
BUSINESS PLAN ADMINISTRATION

Author: Bill Wright B.Com. MBA
Copyright © 1994

Purpose

To provide the knowledge, skills and attitude to administer and monitor a business plan.

LEARNING OUTCOMES

Learning Outcome 1

Provide timely and appropriate information to management to enable formulation of business plans.

Assessment Criteria

- 1.1 Describe key issues regarding the following:
 - current performance of the business
 - operational issues, including, opportunities and constraints
 - market situation analysis
 - current financial data
 - human resource issues.
- 1.2 Prepare business planning reports, including:
 - identify any research needed
 - use appropriate, relevant and current information
 - present information in a clear, concise and logical manner
 - fulfil the requirements of the business
- 1.3 Set out recommendations in reports which:
 - provide suggested courses of action appropriate to the areas of the business
 - are scheduled to facilitate the provision of information within the agreed time-frame.

Content

1.1 INTRODUCTION TO BUSINESS PLANNING

This section includes:-

- Functions of management
- Nature and purpose of business plans
- Key business planning questions
- The business planning model
- **Functions of management**
 - **Traditional View**
 - **Planning**
 - Define business, define philosophy (beliefs, attitudes, values), set objectives, define strategies
 - Avoid drift, poor or non-existent objectives and priorities, poor procedures and policies, crisis management, attempting too much too soon, unrealistic time estimates, switching priorities
 - **Organising**
 - Design organisation structure, establish responsibility profiles, approve human resource levels, provide facilities and capital
 - Avoid responsibility without authority, duplication of effort, two bosses, confused responsibilities, poor or vague job descriptions, personal disorganisation, organising before a plan is developed
 - **Staffing**
 - Job selection, training and development
 - Avoid inadequate, uncompetitive and untrained staff.
 - **Leading**
 - Set standards, establish programmes, plans and procedures for re-current activities, activate people
 - Avoid inadequate delegation, procrastination, communication and motivation breakdowns, lack of

teamwork, unresolved team conflict, inability to cope with change

- Avoid decision-making diseases like analysis paralysis, decisions on inadequate information, change for the sake of change, indecision or snap decisions
- Avoid communication diseases like failure to listen, over-communication, excessive meeting time, concern for task not balanced with a concern for people and vice versa

- **Controlling**

- Provide control information, analyse and re-plan.
- Avoid over-control, lack of feedback, failure to deal with poor performance, failure to manage by exception, lack of progress reviews, lack of standards, mistakes, inability to say “not good enough” or “no”, incomplete information for decisions, unnecessary interruptions

- **Class Exercise 1 (20 minutes)**

Ask learners to write down in five minutes one significant management problem they have personally been involved with, the actual and preferred solution and to classify it as P,O,S,L or C. Allow 15 minutes of group discussion (encourage the learners to disguise the situation).

- **Modern enhancements to traditional view**

- Search for excellence. Sees excellence as being created by individuals, not organisations. Sees leaders as mentors.
- Emphasises strategy and culture. Strategy to best satisfy consumer needs, give a competitive advantage, utilise strengths and significantly impact the bottom line. Culture to give careful attention to individual and organisational needs and develop an environment of unity, commitment to a common purpose, willingness to strive for superior performance and consistency to help attract and keep good leaders
- Vision unites strategy and culture
- Qualities desired are creative insight, sensitivity, vision, versatility, focus and patience
- Qualities avoided include short-term orientation, shallow thinking and quick-fix expectations

- **Nature and purpose of business plans**

- A business plan is a statement of ends (outcomes), and means (inputs) that results from a managed planning process.
- Whilst emphasis is on producing a plan, the process itself is of great value in shaping management effectiveness.
- Planning is deemed to be effective not only when the plan is fulfilled (by hitting the target we aimed at) but also by the process itself helping to optimise performance in a changing environment
- If management is the art of getting things done through people then planning is an activity to help managers in this task
- Planning, problem-solving and decision-making are similar processes
- Planning is becoming more necessary for survival and growth
 - We live in a rapidly changing, complex and unpredictable environment. That is why the process of planning is as important (if not more important) than the output of planning (the plan).
 - In a competitive environment the challenge is to have a dynamic planning process and team capability for planning that is more effective than key competitors
 - There is a knowledge explosion. Some fundamental knowledge endures change but much has a very short shelf life. We need information management processes to sift through the flood of data available----- and provide “intelligence” to decision-makers
 - Consider also the impact of the latest trends in information, computing, communication technology and product design.
- We plan to avoid drift, cope with change, optimise performance, provide a basis for action believing that action follows definition and definition develops understanding, unity, commitment and motivation
- The location of power and authority has shifted downwards with participative management, flatter organisation charts and decentralised management Command (except in a crisis) has given way to communication and motivation
- There has been a shift in focus from activity (inputs and efficiency) to results (outputs/outcomes and effectiveness)
- Business (or strategic) planning is a management systems approach involving top management deciding the basic mission, the desired objectives, the major strategies and policies for using resources in the context of the competitive situation, the external and internal environment, the need to build on strengths and overcome weaknesses,

the need to find opportunities and avoid or minimise threats and to manage risk.

- Operational planning involves lower level management working to sub-objectives within the context of the corporate business (strategic) plan .

- **Key business planning questions**

- The following six questions (or phases for planning) are fundamental to most business planning systems

- Where are we now? (Phase 1)
- Where do we want to go? (Phase 2)
- How and when are we going to get there? (ie ways we might go, can go and will go) (Phase 3)
- Who will be responsible? (Phase 4)
- What are the costs and benefits and resource requirements? (Phase 5)
- How will we measure progress? (Phase 6)

- **Class Exercise 2** (say 15 minutes)

- Distribute and discuss Handout 1.1a “10 Steps for Management”
- Illustrate this process in relation to planning a trip
- Discuss the similarities between planning, problem-solving and decision-making

- **The business planning model**

This model has been designed to suit a wide range of organisations and situations. It will be useful for start-up situations and for mature organisations. It will suit small, medium and large businesses, government organisations and authorities and also town and regional tourism development agencies.

See also “Business Plan Management”.

See Handout 1.1b “The Business Planning Model”.

Executive Summary

Business Profile (Who are we?)

- Business Description
- Background

- Stakeholders

Situation Analysis (Where are we now?)

- Financial Analysis
- Planning Analysis
- Macro Analysis
- Industry Analysis
- Organisation Analysis
- SWOT Analysis

Vision (Where do we want to go?)

- Mission
- Objectives
- Culture
- Policies

Direction (How and when are we going to get there?)

- Gap Closing Strategies
- Market Development Strategy
- Product Development Strategy
- Diversification Strategy
- Programs and schedules
- Priorities

Implementation (Who will be responsible?)

