

CE Entrepreneurship

Introduction to the Small Business

Activity

Discuss in pairs and present the other person's business idea briefly and what each other's personal desires are from the business "What do you want from the business?" the answer does not necessarily have to be money, it could embrace autonomy, freedom, potential, to be outside, control of own destiny, etc. Need to try to be specific here. Examples of better goals are:

- Outlet for artistic talent
- Chance to experiment with new technology
- Flexible lifestyle
- Rush that comes from rapid growth
- Immortality of building an organisation that embodies my deeply held values
- Quick profits [arbitrage entrepreneurs]? Sustainable satisfactory cash flow [lifestyle entrepreneurs]? Growth for long term survival [strategic entrepreneurs]?

Activity

Working individually - Assuming today is the start of your business what income would you like to see your business have over the next five years and what personal income would you like? Use the graph provided [persinc.pdf] to place two approximate lines for each of your business ideas. If you have no business idea, your idea, for the sake of this exercise, is to start a one-person trading company where you do all the work. - Also, state your personal objectives of starting a business - why are you doing it, or why did you do it?

Activity

Discuss in pairs your graphs, how realistic are they? How well does the income projection align with the personal objectives?

Activity

Case study 1 - Sparkle Window Cleaning Services (I) [sparkle1.pdf]

Working in pairs discuss the case and answer the question.

What is the earnings limit of the cleaner?

Solution

Financial income workings:

8 hour working day

8 x 60 mins per day = 480 excluding breaks

30 minutes break at lunchtime = 450 productive minutes per day

each house takes 15 minutes to clean and 10 minutes to move to the next one, 25 minutes in total.

Houses that can be cleaned every day (maximum) is $450 / 25$ or 18

Maximum gross income per day is $18 \times £8.00 = £144.00$ per day.

Assuming working $5\frac{1}{2}$ days per week, $5 * 144 + 5 * 72 = £792 / \text{week}$

Productive weeks per year allowing statutory and personal holidays - hence earnings limit:

40 weeks	£31,680
42	£33,264
44	£34,848
46	£36,432
48	£38,016

There is no growth potential in this business. It is completely resource limited.

Class discussion and brainstorm.

- What are the assumptions underlying this calculation?
- What are the business limitations - weather, health of cleaner, having a full compliment of houses to clean.

- What are the time distracters - associated business paperwork, finding new customers, collecting money, dealing with customer complaints and issues
- What are the expenses that need to come out of the business? Ladders, cleaning materials and agents, buckets, transportation, insurance, taxation, National Insurance.
- Thinking about growth

Activity

Discussion in pairs - how can “Sparkle” grow in size and hence income? Ideas and issues around each idea.

Pairs feedback ideas, class discussion and/or brainstorm.

Possible options: Partnership, Assistant (experienced or inexperienced associate)

Class discussion on the implications:

- Partnership: Income potential double - wow! But business is 50/50 hence income is back to same as was - not so wow!
- Assistant: Owner pays the wage, carries the cost of down time, must deal with wages, taxation and National Insurance, must deal with insurance, must provide the tools of the trade, probably needs to get the new business hence cannot be cleaning windows at the same time. Is responsible for the quality of the assistant.

Activity

- Case study 2 - Sparkle Window Cleaning Services (II - Growth) [sparkle2.pdf]

Workings:

‘Manager’ pays assistant £4.50 / hour for 40 hours per week. No overtime payments in that.

Wage bill is $40 * 4.50 = £180.00$

Class discussion

Who cleans which windows?

What extra equipment is needed?

How much time is spent monitoring the work of the assistant to ensure a quality job?

How much time is spent correcting problems, training, etc.?

How much time needs to be spent gaining extra houses to clean?

How much income will the ‘manager’ have and how soon can it be expected to exceed earnings without the assistant?

Estimated time

- What does the manager need to consider in employing their assistant?

Some possible issues:

- Quality of work done
- Motivation and work output
- Recruitment and selection
- Employment contract
- Ability to deal with tax and National Insurance of an employee
- Financial record keeping
- Trust with money?

Activity or class discussion

- What new skills does the ‘manager’ need in taking on an assistant?
- What can go wrong with employing the assistant?

Additional tutor notes:

Consider the cash flow implications of having an employee’s personal drawings.

“While blood is the sustainer of a living creature and without it it will die, so too is cash the sustainer of a small business and it too will die without it.”

