Assignment

Engineering Entrepreneurship

Q.1 - Write Business Plan v/s Market Plan.

The business plan and the marketing plan are both essential aspects of successful businesses. These plans not only help businesses organize their operations, but help benchmark their success or failure. Since business industries change with customer demand and the economic environment, the business plan and marketing plan must evolve throughout the lifespan of the business.

Business Plan :

The business plan provides a wide overview of the business, which includes information on staff, operations, location, marketing and financial aspects, as well as clearly outlined missions and goals. Often used as a financial tool, the business plan provides lenders with necessary details to determine if the business is viable, financially sound and able to repay. Although business plans are most commonly known for assisting new businesses, they should be used throughout the life of the business. Not only does it help to develop competitive strategies, the business plan can determine if the business' actual activity matches the forecasted plans.

Marketing Plan :

The marketing plan details actions that achieve the company's missions and goals. This plan identifies the business' price points, target markets and competition. It explains how the business generates customers through advertisements, trade show participation and new referrals. By explaining how the business will overcome competitive challenges by other companies, the marketing plan is a key section within the business plan and requires detailed industry research and consideration.

Both plans should be reviewed periodically. While the business plan can be reviewed once a year, the marketing plan should be reviewed once per quarter at the beginning of the fiscal year, according to entrepreneur.com. Reviewing periodically ensures that the business is operating according to outlined strategies. Comparing actual versus outlined activities helps measure business success and identify any new or updated strategies that are in-tune with the business' current economic environment.

Q.2 - Write Various Characteristics of Market Planning.

Marketing Planning: Importance, Benefits and Characteristics :

A business firm has to make various marketing decisions. These decisions actually emerge from the complex interaction of a large number of persons carrying out diverse responsibilities in the marketing organisation. Being part and parcel of the over-all management, the marketing executives are deeply involved in the process of planning. Marketing planning defines the role and responsibilities of marketing executives in such a way as to achieve the goals of the firm.

It lays emphasis on the allocation of marketing resources in the best and most economical way. It gives an intelligent direction of marketing operations. Marketing planning involves the preparation of policies, programmes, budgets etc., in advance for carrying out the various activities and functions of marketing to attain the marketing goals.

Importance of Marketing Planning:

Marketing planning is a systematic and disciplined exercise to formulate marketing strategies. Marketing planning can be related to the organisation as a whole or to strategic business units (SBU). Marketing planning is a forward looking exercise, which determines the future strategies of an organisation with special reference to its product development, market development, channel design, sales promotion and profitability.

We may now summaries the importance of marketing planning in the following points:

1. It helps in avoiding future uncertainties.
2. It helps in management by objectives.
3. It helps in achieving objectives.
4. It helps in coordination and communication among the departments.
5. It helps in control.
6. It helps the customers in getting full satisfaction.

Benefits of Marketing Planning:

1. Marketing planning promotes successful marketing operations.
2. Planning helps to co-ordinate activities which can facilitate the attainment of objectives over time.
3. It forces management to reflect upon the future in a systematic way.
4. Resources can be better balanced in relation to identified market opportunities.
5. A plan provides a frame work for a continuing review of operations. It will make the firm to give more attention to market enlargement rather than market maintenance.
6. Marketing planning helps to appraise performance, capitalize on strength, minimize weaknesses and threats and finally open up new opportunities.

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7. Planning can be advocated to minimize the risk of failure.
8. Marketing planning reduces the adverse consequences of unfavourable circumstances beyond the influence of management.
9. A marketing plan promotes a comprehensive view of the business firm and acts as a process of communication and co-ordination between marketing department and other departments.
10. A greater preparedness to accommodate change can be stimulated.

Marketing Strategy = The marketing logic by which the business unit hopes to achieve its marketing objectives.

Characteristics of Marketing Planning:

Marketing planning has the following characteristic features:

1. The success depends to a large extent upon human behaviour and response.
2. They are complicated in nature.
3. Marketing decisions have long term effects on efficiency, profitability and market standing of the firm.
4. Marketing planning is a formal and systematic approach towards planning of all marketing activities-product positioning, price setting, distribution channels etc.
5. Marketing planning, as a rational activity, requires thinking; imagination and foresight. Market analysis, market projection, consumer behaviour analysis and marketing-guided conclusions are based on data and measurements drawn from internal and external environments.
6. Marketing planning i. a forward-looking and dynamic process designed to promote market-oriented or consumer-oriented business actions.
7. Marketing planning is done by the marketing department. Various sub-divisions and sections under the department give their proposals based on which the overall company marketing plans are developed and designed.
8. Planning is a process of deciding in advance what to do and how to do it. If the marketing planner desires to achieve a target market at some future date and if he needs some time to decide what to do and how to do it, he must make the necessary marketing decisions before taking action.
9. Planning is basically a decision-making process. Marketing planning is a programme of marketing-based actions regarding the future with the object of minimizing risk and uncertainty and producing a set of interrelated decisions.

Q.3 - What are the various Steps involved in Market Planning ?

What is marketing planning?

