

## Business 200 D100: Business Fundamentals



Week 4

Beedie School of Business



Dr. Wayne Rawcliffe

# Recap Week 3

Standards or moral values

Culturally based

Formed upon society's expectations

Vary by person

Vary by situation

# Law and ethical behaviour

Fair trade produce

Paying low wages in a foreign country

LEGAL & ETHICAL

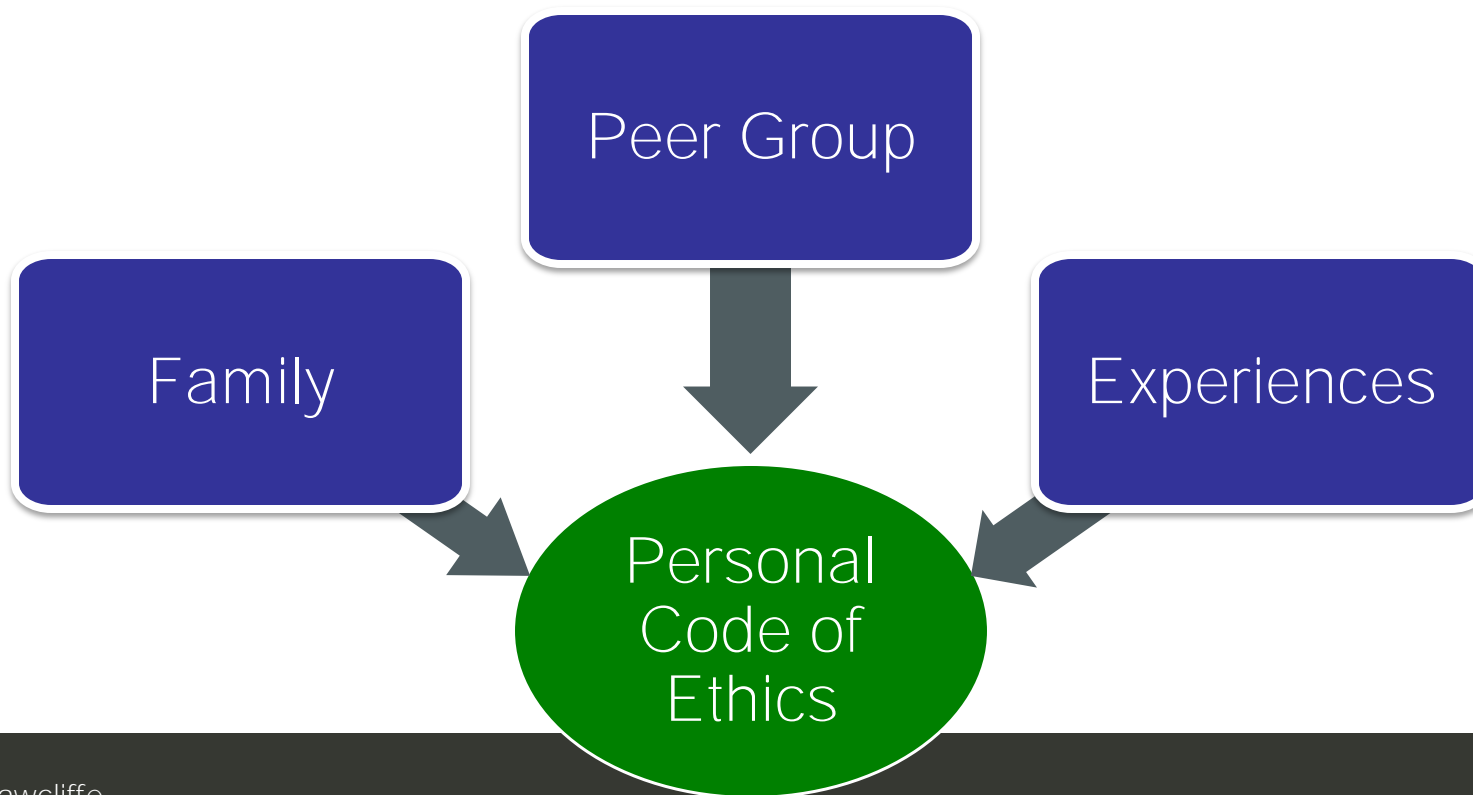
LEGAL & UNETHICAL

ILLEGAL & ETHICAL

ILLEGAL & UNETHICAL

Breaking the law for humanitarian reasons

“Cooking the books”