Especially pertinent during periods of rapid growth (which the employment of the first helper is).

Key factors relating to staff:

- Ability - staffs knowledge, skills, experience and ability relative to the tasks that have been defined.
- Autonomy needs - staffs’ own style and needs for autonomy versus the direction and management style of the manager.
- Trust - manager’s confidence in the staffs’ ability to ask for help or direction if needed.

Cost of staff = function of ability, autonomy and trust

The 'you' factor - the manager

- What is **your** need for control? How close a control or watch might **you** need over your staff?
- What is **your** capacity for work? Can you maintain 100% efficiency and effectiveness indefinitely?
- What will **you** do when you need a holiday?

Getting started in enterprise

This block of material will really establish whether students are committed to their idea and are ready and able to start an enterprise. I have found it to be a filter that weeds out some students.

The following block of material can be integrated into an introductory talk/lecture/presentation based on the getting started in enterprise PowerPoint presentation [starting.ppt].

After slide 2.

Activity

Analysing and getting to know you.

Clarify your personal goals. [persgoal.pdf] using Strength and Weaknesses grid [swgrid.pdf]. The following are prompts the tutor might find useful for teasing out breadth and depth of thinking.

How do you feel about:

- Keeping books or financial records
- Using computers
- Designing adverts
- Spending money on advertising
- Cold calling customers (face-to-face and via telephone)
- Completing forms

- Employing people
- Designing job descriptions
- Telling employees they are not performing
- Accepting customer criticisms of your product or service
- Willing to put your house or other personal assets on the line for your business
- Willing to put your family second or on the line for your business (no implication this is necessary, but has been known)
- Capacity for stress and pressure

Presentation slide 3

Activity

To achieve this goal what kind of business do I need to build?

Presentation slide 4

Class discussion around presentation 5

Slides 6 - 8

Discussion/Diversion possible here to explain what is meant by strategy if class is not clear.

Discussion based on the four points using presentation slides 9 - 12

In slide 12 a comparison back to the graph of income projection is an interesting cross-check against personal aspirations.

A discussion on personal risk and return is possible here with the introduction of an external speaker or anecdotal examples.

Final point:

“A sound strategy can survive confusion and poor leadership. Sophisticated control systems and organisational structures cannot compensate for an unsound strategy.”
Bhide.

Activity

In relation to the students’ business idea, what resources and relationships will you need to establish and run your business.

Resources might include:

- Premises
- Storage
- Production facilities
- Computing equipment
- Access to Internet
- Skilled people
- Money

Relationships might include:

- Suppliers
- Professional services
- Market research bodies
- Subcontractors
- Etc.

Activity/discussion/extra material

What kind of organisational structure would be appropriate for your business? As an introduction tutor could consider merits of different organisational structures and possibly use McKinsey 7 S model. Other possible areas to explore include how to establish and maintain a culture and organisational norms. Why systems are needed. Why operational procedures are needed in some cases. Issues of information storage, etc.

All of these are drains on the time and mental energy of the SME manager and a distraction, albeit necessary, away from the core business.

Presentation slide 17

Can I play my role?

Could link here to team role inventories such as Belbin or other personality inventories to help the students understand themselves better and be able to deal with their strengths and weaknesses.

Handout for this section [intr.pdf]

Defining the business

Activity

Use the proforma grid [ownidea.pdf], specify your business idea. This makes quite a good homework activity.

If an individual or class cannot think of an idea I have used the “Personalised Diary Company” (a figment of my imagination) with success. If anybody picks this idea up and makes money out of it I would like a modest royalty please. [pdc.pdf]

Responses to this activity can be developed in a number of different ways. Short presentations on the initial ideas can be used, they can be marked or used as class discussions of well thought through and less well developed business ideas. Might be useful to establish ground rules about confidentiality of ideas to avoid reticence in disclosure.

Resources

Graph for personal income aspirations [persinc.pdf]

These tutor notes [intro.pdf]

Sparkle Window Cleaning Services 1 [sparkle1.pdf]

Sparkle Window Cleaning Services 2 [sparkle1.pdf]

Starting in enterprise questions [starting.pdf]

Personal goals handout [persgoal.pdf]

Strengths and Weaknesses grid [swgrid.pdf]

Handout for this section [intr.pdf]

Specify your own business idea proforma [ownidea.pdf]

“Personalised Diary Company” proforma [pdc.pdf]