More technically speaking, marketing planning is the process of scrutinizing one or more marketplaces that prove to be potentially interesting so that it becomes easier to determine whether the business can optimally compete with the other similar firms. Typically, the process of marketing planning produces the marketing strategy which is in fact, used to enhance the sales for the business producing it. Marketing Planning includes specific, market precise, or company-wide policy that describes actions involved in achieving a particular objective that is set within a selected timeframe for the biz. A marketing planning emerges with the identification (through market surveys) of consumer needs in more precise ways and how the company plans to fulfill them while generating an acceptable level of return.

Marketing planning process is basically a set of steps that provide guideline about how to market and sell your product in the market within a specific period of time. It involves which promotional strategies to be adopted to make your product best seller in the future. Marketing planning process consist of the tactics and marketing techniques that you have to assume for achieving your marketing goals within the required time period.

It is the requirement of every business to make it successful. Marketing planning process basically involves the selection of the target market and then developing a plan that how you have to market your product in that specific target-market to penetrate. It is the intense need of every business to make a good market plan for the success of its Product Life Cycle.

Marketing planning process incorporate the stages in which a company plan and discuss different question for the success of its product like

- Determines its current position
- Determine the place where it want to see itself by making analysis and using different marketing mix
- The way and the roadmap by following which can gain its position
- From different alternatives screening and choosing that which is the best strategy to adopt
- This process also allows you to maintain yourself at the time peak in the market.

Need of Marketing Planning Process :

The marketing planning process is intended to decide where you want to see your business in future. It decides how you want to target your consumer and its segmentation. It involves the rational and absolute thinking about the marketing strategies of your business. Making proper documentation of your strategies is an integral part of planning process. It is the need of the time to properly plan your marketing activities and implement it in the right direction for the survival of your product in the market. In today's market of intense competition, without proper extended and solid planning process you can't take success in the market. Marketing planning process makes it essential for the managers to contribute some of their time towards thinking about the company's resources and the opportunities that may gain by utilizing those resources in an effective way. In today's era of rapid digital marketing, it is necessary to focus on proper marketing planning process to cover the maximum of the market. By applying a proper plan, we can avoid the risk of failure of product and can satisfy and fulfill the needs of the target consumers easily.

You can upgrade your sales volume and growth by choosing right marketing plan for your business. This planning process involves the specifications that how marketing objectives are to be attained. The marketing planning process structure discussed above can further be elaborated.

Marketing Planning Process Steps :

The steps of marketing planning process we are going to discuss almost remains the same for each kind of business with a little amendments according to the scenario,

1. The first step involves develop the action plan

- Make vision and set your goals
- According to mission statement
- Company objectives

Before moving towards the other steps of planning strategy and implementing it, the first and for most need to make your product successful, is to make a keen observation of the company's objective. So the most prior stage of marketing planning process is to set your goals that where you want to reach. You should know your ultimate destination, your company's vision for your product that who you are and where you expect to reach. In the first step of planning process you should carefully understand the company's mission.

2. Analyze your present situation by

- By analyzing and auditing market
- SWOT Analysis

The second step of marketing planning process includes the overview and examination of your present condition. It is a part of strategic and long term planning process to see your current position, your resources and view the market in which you are moving. Layout your resources, evaluate them along with evaluating other external and internal factors. Determine the environmental risks and favors attach with the launching of your product. Audit the market, target it and make their segments with the help of your resources to better penetrate your product.

3. Developing Marketing Strategy

- Marketing mix
- Creating marketing strategy and objectives
- Communication means & vehicles
- Analyze alternative methods and procedures for marketing available

This stage of Marketing Planning process involves making of marketing objectives and marketing strategies to accomplish the overall company's objective. This step includes analyzing all the marketing tactics available for the best promotion of the product.

4. Employing, Executing and Evaluating the Planning Process

- Make budget
- Allocate resources & implement
- Monitoring & Overview

This is the milestone of any planning process because it includes the operational level activities. In this stage you have to allocate your resources, make budget for the implementation of the above discussed strategies and make the action plans. You have to constantly monitor and overview you marketing plan based upon the customer's opinion and feedback. So make regular review of your promotional plan.

Q.4 - What are the Different Phases of Organisational Plan ?

Basically there are many types of Organisational Phases and it changed according to authors , so here just writing only 5 Phases of Organisational Plan :

Coaching is often the entryway to organization development (OD) work. Stages of OD work include:

- Entry and Contracting
- Sensing and Discovery
- Diagnosis and Feedback
- Planning Interventions and Action
- Evaluation and Closure

As organization development consultants enter organizations to collect data, diagnose the organization's needs, design interventions and evaluate progress, we can also build internal organizational capacity to do the same. Each phase of the OD process serves a distinct purpose. So let's see how this works.

Entry and contracting :

Authenticity, presence and empathy are the vital components of the entry process. During the initial conversations, we build trust by listening non-judgmentally and offering support. Rather than glossing over or censoring the issues, this approach allows the underlying concerns and opportunities to surface. By listening deeply, understanding the client's issues and establishing the alliance, we uncover the goals and deeper desires. Desires take us much deeper than goals. By tapping people's passions, we get clarity about personal and organizational expectations. Once we're connected with their hearts, we co-create desired outcomes, determine roles and responsibilities and establish business terms.