- Organisation
- Delegation
- Action Plan

Financial Plan (How much will it cost?)

- Resources

-
- Budgets

Monitoring (How are we going? Are we in control?)

- Management Information
- Performance Review
- Plan Modification
- **Class Exercise 3** (say 10 minutes): Group discussion about the relevance of the business planning model to career planning.

1.2 KEY ISSUES IN SITUATION ANALYSIS

This section deals with the component of the business planning model called “ Situation Analysis” (Where are we now?) which includes:

- the current performance of the business
- operational issues including opportunities and constraints
- market situation analysis
- current financial data
- human resource issues.

Distribute the assignment for Enrico’s Restaurant.

The above topics have been organised under the following headings to suit the business planning model format:-

- **Financial Analysis**
 - This module assumes learner’s have had some prior training in modules dealing with accounting and financial management
 - This module also assumes that learners will be able to apply financial analysis techniques included in modules GSM 19 Tourism Accounting and CMTR 5 Financial Administration, in this module.
 - Looks at current financial data and performance compared with
 - business and marketing plans
 - budgets
 - historical performance

- normally accepted business ratios
 - industry standard ratios (competitive standards)
- Assess profitability using ratio analysis
- Assess liquidity using ratio analysis
- Assess security using ratio analysis
- Assess the existing budgets
- Scan major funding proposals
- Assess the quality and reliability of supporting information for key budget figures and funding proposals (including existing business and marketing plans)
- Assess the financial management skills of key executives
- **Planning Analysis**
 - Is there an existing business plan?
 - Is there an existing marketing plan?
 - What other plans are there?
 - Is there a formal planning system?
 - Is the formal planning system working well?
 - Does it need to be enhanced or re-designed?
 - If so, consider the following steps
 - Stage 1 - Research. Apply the problem-solving process. What are the issues, trace the causes, define the needs, define the problem
 - Stage 2 - Design Brief. Translate the needs and problems into objectives for the new or revised planning system.
 - Stage 3 - System Design. Define and evaluate the costs and benefits of each alternative planning approach, select best alternative and define implementation requirements
 - Stage 4 - Approval. Involve all levels of management. Seek firm commitment to the approach, content, digestibility and time-table for the planning process. If top management is not fully

committed and willing to commit resources to the planning process, do not start the process.

- Stage 5 - Implementation
- Consider using outside help to facilitate some aspects of the design and implementation phases (eg analyses, feasibilities, workshops etc)
- The chief executive has a pivotal role as does the whole top management team. The CEO is the chief architect for the firms future and is responsible, among other things, for:
 - setting and maintaining a positive climate for effective planning;
 - organising the planning process and responsibilities;
 - being involved in facilitating group discussion;
 - nursing the change process, particularly when developing a service culture at all levels.
- Approaches will vary by situation and management style but a good “ice-breaker” to start top managers thinking strategically and seeing the need for planning is contained in Handout 1.2 “Top Management Ice-breakers”. The CEO would circulate this asking for initial, well thought out concepts to be presented at a top management meeting in one weeks time.
- **Class Exercise 4** (say 10 minutes). Group discussion about Handout 1.2. This could also be set as an assignment for revision purposes whereby learners would write a management report on any organisation they are familiar with or on the basis of an interview with the CEO of any tourist firm.
- Predisposition of the Chief Executive
 - The chief strategist and provides the drive, tenacity and pressure;
 - Personal attitudes, beliefs and leadership styles will influence strategy, eg.
 - An “aggressive” CEO will value strength in unity, dividing and conquering, striking while the iron is hot, massing a concentrated offensive and never yielding to an inferior force.
 - A “mild” CEO will value time as a great healer, sew seeds on fertile ground, avoid action unless success is

certain, avoid decisive engagements when weak, will start small, will believe things will get worse before they get better.

- Personal strategies are also important and may relate to personal power, timing, relationships and careers, life aspirations, habits, behavioural and decision-making ways, etc.
- Who plans? General Management
 - Ensures uniform understanding of objectives, policies, plans and methods;
 - Ensures co-ordination towards common goals;
 - Develops team-work realising that the competitive process is really between management teams in the market place (rather than products) as each team tries to out-point the others in reading the market and external forces;
 - Sifts opportunities to select the “right” risks;
 - Conforms to investment and lending expectations and enhances the attractiveness of the organisation as a funds consumer (NOTE: funding involves a marketing process);
 - Identifies strengths, weaknesses, trends and company needs in absolute terms and relative to the industry and competition;
 - Participates in profit planning;
 - Focuses on effectiveness to save energy, time and money above efficiency;
 - Encourages control using “before the facts” anticipation rather than “after the facts” remedial control.
- Who plans? Marketing.
 - Planned approach for specific share of existing markets, market growth and new markets;
 - Planned profit maintenance and improvement for existing products and to screen out product possibilities and select new products.
- Who plans? Financial.
 - To meet financial needs for growth;
 - To meet lender expectations re planning.

-
- Who plans? Production.
 - For facilities, human resources and raw material sourcing.
 - Who plans? Human Resources.
 - For selection, training and development, culture assessment, etc.

- **Macro Analysis**

This involves a wide range of enquiry, detection of trends and key issues and statements of assumptions for planning purposes

- **Economy** - What major economic developments and trends might impact the organisation and how has the organisation responded? Consider:-
 - GNP, business cycles, money supply
 - Income distribution, disposable income
 - consumption trends
 - inflation of costs and prices
 - international economic trends (eg regionalisation) and events
 - general supply and demand trends
 - locational factors
- **Society** - What major demographic and cultural developments and trends pose opportunities or threats and what actions has the organisation taken in response to them? Consider:-
 - population trends
 - unemployment
 - health and welfare
 - lifestyles, values
 - pressure groups (environmentalists, consumer protectionists, women's liberation, peace movements, local pressure groups)
- **Environment** - What is the outlook for cost, availability and the need for protection in the physical environment that we operate in or impact on and how have we responded? Consider:-

- natural resources and energy
- climatic, geographic factors
- planning constraints
- development impact
- **Technology** - What major changes are occurring in relevant product, service and process technology and how have we responded? Consider:-
 - computing
 - communications
 - materials
 - processes
 - product design
 - substitute products and services
- **Politics and Law** - What new legislation could affect this organisation and have we been re-active or pro-active in response? Consider:-
 - price control
 - industry ownership and foreign investment controls
 - design rules and regulations
 - pollution, hygiene and safety standards
 - consumer and environment protection
 - industry subsidies, protection, tariffs and import controls
 - investment incentives (depreciation allowances)
 - direct and indirect taxation
 - labour market regulation, conciliation and arbitration
- **Unions**
 - demand for improved wages and working conditions
 - strike actions

- **Industry Analysis**

This also involves a wide range of enquiry, detection of trends and key issues and statements of assumptions for planning purposes. It looks at industry demand and supply conditions.