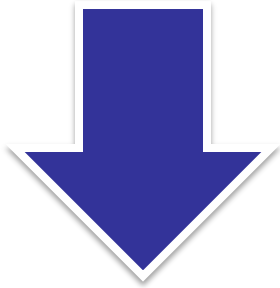
Influences  
on  
Ethical  
Behaviour

# MANAGERIAL ETHICS

The standards of  
behaviour that guide  
managers in their work

# Stakeholders

Groups  
Individuals  
Organizations



Directly affected by the  
actions of an organization  
and therefore have an  
interest in its performance



# Areas of Social Responsibility

Responsibility Towards Environment

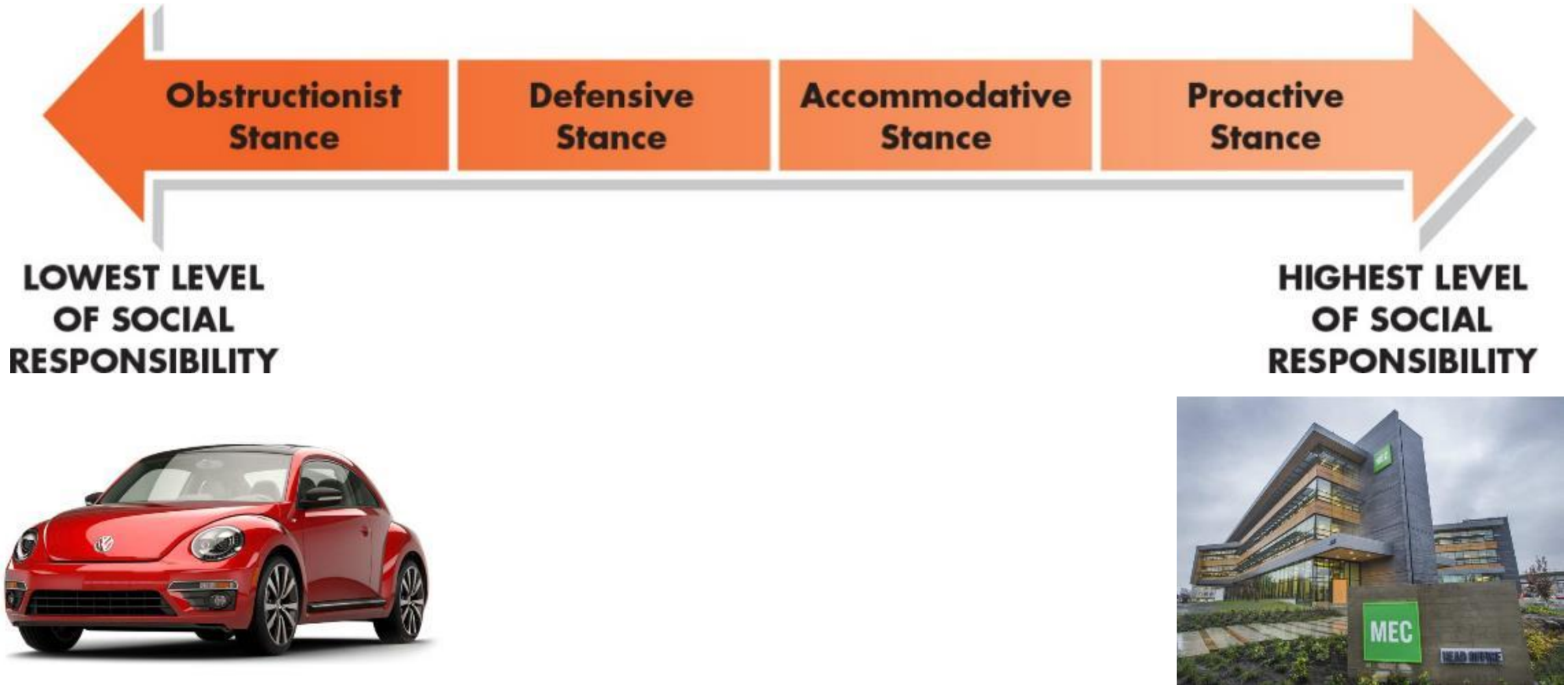
Responsibility Towards Customers

Responsibility Towards Employees

Responsibility Towards Investors



# Approaches to Corporate Social Responsibility



## Group Project 15%

As a group, you will identify and visit an individually owned, small business of interest to you, such as a coffee shop, restaurant, small retail, small specialty sports store, etc. The goal of this assignment is that you learn about their business as a team. There are three parts to the group project:

### Part 1 – Project Plan (20% of your group project mark)

Prepare and submit a project plan for your group assignment. The project plan must include:

- Overview: Business Description; motivation for selecting the business, date business contacted/visited
- Key Milestones: Indicate key milestones in your group project including timeline: What needs to be done when to make the project successful?
- Team Charter: Outline how your group will be organized, including roles and responsibilities of members.
- Meet with the instructor to present your project plan in week 5.