Sensing and discovery :

While relying heavily on our intuition, we also collect information based on hard data. Dialogue, surveys, interviews, assessment tools and focus groups are used both to collect information and build relationships. Throughout this process, the emphasis on building relationships means we're much more likely to generate trust, which helps us get to the heart of the matter.

Diagnosis and feedback :

We come in looking for what works and what we can leverage. Instead of a pathological approach to diagnosis, we can help members of the organization identify the life-giving energy in their work experiences and then discover their needs and wishes. A summarized report of the information and shared analysis acts as a catalyst for deepening awareness, inviting choice and stimulating action. Many organizational cultures have a preference for hard data, a scoring system for analyzing the current situation and a way to measure progress. When accompanied by anecdotal data, the impact can be very moving, heart-connecting and inspirational. Analyzing the data for the client can be highly informative, but isn't as empowering as a joint analysis. Collectively, we can explore a gap analysis between the current situation and the desired situation.

Planning interventions and action :

We end up with one-way communication and minimal buy-in unless we intervene with authentic feedback. Feedback leads to a blueprint for change and collaborative action planning. Action plans are broken down into small steps with accountability structures, including who is taking responsibility and agreed-on dates for completion. Implementation of the action plan can include a wide range of organization development interventions: individual or group coaching, training, leadership development, team building, diversity dialogues and conflict resolution are some of the processes used to support the change initiative.

Evaluation and closure :

The measures of success established at entry are derived jointly. Evaluation can include financial measures, such as the bottom-line impact (profitability or return on investment) or stakeholder satisfaction (quality-of-life or employee retention). Organization development work is an intimate process that calls for an empowering closure. Instead of celebrating once a year at the company Christmas party, we advocate for continuous celebration. We not only celebrate successes; we also celebrate new insights gained from disappointment or failure. Both provide opportunities for heart connection and stimulate dialogue that leads to new opportunities.

Phases :

All companies go through a life cycle that progresses through different stages. Common strategies are employed at each phase of an organization's life, as the business goals of companies in the same life stage can often be fundamentally similar. Familiarizing yourself with the various strategy phases for an organization can help you to design an ideal strategy that fits your company's current life stage.

Start-Up Phase :

During the start-up phase, companies are working overtime just to get off the ground. Crucial elements of strategy in the start-up phase include securing adequate financing and establishing a marketing presence. Start-up strategies are centered on gaining a foothold in a specific market, spreading the word about the company and its products, making sure the company has enough money to survive into the growth stage and fine-tuning initial business plans to adjust for unforeseen issues.

Growth Phase :

During the growth phase, companies consistently gain market share from their competitors. Top-line growth through sales is balanced by consistently high marketing expenditures. Strategies in the growth phase are centered on steadily — or rapidly — increasing sales and awareness of the company in the marketplace. Businesses should fine-tune their strategies for repaying lenders in this stage as well, balancing retained earnings with higher than minimum loan repayments.

Maturity Phase :

In the maturity phase, demand for a company's products and services levels off. Mature companies are well known in the marketplace, and they have established a solid, loyal customer base. Strategies in the maturity phase can take two routes; companies can either attempt to re-enter the growth phase by introducing new products and services or entering new markets, or they can employ strategies designed to hold fast to their existing market share, boosting profit through cost-cutting rather than revenue growth.

Decline Phase :

In the decline phase, demand for a company's products steadily — or rapidly — decreases. Companies in the decline phase lost market share to newer companies with unique value propositions or superior products and services. As with the maturity phase, decline phase strategies can take two different approaches; companies can either attempt to re-enter the growth phase, or they can prepare exit strategies, such as selling the organization or liquidating the company's assets.

Q.5 - What are the Key attribute of Financial plan ?

Every financial plan should have the following attributes: vision, awareness of opportunities, anticipation of risks, communication and coordination, motivation, and review. Otherwise, your financial journey will be similar to Alice's visit to Wonderland: a disorientating trip down the rabbit hole.

Vision :

Knowing what you want to achieve with your financial plan is critical and varies greatly from person to person. Once you define your goals, you and your financial advisor can begin to craft your plan by picking the tools to use and the experts with whom to partner*. Without a clear vision, you will likely collect an assortment of financial products and advisors that are all going in different directions—instead of working together toward your goal.

Awareness of opportunities :

When it comes to your financial plan, it's important to know your opportunities. There may be a better way to transfer your business to your children, or perhaps you could support your favorite non profit in a way that is more tax efficient, or maybe there is a safer way to provide for your grandchildren without putting their inheritance at risk. Not knowing about an opportunity could significantly diminish your ability to meet all of your objectives. Creating a financial plan will allow your advisors to identify the opportunities that will enable you to meet your goals.

Anticipation of Risks :

Some risks are small enough or rare enough that you may want to take them on. Other risks are either too likely or too devastating to assume. The key is to know what risks confront you. An effective financial plan will identify and address the risks that apply to you specifically, quantify the costs associated, and provide you options on how to respond.