An example of a statement of assumption is:- “the market for 3 star accommodation is expected to decrease by 10% over the next 12 months for the following reasons....” (note, these hypotheses are linked to objectives).

- **Demand**

- What is happening to market size, growth and geographic distribution? Gather statistics and prepare graphs for the total market
- Is the market expanding or contracting?
- Suitable analysis and explanations of trends, peaks and valleys in the graph in terms of underlying determinants of demand (list and weight these)
- What vulnerability is there to the business cycle and other related determinants of demand?
- What are the major segments? Segment the market data by location, product type, etc., and analyse same
- Which segments offer us the best opportunities? What segments are we in and what should we be in?
- Analysis of long-term industry sales to reveal the shape of the underlying product life cycle (market saturation or penetration curves)
- Determination of which stage of the product life cycle we are at
- Analysis of product life cycles for comparable products eg forecasters attempting to forecast demand for colour TV when it was first introduced looked at the history for black and white TV as a starting point for their forecasting assumptions
- In looking at the underlying determinants (forces) of demand try to establish links with consumer needs and behaviour research and also with product innovation
- Market evaluation for substitute products
- Study comparable markets overseas

- **Supply**

- Try to overlay supply over the demand curve to reveal unused capacity (vacancy) and include a line on the graph for capacity utilisation (eg room occupancy)
- Assess availability and risks in supply of raw materials, labour and capital resources
- List and rank suppliers (competitors)
- Assess level of concentration (eg fragmentation and prospects for industry rationalisation)
- Locational analysis (proximity to markets and raw materials etc)
- Exit barriers
- Entry barriers (economies of scale, product differentiation, capital requirements, distribution access, government policy, probable retaliation)
- Bargaining power of suppliers, etc.
- Study comparable markets overseas
- **Competitive analysis**
 - Graph market share for own organisation and for key competitors
 - Try to analyse these market share movements in terms of key historical events in marketing mix strategy
 - What competitive trends are developing in numbers of competitors, technology, promotion, pricing etc?
 - Financial analysis of key competitors
 - Management capability assessment for key competitors
 - Extent of differentiation between competitors
 - Product design comparison (features and benefits)
 - Study comparable markets overseas
- **Key factors for success**

On the basis of the industry analysis and particularly of its best performers (here and overseas) list, weight and describe the factors that are “musts” in terms of knowledge, skills and actions for optimum performance.

- **Organisation Analysis**

- **Stakeholder Analysis**

The object here is to help clarify the expectations of those who are dependent on or have a vested interest in the future role and success of the organisation. It includes:

- an analysis of owners' expectations for dividends and capital gains (satisfaction with past performance and minimum expectations for the future....so much by when or else!)
 - sharemarket assessment and expectations
 - top management aspirations
 - employee concerns for future employment prospects
 - local government concerns for economic development
 - general public

- **Management Audit**

The aim of this section is to evaluate management capability in the main functional performance areas with a view to determining strengths which can be protected, further developed and capitalised upon and weaknesses which can be overcome.

This means evaluating people and processes in the following areas:-

- **Marketing Management**

A well-researched and comprehensive marketing audit should be periodically completed. For business planning purposes, answers to the following questions may be relevant to an overall assessment of management resources and capability. Note that any one of these questions might warrant a separate management report rather than a cursory appraisal.

- **Markets**

- What conclusions can be drawn from industry demand and supply analysis as to relevant markets, segmentation, market share trends and key marketing mix strategies influencing market growth and competitive positioning?
 - What forecasts (inc. assumptions)should be made?

- Are there any economies of scale in marketing?
- What is our existing market share in total and by segment and how firmly is it being held?
- Is this share diversified or concentrated as to number of customers?
- How adequate is our existing market research?

Consumers

- How do our customers and prospects rate the organisation and its competitors, particularly on reputation, image, service quality, helpfulness and price?
- Do we understand consumer needs and the buying decision-making process?
- How adequate is our existing consumer research?
- How strong is consumer preference, customer awareness and loyalty?

Competitors

- Who are our major competitors and why?
- What are their market share trends, objectives, strategies, strengths and weaknesses
- What trends can be foreseen in future competition (including substitutes)

Marketing

- Are our marketing staff sufficiently knowledgeable and experienced?
- Are sufficient resources allocated to the marketing task?
- Can we determine profitability by product line, area, segment and in response to changes in the marketing mix?
- Are the marketing resources being allocated optimally across the marketing mix?

-
- Has any sensitivity analysis been done for switching resources from one element of the mix to another?
 - Is there a marketing plan?
 - Do we have an effective marketing planning approach, marketing information system and control procedures?

Products and services

- Do we have any locational advantages and disadvantages?
- What is our relative product strength compared to competitors and substitute products?
- How well does our product relate to consumer needs?
- What opportunities are there for innovation?
- What strengths and weaknesses have been dominant in the organisation's history (eg design features, quality, reliability, patent protection, branding etc)?
- How do existing customers, potential customers and distributors regard the organisation's products and services?
- Can each product line stand on its own feet without support from other product lines?

Pricing

- Have prices and margins changed over the product life cycle?
- Are there any anomalies in our pricing compared with the competition and how do we justify price advantages and disadvantages?
- Do we use price promotion well?

Promotion

- Are our communication objectives clear?
- Do they match our identity and image?

- Is our sales force effective?
- What steps have we taken to communicate with all our key publics?
- Is it of the right size and well organised?
- Are advertising, publicity and public relations effective?

Distribution

- What are the main distribution channels being used in the industry and which ones do we use (and don't use) and why?
- What are the efficiency levels and growth potentials for these channels in industry terms and for us?
- Are we developing support and co-operation for and with our distributors and vice versa?
- Have role and responsibility statements been determined for our distributors, wholesalers and agents?
- Are we getting value for money?
- Are there other alternatives, eg should we absorb some of these activities ourselves (transfer them to "promotion")?

- **Production & Development**

- How capable are we at product research and development?
- How competitive, effective and efficient are our production facilities, operations and quality control procedures?
- Are there any economies of scale?
- Is our level of non-productive time reasonable and competitive?
- Can we develop and produce new products on time and in accordance with design brief criteria?
- Is our buying expertise and access competitive?

-
- Are there any potential buying economies of scale?
 - **Financial Management**
 - What conclusions were drawn from the financial analysis section?
 - What is the quality of our financial management?
 - Is there a sound planning and budgeting programme for improving return on investment and managing short and long term funds?
 - Are returns on investment calculated by product line or for any other segments of the business?
 - In our long-term financial plans and capital expenditure proposals, does management understand the cost of capital in absolute terms and relative to that of our key competitors?
 - Do we understand our break-even point and is this too high to sustain the business through recessions or other downturns?
 - **Human Resource management**
 - Should this be more centralised or decentralised?
 - Are adequate procedures in place for selection, training and development?
 - Are performance appraisal systems producing results?
 - **Top Management**
 - Have top management tasks been properly defined relative to the role of the Board and lower management?
 - Are top management task and people skills effective? Is the team functioning properly?
 - Do they concentrate on business planning process/strategy issues or do they get immersed in detail?

