Innovation process – key roles

Essential roles in our business team for this module:-

**Operations Director**  organisation & operations (identifies *costs*)

**Marketing Director**  market research, and then marketing plan (identifies *incomes* using sales forecasts)

**Finance Director**  cash-flow forecasting, monitoring & control (using costs and sales from Ops & Marketing)

**Chairman**  PESTEL factors (identifies relevant macro externalities and makes links to this start-up

**Company Secretary**  Legal and tax factors (keeps the show legal)

**Development Director**  Future options (using Ansoff matrix) plus year 2 cashflow forecast

<table>
<thead>
<tr>
<th>6Ps model</th>
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</thead>
<tbody>
<tr>
<td>Perfect</td>
</tr>
<tr>
<td>Planning</td>
</tr>
<tr>
<td>Prevents</td>
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<tr>
<td>Pathetically</td>
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<tr>
<td>Poor</td>
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<tr>
<td>Performance</td>
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Your individual tasks (assignments) overlap, this project requires team work. You must share info with each other. Team work is not easy. It will take time and effort to settle into your team roles.

**Team work phases:-**  
(you will have problems, this is normal)

- Form ➔ Storm ➔ Norm ➔ Perform

(Tuckman, 1965)

See: Business Link’s “No Nonsense Guides”
http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1082356174&type=ONEOFFPAGE
Published by UK Government, excellent clearly written start-up guides.
We are looking for a nicely presented, well structured business plan which includes the following elements:-

Executive Summary (one page) – your team works on this

Name your business check with:-

Google search
Yellow Pages online
Telephone directory online
Companies House for Ltd companies

= unique name

What is your business idea? = innovation?

What business are you in?

Define the type of business = start-up

Describe the product or service. = what?

How will you be trading (legal format)? = how?

Sole trader
Partnership or LLP
Ltd company
Cooperative

Where will you be trading? = where?

Address, location

Reasons (motivations) for starting your business. = why?

Planned start date. = when?

The Top Team - people involved = who?

I keep six honest serving men
(They taught me all I knew);
Their names are What and Why and When
And How and Where and Who.

Rudyard Kipling 1865 – 1936
1 Chairman

PLEST analysis identify - the key *trends* that affect your firm:

<table>
<thead>
<tr>
<th>Political</th>
<th>government policy</th>
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<tbody>
<tr>
<td></td>
<td>global - WTO / EU etc</td>
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<tr>
<td></td>
<td>national government</td>
</tr>
<tr>
<td></td>
<td>local (Cambridge) government policy – planning regulation</td>
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<tr>
<td></td>
<td>new laws, rules and regulations coming next year</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal</th>
<th>new / upcoming laws, rules &amp; regulations</th>
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<tbody>
<tr>
<td></td>
<td>Recruitment and employment law</td>
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<tr>
<td></td>
<td>health &amp; safety regulations</td>
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<tr>
<td></td>
<td>specific permits for the industry sector</td>
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<table>
<thead>
<tr>
<th>Economic</th>
<th>national economy / regional economy/ local economy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest rates</td>
</tr>
<tr>
<td></td>
<td>Tax rates</td>
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<tr>
<td></td>
<td>Social costs</td>
</tr>
<tr>
<td></td>
<td>Currency exchange rates</td>
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<tr>
<td></td>
<td>Consumer spending patterns</td>
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<td></td>
<td>Disposable income</td>
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<table>
<thead>
<tr>
<th>Social</th>
<th>Demographic changes (with Marketing Director)</th>
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<tbody>
<tr>
<td></td>
<td>Age</td>
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<td></td>
<td>Gender</td>
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<tr>
<td></td>
<td>Social groups</td>
</tr>
<tr>
<td></td>
<td>Ethnic groups</td>
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<td></td>
<td>Your target group?</td>
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<table>
<thead>
<tr>
<th>Technology</th>
<th>Rapid changes</th>
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<tbody>
<tr>
<td></td>
<td>e-commerce</td>
</tr>
<tr>
<td></td>
<td>m-commerce</td>
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</table>

Not all the PLEST details are relevant to your business. You may find only six or so specific factors affect your business directly. LINK your chosen *up-to-date* PLEST factors directly with your business, show what the effects are on your firm.

You must give accurate details of each of your chosen PLEST factors – correct title, author, organisation, date of implementation etc.
2 Marketing Director

Three key parts:-

1. **Market Research & analysis**

   Product or service – description
   What is your USP = unique selling proposition – your innovation?

   Who is your customer?
   What is the appeal to customers?
   - Target market trends, facts & figures
   - Secondary research, primary research, facts & figures
   - Customer groups
   - Customer wants / needs / expectations
   - Benefits offered by your business to target customers

   Why is your business special? Innovation
   How is your business different from your competitors? Innovation

   **Competitor analysis**
   - Identify competitors
     - Yellow Pages
     - Local press
     - Google search
   - Ss & Ws of major competitors
   - How can you exploit the Ws of your competitors?
   - What is your competitive advantage?

