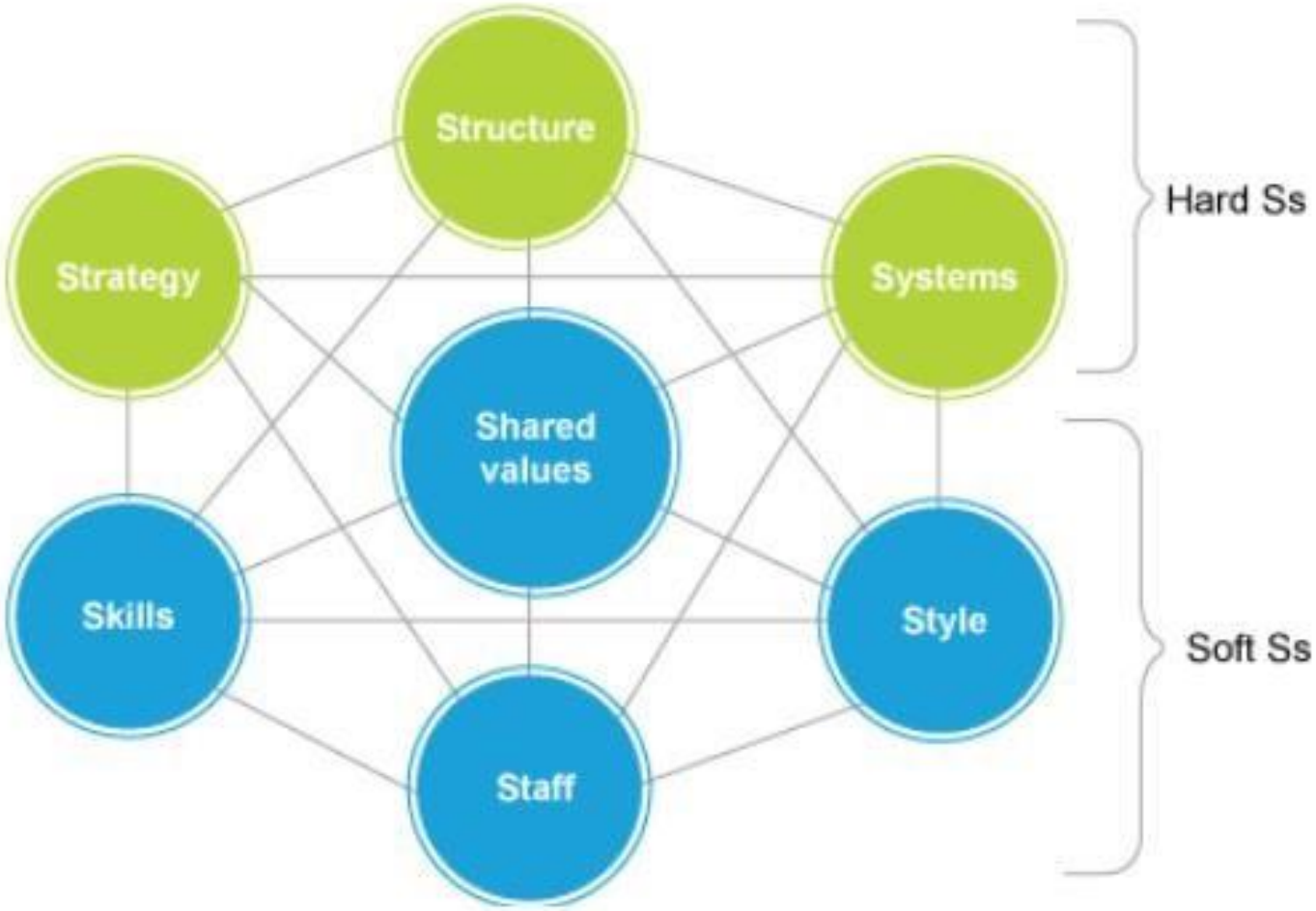
7S Framework

The 7 factors are divided into two groups:



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7S Framework

In McKinsey model, the seven areas of organisation are divided into the ‘soft’ and ‘hard’ areas. Strategy, structure and systems are hard elements that are much easier to identify and manage when compared to soft elements.

- Strategy: this includes the organisation's plan for building and maintaining a competitive advantage over its competitors.
- Structure: this involves how the company is organised (that is, how departments and teams are structured, including who reports to whom).
- Systems: systems include the daily activities and procedures that staff use to get the job done.

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7S Framework

- Shared values: these are the core values of the organisation, as shown in its corporate culture and general work ethic. They were called "superordinate goals" when the model was first developed.
- Skills are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.
- Staff element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.
- Style represents the way the company is managed by top-level managers, how they interact, what actions do they take and their symbolic value. In other words, it is the management style of company's leaders.

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7S Framework

- Usually, organizations may take a look at each of these key success factors for individual analysis. However, the McKinsey approach takes a wider approach, assessing if they are well-aligned with the other factors or not.

- All seven prerequisites are interconnected, which means all seven must be present, and they must be effectively aligned with each other, in order to ensure effective strategy implementation, and overall organizational effectiveness.