- Is the organisational climate conducive to top performance?
- Has the overall mission (role or purpose) been clearly stated?
- Is there a hierarchy of roles and if so, how well do these integrate across the organisation?
- Is the definition wide enough to encompass opportunities and narrow enough to match resource availability and capability?
- Are the objectives clearly stated?
- What key actions or priorities can be classified as strategies?
- Is the organisation structure capable of flexing to meet market changes and competitive pressures?

1.3 BUSINESS PLANNING REPORTS

- **Introduction**
 - What are reports?
 - Verbal statements or presentations of progress and results
 - Written statements of progress and results including letters, memos, problem-solving reports, business plans, resumes, manuals, procedures etc
 - Reporting skills
 - It is a basic responsibility of every manager to record information and prepare and use reports
 - Managers must develop quality written and presentation skills
 - Many managers are critical of the quality of reports received
- **Management reports**
 - Management information system reports
 - Routine organisation-wide flow of information required to fulfil accountability

-
- Represent the results in critical performance areas related to objectives, programmes, schedules and budgets
 - Frequency and detail often varies with levels of accountability, increasing downwards through the organisation
 - Individual performance reports
 - Initiated by a manager for superiors or requested by superiors
 - Often related to the plan, confirming what scheduled tasks have been completed and the reasons why others have not
 - Reporting essentials include accountability, timeliness and variances highlighted and explained
 - **Problem-solving process**

The problem-solving (or opportunity appropriation) process is relevant to all reports as well as to planning and decision-making processes.

- Step 1 - Recognition of the problem (or opportunity)
 - A problem is a deviation from standard. This presupposes that a desired state (standard, target or objective) exists and therefore the actual state is at variance with this....hence the awareness of a problem.
 - The desired state in many cases relates to needs, eg consumer needs. Needs provide the rationale for objectives.
 - Look beyond symptoms for a cause.
 - Conduct a situation appreciation to become familiar with the facts about the environment, context and variables related to the problem. What happened? When and how? Who was involved? Why did it happen?
- Step 2 - Definition of the problem (or opportunity)
 - Probe until real problem is exposed, question the evidence
 - Attempt alternative definitions
 - From the selected definition establish the objective(s), constraints and criteria for evaluating the alternatives and guiding the problem-solving process and the implementation.

- **Class Exercise 5** (say 10 minutes). Distribute and discuss Handout 1.3a “The International Airline”.
- Step 3 - Define the alternatives
 - Search using experience, consultation, historical records, competitive situations, etc.
 - Encourage creativity using lateral thinking including brainstorming group sessions.
- Step 4 - Evaluate the alternatives
 - Make predictions about impacts, inputs and outcomes.
 - Quantify as much as possible.
 - Use the pre-determined criteria (see above) eg. Profitability, financial ratios, ROI, DCF.
- Step 5 - Selection
 - Which alternative best meets the criteria.
 - Allow for judgment, acceptable risk and personal experience, etc.
 - Question the evidence.
- **Case analysis reports**

Very often learners engaged in training off and on the job are presented with case studies to analyse and discuss. Often these require written reports and presentations. The points to keep in mind for effective case analysis are:-

- Cases differ in size, complexity and focus, etc., and so there is no standard procedure that will apply in every situation.
- Most case-analysis (and indeed investigative management reports) will follow a problem-solving process and will involve.
 - Statement of basic problem in a simple, concise and unambiguous way. If there are several, list and rank them.
 - Background information, eg industry, stakeholders, markets. Do not re-gurgitate case material. State the essential facts.
 - List the necessary assumptions made and information desired due to absence of information.
 - Define solution alternatives and briefly explain why these were selected others discarded.

-
- Evaluate each alternative (again explain why some were discarded after the evaluation process).support the alternative chosen. This is the main section of the written report.
 - List the logical steps for implementation.
 - **Class Exercise 6** (say 10 minutes). Discuss the way that these steps have been followed in Handout 1.3b “Sample Management Report”.
 - Comprehensive business planning/strategy cases will involve reporting on.
 - mission, objectives and strategy
 - externalities in the macro environment and industry
 - consideration of major trends, opportunities and threats
 - internalities of performance
 - consideration of capability strengths and weaknesses
 - aspects related to organisation, implementation and control
 - When analysing cases (or indeed most real-life situations) be mindful that:
 - some assertions may not be established fact
 - you must demonstrate that your assertions are reasonable and objective
 - try and follow normal problem-solving procedures
 - search for and delineate major alternatives
 - consider the advantages and disadvantages of each major alternative
 - be specific rather than stating broad generalisations eg. Rather than say the liquidity is bad say the current ratio fell from 2.2 in 1995 to 1.3 in 1996 representing a major weakness which must be resolved within 6 months through additional capital. Say what, when, why, how and where.
 - avoid essay formats. Have some structure to indicate logical flow
 - remember the reader and his needs. Develop a clear, concise interesting style. Make him want to turn the page.

- where information is not available make (and state) reasonable assumptions
- evaluate the values and attitudes of key managers
- justify all recommendations
- **Research reports**
 - The role of business research is related to decision-making and is to provide the decision-maker with relevant and useful information with which to make decisions
 - Research is only one of four ways to gain information along with
 - authority ie. information from credible people with expertise
 - intuition ie. based on judgment, “gut-feel” or “sixth-sense” and occurring as quick flashes of insight
 - experience ie. where past situations appear similar to present problems
 - The research process starts with a translation of management problems which need decisions into research questions. Then the researcher and the manager agree the scope and outcomes for the research, the researcher designs the strategy (approach) and process for the study and presents a research report which answers the research questions and needs.
 - What research is not:
 - mere information gathering, eg. discovery of indexed information using referencing skills or a random search through files and records
 - fact transcription without interpretation
 - What true research is:
 - originates with a question
 - demands a clear articulation of a goal
 - requires a specific plan of approach and process
 - usually divides the original problem into more manageable sub-problems
 - is tentatively guided by hypotheses

-
- involves hard measurable data
 - is often a circular process as questions and processes are refined until answers are found
 - In a more formal complex research project way this process might be described as follows:-
 - research proposal
 - problem specification
 - plan of action to solve problem
 - research design
 - structure of the study
 - measurement rationale
 - instrument design and scaling
 - sampling design
 - data collection
 - secondary data collection
 - primary data collection
 - model building
 - analytical procedures
 - data preparation and analytical techniques
 - hypothesis testing
 - analyses of variance
 - multiple regression
 - advanced multi-variate statistical techniques
 - research report
 - findings
 - means used to obtain these findings
 - report evaluation