# Group Project 15%

## Part 2 - Business Selection and Description (60% of your group project mark)

Pick a small business in a sector that interests you. Visit the location and if possible, have a conversation with the owner to find out about the below (you are not limited to the points below):

- Describe the business: Type of business, name, address, location
- Develop a business model canvas and describe each of the nine (9) key elements of the business model canvas.
- Describe the costs you observe: fixed/variable costs, capital/operating costs, and startup costs.
- Company: **Describe the strengths and weaknesses you observe. What are the business's 2-3 success factors, what determines if the business is successful or not?**
- Customers: Describe the target market and the needs the business is serving.
- Competition: Describe who the key competitor(s) are for the business and how they compete against the competition?
- Context: What are the key opportunities and threats the business is facing?
- Apply concepts from the course (textbook and class notes)

## Part 3 –Business Assessment 20% of your group project mark)

Based on your findings from part 2, do you think this business can sustain itself? Why or Why not? What is its long-term viability? Provide a rationale for your assessment.

# Group Project 15%

## Submission

Your team will submit one report for each of the 3 parts of the assignment. Each report consists of the following:

- Title page: Title (e.g. Project Plan of business xxx or Assessment of business xxx), course number and section, instructor name, group number, student names and student ID#s, word count of report
- Body of the report, References (if applicable), Appendices (if applicable)

## Report Format

- Part 1: There is a 750-word limit for part 1 of the group project
- Part 2: There is a 3,000-word limit for part 2 of the group project
- Part 3: There is a 750-word limit for part 3 of the group project.
- Word limit excludes references, figures, tables and title page. Appendixes are optional and not included in word count. Use 1.5 spacing, Times New Roman 12 pt. font, 1 inch borders. Citations in APA format (If applicable).

## Report Submission

Convert each report to PDF file format and upload to Canvas by the stated due date (one report per group). Please use the following file naming convention: Bus200\_Group\_Project\_Part#x\_Team#x. Late assignments given a *late penalties*.

# Group Project 15%

## Peer Evaluation

Peer evaluation in group project (25% of your group project mark). The peer evaluation criteria include:

- Reliable in attending all meetings, being on time, and being prepared for group discussions.
- Helps keep the team on track and completes deliverables on time.
- Demonstrates a respectful and professional attitude toward group members.
- **Makes important contributions that improve the group's work.**
- **Does a fair share of the group's work.**
- Interacts in a cooperative and supportive way.
- Cares that the team does excellent work.
- Deliverables do not need major revision.

**'Free ridership' as perceived by your group will result in a deduction from your group project grade.**

If there are any problems in the group (e.g. free riders, group members being chronically late, etc.), the group members should first try to resolve the issue themselves and if the problem is not sufficiently resolved.

Then should the team make me aware of the issue. Do not wait too long to try to resolve problems – if you are in doubt, bring up the issue (respectfully) rather than waiting to see if it will sort itself out.

I suggest that your groups meet often and in-person, as this helps groups to work together better.

# Chapter 4

## Entrepreneurship, Small Business, and New Venture Creation

- Explain the meaning and interrelationship of the terms *small business*, *new venture creation*, and *entrepreneurship*.
- Describe the role of small and new businesses in the Canadian economy.
- Explain the *entrepreneurial process* and describe its three key elements.
- Describe three alternative strategies for becoming a business owner: *starting a business*, *buying an existing business* and *buying a franchise*.
- Describe four forms of *legal organization* for a business and discuss the advantages and disadvantages of each.
- Identify four key reasons for success in small businesses and four key reasons for failure.