Motivation :

A financial plan is like a trail map, which will show you how to get from point A to point B. But owning a trail map does not mean you will reach the summit. Creating a financial plan often competes for time in a very busy schedule, and sometimes creating a plan is not "fun" or is uncomfortable to address. But, it is important to avoid paralysis caused by not knowing where to start or becoming overwhelmed by the number of tasks to complete.

You may find it helpful to appoint someone to champion your financial plan and to dole out the tasks in an orderly manner. An effective wealth advisor will focus your attention on a few items at a time, constantly working through your priorities until you reach the peak.

Review :

Because your family vision may evolve over time, it is paramount your plan be subject to regular review. The perfect decision that was reached a few years prior can change quickly when your focus shifts or experience family changes. It may be difficult to see how a change can ripple through your plan. Keep your team of experts up to date on any of your life changes, and make sure your financial team is contacting you whenever there are changes in rules and regulations that could affect you.

Key attributes that define an effective financial advisor :

- Listen to your clients more than you talk. Often, patient listening will reveal a client's family history, approach to investing and to life enabling you to formulate more effective plans.
- Never be product-centric. Your client's needs are paramount and all your focus and effort should be directed towards helping him or her achieve their goals.
- Say NO to clients who don't understand your value or what you do for them.
- Be goal-oriented rather than transaction-oriented. You should understand that as an advisor, you are in it for the long term. Do not exhibit short-term behaviour towards investing or look at making quick money.
- There is never a standard solution for meeting a client's goals. Each client is unique and every action plan has to be tailor made. That's what makes this profession exciting!
- Be honest. If you promise something, that should be delivered. The client should not get ultimately get something that he does not really need.
- Earn the trust of a prospect in a few seconds so that he becomes a client for a lifetime.
- Be open, blunt and to the point in your advice. It might hurt initially but if the client understands what he can achieve and cannot (and in what timeframe), he can alter his priorities or you can alter your advice for the plan to be realistic and practical.
- Keep your clients focused on what is important for them. Confront the client's fears and emotions. It will help you formulate your plan.

- Cut the jargon. Make it clear you have done your research and that's why you are making recommendations or changes in a client's portfolio for his benefit. You need to reach a stage where your client accepts what you recommend because it is in his best interest, after considering his goals.
- What role risk plays, and how the perception of risk changes, is very important for different people and in different situations. Understand the risk level, and more importantly, the risk tolerance of every client and communicate the equivalent reward or return expectation in advance.

Q.6 - What are the Various Sources of Capital in Business Planning ?

Types and Sources of Financing for Start-up Businesses :

Financing is needed to start a business and ramp it up to profitability. There are several sources to consider when looking for start-up financing. But first you need to consider how much money you need and when you will need it.
The financial needs of a business will vary according to the type and size of the business. For example, processing businesses are usually capital intensive, requiring large amounts of capital. Retail businesses usually require less capital.
Debt and equity are the two major sources of financing. Government grants to finance certain aspects of a business may be an option. Also, incentives may be available to locate in certain communities and/or encourage activities in particular industries.

Equity Financing :

Equity financing means exchanging a portion of the ownership of the business for a financial investment in the business. The ownership stake resulting from an equity investment allows the investor to share in the company's profits. Equity involves a permanent investment in a company and is not repaid by the company at a later date.

The investment should be properly defined in a formally created business entity. An equity stake in a company can be in the form of membership units, as in the case of a limited liability company or in the form of common or preferred stock as in a corporation.
Companies may establish different classes of stock to control voting rights among shareholders. Similarly, companies may use different types of preferred stock. For example, common stockholders can vote while preferred stockholders generally cannot. But common stockholders are last in line for the company's assets in case of default or bankruptcy. Preferred stockholders receive a predetermined dividend before common stockholders receive a dividend.

Personal Savings :
The first place to look for money is your own savings or equity. Personal resources can include profit-sharing or early retirement funds, real estate equity loans, or cash value insurance policies.

Life insurance policies - A standard feature of many life insurance policies is the owner's ability to borrow against the cash value of the policy. This does not include term insurance because it has no cash value. The money can be used for business needs. It takes about two years for a policy to accumulate sufficient cash value for borrowing. You may borrow most of the cash value of the policy. The loan will reduce the face value of the policy and, in the case of death, the loan has to be repaid before the beneficiaries of the policy receive any payment.

Home equity loans - A home equity loan is a loan backed by the value of the equity in your home. If your home is paid for, it can be used to generate funds from the entire value of your home. If your home has an existing mortgage, it can provide funds on the difference between the value of the house and the unpaid mortgage amount. For example, if your house is worth $150,000 with an outstanding mortgage of $60,000, you have $90,000 in equity you can use as collateral for a home equity loan or line of credit. Some home equity loans are set up as a revolving credit line from which you can draw the amount needed at any time. The interest on a home equity loan is tax deductible.

Friends and Relatives :

Founders of a start-up business may look to private financing sources such as parents or friends. It may be in the form of equity financing in which the friend or relative receives an ownership interest in the business. However, these investments should be made with the same formality that would be used with outside investors.