- A less complex market research project might contain the following steps (notice the similarity)
 - define the objective of the project
 - conduct a situation analysis
 - conduct an informal investigation
 - decide if further investigation is necessary
 - plan and conduct a formal investigation
 - select the sources of information
 - select the methods for gathering data
 - prepare data gathering forms
 - pre-test the questionnaire or other forms
 - plan the sample
 - collect the data
 - analyse and interpret the data
 - prepare a written management report
 - follow up the study
- Sample structure for written research reports
 - title page
 - executive summary
 - contents
 - introduction
 - methodology (or approach)
 - results
 - limitations
 - conclusions and recommendations
 - appendices

-
- Guidelines for report preparation
 - written reports
 - Readers - know your audience
 - Content - organise the report logically
 - Style - watch your writing style (expression, grammar, colour, pace, detail, be succinct etc). Use visuals and graphics .
 - Oral presentations
 - same guidelines as above (readers, content and style)
 - be organised (plan the presentation)
 - use visual aids
 - do not read you report
 - practice
 - **Report evaluation**
 - Simple report evaluation criteria
 - Is enough information available?
 - Has enough information been gathered?
 - Is the information gathered of reliable quality?
 - Does the information relate to our research needs?
 - Does the information fit our time-frame?
 - Does the report have a logical structure?
 - Is content of the report clear and concise?
 - Does the report suggest well reasoned courses of action?
 - Is the report suitable for the purpose?
 - Complex report evaluation criteria (use a rating system for each criterion)
 - Problem development

- Was the background of the problem fully developed?
- Was the research problem clearly stated?
- Were the research objectives clearly stated?
- Were important assumptions identified?
- Research design
 - Was the research design succinctly described?
 - Was the research design appropriate for the problem?
 - Were the measurement instruments appropriate?
 - Was the sampling design appropriate for the stated problem?
- Data collection
 - Were the collection procedures described?
 - Were the collection procedures appropriate to the stated problem?
 - Were the data collection procedures implemented according to the research design?
- Analytical procedures
 - Were the procedures used to analyse the data appropriate?
 - Were the procedures to analyse the data used correctly?
 - Were the results of the analysis stated clearly?
- Reporting
 - Are conclusions stated in an unambiguous way?
 - Does the data support the conclusions?
 - Is the report written clearly?
 - Is the report logically organised?
 - Were the limitations of the study clearly stated?
 - Does the report contain all the necessary data for evaluation purposes?

Learning Outcome 2

Implement and monitor the business plan.

Assessment Criteria

- 2.1 Communicate to each appropriate level of staff the following factors:
- the objectives of the business plan
 - responsibilities in achieving the plan objectives
 - the action required of them to discharge their responsibilities.
- 2.1 Set appropriate priorities and schedules for the following:
- for meeting action plan targets
 - detailing resource and organisational requirements
 - identifying any organisational limitations or constraints.
- 2.1 Formulate procedures and schedules for the following:
- obtaining feedback from staff initially and on an on-going regular basis
 - communicating staff feedback to management providing formal opportunities for dialogue between staff and management.
- 2.1 Develop and implement systems and schedules to:
- collate and analyse results relevant to plan
 - evaluate all possible responses to the outcomes
 - determine which plan elements should be revised.
- 2.1 Set procedures to ensure that any appropriate changes to action plans are approved by management, including the following:
- communicated to staff at appropriate levels

- continue to be monitored.

Content

2.1 IMPLEMENTING THE BUSINESS PLAN

This section deals with the business planning step “Implementation” (Who will be responsible?)

- **Introduction**
 - Implementation involves all areas of management and every manager must have the ability to get things done through other people.
 - We have to get the right people in the right place at the right time with the required skills and resources to do the job better than the competition.
 - In summary, there are several key considerations for designing and managing implementation:-
 - Consolidate the key steps from the strategic programmes and schedules
 - Review the responsibility areas in terms of human resource availability
 - Review how these responsibility allocations and work-loads match the existing organisation design and responsibility profile
 - Ensure adequate physical and financial resources are available
 - Define performance requirements for key organisational units and executives
 - Determine personal motivation and incentive systems
 - Analyse key inter-relationships and co-ordination procedures
 - Ensure adequate participation of those responsible for detailed operational implementation
 - Establish appropriate information systems to ensure timely and effective measurement of performance against standards so that corrective action can be taken when required

-
- Adopt relevant training programmes to ensure implementers have the desired level of knowledge and skills before-hand
 - Ensure that all leaders understand and are committed to the implementation plan
-
- **Key questions concerning organisation**
 - Can we analyse the work to be done objectively without being biased by the personalities of current incumbents?
 - Can we get back to the fundamentals and adopt a “clean sheet” or “zero-base” approach as if the business were starting from the beginning?
 - Are we bold enough to assess whether the current organisation structure is structured for optimum performance in the sense of being designed to satisfy the requirements of the new strategies as well as sustaining the existing momentum.?
 - Has each unit in the structure the right resources for both the existing momentum and the new strategies?
 - Have we got an environment (culture) conducive to intelligent and enthusiastic participation?
 - Have the new objectives been built into the main responsibility areas (eg function, geographic area, product group) shown on the organisation chart.
 - **Principles of organisation structure**
 - **Objectivity** - productivity will increase when the work performed is directed towards tangible, understood and accepted objectives.
 - **Specialisation** - performance can be enhanced through specialisation because the division of labour matches human territorial, achievement and recognition needs.
 - **Logical Arrangement** - logically arranged work tends to produce the greatest accomplishment and highest personal satisfaction for the largest number of people over the longest period of time
 - **Minimum Resources** - full loads should be allocated to avoid waste, forced busy-ness, tension and frustration
 - **Maximum Span** - the more people each manager can effectively manage the smaller the total numbers required.

- **Minimum Levels** - the fewer the levels (the flatter the organisation chart) the greater the potential effectiveness for the people involved.
- **Split Groupings** - to be avoided if possible because they encourage duplication and force the supervising manager to spend unnecessary time co-ordinating the split groups activities eg a marketing manager who supervises an advertising manager, a sales manager, a research manager and a product manager.
- **Management Bias** - a natural tendency for managers supervising two or more different functions, products or geographic units to favour the most familiar or the closest.

- **Types of organisation structure**

We are looking for a consistent pattern of grouping work to be performed and that will best satisfy corporate objectives.