# Small Business, New Venture Creation, and Entrepreneurship (LO 4-1)

## Small Business

owner-managed business

fewer than 100 employees

definitions vary; some statistics do not include unincorporated businesses with one owner and no employees



^ Kicking Horse Coffee is a small-town success story with a large reach across Canada and in the United States. Entrepreneurs Elena Rosenfeld and Leo Johnson have managed to build a solid business out of selling organic fair-trade coffee.

Kicking Horse Coffee Co. Ltd.



# Small Business, New Venture Creation, and Entrepreneurship (LO 4-1)

## New Venture

recently formed organization

opened within the last 12 months

sells goods or services



^ Kicking Horse Coffee is a small-town success story with a large reach across Canada and in the United States. Entrepreneurs Elena Rosenfeld and Leo Johnson have managed to build a solid business out of selling organic fair-trade coffee.

Kicking Horse Coffee Co. Ltd.

## **Kicking Horse Coffee bought by Italian giant**

The Turin-based Lavazza will now own 80 per cent of the Canadian company, which is valued at \$215 million.

## Entrepreneurship

Process of identifying and capitalizing on a marketplace opportunity

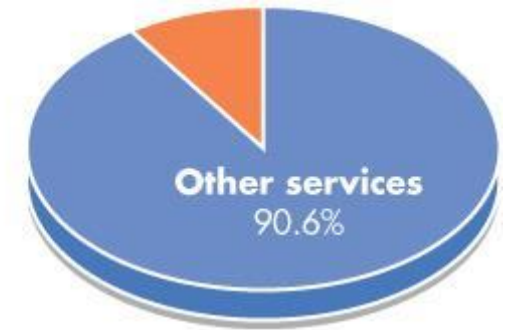
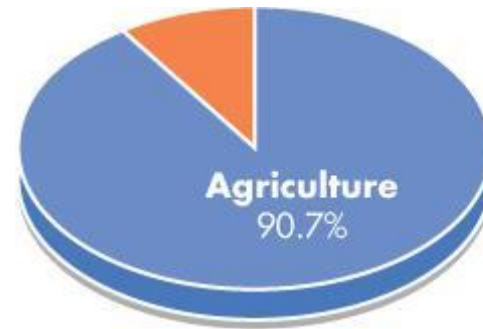
Entrepreneur  
Person who recognizes and seizes  
opportunities

## Intrapreneurs

Create something new within an existing large organization

## Role of Small Business

- 98% of all employer businesses in Canada are small (fewer than 100 employees)
- main source of job creation
- leaders in innovation and new technology



