[Entrepreneurial Skills]

[Skills all business owners must have]

Many business consultants don't explain basic concepts because they believe when dealing with business owners, they should already know. When starting a business, how do you know what you don't know? You ask, or you can pay someone to tell you.

This book contains tips and techniques that it is assumed business owners already know.

Table of Contents

1. Innovation

Innovation Systems

A Prep (kindergarten) student walked up to her teacher, and handed her a ball of fluff and cotton buds that the student had picked up from all around the room during the Art class. Although the teacher thought 'great, she is giving me rubbish', she asked the student in an excited voice "what's that?" to which the student replied, "look Ms, I made you a cloud!"

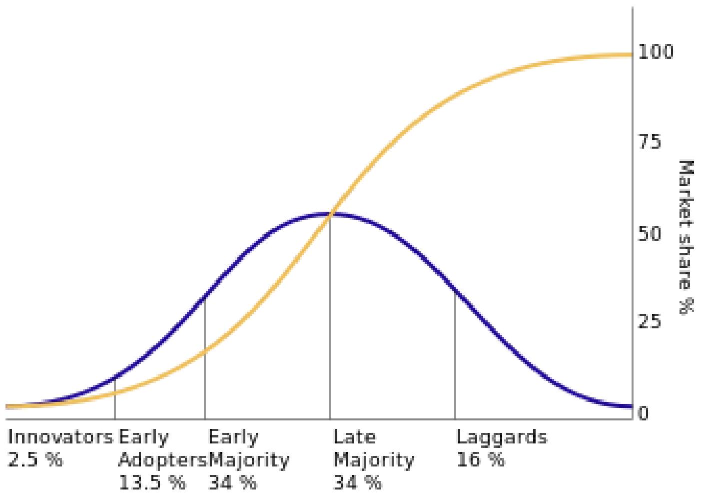
Imagine if the teacher told the student to just go and put it in the bin, assuming it was rubbish. It wasn't artistic, but it was "creative". Think about this in a workplace situation; how often do you see assumptions like this stifling creativity, otherwise know these days as "innovation".

Most workers are not expected to have good communication skills, however most people in supervisory positions are, and in fact it is usually in their job description. So, who should take the responsibility for the staff not effectively communicating innovation? Management should promote innovation, but innovation is more than just invention or being creative.

Four types of innovation management should be on the lookout for are:

Invention:

New products/services/process, often one that is untried. Concepts tend to be called revolutionary and often have no current comparison. For example: Aeroplane; Light bulb; fax machine. Inventors often enjoy a "first movers" advantage and may dominate the market for many years to come, but it is hard to maintain as other types of innovation can counteract it.



Rogers, E.M. (1995) Diffusion of Innovations (4th Ed). The Free Press. New York.

Extension:

New applications for the same products and services. Using an existing product, but in a better way to the competitors. McDonald's is a successful extension in the food service market. It serves customer's basic need to eat, but applies speed and consistency to service it provides. It has also been able to integrate healthier food service options in response to market trends.

Duplication:

Replicating and existing product, service, or process, in such a way that improves or enhances the concept to beat the competition. Google did not invent the internet search engine, and there were other options available before them, but they have been the most successful at streamlining the organisation of the search for information user's request.

"Everybody is a genius! But if you judge a fish by its ability to climb a tree, it will live its whole life believing it is stupid"

- Albert Einstein

Synthesis:

Existing concepts for new uses. For example, sailing: Aeroplane technology used for "winged Keel" Design during the 1983 America's cup races. Another current example is the super cruise liners being developed. These are huge hulls with superstructure comprising a couple of hotels run by different operators. The cruise company will provide the transport. The hotels will provide and manage the sleeping, eating, and entertainment facilities.

One of the most well know types of this innovation cone from modern day application of concepts that have existed since the beginning of last century, and is still considered required reading by most (if not all) business leaders:

Innovation in practice

Brainstorming sessions often call for you to come up with options. Not the best options, just options. It's a numbers game, and the more you have, the better of you will be when you come to evaluate the viability of each alternative. So how can you begin to evaluate all these ideas?

Observing trends closely gives you the ability to recognise opportunities. Trends need to be observed in political, economic, social, and technology environments to identify opportunities. Drucker (1985) lists seven classes of ideas for innovation, which allows you to put trends into different categories and compare apples to apples:

Unexpected occurrences:

Unexpected success (Apple Computers), unexpected tragedy (9-11 terrorist attack)

Incongruities:

conflicts between opposing functions, requirements or values may be the start of an innovation. For example, a small car with enough space on the inside. Can you imagine a restaurant with no knives, forks, plates, and in some cases tables and chairs? Isn't this commonly the case at a McDonald's restaurant?