There are three types:-

- Functional organisation structure
 - The key word is **specialisation**. Grouping is made in terms of the different kinds of work to be performed with each position specialising in one kind of work
 - Suits small organisations
 - Economical to administer and flexible
 - With growth the tendency is to add layers which creates problems with communication and decision-making and also as the organisation expands into new products, markets and areas
- Divisionalised organisation structure
 - The key words are **end result accountability**. Work is grouped in terms of the end results desired and therefore accountability is for the completed end product, not just for parts of it
 - Primary kinds of work necessary to achieve overall objectives are to be performed within the same organisational grouping
 - Usually occurs at the first level (below the CEO) on the basis of products, markets or geographic areas
 - In large diversified organisations some activities might be centralised eg legal, corporate public relations, personnel management

-
- Matrix organisational structure
 - The key words are **project-orientation**. The work to be done is grouped in terms of projects or programmes which have a limited life span.
 - Some activities might centralised
 - Sometimes project teams are established within a functional or divisionalised structure, requiring a manager to incorporate a project leadership or membership responsibility with their existing responsibility
 - **Class Exercise 7** (say 10 minutes). Discuss Handout 2.1a “Ford Motor Company Top Management”.

- **Organisational change**

The following steps are essential when planning organisational change

- Establish the design criteria for the new structure. This involves an understanding of the business plan, particularly mission, objectives and strategies.
 - Define the existing structure and responsibility profiles
 - Define the ideal organisation in terms of the planning requirements and not the existing people. Develop the structure first and then the people. Do not develop the ideal structure around the strengths and weaknesses of existing people.
 - Define short-term improvements required, eg clarify responsibilities, streamline, cut duplication, etc.
 - Develop a staged organisation development plan to move the structure from where it is to what is desired in the long-term.
 - Implementation involving good communication and participation.
- **Delegation**
 - Delegation is an act and/or a process of assigning responsibility, authority and accountability to others.
 - Getting others to do work effectively is a key part of a manager’s job because it conserves resources for more important activities and multiplies key strengths through the work of others.
 - Sub-objectives in the key result areas need to be defined by those responsible before delegation eg marketing manager identifies the key factors for success in the whole marketing plan to be sales incentives and differential pricing.

- delegation involves job design, management by objectives, selection, training and development.
- problems in delegation.
 - Responsibility and authority not defined
 - Authority not delegated with responsibility
 - Fear and insecurity producing interference. Often we find it hard to let go. We fear that the job won't be done properly and become concerned over "inputs" rather than "outcomes". Often there is difficulty in accepting that others might work in a different way.
 - Good ideas get lost because of vague responsibilities, particularly with committee work
 - Participation sometimes wrongly encourages group rather than individual responsibility. Where advice is proffered this does not necessarily mean shared responsibility for decision-making and implementation
- Steps for effective delegation
 - Identify existing accountability command points. Accountability is the obligation to do the work with the allocated resources and authority to agreed standards.
 - Clarify responsibility (the work assigned to a position)
 - Line responsibility - refers to those areas that the manager is directly responsible for, from conception through to final execution
 - Staff responsibility - areas for providing advice (eg suggestions or recommendations) and/or service
 - Clarify authority (the sum of rights and powers assigned to a position)
 - Command authority - this is the right to make the final decision.
 - Recommendation authority - this is the right to offer recommendations and for feedback on consideration and implementation of those recommendations
 - Approval authority - the right to approve a decision before it is finalised

-
- Information authority - the right to receive relevant information about plans and decision proposals etc in addition to the routine reporting system
 - Re-define responsibility, authority and accountability and
 - Ensure the provision of resources in the right quality, quantity, time and place
 - Ensure the provision of reliable information (intelligence) at the time and place of decision
 - Agree and establish controls by exception with adequate feedback mechanisms
 - Confirm commitment by double-checking that the key components of vision and direction in the business planning process are believed and understood and that there is genuine commitment to what is expected (not just to what might be inspected)
 - Prepare appropriate job descriptions.
 - **Class Exercise 8** (say 10 minutes). Distribute and discuss Handout 2.1b “Sample Job Description”
 - Preparing for delegation
 - Technical and routine work are often prime areas for delegation
 - Final management decisions, unresolved technical issues and new work are difficult to delegate
 - Define and discuss what results are expected in the form of delegation standards (performance criteria)
 - Define and discuss the major programme steps
 - Define and discuss the major scheduling requirements (eg due date, interim progress reporting dates)
 - Define and discuss budget requirements, particularly expenditure limits
 - Communicate, educate, participate, motivate
 - Steps for testing capacity for delegation
 - Start out easily by encouraging people to answer their own questions eg what do you think?
 - Require solutions not problems eg ask for recommendations

- Facilitate the persons problem-solving process through discussion
 - Select short assignments, gradually increasing the level of difficulty
 - Extend the gap between monitoring sessions
 - Deal with mistakes patiently
 - Require completed reports that are good enough to sign off yourself
- **Action plans and implementation audit**
 - Action plan
 - A written summary statement of who does what and when?
 - Detailed action plans are completed after delegations have been put in place
 - Milestones and completion dates drafted in major programmes are validated and locked in
 - Implementation audit
 - Leadership
 - Do superiors have confidence and trust in subordinates
 - Do subordinates feel free to discuss major parts of their jobs with superiors
 - Do superiors seek and use subordinates opinions
 - Motivation
 - Are high performance motivators used (eg achievement and recognition)?
 - Do subordinates feel a high degree of responsibility?
 - Communication
 - Have the objectives of the business plan been communicated, understood and accepted?
 - Have the responsibilities in achieving the plan objectives been clarified and accepted?
 - Has the action required of them to discharge their responsibilities been developed in conjunction with those responsible?

-
- Procedures and schedules
 - Have procedures and schedules been developed to obtain feedback from staff initially and on an on-going regular basis?
 - Are formal opportunities in place for feedback and dialogue between staff and management
 - Priorities
 - Are staff clear on their priorities and schedules for meeting action plan targets?
 - Have all the necessary resource and organisational requirements been identified?
 - Are there any organisational limitations or constraints?

2.2 MONITORING THE BUSINESS PLAN

This section deals with the business planning component “Monitoring” (How are we going? Are we in control?)