**FIGURE 4.1** Small business employment

# Increasing Role of Female Entrepreneurs



# Increasing Role of Female Entrepreneurs



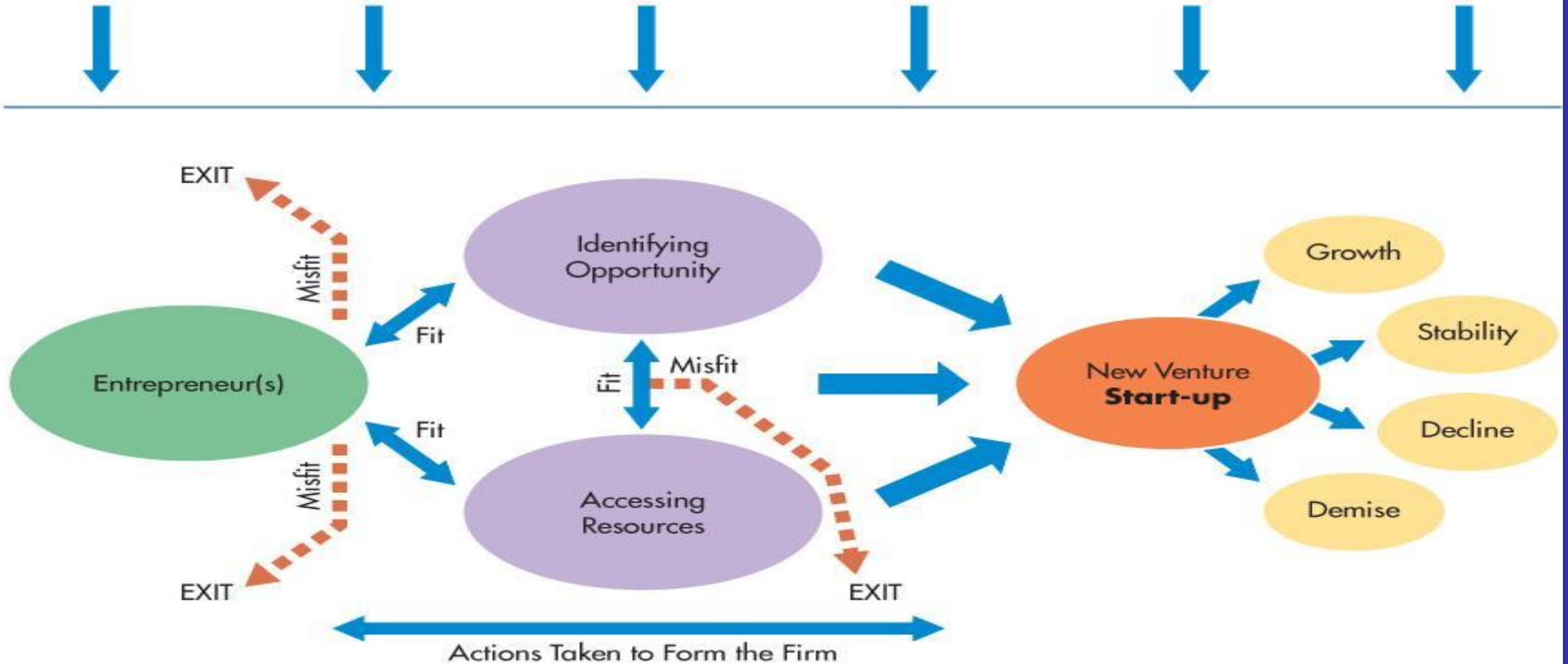


## Reasons women give for starting their own businesses



# The Entrepreneurial Process (LO 4-3)

**SOCIO-CULTURAL, ECONOMIC, POLITICAL-LEGAL, AND TECHNOLOGICAL FACTORS**



# The Entrepreneurial Process (LO 4-3)

## Identifying Opportunities

### Generating ideas

### Screening ideas

- Idea adds or creates value
- Idea provides a competitive advantage
- Idea is marketable and financially viable
- Idea has low exit costs

### Developing the opportunity

- Business Plan

# The Entrepreneurial Process (LO 4-3)

## Business Plan

Cover Page  
Executive Summary  
Table of Contents  
Company Description  
Product or Service Description  
Marketing  
Operating Plan  
Management  
Financial Plan  
Supporting Details/Appendix



^^ Daisy and Adam Orser were also previous winners of the BDC Young Entrepreneur award. Their Victoria, B.C.–based company Root Cellar Village Green Grocer is capitalizing on the movement for fresh local produce and healthier lifestyles.

The Root Cellar, Left- Phil Lafreniere, Middle-Daisy Leslie Orser, Right- Adam A. Orser.

# Assessing Resources

## Bootstrapping

doing more with less  
preferably external resources

# Assessing Resources

## Financial Resources



# The Entrepreneurial Process (LO 4-3)

Financial Institutions

Suppliers

Personal Savings

Love Money

Private Investors  
(Angels)

Venture Capitalists

# Assessing Resources

## Other resources





## Assessing FIT

### Entrepreneur–Opportunity Fit

- is it possible?

### Opportunity–Resources Fit

- can resources be acquired?

### Entrepreneur–Resources Fit

- capacity to meet requirements?



### Starting Up a Small Business

Buying an already existing business

Taking over a family business

Buying a franchise

# Buying an Existing Business

## PROS

- established clientele*
- ease of financing*
- experienced employees*
- established lines of credit and supply*
- less risky than starting from scratch*

## CONS

- uncertainty about financial health*
- location may be poor*
- the pricing strategy may need to be revisited*
- may have a poor reputation*

# Family-Owned Business Challenges

## Ongoing Management

- which family members have control?
- price to be paid?
- family members rights to a job?

## Succession

- successor selection?
- succession timing?
- successor training?



^^ Kal Tire is a positive example of a family business that has stood the test of time and grown into a major company.