Process needs:

"necessity is the mother of invention". Sugar-free products as a sweetener for diabetics, Microwave ovens to reheat food quickly, Pharmaceuticals to help fight disease

Industry and market changes:

Continual shifts in the marketplace through developments such as consumer attitudes, advancements in technology, industry growth. Changing from hospital to home health care and preventative medicine.

Demographic changes:

Changes in income, age, occupations, locations. Large numbers of retirees moving to the gold coast has increase the average age of the population, so rest homes or retirement communities have profited.

Perceptual changes:

Changes in people's interpretation of intangible yet meaningful facts cause a major shift in ideas. Growing concern for fitness and well-being is an example, reinforced by popular lifestyle programs such as "the biggest loser".

Knowledge-based concepts:

new knowledge has produced many opportunities for new products. The emergence of micro-electronics and new programming methods and tools, biotechnology, nano-technology etc have been the main motors of innovation and progress over the last decades.

Change management

Change management principles focus on implementation of the improvements identified as part of continuous improvement processes. A popular change management strategy is Kotter's 8 steps, recently updated to 8 "Accelerator" of change as listed below (Kotter, 2012)

1. **Create a sense of urgency around a single big Opportunity:** This is critical to heightening the organisation's awareness that it needs continual strategic adjustments and that they should always be aligned with the biggest opportunity in sight.

2. **Build and maintain a guiding coalition:** The core of a strategy network is the guiding coalition, which is made up of volunteers from throughout the organization to represent each of the hierarchy's departments and levels, with a broad range of skills. It must be made up of people whom the leadership trusts, and must include at least a few outstanding leaders and managers

3. **Formulate a strategic vision and develop change:** initiatives designed to capitalize on the big opportunity. The vision will serve as a strategic true north for the dual operating system. Even if you have the mob on your side, and a culture willing to change, if you can't link it to the organisation's goals and objectives you will not get management support. Think where do they want to be?

4. **Communicate the vision and the strategy:** to create buy-in and attract a growing volunteer army. A vividly formulated, high-stakes vision and strategy approved by management, disseminated by a guiding coalition in ways that are both memorable and authentic, will prompt people to discuss them without the cynicism that often greets messages cascading down the hierarchy.

"You don't want the team to do it, you want them to want to do it!"

5. **Accelerate movement toward the vision and the opportunity:** by ensuring that the network removes barriers. For example, a member sales rep has a customer complaint. They set up a call to begin learning why this is happening, figuring out how to remove the barrier, and design a solution.

6. **Celebrate visible, significant short-term wins**: A strategy network's credibility won't last long without confirmation that its decisions and actions are actually benefiting the organization. Sceptics will erect obstacles unless they see proof that the dual operating system is creating real results. And people have only so much patience, so proof must come quickly. Success breeds success.

7.

8. **Never let up. Keep learning from experience:** Don't declare victory too soon. Organisations must continue to carry through on strategic initiatives and create new ones, to adapt to shifting business environments, and thus to enhance their competitive positions. When an organization takes its foot off the gas, cultural and political resistance arise. Here, again, is why urgency is so central, it keeps people going.

9. **Institutionalise strategic changes in the culture:** No strategic initiative, big or small, is complete until it has been incorporated into day-to-day activities. A new direction or method must sink into the very culture of the enterprise, and it will do so if the initiative produces visible results and sends your organisation into a strategically better future.

Once it becomes a habit, reset your goals, and look for the next big opportunity to improve. You then go back to step 1, and the whole process begins again. The more times you successfully complete this process, the easier it becomes to make any changes in your organisation.

Managing Risks

There are many ways to do this, and organisations have their own preferences as part of the risk management plan, but for those of you who don't have access to this, here is an option.

As given in ISO 31000:2009, the level of risk is expressed in terms of the product (the result of the combination) of consequence and likelihood. A risk matrix should be defined to describe the combination of likelihood and consequence to give a level of risk. So when ask to assess the risks, you need to first define the "context" of the risk.

likelihood

For the likelihood, this usually relating it to a time frame, for example "what are the chances of this happening in the next 6 months?" The risk assessment is done "at a moment in time" with the information that is on hand, so you are looking at doing the assessment as it stands now, before you make the planned changes that you may already be aware of.

The reason for this is that you can do another risk assessment after the changes (say in 6 months' time), and compare the two risk assessments to show you are effectively lowering the level of risks. This is a tool you would use to present to management (and even regulators) to show your risk management plan is effectively lowering the risks. Under the WHS act, once you are made aware of a risk, you are required to take action, and could face fines if you don't even if an incident does not occur.