Venture Capital :

Venture capital refers to financing that comes from companies or individuals in the business of investing in young, privately held businesses. They provide capital to young businesses in exchange for an ownership share of the business. Venture capital firms usually don't want to participate in the initial financing of a business unless the company has management with a proven track record. Generally, they prefer to invest in companies that have received significant equity investments from the founders and are already profitable.

They also prefer businesses that have a competitive advantage or a strong value proposition in the form of a patent, a proven demand for the product, or a very special (and protectable) idea. Venture capital investors often take a hands-on approach to their investments, requiring representation on the board of directors and sometimes the hiring of managers. Venture capital investors can provide valuable guidance and business advice. However, they are looking for substantial returns on their investments and their objectives may be at cross purposes with those of the founders. They are often focused on short-term gain.

Venture capital firms are usually focused on creating an investment portfolio of businesses with high-growth potential resulting in high rates of returns. These businesses are often high-risk investments. They may look for annual returns of 25 to 30 percent on their overall investment portfolio.

Because these are usually high-risk business investments, they want investments with expected returns of 50 percent or more. Assuming that some business investments will return 50 percent or more while others will fail, it is hoped that the overall portfolio will return 25 to 30 percent.

More specifically, many venture capitalists subscribe to the 2-6-2 rule of thumb. This means that typically two investments will yield high returns, six will yield moderate returns (or just return their original investment), and two will fail.

Angel Investors :
Angel investors are individuals and businesses that are interested in helping small businesses survive and grow. So their objective may be more than just focusing on economic returns. Although angel investors often have somewhat of a mission focus, they are still interested in profitability and security for their investment. So they may still make many of the same demands as a venture capitalist.

Angel investors may be interested in the economic development of a specific geographic area in which they are located. Angel investors may focus on earlier stage financing and smaller financing amounts than venture capitalists.

Government Grants :
Federal and state governments often have financial assistance in the form of grants and/or tax credits for start-up or expanding businesses.

Equity Offerings :
In this situation, the business sells stock directly to the public. Depending on the circumstances, equity offerings can raise substantial amounts of funds. The structure of the offering can take many forms and requires careful oversight by the company's legal representative.

Initial Public Offerings :
Initial Public Offerings (IPOs) are used when companies have profitable operations, management stability, and strong demand for their products or services. This generally doesn't happen until companies have been in business for several years. To get to this point, they usually will raise funds privately one or more times.

Warrants :
Warrants are a special type of instrument used for long-term financing. They are useful for start-up companies to encourage investment by minimizing downside risk while providing upside potential. For example, warrants can be issued to management in a start-up company as part of the reimbursement package.

A warrant is a security that grants the owner of the warrant the right to buy stock in the issuing company at a pre-determined (exercise) price at a future date (before a specified expiration date). Its value is the relationship of the market price of the stock to the purchase price (warrant price) of the stock. If the market price of the stock rises above the warrant price, the holder can exercise the warrant. This involves purchasing the stock at the warrant price. So, in this situation, the warrant provides the opportunity to purchase the stock at a price below current market price.

If the current market price of the stock is below the warrant price, the warrant is worthless because exercising the warrant would be the same as buying the stock at a price higher than the current market price. So, the warrant is left to expire. Generally warrants contain a specific date at which they expire if not exercised by that date.

Debt Financing :

Debt financing involves borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. For the creditors (those lending the funds to the business), the reward for providing the debt financing is the interest on the amount lent to the borrower.

Debt financing may be secured or unsecured. Secured debt has collateral (a valuable asset which the lender can attach to satisfy the loan in case of default by the borrower). Conversely, unsecured debt does not have collateral and places the lender in a less secure position relative to repayment in case of default.

Debt financing (loans) may be short term or long term in their repayment schedules. Generally, short-term debt is used to finance current activities such as operations while long-term debt is used to finance assets such as buildings and equipment.

Friends and Relatives :

Founders of start-up businesses may look to private sources such as family and friends when starting a business. This may be in the form of debt capital at a low interest rate. However, if you borrow from relatives or friends, it should be done with the same formality as if it were borrowed from a commercial lender. This means creating and executing a formal loan document that includes the amount borrowed, the interest rate, specific repayment terms (based on the projected cash flow of the start-up business), and collateral in case of default.

Banks and Other Commercial Lenders :

Banks and other commercial lenders are popular sources of business financing. Most lenders require a solid business plan, positive track record, and plenty of collateral. These are usually hard to come by for a start- up business. Once the business is underway and profit and loss statements, cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds.

Commercial Finance Companies :

Commercial finance companies may be considered when the business is unable to secure financing from other commercial sources. These companies may be more willing to rely on the quality of the collateral to repay the loan than the track record or profit projections of your business. If the business does not have substantial personal assets or collateral, a commercial finance company may not be the best place to secure financing. Also, the cost of finance company money is usually higher than other commercial lenders.

Government Programs :

Federal, state, and local governments have programs designed to assist the financing of new ventures and small businesses. The assistance is often in the form of a government guarantee of the repayment of a loan from a conventional lender. The guarantee provides the lender repayment assurance for a loan to a business that may have limited assets available for collateral. The best known sources are the Small Business Administration and the USDA Rural Development programs.