Rosanne Tackaberry/Alamy



# After the Start-Up (LO 4-4)

## Franchising

### Benefits for the Franchiser

- Attain rapid growth
- Share advertising cost
- Increased investment money
- Development of a motivated sales team
- Increased revenue
- No need to deal with local business issues

# After the Start-Up (LO 4-4)

## Franchising

### Benefits for the Franchisee

- Access to management expertise
- No need to build a business from scratch
- Lower failure rates
- Well-developed brand
- Help with external financing
- Be your own boss
- Keep most of the profits
- Training provided
- Expert advice
- Economies of scale in buying supplies

## Success and Failure in Small Business (LO 4-5)

- Managerial Incompetence
- Neglect
- Weak Control Systems
- Insufficient Capital

- Hard work, drive, and dedication
- Market demand for product or service
- Managerial competence
- Luck

# Forms of Business Ownership



# Sole Proprietorships

## Sole Proprietorships

# PRO

*freedom*

*simplicity*

*low start-up costs*

*tax benefits*

# CON

*unlimited liability*

*lack of continuity*

*difficult to raise money*

*reliance on one individual*



# Partnership

2 or more people agree to combine their financial, managerial, and technical abilities to run a business

Frequently used by professionals: Engineers, Architects, Lawyers

## TWO BASIC TYPES

General  
Partners

Limited Partners



## Partnerships

# PRO

*larger talent pool*  
*larger money pool*  
*ease of formation*  
*tax benefits*

# CON

*unlimited liability*  
*lack of continuity*  
*ownership transfer difficult*  
*potential conflict*

# Corporations

Corporations have the following rights and characteristics

separate legal  
entity from its  
owners

property rights and  
obligations

indefinite lifespan

# Corporations

## Public Corporation

- shares are widely held and available for sale to the general public
- *initial public offering (IPO)*: the sale of shares for the first time to the general investing public

## Private Corporation

- shares held by a few shareholders (not widely available)

# Corporations

## Board of Directors

- governing body; responsible for shareholder interests
- appoint management, set policy, make major decisions

## Shareholders

- investors who buy shares of ownership in a company
- may share in profits through dividends

## Chief Executive Officer (CEO)

- person responsible for the firms overall performance



## Corporations

# PRO

*limited liability*  
*continuity*  
*professional management*  
*easier to raise money*

# CON

*start-up costs*  
*double taxation*  
*regulations*  
*stockholder revolts*

# Cooperatives

organization formed to benefit its owners through  
reduced prices and distribution of surpluses



# PRO

*limited liability*

*owner continuity*

*one vote per member; equal voice  
regardless of size*

*income taxed only at the individual  
member level*

# CON

*no incentive to invest*

*members simply benefit from  
usage*

## Forms of Business Organizations (LO 4-6)

Characteristic	Sole Proprietorship	Partnership	Corporation	Co-operative
Protection against liability for bad debts	Low	Low	High	High
Ease of formation	High	High	Medium	Medium
Permanence	Low	Low	High	High
Ease of ownership transfer	Low	Low	High	High
Ease of raising money	Low	Medium	High	High
Freedom from regulation	High	High	Low	Medium
Tax advantages	High	High	Low	High

# Test Your Understanding



## QUICK-CHECK QUESTIONS

1) \_\_\_\_\_ are people that create something new within the context of a large organization.

A) Venture Capitalists

B) Angels

C) Intrapreneurs

D) Nascent Investors

C) Intrapreneurs

## QUICK-CHECK QUESTIONS

2) The entrepreneurial process is like a journey which is influenced by social, economic, political, and technological factors. The three key elements in the process are:

A) The product, the promotions and the place or location of the venture

B) The entrepreneur, the size of the market and the scale of the business

C) The market, the capital investment and the growth potential

D) The entrepreneur, the opportunity, and the resources

D) The entrepreneur, the opportunity, and the resources

## QUICK-CHECK QUESTIONS

3) The first section of a business plan is the:

- A) Company Description
- B) Market analysis
- C) Executive Summary
- D) Operating Plan

C) Executive Summary



## QUICK-CHECK QUESTIONS

4) \_\_\_\_\_ have voting rights and receive a vote for each share that they own. They are considered owners of the company although the extent of ownership depends on the number of shares they possess.

- A) Preferred Capitalists
- B) Bondholders
- C) Common stockholders
- D) Derivative titleholders

C) Common stockholders

## QUICK-CHECK QUESTIONS

5) A \_\_\_\_\_ is an organization that is owned and controlled by the people who use it - producers, consumers and workers with similar needs who pool their resources for mutual benefit.

A) private corporation

B) joint venture

C) co-operative

D) public corporation

C) Co-operative

# Homework

1. Read Chapter 5 in Ebert et al. textbook: **“Global Context of Business”**
2. Take Canvas Quiz 03 - Chapter 5.