You will be talking to investor, not someone who can predict the future. Base your decisions on real facts and analysis rather than risky, speculative forecasts.

Investors make money at the time of purchase, otherwise it is a gamble for them.

Consequence

The Consequence (also call the "Impact), should also be defined depending on the type of risk**.** A catastrophic event is the worst-case scenario, where everything stops. In the case of a risk to the "personal safety" of workers, this would commonly be defined as an event causing "death or permanent disability" to a person; however, a catastrophic "operational" risk would mean the business has to close down, but there may be no loss of life.

A catastrophic event from a social point of view (Public Relations risk) may cause an organisation to stop providing a product, but they may still be able to provide other products.

"Bet with your head, not over it!"

Risk Matrix

Below is a template that you may be able to use for multiple risk management context to plot your Risk events. A "Hazard" is something that can cause a risk event. For example, A low doorway is a Hazard, but the "risk context" is to the person safety of the workers.

If someone hits their head on the door, it may require first aid (e.g. an ice pack), so would be a minor impact. How likely is it that someone will hit their head? Well that depends on how tall your workers are, so we can look at the 2 scenarios below:

1. If the door is 180cm and your tallest worker is 160cm, it would be a "Rare" event anyone hit their head (maybe if they were jumping around?).
2. If your tallest work is 6ft tall (183cm), it is almost certain they will hit their head.

The "Level of risk" is defined by ISO 31000:2009 as extreme, high, medium or low. These factors listed above in the two scenarios would plot as low risk in the first case (so may not require any action other than monitoring), but the second case would be rated as "high risk" and would require action to be taken to reduce the level of risk (using the hierarchy of control).

The risk matrix below gives examples of context for operations, and also for consequences that relate to corporate social responsibility and "triple bottom line". The time frame for this example (using the scenario mentioned above) is for the next 6 months (assuming the major factor, the high of the employees, is unlikely to change in this time).

Risk Matrix examples

Context definition examples	Financial	<$1000	$1000 to $10,000	$10,000 to $50,000	$50,000 to $100,000	Over $100,000
	Environmental	Unattractive, but not polluting	Short term Pollution that can easily be reversed	Short term pollution, hard to reverse causing operational changes	Long term Pollution that also causes damage to the company's reputation	Pollution that forces companies to cease operations
	Production (economic factor)	No effect on customers (inconvenience to employees)	Products Out of stock for customers, production schedule adjustment	schedule change to up to 10% of normal production	schedule change up to 50% of normal production	Production stops
	Safety (social factor)	No injury	First aid required	Treatment by doctor	Extended Time of work	Fatality or permanent disability
		Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain			Scenario 2			
Likely						
Possible						
Unlikely						
Rare			Scenario 1			

Level of risk Extreme High Medium Low

Analysing the market context

Often people jump straight to a SWOT analysis when looking at the Business Environment. One problem with that is if everyone else has the same problems it may not actually be a weakness, but an opportunity if you can find a solution for it.

the first part of an environmental scan should be to look at the big picture. This could be anything you see in the News, so how can you limit it to what is relevant to your business?