Bonds :

Bonds may be used to raise financing for a specific activity. They are a special type of debt financing because the debt instrument is issued by the company. Bonds are different from other debt financing instruments because the company specifies the interest rate and when the company will pay back the principal (maturity date). Also, the company does not have to make any payments on the principal (and may not make any interest payments) until the specified maturity date. The price paid for the bond at the time it is issued is called its face value.

When a company issues a bond it guarantees to pay back the principal (face value) plus interest. From a financing perspective, issuing a bond offers the company the opportunity to access financing without having to pay it back until it has successfully applied the funds. The risk for the investor is that the company will default or go bankrupt before the maturity date. However, because bonds are a debt instrument, they are ahead of equity holders for company assets.

Lease :

A lease is a method of obtaining the use of assets for the business without using debt or equity financing. It is a legal agreement between two parties that specifies the terms and conditions for the rental use of a tangible resource such as a building and equipment. Lease payments are often due annually. The agreement is usually between the company and a leasing or financing organization and not directly between the company and the organization providing the assets. When the lease ends, the asset is returned to the owner, the lease is renewed, or the asset is purchased.

A lease may have an advantage because it does not tie up funds from purchasing an asset. It is often compared to purchasing an asset with debt financing where the debt repayment is spread over a period of years. However, lease payments often come at the beginning of the year where debt payments come at the end of the year. So, the business may have more time to generate funds for debt payments, although a down payment is usually required at the beginning of the loan period.

Q.7. - What are the Strategies involved for managing the smooth implementation for running a business ?

What is effective strategic plan implementation?
Implementation effectiveness can be measured by how well the business meets the financial projections set out in the strategic plan.

To achieve effective implementation, a business must ensure that any changes initiated by the strategic plan are reflected in areas such as budgeting, reward schemes and information systems. The overall goal is to integrate the results of strategic planning with daily, weekly and monthly routines.

The goals articulated in the strategic plan should drive marketing and sales efforts, human resources practices and research and development. These goals become a central part of the business by guiding daily operational activities.

Four fundamentals of strategic plan implementation
Once you have a robust strategic plan in place, the following actions are crucial to successful implementation.

1. Avoid common implementation mistakes.
2. Reach out to stakeholders.
3. Measure progress in the strategic plan.
4. Monitor the strategic plan.

1. Avoid common strategic plan implementation mistakes
Strategic planning entails risks. The strategic planning process may expose underlying conflicts within the organisation. It may disrupt the flow of information and the ways decisions are made. The point is not to allow current operating problems to dictate or deter long-range strategic planning.

Some of the commonest strategic plan implementation mistakes are outlined below.

- Just saying no. Management ends up discarding the strategic plan, choosing instead to make intuitive decisions that clash with accepted strategic objectives. The result is confusion throughout the ranks of employees.
- Lack of communication. The strategic plan is not communicated to front-line employees, who are therefore working in the dark.
- Losing sight. Managers are so tied up in day-to-day operating problems that they lose sight of the long-term strategic goals.
- "Bolt-on" syndrome. The strategic plan is treated as something separate and removed from the daily management of the business.

- Business as usual. Once the strategic plan has been drawn up, managers simply carry on as before.
- Wimping out. Management recoils from making the tough choices that the strategic plan may call for.
- The wrong scoreboard. Managers measure what's easy, not what's important.
- No yardstick. The business neglects to benchmark itself against its competitors, so it can't measure its progress against them.
- The be-all and end-all. Management sees the strategic planning document as an end in itself.
- Confusing terminology and language. People don't understand what you want because it isn't expressed clearly in the strategic plan.

2. Reach out to stakeholders :

We suggest an informal chat between strategic planning team members and employees. Take the written strategic plan document back to the people you influence and discuss it with them in a conversational manner. Set up a feedback mechanism – suggestion box, one-on-one meeting, monthly updates – so that they have a chance to respond as well.

Communicating the strategic plan facilitates employee "buy-in" and a broader understanding of the organisation's strategic goals and objectives.

The underlying process of strategic change

Strategic change is like an iceberg: around two thirds of it is beneath the surface. In an organisation, everyone focuses on the content of the strategic change. But the problem isn't just to identify what needs to be done differently. You also need to think about how the strategic change will be managed.

The question is whether you make this process work for you or against you.

If your people don't buy into the underlying process of change management, it will fail.

Opening other communication channels

Don't just reach out to your employees: share the strategic plan with other stakeholders, such as investors, customers and alliance partners. An "open book" approach will likely generate more helpful ideas and suggestions about the future of your business.

3. Measure progress in the strategic plan

You can measure how well strategic plan implementation is progressing through key indicators such as revenue, gross sales and the number of new customers. The strategic planning team must decide what measurements are most applicable to long-term strategic objectives.

If you can't measure it, you can't manage it. So what things should you be measuring? Here are a few ideas:

- number of new customers
- total new product sales
- percentage margin
- return on assets
- return on equity
- return on investment
- market share
- employee morale
- customer satisfaction.

4. Monitor the strategic plan :

Finally, to keep your strategic plan alive, you must monitor it. Here are some guidelines.