- **Features of monitoring and control systems**
 - Monitoring refers to the control function in management. The plan establishes a course of action and monitoring is essential to see that the organisation stays on course.
 - Monitoring is the work a manager does to assess and regulate work in progress and to assess results secured.
 - The benefits of control are:
 - better scope for delegation
 - fewer boundary disputes
 - better feedback about performance and recognition of achievement
 - The systems for control are
 - business planning system
 - management authority and responsibility system
 - funding approval system

- supply, production and distribution systems
- management information system (inc. accounting, marketing, human resources, projects etc)
- The principles of control are
 - The critical few
 - A small number of causes induces the largest proportion of results therefore we must identify the critical factors that will give rise to most of the consequences
 - For example, a small number of products or customers might yield the most profit. A small percentage of defects might cause the most waste. A small percentage of customers might cause the most bad debts.
 - This principle enables us to focus the greater part of our energy and resources on the few variables that yield the greatest results
 - The point of control
 - The greatest potential for control exists at the point where action takes place
 - Reason for de-centralised control
 - This recognises that the people doing the work are (or should be) the most concerned about its accomplishment and therefore
 - should have and receive the most information about the work being done
 - should be the first to receive this information
 - Self-control
 - Tends to be the most effective control
 - Constant correction by others builds resentment and lower enthusiasm
 - Better for people to have the tools to check themselves and correct their own mistakes
 - Requires participation in establishing plans and standards

-
- Variances still need to be reported to superiors
 - **Management information systems (MIS)**
 - **Definition**
 - The ability to collect, analyse, store and report information is the key to fast, precise and flexible monitoring and control.
 - MIS refers to the development and implementation of systems and schedules to collate and analyse results relevant to plan and includes data for performance standards, measuring performance, evaluating performance and taking corrective action
 - **Performance standards**
 - Performance standards are criteria specified in advance by which work and results can be measured and evaluated
 - They provide a way of differentiating between good work and poor work and validating evidence of acceptable performance
 - Managers must be able to articulate and communicate the difference between good work and poor work and the criteria for excellence in all areas of delegation
 - good plans vs. poor plans
 - good organisation vs. poor organisation
 - good training vs. poor training, etc.
 - Standards are developed after objectives in the form of sub-objectives, programmes, schedules and budgets
 - Standards must be realistic in terms of past performance but not set too low, producing slackness, or too high, discouraging achievement
 - Participation builds understanding and acceptance
 - Keep standards flexible by being willing to amend unrealistic plans
 - **Measuring performance**
 - Records and reports provide the means for measuring performance against standard

- System reports
 - usually written or computer generated
 - cover the whole organisation
 - provides managers with data relating to their accountability
 - should focus on critical objectives and critical performance areas
- Individual reports
 - can be written and oral
 - go to superiors for review and discussion
 - usually related to the business plan and budget
- Additional requirements of all reports
 - stewardship accounting - which relates costs, income and resource use to accountability areas (eg cost or profit centres)
 - promptness
 - understandability
- **Evaluating performance**
 - Actual data allows comparison with the plan
 - These results must be analysed and interpreted
 - Includes formal performance reviews (say every six or twelve months) and more frequent informal reviews (say weekly or at least once per month). The accountable person explains performance against the plan and the reasons for exceptions. Problems are identified and explored and significant elements for the new plan are discussed, agreed and scheduled.
 - Involves developing and implementing systems and schedules to
 - analyse results relevant to plan
 - identification of tolerable and exceptional deficiencies
 - evaluate all possible responses to the outcomes

-
- determine which plan elements should be revised

 - **Taking corrective action**
 - Control is effective when managers are prompted to take remedial action themselves
 - There are two types of corrective action
 - operating action - to deal with short term variations as a matter of routine
 - management action - where an analysis of the basic cause concludes that more fundamental changes are required to the plan
 - Where it is necessary to change the plan, procedures must be developed to ensure that any appropriate changes to formal action plans are
 - approved by management
 - communicated to staff at appropriate levels
 - continually monitored
 - It may be necessary for people to take responsibility to change themselves or ultimately (after due process) have their responsibilities changed.

Assignment: Enrico's Restaurant

The attached case study and supporting financial statements have been prepared to facilitate learning during this module. Accordingly, learners should be advised to be familiar with the case from the beginning of the module so that they can develop their ideas during learning activities.

You are a consultant retained by Enrico's Restaurant to advise on implementation of a business planning process for the organisation. You have studied the 5 year financial history and completed pessimistic and optimistic budget forecasts for 1995 and 1996 off the top of your head without any marketing or business planning input from the organisation. You are anxious to validate these estimates and to show how business planning, marketing planning and budgeting processes can be merged.

Prepare a management report of not less than 7500 words and not more than 10000 words for Mr Enrico Bosconi detailing your analysis and recommendations.

ENRICO'S RESTAURANT

The restaurant was opened five years ago and is located in the city of Adelaide, South Australia. Its exact location is in Rundle Street East in an area known as the East End Market Precinct. This is a rapidly growing trendy area for retailers and restaurants and has been attracting patronage from the once dominant area on the other side of town known as Hindley Street. There is a large campus nearby and this led to an early policy of only employing young university students as waiters.

The restaurant has a bar, referred to simply as "The Bar", which seats 60 and is a popular spot for both drinking and dining. 250 can be seated in the dining room and 60 in the lounge. The two main dining areas in the dining room are called "The Club" (seats 100) and "La Mensa" (seats 150). The Club has a separate entrance and can be used for private groups.

The menu features a mixture of traditional counter meal food and some trendy Italian foods of excellent quality which combines well with the excellent service.

The owner-manager is Enrico Bosconi. Enrico splits his time between the kitchen, dining and management areas. He tries to spend as much time as possible with clients and has taken personal responsibility to see that nobody leaves the premises dissatisfied. If a customer is unhappy Enrico, as a final resort, will offer a complimentary meal or a discount.

Enrico loves to personally promote the business, describing it as having a loyal clientele because of consistent high-quality food and drink, full service and a family atmosphere for both guests and employees. His original concept was to provide a fun, medium priced environment for lunch and evening dining with consistently good food and entertainment.

In the immediate city area there are four privately owned establishments that are direct competitors and several fast food restaurants. Larger restaurants like the "Sizzlers" chain restaurants are located on the parkland fringe near the city and have been serious competitors in recent times.

Enrico considers that they offer more service, selection and entertainment than the fast food restaurants but more difficult to differentiate from the chain restaurants except perhaps that his restaurant is less commercialised, the dining area a little more intimate, the menu more innovative and prices tend to be lower.

The menu is in fact comparable to high quality counter meals provided by trendy village style hotels. There is a variety of snacks and appetisers and Enrico's entrees are renowned for their size and creativity and value for money. Prices are set having in mind costs, competitor prices and the need to create specials.

The restaurant's image is reasonably strong but, judging from a comparison of promotional material, is not well defined. There is some advertising in the local newspaper in the dining out section, some radio spots and some advertising in Tourism South Australia tourist information material. There is a local restaurant association and a local retail traders association. Both have a wide range of statistics about the industry in general and have an extensive library of trade magazines.

Informal research suggests that bar prices are in line with what customers expect to pay and that customers feel more at home at Enrico's than, for example, at Sizzlers. Enrico would be really interested in finding out more about the competition and their customers. He often sends employees to other restaurants to gather information and gets them to make notes of the number of people dining, menu items and prices and daily specials. He then has his secretary record these on a personal computer.