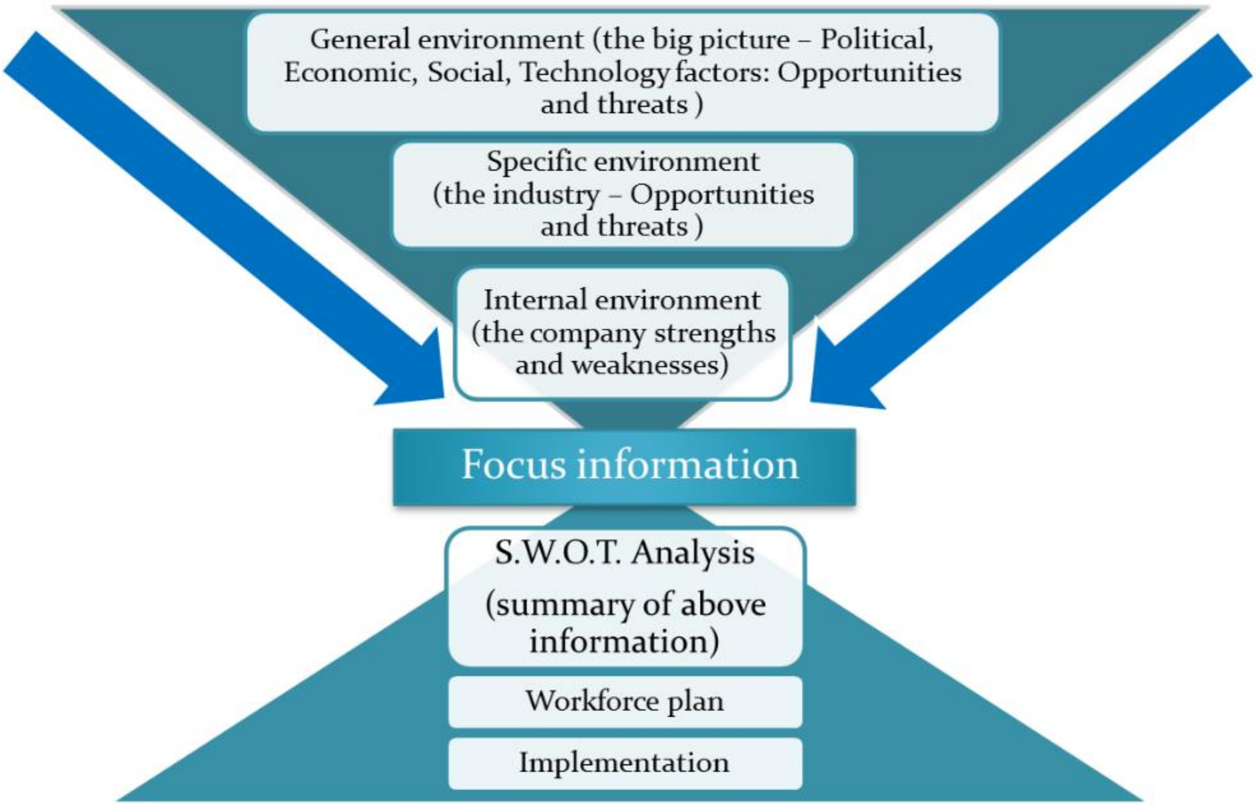
These factors listed are examples that may be relevant across any industry and location. As part of your PEST analysis, you need to keep up to date with current events that may relate to your organisation.

An example of a pest analysis for the car industry only a couple of year ago maybe:

> A change in "Government policy" (political) to not provide as much support to the car manufacturing industry in Australia lead Holden's head office (GM, USA) to question how viable it was to manufacture cars in Australia.
>
> Holden sighted the high Australia Dollar (Economic, "interest and exchange rates") that made the cars made in Australia too expensive to compete with other models in markets when exported overseas.
>
> "Consumer attitudes and opinions" (Social) showed Australians are happy to buy cheap imported cars rather than the Australian made models, so there was not enough demand created in the Australian market for Holden to survive just selling cars locally.
>
> "Competing technology development" (Technological) by overseas companies was stronger due their ability to mass produce cheaper and more reliable products, so the demand for local sourced components to make the cars dropped, leading to further job losses in the Australian manufacturing sector

If you were an employer in the Car industry in Australia, would you be looking at putting on extra staff? What will the quality of the applicants be if they are likely to only have a job for 2 years with very few long-term prospects? These are the sort of questions you could gain answers to by doing a PEST analysis.

Once you have this information, you can then look at what is happening in your industry, and lastly what is happening in your business. This information can funnel down into focused information, which you can summarise in a SWOT analysis. You can use this same process to develop a marketing plan, operations plan, or plans that support innovation.



Barriers to innovation.

Knowledge gaps can be one of the biggest barrier for innovation, and there can be huge returns on investments relating to staff development due to rapidly changing technology.

It starts with "Socialisation" which is an exchange of Tacit knowledge, moving to brainstorming information down on paper as part of "externalisation" (getting it out of people's heads), which is then organised into manuals for training as part of the "combination" process, then the trainers learn all the information (get it into their head, so internalisation) so they can teach it to others.

The process starts again, which is the checking phase of the process.

Trainers add new information as they train more staff and discover missing information, which is combined with existing manuals etc, then the other trainers need to internalise the updates so they can train more staff without having to constantly look it up (so they look like they know what they are talking about).

Many RTOs use Blooms Taxonomy as a model to assess the amount of training required, and assess competency by getting candidates to demonstrate increasing levels of thinking required to apply knowledge. For example:

- **Awareness**: They know something exists, so only have a "knowledge of" that something.
- **Comprehension**: can explain what it does, what it could be used for etc….
- **Application**: more than just knowing how to use something, candidates must demonstrate that they can use it for the Assessor to be able to determine if the candidate is competent to perform tasks.