2. **Marketing plan**

   **4Ps / 7Ps**
   - **Product** - innovation
   - **Price** - pricing policy (avoid lowest price !!)
   - **Promotion** – budget figures go into the cash-flow spreadsheet as incomes so work very closely with the Finance Director
   - **Place** – channels, physical and online
   - other Ps? E.g. Profit margin

3. **Sales forecasts**

   Your figures go into the cash-flow spreadsheet as incomes so work very closely with the Finance Director.
3 Operations Director

Organisation & Operation

Date of start-up

Names & short CVs (in appendix) of key people

Legal identity partnership or Ltd Company etc. Costs

Professional advisers - lawyer, accountant - costs

Location, location, location – physical and website. Innovation?

Premises - rent or buy? Comparison of costs

Layout of premises changes needed? Innovation? Costs involved

Training required - gaps in skills & experience of team. Costs

Recruitment – job description and person spec.

Salaries - costs

Operations

Methods – innovation?

Materials - storage, handling, safety, security

Machines - list of equipment with costs

Management – processes, records

Who does what? Work rota

more Ms

Insurance – to cover public liability, product liability, professional indemnity, fire, theft etc. Costs.

Costs

You will generate most of the costs, your figures go into the cash-flow spreadsheet as incomes so work very closely with the Finance Director.
4 Financial Director

Cash requirements

<table>
<thead>
<tr>
<th>Start-up</th>
<th></th>
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<tbody>
<tr>
<td>Assets</td>
<td>equipment – lease or buy?</td>
</tr>
<tr>
<td>Working capital</td>
<td></td>
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<tr>
<td>Timing of finance</td>
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</tbody>
</table>

Sources of finance

4Fs

- Founders’ cash
- Friends
- Family
- Foolish investors
  - bank loan
  - factoring
  - Angel investors
  - Venture Capital

Cash flow

you must do a spreadsheet forecast

<table>
<thead>
<tr>
<th>Incomes</th>
<th></th>
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<tbody>
<tr>
<td>starting capital, revenues</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>realistic</td>
</tr>
<tr>
<td>Rent</td>
<td></td>
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<tr>
<td>Suppliers</td>
<td></td>
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<tr>
<td>Lighting</td>
<td></td>
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<tr>
<td>Heating</td>
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<tr>
<td>Telephone</td>
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<tr>
<td>Advertising</td>
<td></td>
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<tr>
<td>Salaries</td>
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<tr>
<td>Etc etc etc etc etc etc etc</td>
<td></td>
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Key assumptions – explain these

Explain major financial issues

We need Cashflow forecast spreadsheets

We will provide the spreadsheet model

We do **NOT** need Profit & Loss a/c and Balance Sheet (not for this module)

Your Marketing Director provides you with monthly sales forecasts for the income side of your cash-flow.

Your Operations Director provides you with monthly costs forecasts for the expenses side of your cash-flow.

The bottom line of the Cash-flow spreadsheet – the Closing Bank Balance – takes care of “break even” no need to calculate break even. Is your closing cash trending up (profitable), trending static (breaking even) or trending down (loss making, not breaking even).
5 Company Secretary

You are the new enterprise’s legal officer, you keep the show legal.

Assess the legal and regulatory framework that constrains your firm.


- Patents
- Trade marks
- Designs
- Copyright
- Other protection

Identify some of the most important laws, rules and regulations that you must obey

Recruitment and employment law

**Health & safety** regulations

What specific licences & permits does your firm require?

Which legal form will your firm adopt and why? What are the advantages and disadvantages of this form?

What are the tax and VAT requirements?

Which planning (change of use) permissions do you require from your local government offices?

Which government departments must you inform? In the UK you must inform:

- HM Revenue and Customs  (personal and company tax)  http://www.hmrc.gov.uk/
- HM Revenue and Customs  (VAT)  http://www.hmrc.gov.uk/
- Department of Work and Pensions (national insurance) http://www.dwp.gov.uk/

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http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1082356174&type=ONEOFFPAGE
6 Development Director

Future options at the end of year one:

Carry on or Close down or Expand or What else?

How?

Market penetration

Market development innovation?

Product development innovation?

Diversification innovation?

These are the Ansoff matrix options

Must include:-

Year 2 cash flow forecast spreadsheet

Major issues - more finance needed?
- recruit more people?
- move to a better location?
- new costs
- new sales revenues

This role needs close cooperation with other team members.
SWOT

Nota bene: this tutor does not like SWOT !!
SWOT is normally weak and pathetic
We can improve on it

Your team can pull this all together with one Powerpoint SWOT slide.
Put this in appendix.

Put numbers in your SWOT – make it quantitative

Which are your priority actions arising from SWOT?

Strengths & weaknesses
People / skills / experience / training
Organisation & Ops
Financial – you MUST have numbers in a SWOT
Product attributes

Opportunities & threats
PEST factors – with numbers
Market factors – with numbers, £s, $s, €s, %s

This all needs very close cooperation with all team members.

SWOT analysis is NOT NOT NOT NOT NOT NOT NOT NOT quick & easy!!

Which one of S / W / O / T is your key area for priority actions?

Think !! The Weaknesses need priority action, these will PREVENT your opportunities and kill you enterprise.