Regular updates. Review progress on a monthly or quarterly basis, depending on the level of activity and time frame of the strategic plan. This applies to corporate, regional and departmental strategies, Specific tasks should be part of relevant strategic management meetings.

Challenge underlying assumptions. While monitoring the strategic plan's progress, continue to examine its underlying assumptions, the continued validity of its strategic objectives and the influence of unanticipated events.

Create a champion for every strategy and action. The strategy champion has to be someone other than the CEO, because the latter isn't accountable to anyone. The strategy champion doesn't necessarily have to complete the actions, but must see that they get done.

Stay committed. Every strategy-related action must have a due date. As CEO you can let the due date slip, but don't let it go away. This tells the strategy champion that you aren't giving up on the strategy. If you keep following up, the strategy champion will see that you're serious about the strategy and putting it into effect.

Conduct short-term strategy reviews. We suggest scheduling team "huddles" every 90 days to keep the strategic plan reviewed, reloaded and re-energised. These huddles also allow you to distinguish those individuals who are getting things done and those who aren't (the "empty suits"). Alternatively, you can schedule 60-day strategy reviews by senior management. These are an opportunity to take another look at the original plan, determine whether strategic objectives are being met, and agree new action steps as necessary.

Expand skills. In the weeks and months following the strategic planning process, expand employee skills through training, recruitment or acquisition to include new competencies required by the strategic plan.

Target sales. Sales and marketing tools form the link between business strategy and sales strategy. Designed correctly, these sales tools communicate an organisation's value and message to the marketplace, and generate positive feedback from customers and clients.

Set strategic plan milestones. Go beyond monitoring: build into the strategic plan milestones that must be achieved within a specific time frame. Many companies do this on a monthly or weekly basis.

Reward success. Find creative ways to motivate people and reward them for focusing on the strategy and vision. We call it the "pucker factor". Establish some positive/negative consequences for achieving/not achieving the organisation's stated strategy. These consequences may be great or small, so long as they serve to make the strategy a priority in people's minds.

What next for your strategic plan?

After considerable work and effort, a strategic plan is in place. Is the job done? The answer is a firm NO!

Be prepared to switch strategies

Over the life of a strategic plan, a company's vision may stay the same but its strategies will probably need to be revised. Some businesses can maintain a strategic plan for a year or longer, while others have to respond to market changes in less time. Usually, this means refining specific strategies and goals to meet changing circumstances each year.

A strategic plan should be "proactively reactive". Move ahead with the strategic plan as designed, but be prepared to let go and switch strategies as necessary. In other words: "If the horse is dead, you have to get off."

Choose your strategic approach

No one strategic planning model is right for all organisations or circumstances. Strategic planning teams can choose from a variety of models with an even wider range of approaches. But we believe a business that develops and executes a strategic plan well gains significantly from the experience.

Make your strategic plan a living document

In today's business environment, everyone is short on time and money. But being "too busy" may actually result from an unwillingness to confront certain long-term issues, such as accessibility of resources, acquisition of new technology, co-ordination of personnel efforts, even questions about the company's overall direction. Until such issues are finally addressed, precious time is lost for other urgent needs.

Similarly, many organisations feel inhibited from strategic planning during periods of limited financial resources. But by setting future business goals and objectives in place, the strategic planning process helps to set new priorities for funds and personnel. A good strategic plan allows a business to deal imaginatively with restricted time and budgets.

The strategic plan has to be a living document. The lifespan of a strategic plan can be anywhere from three months to three years, but the important thing is that the strategic plan represents a shared vision of where the business is headed and what's needed to get there in the time to come.

Strategic planning implementation: best practice examples

Here are three examples of how good implementation of strategy can deliver extraordinary results.

1. Strategic planning to track performance

Dow Chemical's performance was in free fall. TCii developed a performance improvement strategy to address the issue.

We devised clear performance metrics for each of Dow's 79 business units. Performance on these units was tracked against strategic plans on a weekly basis, and the Dow leadership team discussed any serious discrepancies first thing every Monday morning. These weekly sessions forced everyone to live the details of strategy execution, and let the entire organisation know how they were performing.

This simple strategy implementation step played an important role in the dramatic revival of Dow's business.

2. Strategic planning to improve turnaround times

The performance of the Carphone Warehouse logistics centre in the UK West Midlands was poor, with unacceptably long service and delivery times to its 610 UK stores and to individual online purchasers.

We devised a logistics centre development strategy in close co-operation with both the company's HQ in London and the local management of the logistics centre.

The key steps of the strategy were broken down into smaller steps and allocated to local task force teams, who reported weekly on progress, difficulties and planned next steps.

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The key steps of the strategy were broken down into smaller steps and allocated to local task force teams, who reported weekly on progress, difficulties and planned next steps.

The logistics centre general manager and the head office team reviewed progress of the strategy every week, and agreed changes and/or corrective action. These requirements were fed back the same day to the local teams, who then met briefly to agree individual actions for the team members.

This process was so successful in improving turnaround times and removing bottlenecks that it became a permanent feature of the logistics centre. Head office has now rolled out the practice to all operations.

As a result, Carphone Warehouse now has a culture of overperformance, which has been reflected in an improvement in the company's reputation among potential recruits and an increase in its share value. In short, the strategy's successful implementation has created a virtuous circle of improvement for the company.