Workplace training without assessment does not confirm someone is competent to perform a task, just they have been shown how to do it. This is call non-formal training. "Formal" training assesses competency standards against predetermined requirements under defined conditions, and is not just someone opinion on if they think someone can do a job.

How knowledge is created in the workplace.....

Socialisation
Sharing tacit knowledge between individuals through joint activities in physical proximity

Externalisation
Converting tacit knowledge into explicit information in a form others can Understand. getting the ideas out of people heads

Internalisation
Learning and understanding the explicit knowledge, and knowing how to use it

Combination
Converting all available explicit knowledge into complex sets of information and instructions, in a logical order

SECI Model, Nonaka 1998

2. The Marketing mix

Marketing and marketing mix

Product and service promotion is a part of the marketing mix, often referred to as the "4 P's" of marketing, which are Product, Price, Promotion and Place. When deciding on their marketing mix, organisations may ask themselves the questions listed below to make sure they reach their target market.

An organisation's four Ps links directly to the customers' four Cs (Lauterborn, 1990):

Four Ps	***Four Cs***
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

If you have a weakness in any of your 4 P's, you are unlikely to meet your organisational goals. You may have the best product, at the best price, available when and where customers want it, but if customers do not know what it does, they will not buy it

buyer behaviour

Social media allows you to practice your communication skills with your target market. This is a key skill not only in the sales industry, but also when engaging stakeholders to pass on relevant information so they can make an informed decision.

This decision-making process has a lot in common with the consumer buying decision making process (*Engel*, *Blackwell* and *Kollat*, 1968)

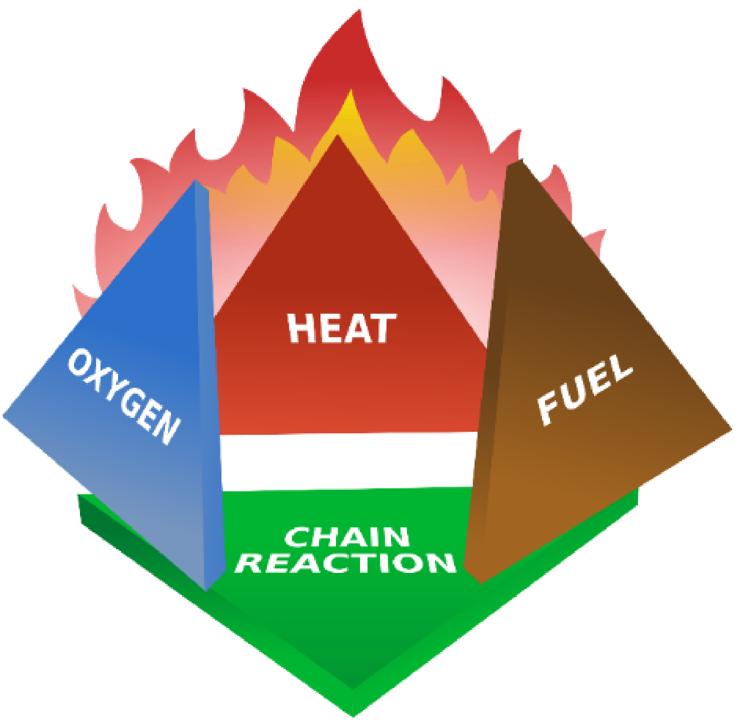
If you think of management or investors as an internal customer you are trying to "sell" your idea to, then a presentation could follow this five step buyer behaviour process:

Need/problem recognition

After your title slide in your PowerPoint presentation, your introduction should explain "why we are here?" Answer the question the audience is asking, which is "why should they listen to you?" The need for change is also the first step in the change management process. Clearly define the issue, the affect it has on the organisational goals and outcomes.

Once they get this and see there is an issue, your next slide would be an agenda of the topic for the presentation. Put costs at the end of the presentation, as there is no point discussion costs if they done' know what they are getting for it. If they push you about money, as them "so if it was free, would you let me do it?"

The answer will usually be no, then you can follow it up with "so today I'll explain what we want to do and why we want to do it, then if you can see the benefits to the company, we can talk about the costs involved then; sound fair enough?" If they don't see the benefits, there is not point even discussing cost as they don't know what they are paying for.



The search for Information and options

The next slides talk about how you identified the problem, lessons learnt from the research, and brainstorming possible solutions. The number of slide may vary, but use bullet points and put a script in the notes section of the PowerPoints so you have a guide of what to talk about.

If you put too many words on the slide, they stop listening to you and start reading, and you want them to listen to you. That is why you didn't just send them a memo.