Enrico now realises that he must try to understand his market better. He has held discussions with the Rundle Mall Management Committee, the Retail Traders Association and the Adelaide City Council to try to understand whether the area is growing or declining. He has driven around the area to explore new restaurant and office construction and endeavoured to do a head count of office population in the immediate area. Real estate agents confirm his expectations that the area is set to enjoy reasonable growth in the immediate future.

Financial performance for the restaurant is shown in the attached documents.

As an indication of costs and prices the lunch menu consists of Soup \$2.50 (food cost 30 cents); Salad \$3 (cost 45 cents); Open Sandwich \$5 (80 cents); Fish \$6.95 (\$2.20); Veal \$7.50 (\$2); Pasta \$5.90 (80 cents); Dessert \$3 (50 cents).

Enrico has just completed a plan to improve product mix and which involves waiters influencing customers on menu choice. Before this plan a typical lunch day was as follows: soups (30 customers); entrees (60); salads (30); open sandwiches (20); fish (20); veal (10); pasta (10) and dessert (10). After the new plan the statistics were soups (30); entrees (60); salads (40); open sandwiches (20); fish (10); veal (10); pasta (20) and dessert (10). Enrico was keen to know the impact these changes would have on the business.

Prices for the early bird dinners were approximately 20% less than the usual menu. One of the most popular items is "chicken alla cacciatore". It sells for \$10 and costs \$3 to produce (food only). It is discounted to \$8. Prior to this early bird strategy, the dining rooms were relatively empty between 5pm and 7pm. Enrico was unsure however what proportion of early bird customers had been previous loyal dinner customers. Two advertisements are run each week in the local paper to promote the early bird special costing \$300 each. In addition, there are two radio spots per day four days a week, costing \$200 each. Enrico believes that 10 people a day have switched to the early bird offering, costing him \$2.20 each on average for the early bird discount. His records show that 100 people are patronising the restaurant during the early bird hours producing a contribution (price minus food cost) of \$5.40 per person;

Several options for expansion have been considered including doing outside catering from the special counter meal menu, the periodic hire of bands or other entertainers to improve late night bar business and the commencement of an early bird special to attract customers to the dining room before 7pm.

Their best customers dine out two or three times a week and Enrico tries to sustain their patronage with specials and menu changes but most do the rounds of competitive restaurants. The competitors seem to focus on the young singles market, which allows Enrico's to dominate family oriented catering. The majority of business comes from couples and small families.

Local business people were mainly attracted from neighbouring office blocks to the lunch and catering for dinner meetings. They are able to get a quick lunch during their lunch break and prices are kept within reasonable personal dining and expense account limits. These patrons respond mainly to advertisements in the paper, drive time radio spots, the good parking facilities nearby and the cosmopolitan character of the East End Precinct.

Couples who live within the city and on the outskirts of the parklands adjacent to the city tend to leave their children at home whilst they dine. The couples market is drawn from 25,000 home owners who live within a radius of 10 kilometres from the restaurant. The 10 kilometre catchment area was more closely defined using 15 minute driving time contours. Families respond well to the early bird offerings.

Singles (which includes students from the local universities and TAFE colleges) respond well to dinners but were only small users of lunches, early bird offerings and catering.

The senior citizen market accounts for 60% of the early bird customers. They are attracted to the early bird special menu because of its quick service and reasonable portion sizes. They respond to coupons from the newspaper advertisements and on senior citizen oriented radio programmes. They also appreciate the easy accessibility, ramps for disabled and bright lights at the tables but are becoming increasingly disenchanted with conflicts and noise with happy hour customers. Research among early bird patrons has since confirmed all patrons are concerned about drunkenness and noise. Enrico knows that he will have to improve separation between the bar and the dining room. Also with the growing increase in family patronage Enrico was considering ways of improving access to toilets to prevent children's exposure to happy hour revelry.

The restaurant has not suffered from legislation regarding liability for alcohol abuse. The happy hour product, however, did lead to excessive drunkenness on occasions and Enrico was worried about possible third party liability. Enrico believed that he should increase the amount of food served during the happy hour to reduce risks in this area and to try and provide a link between happy hour and after 7pm dinner by encouraging happy hour patrons to stay on afterwards for dinner.

Enrico has endeavoured to make use of the latest technology by upgrading his kitchens and installing microwave ranges. The chef is concerned about this practice and Enrico hopes that there is no consumer reaction against microwave food preparation. Enrico has also discussed the issue with the local school of hospitality who are knowledgeable about the technology but not about its impact. They promised to do some research on the matter.

The recent recession has affected the restaurant sharply. This has caused the vacancy of one extremely large office building when its activities were shifted to Sydney as part of a rationalisation programme.

Fortunately Enrico has since learned that an application for planning approval has been lodged to convert the large office building into apartments (subject to consent) and that a large under-utilised area, previously a wholesale fruit and produce market, appears set for redevelopment with large scale residential and retail construction.

A marketing student recently completed an exercise comparing the strength of market demand with product benefits. Enrico's rated as medium benefit in a strong market relative to his main competitors indicating that the number and type of services offered could be expanded in order to achieve a strong benefit rating. The top rating restaurant with a full range of benefits in a strong market provided full service with French cuisine. They dominate the high priced end of the market.

Another competitor achieved a slightly higher rating than Enrico's because it had a larger menu, several banquet rooms and a lower patronage to waiter ratio (because the menu was more complicated). Two other restaurants rated lower than Enrico's had a limited menu but quicker service and their prices were lower and they had lower wages and inventory.

As a result of this study, Enrico was tempted to raise prices on the basis of market strength but was concerned about the overall economic recession, fearing that higher prices might deter people from dining out and switching preference to other non-restaurant products.

Enrico thought that he might be able to compete more directly with the French restaurant through an improved image and careful promotion.

The marketing student proposed a range of strategy to help Enrico's recover lost sales in the local business segment. It was based on re-introduction and positioning as a casual dining and drinking establishment and as a full service location for small meetings. The justification for this strategy was that his preliminary research has demonstrated a need for this type of establishment, that the segment was growing (despite office closures), that the competition was weakest in this segment and does not have the capacity to meet the demand and because these patrons are most likely to be converted to dinner and weekend dining.

Enrico felt the need for some budgets and specific targets for the coming year. He would like to increase meetings to 15 per month, the number of lunches sold to an average of 150 per day with an average bill of \$8 per person and to score a rating of at least 8 out of 10 on the guest comment cards.

After discussion with his wife, banker and the marketing student he felt that he must have a business plan, a marketing plan and detailed budgets for the next 2 years. He wanted two budget scenarios for each year, pessimistic and optimistic, quickly prepared to help him size up the task and to help screen ideas for improvement in business performance.