3. Strategic planning to increase market penetration

Henkel's adhesives business in the Russian Federation had grown rapidly over a four-year period. The company asked TCii to help develop and implement a business strategy to drive the next phase of business expansion.

First we analysed the existing business and identified gaps and strategic opportunities. Our research showed that the majority of goods distributed in Russia flowed via the 12 cities with a population of 1 million or more. But within these cities, Henkel's products had an average market penetration of only 20%.

We helped the Henkel team draw up a strategic plan to gain a significant part of that missing 80%. After making a detailed "market map" showing the key sales channels in each of the 12 cities and their surrounding areas, we overlaid it with a map of the channels in which Henkel already had a presence.

STEPS IN STRATEGY IMPLEMENTATION

To ensure an effective and successful implementation of strategies, it's a good idea to have a system to go about it. Take a look at the steps to ensure that happens.

Step #1: Evaluation and communication of the Strategic Plan :

The strategic plan, which was developed during the Strategy Formulation stage, will be distributed for implementation. However, there is still a need to evaluate the plan, especially with respect to the initiatives, budgets and performance. After all, it is possible that there are still inputs that will crop up during evaluation but were missed during strategy formulation.

There are several sub-steps to be undertaken in this step.

1. Align the strategies with the initiatives. First things first, check that the strategies on the plan are following the same path leading to the mission and strategic goals of the organization.

2. Align budget to the annual goals and objectives. Financial assessments conducted prior will provide an insight on budgetary issues. You have to evaluate how these budgetary issues will impact the attainment of objectives, and see to it that the budget provides sufficient support for it. In the event that there are budgetary constraints or limitations, they must first be addressed before launching fully into implementation mode.

3. Communicate and clarify the goals, objectives and strategies to all members of the organization. Regardless of their position in the organization's hierarchy, everyone must know and understand the goals and objectives of the organization, and the strategies that will be employed to achieve them.

Step #2: Development of an implementation structure :

The next step is to create a vision, or a structure, that will serve as a guide or framework for the implementation of strategies.

1. Establish a linking or coordination mechanism between and among the various departments and their respective divisions and units. This is mainly for purposes of facilitating the delegation of authority and responsibility.

2. Formulate the work plans and procedures to be followed in the implementation of the tactics in the strategies.

3. Determine the key managerial tasks and responsibilities to be performed, and the qualifications required of the person who will perform them.

4. Determine the key operational tasks and responsibilities to be performed, and the qualifications required of the person who will perform them.

5. Assign the tasks to the appropriate departments of the organization.

6. Evaluate the current staffing structure, checking if you have enough manpower, and if they have the necessary competencies to carry out the tasks. This may result to some reorganization or reshuffling of people. In some cases, it may also require additional training for current staff members, or even hiring new employees with the required skills and competencies. This is also where the organization will decide if it will outsource some activities instead.

7. Communicate the details to the members of the organization. This may be in the form of models, manuals or guidebooks.

Step #3: Development of implementation-support policies and programs :

1. Some call them "strategy-encouraging policies" while others refer to them as "constant improvement programs". Nonetheless, these are policies and programs that will be employed in aid of implementation.

2. Establish a performance tracking and monitoring system. This will be the basis of evaluating the progress of the implementation of strategies, and monitoring the rate of accomplishment of results, or if they were accomplished at all. Define the indicators for measuring the performance of every employee, of every unit or section, of every division, and of every department.

3. Establish a performance management system. Quite possibly, the aspect of performance management that will encourage employee involvement is a recognition and reward structure. When creating the reward structure, make sure that it has a clear and direct link to the accomplishment of results, which will be indicated in the performance tracking and monitoring system.

4. Establish an information and feedback system that will gather feedback and results data, to be used for strategy evaluation later on.

5. Again, communicate these policies and programs to the members of the organization.

Step #4: Budgeting and allocation of resources :

It is now time to equip the implementers with the tools and other capabilities to perform their tasks and functions.

1. Allocate the resources to the various departments, depending on the results of financial assessments as to their budgetary requirements.

2. Disburse the necessary resources to the departments, and make sure everything is properly and accurately documented.

3. Maintain a system of checks and balances to monitor whether the departments are operating within their budgetary limits, or they have gone above and beyond their allocation.

Step #5: Discharge of functions and activities :

It is time to operationalize the tactics and put the strategies into action, aided by strategic leadership, utilizing participatory management and leadership styles.

Throughout this step, the organization should also ensure the following:

1. Continuous engagement of personnel by providing trainings and reorientations,

2. Enforce the applicable control measures in the performance of the tasks.

3. Evaluate performance at every level and identify performance gaps, if any, to enable adjusting and corrective actions. It is possible that the corrective actions may entail changes in the policies, programs and structures established and set in earlier steps. That's all right. Make the changes when necessary.

Some argue that implementation of strategies is more important than the strategies themselves. But this is not about taking sides or weighing and making comparisons, especially considering how these two are important stages in Strategic Management. Thus, it is safe to say that formulating winning strategies is just half the battle, and the other half is their implementation.