Evaluation of alternatives

Now the discussion opens. You are trying to determine the best solution, so keep cost out of it at this stage as well. Who really thinks the cheapest option is always the best? Focus on what fixes the problems, and prioritising what needs fixing first. Ask questions, get feedback, but make sure you know the strengths and weaknesses of your suggestions.

You are trying to find out what the "hot button" is that you are going to push again and again to motivate them and remind them why they should buy into it (rather than if they could).

Purchase decision

Now you start taking price, but not just the cost, focus on the "cost effectiveness" of the chosen solution, as it fixes the problem. If a cheaper option is what they want, it may be more expensive in the long run if it doesn't fix the problem.

Have a cost benefit analysis ready for your preferred solution. If they select another option, you will have to do more evaluation (so you go back to the previous step) and get back to them. You may need to do this in another meeting, but be wary of conceding.

If they don't buy this time, remember what leads to success:

Post-Purchase behaviour

If you buy a product that you didn't like, would you buy it again the next time? The same thing goes with management the next time you try to sell them an idea. If it worked last time, they may trust your judgement and make it easier each time, and you can build momentum in your career.

If it didn't work, including if you let them talk you into the cheaper option, it will make it harder every time after that, so it may be more productive for future plans to not implement a plan you do not believe in. As Henry Ford once said, "if you think you can't, you'll be absolutely right".

1968, Engel, J, Kollat, D, Roger D Blackwell, R, *Consumer behaviour*, Holt, Rinehart, and Winston, New York

Budgeting techniques.

A Work Breakdown Structure (WBS) is a tool used within project management that aims to capture the project tasks in a visual, organised manner. It is a decomposition of your project into smaller components and it organises your project into smaller, more manageable sections. It provides the project manager with an opportunity to predict outcomes based on a particular scenario. This ensures that the decision-making process is effective. A WBS can also be used to help identify potential risks within your project. The development of the WBS normally occurs at the start of a project and a completed WBS will resemble a flowchart. If a project ever falls behind, the WBS is usually referred to as it thought of as the map of the whole project.

Within your WBS, you will have divided your project tasks into smaller, more manageable tasks. Once you have identified the tasks, determined the sequence of these tasks and established a schedule for your project, you are ready to determine the resource requirements for each of these tasks. The resources that you require may vary depending on the nature of your project or organisation.

Resource requirements may include:

- Equipment/Human resources
- Facilities
- Fees and charges
- Materials
- Services
- Statutory cost.

Your WBS may reveal that some of the resources that you require will cost your project more than other resources. Some of your resources may be more difficult to obtain; you must carefully plan your project to ensure that the resources that you require are available when you need them. You may need to prioritise your requirements in order to determine which requirements will be included within the project and which requirements will be excluded completely.

Human resources

One of the most important resources when carrying out a project is the people that need to be involved. So, when considering the human resources that you need for your project, you should take each of the tasks that have been outlined within your WBS and define the skills that are required to complete these tasks. Then, once you have done this, you can match the people to those defined skills. One method of doing this includes developing a skills sheet; this will match the skills to your tasks. Also included in a skills sheet is the names of the relevant people, their start dates and their costs.

Task	Skills needed	Person	Skills level	Deliverable	Effort days	Start date	End date	Cost

The skills sheet that you develop for your project will depend on the nature of your project and organisation. Like most things, there is no one way of doing it; your way should suit you.

Nonperson resources

You may also need to consider the nonperson resources that you require for your project, for example:

- Materials
- Equipment
- Facilities

You can plan for these resources using a similar sheet to the skills sheet discussed above.

Example non-person availability sheet:

Task	Resource needed	Time in hours	Date (s) needed

Resource task matrix

A resource task matrix can help to organise your project tasks in terms of people or departments. It can also show which nonperson resources will be needed for each project task. Basically, a resource task matrix is a combination of the example tables we have already discussed.

Your resource task matrix will show a list of resources (departments, people or nonperson resources) and each task that is involved in your project. If a resource plays a part in one of the project tasks, that cell is marked by the kind of participation the resource will apply.

Example resource task matrix:

Resource/person	Task A	Task B	Task C	Task D	Task E	Task F

Guidance from others

When determining the resource requirements for your individual project tasks, you may need the input from the stakeholders and/or the guidance from others.

Others may include:

- Program manager
- Project specialists
- Relevant project authority
- Subject matter experts
- Team members

Project procurement

Project procurement is a process in which the products or services that you need from outside your project team in order to complete your work are purchased or acquired. Project procurement is crucial to the success of your project and is dependent on the goals and objectives of your project.

There are six steps involved in the process of project procurement, including

- Planning purchases and acquisitions
- Contract planning
- Requesting seller
- Selecting seller
- Administering contract
- Closing contract

In order to complete a thorough cost analysis, as well as the costs, you should also indicate:

- The dates that the completed project is required by

- Any relevant supplier contact details
- Any information that the project's management will require
- Resource acquisition and lead time.

Procedure	Consulting advice	Lead time	Date required	Responsibility	OTHER

Estimating costs

If you cannot assign a cost to the tasks outlined in your WBS, you may need to break the tasks down even further. You should be able to confidently assign the cost and amount of effort needed for each task. Remember; the more accurate your project cost estimations are, the better you will be able to handle your project budget.

Estimating project costs is important as:

- It provides you with a guideline to help ensure that you have the necessary funds to complete your project
- It enables you to see whether the funds that you need to support your project are available
- It allows you to weigh the benefits against the costs to see whether your project makes sense.

Tips to keep in mind when estimating project costs include:

- Cost each task within your WBS – not your project as a whole
- Provide your customer with regular budget statements – then they are always aware of the position of the project
- Get an expert view if necessary
- Make use of your own experiences as well as others'

Sustainable Business Practices

There are three types of leaders that followers are unconsciously looking for to fill the followers' needs.

- First, there is the 'legitimate leader', someone who is a prototypical representative of who we aspire to be.
- Second is the 'effective leader', someone who can solve the presenting problem. So the 'effective leader' is context specific, where the followers defer to the expertise of another.
- Third is the 'empathic leader', somebody who understands our joy and our pain.

Corporate social responsibility (CSR) is a key issue for any organisation aiming for long term sustainability, and you can use this as a guide to the type of "leader" that is likely to be accepted by your target market. The "triple bottom line" refers to an extension of the criteria used to measure organisational success. Traditionally, business success (or failure) is measured in terms of its economic performance.

A business is considered to be successful if it has generated a sufficient financial return from its investments, financing activities and operating activities. The triple bottom line takes into account three criteria for assessing organisational performance; economic, social and environmental.

It is a particular manifestation of the balanced scorecard, used to classify Key Result Areas (KRA's), and equal weight is given to achieving the Key Performance Indicators (KPI's or benchmarks) in each of the 3 areas.

Many markets ask you to look at sustainable business practices, so measures of performance could be developed in each of the three (3) areas and used to measure and justify the success of your project. What you measure is what you get, because what you measure is what you are likely to pay attention to.

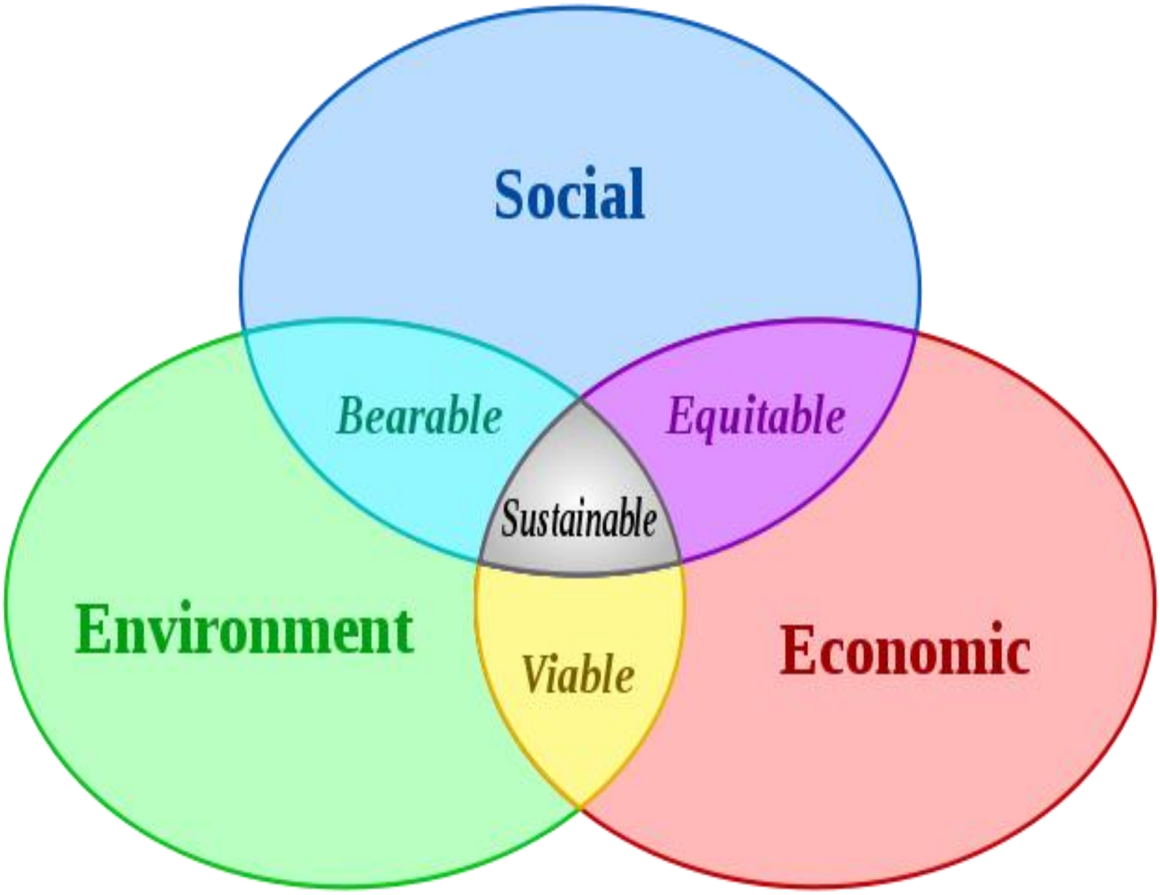
Looking at it from the human resources prospective; what is it like to work for a company that focuses on only two of the areas?

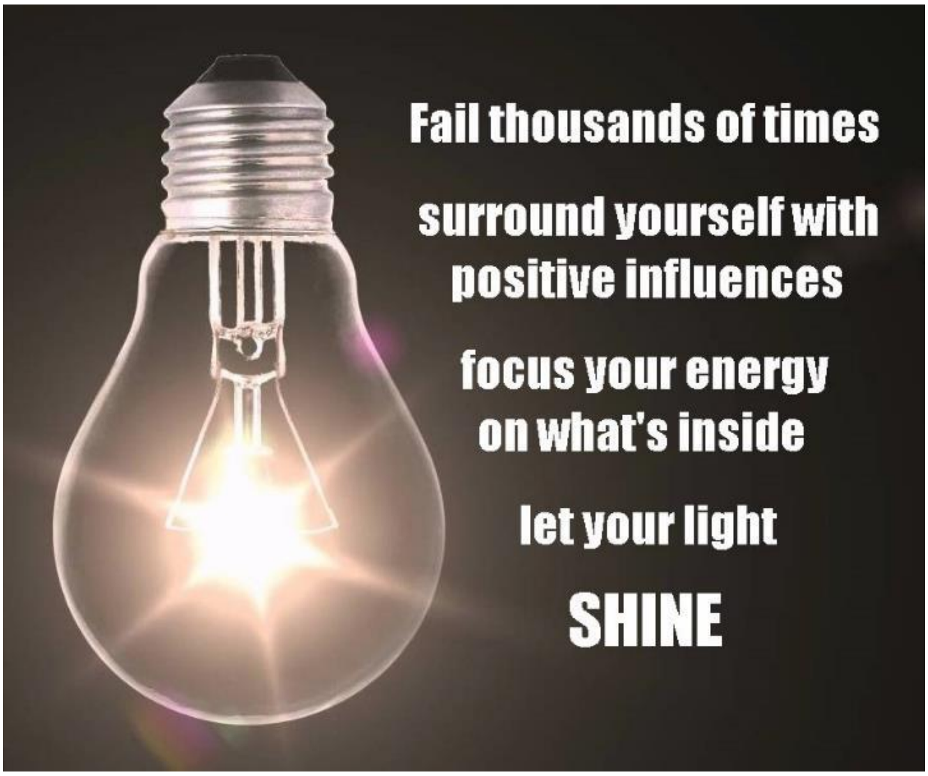
Bearable: companies looking after the environment and the social aspects of life; not for profit focus or on lower pay for workers. Common in Aid/social work organisations. You feel good working for them, but don't make a fortune, so could you do it long term?

Viable: focusing on making money without harming the environment, but not much social interaction between workers, and limited acceptance of views that are at odds with the organizational goals. Examples may include online workplaces or environmental agencies. You may feel isolated from the rest of the world when working for them.

Equitable: Make good money, and lots of friends, but at what cost to the environment. Examples may include Sales or Mining industries. It can be seen as subscribing to the "greed is good" philosophy, with less concern if the environment suffers as a result (until pressure groups change that).

Sustainable Addresses all three areas: It can address the social, economic and environmentally concerns equally, so it has good stakeholder management, the result is lower staff turnover, and a reputation as an employer of choice.





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